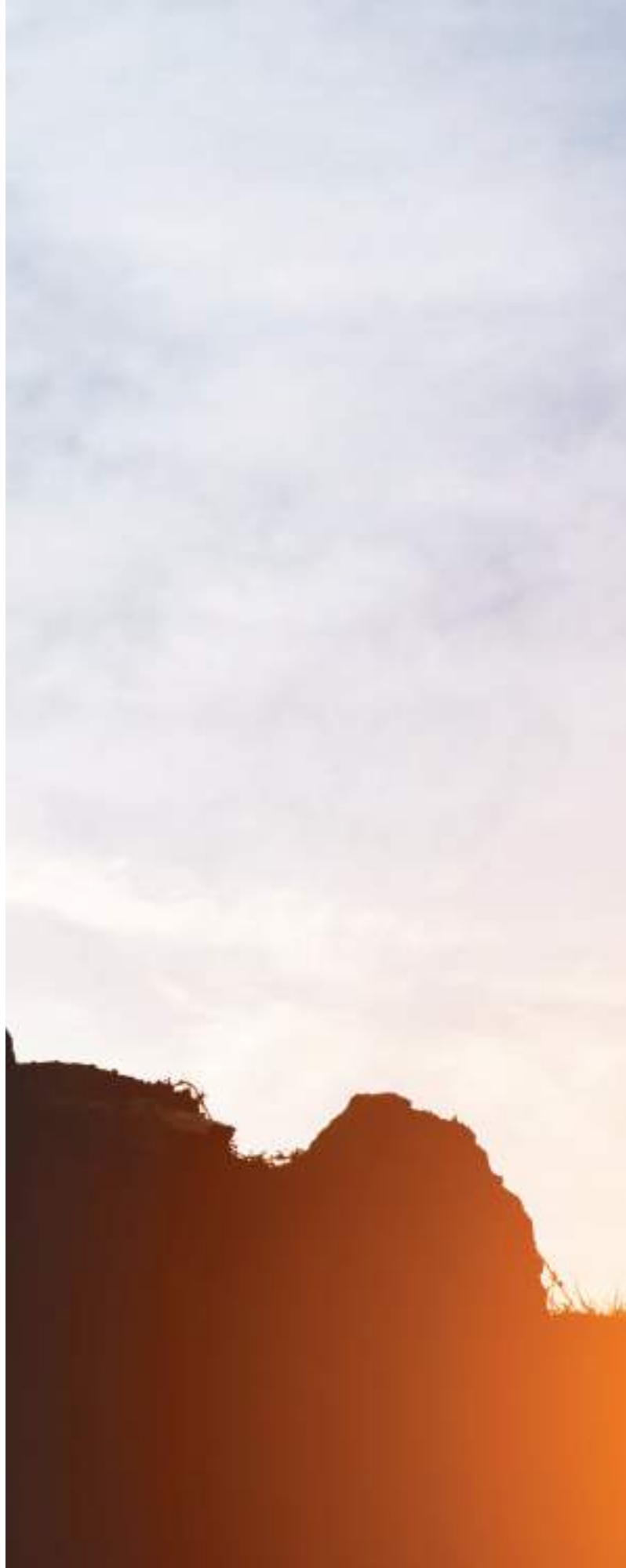


PERSPECTIVE

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**IT'S FINE TO
CELEBRATE
SUCCESS BUT IT IS
MORE IMPORTANT
TO HEED THE
LESSONS OF
FAILURE.**

//



Bill Gates
American Business Magnate

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

The COVID-19 pandemic has gone on for three years and despite it still being a threat, thankfully the world is now transitioning into the endemic phase. I am happy to see that despite the adversity, the Group has achieved credible recovery, learned from the crisis and excelled as a team.

At the onset of the crisis, the Group Management Committee acted swiftly to set up the Business Recovery Task Force (“BRTF”), which reports to the Board on a quarterly basis. This task force drives the Group as a converged platform where crucial decisions were taken collectively and quick interventions implemented from a central focal point.



The Star CarSifu Editor's Choice Award 2022 Best Large SUV winner, the Proton X70, being assembled in Tanjong Malim

CHAIRMAN'S MESSAGE

DRB-HICOM rose to the occasion and delivered impressive growth against a challenging backdrop. It achieved revenue of RM15.5 billion in the financial year ending 31 December 2022, 25% higher than the RM12.4 billion achieved in 2021, while registering profit before tax of RM291.1 million. The Group's financial performance and strategic direction reflect its efforts to maintain consistent business expansion and long-term sustainability, with our subsidiaries already regaining or well on the way to full productivity post the pandemic debacle.

Enhancing corporate values through culture transformation

During the past year, DRB-HICOM has been striving to reposition and reshape the entire group as a part of its comprehensive, multi-year transformation. The Group reviewed its vision, mission and purpose statements with the aim of rallying its forty thousand employees. It is crucial to connect with all of them emotionally, and to align our efforts to reform every facet of our business.

At the core of DRB-HICOM's transformation journey is a holistic approach to the rejuvenation of the brand. The Group employs a multi-pronged strategy to unlock its brand value, to reinvigorate its dynamism and to enhance its position in the market. It emphasises cultural transformation as its central narrative in order to accelerate growth. In addition, it counts on the leadership at the subsidiaries to transcend the whole initiative and to hasten the transformation process.

In 2022, DRB-HICOM's automotive brands including PROTON saw higher unit sales, while at Pos Malaysia Berhad ("Pos Malaysia"), the transformation journey has seen some fruits of their labour, although the journey is fraught with challenges in their dynamic environment. Elsewhere, growth momentum was also achieved in our banking, aerospace, and defence sectors. In addition, PUSPAKOM Sdn. Bhd. ("PUSPAKOM") has recently secured a 15-year extension for its motor vehicle inspection services.

Digitalisation is the key driver of transformation

Aware that digitalisation is a must, DRB-HICOM has made major progress in adopting digital technology to provide exceptional customer experience, increase productivity, process automation and accuracy in reporting. Various improvement activities were implemented in 2022 and they will continue in 2023 and beyond.

At DRB-HICOM, people are at the centre of its digitalisation efforts. As a part of its cultural transformation agenda, it embeds a data sharing mindset and behaviours that align with digitalisation. In order to drive digitalisation, the Group invests in hardware as well as in its people.

Committed to the ESG journey

As a highly diversified organisation with operations that stretch into various industries, DRB-HICOM recognises that its environmental, social and governance ("ESG") journey will contribute to the fundamental issues that impact the community. Consequently, it strives to ensure that it is part of the solution.

DRB-HICOM's ESG vision and principles are ingrained across its business units and its progress in 2022 is highlighted throughout this report. The Group's commitment to sustainability ensures that its climate change mitigation and adaptation measures align with the Task Force on Climate-Related Financial Disclosures ("TCFD"). DRB-HICOM commenced its TCFD journey in 2021 and this year, systems and frameworks have been established to guide its entire organisation regarding the efficient use of resources and responsible business practices. The objective is to create long-lasting value for all its stakeholders in a responsible manner.

The Group has defined its sustainability targets, roadmap and deliverables, including the Group's renewable energy contribution target by 2035, increasing women representation in management and data privacy targets.

For DRB-HICOM, its people anchor its ESG commitments and they remain at the heart of its operations. It is steadfast in creating an appealing work environment with reduced bureaucracy and robust communication channels that foster innovation. Its unswerving focus on its people infuses innovation and leadership qualities as it evolves into a new-age company with ESG-focused sustainable growth.

Outlook

Moving forward, DRB-HICOM will continue to deliver long-term value to its stakeholders. It will optimise shareholder return while investing for long-term growth and enhancing corporate value. The Group achieved a commendable turnaround due to its management's systematic and targeted approach group-wide. The approach included a review of leadership capabilities, business models, business processes and organisational culture. Heartened by the success of its recovery, DRB-HICOM is confident to emerge even stronger.

Acknowledgments

On behalf of the Board of Directors, I wish like to express our gratitude to our valued shareholders for their strong support through the years. Our sincere thanks go to the leadership team for guiding DRB-HICOM through adversity during the past year. To all our staff, we are grateful for your dedication, integrity and loyalty. It is your commitment that has led the Group to the success that it enjoys today. I must also register our appreciation to the Government Authorities, our regulators, our partners, our vendors and all others who have been so supportive during these challenging times.

Last but definitely not least, the Board and I express our utmost thanks and gratitude to Sharifah Sofia Syed Mokhtar Shah for her services during her stint on the Board. Always insightful and curious, I enjoyed the deliberations I had with Sofia, and wish her all the best. I must also welcome on board our newest member, Uji Sherina Abdullah who joined us in March 2023. Her experience in human resources and information technology will be a great asset for the Board, and I wish her the best as well.

Thank you.

Wan Zul

MANAGEMENT DISCUSSION AND ANALYSIS

Group MD's Foreword

During the financial year 2022, the negative effects of the global pandemic continued to diminish. Business activities across all sectors gradually revived and this led to a rush to fulfil pent-up demand for vehicles. The Group was ready to face the anticipated rise in demand due to the mitigation measures that were implemented in previous years, allowing the Group to respond to the volume upsurge.

DRB-HICOM's agility and resilience enabled it to cope with rapidly evolving circumstances in the operating landscape. There were challenges such as the global shortage of microchips and the big Selangor flood, which affected our facilities. However, the Group gained momentum towards the second half of the year and several segments achieved commendable results.



The Proton X50 remains the most popular SUV in the country

MANAGEMENT DISCUSSION AND ANALYSIS



Euromobil Sdn. Bhd. accounts for 77% of Malaysia's total Audi sales

OUR MACROENVIRONMENT

In 2022, Malaysia's gross domestic product ("GDP") growth was at 8.7%, the highest growth in 22 years, and one which exceeded the estimate of 6.5 to 7%. This was supported by, among other factors, the recovery in private spending and investment, a decline in unemployment rates and the strengthening of the Ringgit.

The growth spurred the economy's revival and its impact was evident in the Group's performance across its broad spectrum of businesses.

PERFORMANCE HIGHLIGHTS

The Group's Automotive sector experienced a significant boost from the extended exemption of sales tax until 30 June 2022 with PROTON charting its fourth consecutive year of growth. The national carmaker continued to reinforce its status among Malaysia's top car brands. The brand also saw exports grew by 79.1%.

Total Industry Volume ("TIV") for vehicles surpassed the targeted 600,000 units, at 720,658 units, exceeding the previous record of 666,674 set in 2015. Total Production Volume ("TPV") also increased to a record high of 702,275 units.

New passenger and commercial vehicles registered in Malaysia

Segment/Units	2021	2022
Passenger	452,663	641,773
Commercial	56,248	78,885
Total Production	508,911	720,658

Source: Malaysian Automotive Association

Vehicles produced and assembled in Malaysia

Segment/Units	2021	2022
Passenger	446,431	650,190
Commercial	35,220	52,085
Total Production	481,651	702,275

Source: Malaysian Automotive Association

MANAGEMENT DISCUSSION AND ANALYSIS

This volume upsurge clearly benefited the performance of various companies under the Group, from the manufacturers right up to retailers. Manufacturing companies such as HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd., distributors like Honda Malaysia Sdn. Bhd., Isuzu Malaysia Sdn. Bhd. and Mitsubishi Motors Malaysia Sdn. Bhd., as well as the retail companies under EON Bhd, namely EON Auto Mart Sdn. Bhd. (dealers for Mitsubishi), HICOM Auto Sdn. Bhd. (dealers for Volkswagen) and Automotive Corporation (Malaysia) Sdn. Bhd. (dealers for Isuzu trucks and commercial vehicles) all exceeded their targets and consequently, reported increased revenues.

The entire automotive eco-system also rode on this positive wave, with the Group's components manufacturing and engineering companies showing excellent performance in 2022. HICOM HBPO Sdn. Bhd., the leading supplier of front-end modules to major automotive brands, achieved its best-ever performance by reporting a revenue of RM109 million while precision plastic injection mouldings specialist, HICOM-Teck See Manufacturing Malaysia Sdn. Bhd. recorded a revenue increase of 47%. PHN Industry Sdn. Bhd., a Tier 1 manufacturer of automotive components, ended the year with a similarly strong showing with a 43% revenue increase.

Meanwhile, the transformation process of the Group's Postal sector is on track to meet specific milestones. It is adopting proven technology and strategic approaches to derive better yields from targeted segments. Efforts to streamline and upgrade its operations are already showing positive results.

The rebound in economic activity positively impacted DRB-HICOM's Banking sector with Bank Muamalat Malaysia Berhad ("BMMB") experiencing a record profit year as well as an uptick in new accounts opened.

On-going digitalisation initiatives for our Services sector have unveiled fresh opportunities for PUSPAKOM Sdn. Bhd. ("PUSPAKOM") in non-mandatory inspection areas. The innovative ventures are expected to generate new revenue streams.

The sector's Aviation segment achieved an impressive turnover due to the reopening of international borders, creative marketing and performance-enhancing upgrades throughout its operations.

OUR FOCUS

The removal of COVID-19 restrictions gave us the momentum to push ahead, and thus the Group focused on streamlining operations, enhancing the synergy between the various subsidiaries, boosting technological capabilities and optimising cost efficiency.

Despite the sustained challenges that continued into 2022, the Group's resilience enabled it to discern areas of opportunity to diversify into. This involved the Group's subsidiaries leveraging technological advancements to cater to evolving customer needs in the post-pandemic world while increasing efficiency.

The Group's Business Recovery Task Force ("BRTF") was established in April 2020 to assess risks and opportunities, and to formulate holistic plans to overcome challenges. The BRTF optimises the Group's synergies by identifying ways for different business units to support each other in maintaining optimum output. The BRTF is complemented by the Group's Cost Reduction and Optimisation Programme ("CROP") which was initiated in 2019.

Due to the Group's strategies and the drive of its workforce, DRB-HICOM ended the year on a positive note, charting a historical high for the Automotive segment.

FINANCIAL PERFORMANCE HIGHLIGHTS

The Group recorded a net profit of RM187.71 million in 2022, rebounding from a net loss of RM296.42 million in 2021.

The main contributor continued to be the Automotive segment, which brought in RM11.09 billion to overall revenue, 35.2% more than the previous year's revenue of RM8.2 billion. This was followed by the Banking segment, which contributed RM1.29 billion in revenue.

Revenue growth was consistent throughout the Group's Automotive, Aerospace and Defence, Banking, Services and Properties sectors.

MANAGEMENT DISCUSSION AND ANALYSIS



Besides inspection centres, PUSPAKOM also has Mobile Inspection Units to enable it to serve more customers

The Automotive sector recorded higher revenue mainly from PROTON, automotive distribution companies and manufacturing and engineering companies. The higher delivery of defence products, single-aisle aircraft parts, and resumption of delivery of certain aircraft parts following the recommencement of international flights resulted in an improved performance for the Aerospace and Defence sector.

Revenue contribution by Sector

Sector	RM Million
Automotive	11,086.51
Aerospace and Defence	874.91
Postal	1,232.76
Banking	1,268.33
Services	734.77
Properties	314.73

The Banking sector posted higher revenue mainly due to higher financing income which is attributed to the increase in financing volume along with a rise in the Overnight Policy Rate ("OPR") to 2.75% in the current year against 1.75% in the previous year.

The improved performance of the Services sector was due to the increase in revenue from in-flight catering and ground handling services. However, this was partially offset by lower revenue from the logistics business.

The Properties sector saw higher revenue from its projects but lower revenue was recorded at the construction sub-sector. The Postal sector recorded lower revenue mainly due to the decline in courier business following the decrease in overall parcel volume, especially from contract customers. In addition, major e-commerce players leveraged their insourced delivery capabilities while international players pursued penetration strategies to secure a larger market share in the courier business.

The details of the sectoral performance are dissected in the Operational Review and Business Review segments in the following pages, where the key milestones and challenges of FY2022 are also highlighted.

ACKNOWLEDGEMENTS

I wish to express my deepest gratitude to the Board of Directors of DRB-HICOM, including Miss Sharifah Sofia Syed Mokhtar Shah who left the Board in 2022. A word of thanks also goes out to the senior management team and the employees of DRB-HICOM, who's passion and commitment have been instrumental in the Group's performance. I hope this energy can be carried through the current year to enable us to deliver a better 2023.

May we progress on the path to greater success.

Thank you.

Syed Faisal Albar

OPERATIONAL REVIEW

AUTOMOTIVE SECTOR



EON's PROTON showroom in Alor Setar, Kedah, its first Platinum outlet in the country

Key Highlights

2022 marks the fourth consecutive year of growth for PROTON. The national car company continued its upward trend with a sales tally of 141,432 units sold, the highest since 2013. This was an increase of 23% or 26,724 units from 114,708 units sold in 2021. PROTON's strong performance brings it closer to the top position in the market with a market share of 20%, bouncing back from a tough start to the year resulting from the effects of the flood in 2021 which affected its suppliers and vendors.

The positive performance was echoed by the industry. After two consecutive years of declining sales, the TIV turned around to register 720,658 units in 2022, an increase of 211,747 units or 42% over 508,911 units registered in 2021. The figure is an all-time high for Malaysia's TIV, attributed to the Government's sales tax exemption incentive.

OPERATIONAL REVIEW

The upward trend was also enjoyed by the other marques within the Group which saw increases both at the production stage as well as sales. This resulted in the significantly stronger performances of the sector's manufacturing and engineering companies such as HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd., distribution companies like Honda Malaysia Sdn. Bhd. ("Honda Malaysia") and Mitsubishi Motors Malaysia Sdn. Bhd. ("MMM"), and retail companies under EON Bhd.

The positive impact of the increase in demand for cars and commercial vehicles was felt throughout the automotive supply chain, with components manufacturing companies of the Group showing excellent performance in 2022. HICOM HBPO Sdn. Bhd. ("HHBPO"), a leading supplier of front-end modules to major automotive brands, achieved its best-ever performance by reporting a revenue of RM109 million while PHN Industry Sdn. Bhd. ("PHN"), a Tier 1 manufacturer of automotive components, ended the year with a 43% increase in revenue.

Key Risk and Mitigation

Segment	Key Risks	Mitigating Actions
Vehicle assembly and distribution	<ul style="list-style-type: none"> • Competition from other dealers or from new models entering the market • Shortage of parts/components such as microchips • Increasing IT/cybersecurity risk from greater digitalisation of operations and processes 	<ul style="list-style-type: none"> • Strengthening relationships with existing customers and providing value-added services • Consistently developing unique selling points • Introducing new models in line with current trends • Strengthening ties with local microchip makers and other suppliers to reduce dependence on imports • Strengthening IT security processes and firewalls to safeguard data and operational integrity from external threats
Components manufacturing	<ul style="list-style-type: none"> • Margin contraction as cost of manufacturing increases • Dependence on one or two large customers 	<ul style="list-style-type: none"> • Investing in greater automation and robotic processes to enhance capacity and operational efficiencies • Expanding customer base, diversifying products to include non-automotive industries

What to look forward to

PROTON is striving to become a national pioneer in the EV arena. Guided by the Government's EV agenda, it is presently exploring potential partnerships with renowned EV brands. PROTON's goal is to introduce its own range of EVs. At the same time, the Group's engineering companies such as HICOM Diecastings Sdn. Bhd. ("HDSB"), are harnessing their resources to develop their EV component manufacturing capabilities as well as their electric mobility technology.

OPERATIONAL REVIEW

AEROSPACE AND DEFENCE SECTOR



The AV8 Gempita armoured vehicle by DEFTECH in action

Key Highlights

In 2022, DRB-HICOM Defence Technologies Sdn. Bhd. (“DEFTECH”) registered a profit before tax of RM59 million on the back of a 231% increase in revenue following the completion of its key project the AV8 Gempita. DEFTECH remains optimistic having won tenders worth RM65.51 million in 2022 and secured a maintenance and repair contract for the AV8 Gempita, worth RM99 million.

Meanwhile, Composites Technology Research Malaysia Sdn. Bhd. (“CTRM”) is leveraging the resurgence of activities in the aviation industry to accelerate its recovery post-COVID-19. CTRM’s austerity measures kept the company afloat, earning RM560 million in 2022, albeit 45% lower than its pre-pandemic range. During the year, CTRM’s subsidiary CTRM Composites Engineering Sdn. Bhd. (“CE”) ventured into a new production segment of 5.3-metre radar antenna domes (“Radome”) for Germany-based satellite solutions expert Cobham Satcom following the order of 36 units of eight metre radomes in 2021. Additionally, CE ventured into a new aircraft component manufacturing to produce parts for the Airbus A220, on top of components for the A320, A350 and Boeing 737.

OPERATIONAL REVIEW

Key Risk and Mitigation

Segment	Key Risks	Mitigating Actions
Defence	<ul style="list-style-type: none"> Increased competition resulting from MINDEF's open tender and competitive bidding approach Past political instability barrier to project continuity due to change in person-in-charge 	<ul style="list-style-type: none"> Regular engagement with client to ensure a strong working relationship Focusing on value-added products and services to increase competitiveness Maintaining active business engagement
Aerospace	<ul style="list-style-type: none"> Increasing prices of aircraft component parts due to geopolitical instability High exposure to foreign currency risk as 55% of the contracts are priced in US Dollar, while 30% are in Pound Sterling 	<ul style="list-style-type: none"> CTRM will continue with its austerity drive to ensure inflationary pressure on component parts price and currency spread are absorbed without eroding profits

What to look forward to

The coming year will be transitional for DEFTECH as it reallocates resources following the completion of its flagship project AV8 to focus on its upcoming armoured vehicle projects, namely the AV4/AV6, Self-Propelled Howitzer, Armored Personal Carrier Multiple Capability and trucks comprising the 7 Tonne GS Cargo 4x4 and Multi Purpose Inventory Vehicle (Binned Truck). These projects are expected to contribute to DEFTECH's income in 2024.

Budget 2023 is allocating RM36.2 billion for the defence sector, of which RM4.1 billion is being earmarked for maintenance and purchase of armed forces assets. DEFTECH plans to capitalise on the opportunity to bid for projects in the upcoming year, aided by the more transparent and smooth bidding process that has been put in place.

For the aviation industry, the prolonged period of inactivity during the pandemic years caused many manufacturers to cease operations. Amidst these adversities, opportunities arise for CTRM to intensify rescue missions while expanding its business potential.

In 2023, CTRM aims to attain steady growth driven by an increase in customers' demand for single-aisle aircraft. Additionally, the mandatory replacement of new generation aircraft will also contribute to revenue growth potential. CTRM intends to continue its austerity measures and intensify cost optimisation activities by utilising digital platforms.



Work in progress for aircraft fan cowl doors at the Composites Technology Research Malaysia plant in Melaka

OPERATIONAL REVIEW

POSTAL SECTOR



The Pos Laju courier service is one of the products offered by Pos Malaysia ●

Key Highlights

In the course of 2022, Pos Malaysia revealed a series of initiatives aimed at transforming and integrating the business, while operating in an exceedingly challenging environment.

The mail segment had been experiencing decline in volumes prior to the pandemic due to the rise of digitalisation while the parcel segment which performed remarkably well in 2021, faced heightened competition from insourcing by on-line platforms, proliferation of players in an unregulated market space and a shift in consumer demand towards brick-and-mortar purchases. Meanwhile, the recommencement of economic activities augured well for the retail business with efforts made to streamline, improve and rebrand the company's physical locations to increase footfall.

OPERATIONAL REVIEW



Package sorting by Pos Laju, which offers same day delivery express service

Key Risk and Mitigation

Key Risks	Mitigating Actions
<ul style="list-style-type: none"> Heightened competition in the courier business 	<ul style="list-style-type: none"> Differentiate through service and customer centricity Seek regulatory and policy reforms in the sector
<ul style="list-style-type: none"> Optimising last mile and retail costs 	<ul style="list-style-type: none"> Merge and optimise mail and parcel network Expand products and services offered through Pos Malaysia retail points

What to look forward to

Pos Malaysia's three-phase transformation plan consisting of Back to Black, Transform The Core and POS 2.0 will lead the company into the future, transforming Pos Malaysia into a more vibrant entity in the wake of macroeconomic and operational challenges post-pandemic. To counter these challenges, the company is expanding outside its core revenue sources, adapting new strategies such as Pos Disini, Pos Fulfill and Pos Global Express. Pos Malaysia has also embarked on modernising its IT systems to adopt and integrate digital technology into its operations.

OPERATIONAL REVIEW

BANKING SECTOR



Bank Muamalat's headquarters in the heart of Kuala Lumpur

Key Highlights

Bank Muamalat performed commendably in 2022, registering a record profit before tax of RM306.7 million, 20% higher than the previous financial year as the economic rebound post-pandemic triggered financing activities. Gross financing grew 16%, surpassing the industry average of 6% and the Islamic banking industry average of 12%, driven by retail financing as mortgages and auto financing increased in tandem with renewed confidence in the domestic economy.

This was further bolstered by the successful roll-out of the first year of Bank Muamalat's five-year Strategic Business Plan, RISE26+, which brought in 101,525 new customers to the bank. Further, on-going review and rationalisation efforts of the Bank's portfolio also contributed to better results this financial year and helped maintain a gross impaired financing ratio of 1%, better than the industry average of 2%. Efforts to boost deposits through various campaigns throughout the year paid off with deposit growth up 14% year-on-year, while Current Account and Savings Account ("CASA") to total deposit ratio achieved 34%, higher than the industry average of 27%. Total assets for the year grew 14% to register RM31.5 billion, breaching the landmark of RM30 billion for the first time, driven by the growth in financing.

OPERATIONAL REVIEW

Key Risk and Mitigation

Key Risks	Mitigating Actions
Market Risk; Exposure to interest rate and foreign exchange volatility	<ul style="list-style-type: none"> • Set a low-risk appetite on trading activities with no current outstanding position on securities trading • Maintain a low foreign exchange net open position in 2023 • Ensure more than 80% of Bank Muamalat's financing are on floating rates to mitigate exposure towards rate of return risk in its financing portfolio
Credit Risk; Cautious outlook on post-pandemic effects and moratorium impact on retail and non-retail portfolios	<ul style="list-style-type: none"> • Intensify collection activities through targeted engagement with distressed customers • Close monitoring of high-risk customers • Establishment of management sub-committees to mitigate the credit risks of the financing asset
Technology Risk; Technology obsolescence leading to system, operation and business disruptions	<ul style="list-style-type: none"> • Leveraging technology refresh projects to reduce technology obsolescence • Perform server and equipment health checks monthly to ensure optimum performance • Conduct annual vendor due diligence and performance assessment
Cyber Risk; Impact on bank services and integrity of data arising from increased risk of intrusion attempts on the network and web application	<ul style="list-style-type: none"> • Continuous cybersecurity awareness programmes for customers and staff • All intrusion attempts are blocked by security solutions and alerted by Security Operation Centre • Increased counter-measures which include the detection of attack patterns to strengthen the defence mechanism

What to look forward to

Bank Muamalat is persistent in its pursuit to complete the first phase of RISE26+ aimed at strengthening its foundation. Meanwhile, the next phase will realign priorities to build a niche for Bank Muamalat through innovation and seek differentiation factors. Bank Muamalat is looking to adopt a new technology worldview by driving innovation in areas of digital banking, real-time cross border payments and settlement solutions. Driving its sustainability agenda, Bank Muamalat is also keen to build on its position as a social finance leader through the expansion of its social finance programmes e.g. iTEKAD. In the upcoming year, Bank Muamalat sees the potential of developing Ar-Rahnu for businesses to support customers who require fast cash or working capital.

OPERATIONAL REVIEW

SERVICES SECTOR



Pos Aviation staff carrying out check-in processing as part of its ground-handling services ●

Key Highlights

PUSPAKOM recorded a double-digit growth in 2022, attributed to a higher volume of commercial vehicle inspections and strong demand for mobile inspection services driven by post-COVID-19 recovery of business activities. Digitalisation efforts have enhanced its operational resilience and introduced new capabilities. During the year, all PUSPAKOM inspection centres, including mobile centres, have gone fully cashless for all transactions.

DRB-HICOM University saw a 3% increase in revenue primarily due to the increased training income from the Technical Training Institute (TTI). The university has also successfully restructured and streamlined its administrative functions, reducing operating costs.

OPERATIONAL REVIEW

Pos Aviation Sdn. Bhd. (“Pos Aviation”) registered a higher turnover of RM241.8 million, driven by the re-opening of borders in April 2022, additional revenue from handling catering services of Malaysia Airlines Berhad and Brahims SATS Food Services Sdn. Bhd., and migration of the e-commerce business at Cainiao e-Hub after the exit from KL Air Cargo Terminal 1. For Pos Logistics Berhad (“Pos Logistics”), its biggest revenue contributor was from automotive logistics comprising automotive manufacturing and vehicle transportation services which accounted for about 45% of total revenue.

Meanwhile, World Cargo Airlines Sdn. Bhd. (“WCA”) expanded its fleet by adding another Boeing 737-800BCF aircraft, significantly increasing its daily flight capacity. WCA continued to maintain a 100% on-time performance for Pos Malaysia flights to East Malaysia.

Key Risk and Mitigation

Segment	Key Risks	Mitigating Actions
PUSPAKOM	<ul style="list-style-type: none"> Sustaining business beyond 2024 	<ul style="list-style-type: none"> Becoming a one-stop centre providing inspection and non-inspection services Digitalising operations to improve capacity and operational resilience Increasing competitiveness and raising industry entry barriers by enhancing market presence and improving accessibility Increasing service integrity through adoption of new inspection technology and automation
DRB-HICOM University	<ul style="list-style-type: none"> Dependence on Malaysia Qualifications Agency (“MQA”) and Ministry of Higher Education (“MOHE”) for new course approvals Low product and services visibility 	<ul style="list-style-type: none"> Conducting comprehensive follow-ups with agencies to speed up processing Implementing effective marketing strategies Creating innovative packaging to promote facilities and services
Pos Aviation	<ul style="list-style-type: none"> Service quality, cost and delivery Sustainability and competition 	<ul style="list-style-type: none"> Ramping up recruitment, revising performance-based allowances, updating equipment and maintenance, implementing improved monitoring and training for staff Securing new customers and exploring potential joint ventures to expand footprint and revenue streams

OPERATIONAL REVIEW

SERVICES SECTOR

Key Risk and Mitigation

Segment	Key Risks	Mitigating Actions
Pos Logistics	<ul style="list-style-type: none"> Failure to secure new business opportunities and to retain customers 	<ul style="list-style-type: none"> Developing new business model to offer right products or services Adding value to supply chain through process improvement and cost efficiency
WCA	<ul style="list-style-type: none"> Rising fuel costs 	<ul style="list-style-type: none"> Procuring new fuel-efficient aircraft to reduce carbon output and fuel costs Enhancing relations with fuel suppliers to enable favourable price negotiations



What to look forward to

PUSPAKOM aims to strengthen service delivery and build capacity, quality and integrity through more automation and new inspection technologies, ensuring the continuation of services beyond 2024.

DRB-HICOM University has targeted an increase in student intake, with courses to include open and distance learning (“ODL”) accredited programmes for career progression utilising digital platforms.



DRB-HICOM University was set up to cater to the needs of the automotive industry

Pos Aviation expects a full business recovery towards the end of 2023 or 2024. It has outlined a five-year plan to enhance its efficiency and drive growth. Pos Logistics meanwhile has embarked on remodelling its business by turning around loss-making business units, rebuilding trust by embedding a high-performance culture, developing skilled workers and leveraging artificial intelligence.

WCA is set to strengthen its operations by adding two new aircraft in 2023, followed by one wider-body aircraft in early 2024, with the aim to expand the company's flight capacity in East Malaysia and introduce new international destinations.

OPERATIONAL REVIEW

PROPERTIES SECTOR



The striking façade of the studios in Angkasapuri Media City built by Media City Development Sdn. Bhd. ●

Key Highlights

Post-pandemic, companies in the sector managed to achieve close to 90% sales of residential properties in Glenmarie Johor and Tanjong Malim. By the end of 2022, approximately 84% of the 38 units of semi-detached and cluster homes launched in Glenmarie Johor in July 2021 had been successfully sold. Meanwhile, in Tanjong Malim, 87% of the 39 units of 1½-storey link houses launched in January 2022 had been taken up.

On the industrial front, the Group disposed 23.76 acres of industrial land, including a detached factory sitting on a 3.55-acre plot located in Parcel 3 Vendor Park, Tanjong Malim, for a total of RM27.73 million while in HICOM Pegoh Park (“HPP”), 52.32 acres were sold for RM62.51 million. Sales in these two developments were mainly driven by domestic demand for logistics, warehousing and business expansion. The Group expects to conclude the sale of another 5.97 acres valued at RM7.80 million in Tanjong Malim by early 2023.

Phase 2C-1A, the next development phase in HPP, is slated for launch in the second quarter of 2023. This phase has about 33.35 acres for sale with a total gross development value (“GDV”) of RM42.13 million.

OPERATIONAL REVIEW

Key Risk and Mitigation

Key Risks	Mitigating Actions
The property market's recovery is likely to be affected by high inflation, affordability issues, lack of incentives and stimulus packages, rising interest rates and extremely stringent loan requirements by banks	<ul style="list-style-type: none"> Maintain a more cautious approach in 2023. Only residential products catering to the mass market will be launched in Tanjong Malim while in Glenmarie Johor, the final phase of Phase 1D will be launched in the second half of 2023 as the products cater to a niche market
Emergence of more industry players	<ul style="list-style-type: none"> Expediting the launch of HPP Phase 2C-1A. More concentrated efforts will be channelled towards the sale of industrial lands
Limited availability of readily developed industrial plots	<ul style="list-style-type: none"> Ensuring an adequate supply of industrial plots, earthworks and infrastructure works for Parcel 5 Proton City and HPP Phase 2C-1A
Impact of construction costs increase	<ul style="list-style-type: none"> Ensuring accuracy of estimates in feasibility studies; the Company will take a conservative approach and perform value engineering for all projects; additionally, major costs will be confirmed through tendering before the project launch

What to look forward to

GPSB has started working on the layout plan approvals for undeveloped land banks, namely HICOM Glen Industrial Park in Melaka, HICOM Johor Industrial Park in Johor and HICOM Vertex Industrial Park in Kedah. The site works for all developments are expected to commence in 2024, with the first launch scheduled for 2025 except for HICOM Vertex Industrial Park, which is expected to be launched in the fourth quarter of 2024.



Soon-to-be-completed houses in the Glenmarie Cove township development in Klang, Selangor

BUSINESS REVIEW

AUTOMOTIVE SECTOR



The popularity of the Proton X70 as well as other models have contributed to PROTON's successful recovery

DRB-HICOM is involved in the entire automotive value chain, including research and development, production, assembly, sales and after-sales service of national and foreign marques. The Group is the proud owner of the country's first national car brand, PROTON, and the motorcycle equivalent, Motorsikal dan Enjin Nasional Sdn. Bhd. ("MODENAS").

The Group assembles and manufactures Mercedes-Benz, Volkswagen, Isuzu, Honda and Mitsubishi commercial vehicles and passenger cars through subsidiaries and associate companies. The Group also manufactures parts and components that are sold both locally and globally to leading original equipment manufacturers ("OEM").

BUSINESS REVIEW

PROTON Holdings Berhad (“PROTON”)

2022 was a year of recovery for PROTON as economic activities were unencumbered by COVID-19 restrictions for the first time since 2019 and carmakers rushed to fulfil orders caused by pent-up demand. In addition, car purchases were incentivised through sales tax exemptions which further fueled demand. As a result, TIV and TPV saw record highs of 720,658 units and 702,275 units, respectively.

PROTON continued to leverage every opportunity to carry out its operations efficiently and safely. Its employees are driven by a strong corporate culture and shared values of TARI which stands for Teamwork, Achiever, Respect and Integrity. This contributed to the team overcoming the microchip shortage to achieve spectacular sales performance.

PROTON sold a total of 141,432 units domestic and export in 2022, an increase of 23% over the previous year. Sales were led by that of the Saga at 55,878 including completely knocked down (“CKD”) packs for production in selected PROTON export markets, accounting for 40% of the total sales volume. This figure was boosted by the launch of the Saga MC2 facelift on 12 May, helping to refresh market interest in a model that celebrated its 37th anniversary last year. The X50 continued to be the best-selling overall sports utility vehicle (“SUV”) with 40,681 units sold and in July 2022, it became the first SUV to lead overall vehicle sales in Malaysia. The X70 meanwhile continued to lead the C-segment SUV market with 18,533 units sold. An updated MC1 model was introduced on 9 June 2022, which coincided with the introduction of the 1.5 TGD engine produced at a new engine assembly line in Tanjong Malim and continuing the model’s unbroken streak as the segment leader since its launch on 12 December 2018.

Other PROTON models performed well towards the end of the year but their overall sales numbers were hampered by chip supply issues. The Persona closed 2022 strongly with 2,322 units sold in December but supply issues over the first half of the year limited sales for 2022 to 16,357 units. The case was similar for the Iriz which recorded sales of 5,708 units. The Exora received an update in August featuring the new PROTON logo and trim upgrades and continued to lead the C-segment multi purpose vehicle (“MPV”) class with total sales of 4,275 units, an increase of 5.9%.

International sales was the area of the biggest growth for PROTON in 2022. With 5,406 units exported, the total volume grew by 79% as South Africa joined the list of export markets.

PROTON’s vehicle financing subsidiary, Proton Commerce, achieved a new record for loan disbursements in 2022 with 22,467 loans issued, including an all-time high of 2,872 disbursements in September. The in-house financing arm also retained its standing as the lead financier for the Proton Saga, a position it has held for five consecutive quarters.



Honda Civic e:HEV RS

To improve accessibility and after-sales experience, PROTON increased its number of 3S and 4S outlets to 152 nationwide from 147.

PROTON began taking steps in 2022 to make its entry into the New Energy Vehicle (NEV) market to align with the Government’s vision to enhance the competitiveness of the automotive industry through future technological trends such as Next Generation Vehicles (NxGV), Mobility-as-a-Service (MaaS) and Fourth Industrial Revolution (“IR4.0”) elements which will drive the automotive industry to incorporate the latest technology in their product line-up and turn Malaysia into a regional hub for NxGV and EV.

DISTRIBUTION COMPANIES**Honda Malaysia Sdn. Bhd. (“Honda Malaysia”)**

Honda Malaysia manufactures Honda cars at its plant in Pegoh, Melaka, and sells these vehicles through a network of 102 centres nationwide, with 83 of these outlets offering 3S to customers.

The launch of several new models – the all-new City Hatchback V-SENSING, all-new HR-V and Civic e:HEV RS – boosted sales figures for the financial year in review to 80,290 units, an increase of 51% from 53,031 units in 2021. This figure has enabled Honda to retain its position as the number one car brand in the non-national passenger vehicle segment for the ninth consecutive year. The City led sales as the most sought-after B-segment model, contributing 36% of the Company’s overall sales, followed by the City Hatchback (20%) and HR-V (14%).

BUSINESS REVIEW

AUTOMOTIVE SECTOR

The quality and continued popularity of Honda cars in Malaysia was validated by the numerous industry awards received throughout the financial year, as follows:

- Putra Brand Awards 2022 The People's Choice Automotive: Honda (Gold)
- Carlist.my People's Choice Awards 2022 for C-Segment Sedan and Hatch: Honda Civic 1.5L RS (Gold)
- Carlist.my People's Choice Awards 2022 for B-Segment SUV: Honda HR-V (Gold)
- Carlist.my People's Choice Awards 2022 for B-Segment Sedan and Hatch: Honda City Hatchback (Silver)
- CarSifu Editors' Choice Awards 2022 for Best Mid-Size Sedan: Honda Civic RS
- CarSifu Editors' Choice Awards 2022 for Best Small SUV: Honda HR-V e:HEV RS
- CarSifu Editors' Choice Awards 2022 for Asian Car of the Year: Honda HR-V e:HEV RS
- DSF.my Allianz Vehicle of The Year 2022: Honda Civic RS

In 2022, Honda Malaysia made an investment of RM48 million to upgrade and modernise its manufacturing facilities in preparation for newer models and to improve operational efficiency. These preparations will enable Honda Malaysia to adapt to the challenging business environment, which is expected to see the continued global shortage of chips on top of inflationary pressures and a weakening ringgit.

To ensure long-term growth and contribution to the Malaysian automotive industry, several key strategies will be rolled out in 2023 under Brand Identity, Loyalty and Sustainability.

The Brand Identity strategy synonymises Honda's identity with advanced technologies through the expansion of the hybrid range, premium offerings of Honda Sensing, Honda Connect, Honda Touch and the sporty appeal of the RS. Loyalty aims to increase retention by leveraging big data to target potential upgraders and recapturing previous Honda owners. The Sustainability strategy focuses on increasing after-sales revenue and other income sources while improving operational efficiency through enhanced digitalisation across all of its after-sales operations.

Mitsubishi Motors Malaysia Sdn. Bhd. ("MMM")

MMM is the official distributor of Mitsubishi vehicles in Malaysia. MMM currently has a network of 71 showrooms, including seven each in Sabah and Sarawak. Of the total, 53 are 3S centres.

For 2022, MMM saw sales increase by 37% to 24,017 units year-on-year, led by the sales of the Mitsubishi Xpander which sold 14,316 units (60% of the total sales), 94% more than the previous year.

The robust Mitsubishi Triton pick-up truck remains a firm favourite in its segment despite the healthy competition, selling 9,697 units or 40% of the total sales. This is a 5% increase from the previous year. In September 2022, the Triton reached the 100,000 unit milestone, cementing its reputation as the pick-up truck of choice for Malaysians since its introduction in 2005. To commemorate this event, the MMM gave its 100,000th Triton customer RM27,000 worth of diesel fuel.

In August 2022, MMM launched the Mitsubishi Triton – Phantom Plus Edition. This jet-black model is limited to just 1,000 units and is designed for urban drivers with a passion for the outdoors.

During the year, MMM expanded its network of dealer outlets to Kluang, Johor; Rawang, Selangor; Langkawi, Kedah and Kemaman, Terengganu. In addition, 91% of its dealers have upgraded their outlets with new visual identity to improve customer experience.

The focus in 2023 will be on further expanding the dealer network to provide better experience for both sales and after-sales services.



Mitsubishi Triton-Phantom Plus Edition

BUSINESS REVIEW



Isuzu Pick-Up X-Terrain ●



TATA Ultra 1014 ●

Isuzu Malaysia Sdn. Bhd. (“Isuzu Malaysia”)

Isuzu Malaysia markets and distributes Isuzu commercial vehicles – the light-duty ELF, medium-duty FORWARD, heavy-duty GIGA and GIGA prime movers as well as D-Max pick-up trucks.

Isuzu Malaysia has dominated the overall truck segment for nine consecutive years and the light-duty trucks segment for 13 consecutive years with an overall market share of 44%, while its pick-up trucks accounted for 16% of its category, ranking third.

2022 saw Isuzu Malaysia hit the highest ever sales volume in its history with 15,757 units sold.

The popularity of Isuzu pick-ups has won much acclaim. In 2022, the D-Max won Carlist.my’s Pick-up Truck of the Year and CarSifu’s Best 4x4 Pick-up Truck awards.

Isuzu Malaysia launched three new variants in 2022: Pick-up X-Terrain Product Enhancement in June and Heavy Duty GIGA and Prime Mover GIGA in the following month.

DRB-HICOM Commercial Vehicles Sdn. Bhd. (“DHCV”)

DHCV is the exclusive distributor for selected TATA commercial vehicles. It also assembles the TATA Super Ace (small pick-up), Ultra 814 (7.5T) and Ultra 1014 (10.4T) trucks.

It recorded a total sales of 1,011 units across its range of vehicles for the period of 2015-2022. For 2022, sales declined 68% to 59 units from 99 units in 2021. The decline was due to supply issues stemming from the sudden decision by TATA Motors to cease production for the Super Ace Euro 2 and Ultra 814 trucks in April 2021. Service output also declined by 27% to 1,463 vehicles.

DHCV has taken action to improve customer perception of the brand but continued product reliability issues and gaps in meeting the market’s needs resulted in the TATA brand ranking 20th out of 32 commercial vehicle players in Malaysia. DHCV continues to implement strategies to address these issues, enhance services and improve relationship with existing TATA customers.

BUSINESS REVIEW

AUTOMOTIVE SECTOR

MOTORCYCLES

Motosikal dan Enjin Nasional Sdn. Bhd. (“MODENAS”)

MODENAS is a homegrown national motorcycle manufacturer and distributor as well as contract assembler of selected imported models such as Kymco and Bajaj. Its manufacturing plant is in Gurun, Kedah.

Total sales for MODENAS increased by 27% year-on-year to 74,385 units, securing 10% (+1.7%) of the overall market. In June 2022, the Company hit 8,408 units sold, the highest monthly sales figure in 16 years.

MODENAS continued to grow its business by completing a partnership deal with Kawasaki Motors Ltd. Japan which saw it take over from the previous distributor.

MODENAS launched the Modenas Karisma 125S scooter in February and re-introduced the Modenas Ninja 250 ABS and Z250 in July. To further entice the market, prices for four Kawasaki completely built-up (“CBU”) models – Ninja 1000SX, VERSYS 1000SE, Z900RS, Ninja ZX-10R KRT EDITION – were revealed during the Petronas Grand Prix of Malaysia 2022.

Moving forward, MODENAS plans to continue its customer engagement initiatives to increase brand awareness.



The Elegan EX ABS by MODENAS

RETAIL COMPANIES

Edaran Otomobil Nasional Berhad (“EON”)

EON is the holding company for Euromobil Sdn. Bhd. (“ESB”), EON Auto Mart Sdn. Bhd. (“EAM”) and HICOM Auto Sdn. Bhd. (“HASB”) which are involved in the sales and after-sales services of Audi, Mitsubishi and Volkswagen vehicles respectively. Through its wholly-owned subsidiaries DRB-HICOM Leasing Sdn. Bhd. (“DLSB”) and DRB-HICOM EZ-Drive Sdn. Bhd. (“EZ-Drive”), it is involved in vehicle rental and leasing through the Avis and MY-Lease brands.

Since acquiring nine PROTON outlets in November 2020, EON has the distinction of being the largest PROTON dealer in Malaysia. In December 2021, it further expanded its dealership with the launch of its 10th 3S centre in Alor Setar, Kedah, which represents its first Platinum outlet. EON’s PROTON network currently comprises four branches in the Klang Valley, four in the northern region and two branches in the southern region of Peninsular Malaysia.

In December 2021, EON acquired 95,165 units of Convertible Preference Shares (CPS Class C1), or 5% of such shares issued, by Trusty Cars Pte. Ltd., a company incorporated in Singapore, for US\$5 million (RM20.9 million). Trusty Cars operates an end-to-end e-commerce platform for sales of used and new cars. Today, it has 23 inspection and nine retail centres across the region, including in Malaysia under the myTukar brand, with a transaction volume of 4,000 cars per month.



MODENAS is now the distributor of Kawasaki motorbikes in Malaysia

BUSINESS REVIEW



The first Petromin Express outlet in Malaysia is located in Pekan Subang, Shah Alam, Selangor



The Mitsubishi Xpander dominates the non-national MPV segment in the country

In 2022, EON set up EON Petromin Sdn. Bhd. (“EON Petromin”), an associate company with Petromin Corporation which is incorporated in the Kingdom of Saudi Arabia, with EON holding a 51% stake while Petromin Corporation holding the remaining 49%. EON Petromin will embark on fast-fix after-sales services in Malaysia, replicating Petromin Corporation’s business model.

In 2022, EON delivered a strong set of results, despite external factors weighing on demand and supply. Management will continue to implement measures to monitor and optimise each subsidiary’s operations and cash management and accelerate digitalisation efforts.

EON has earmarked the potential to expand the PROTON dealership network in the East Coast of Peninsular Malaysia and East Malaysia. It is also optimistic of its entry into the EV market via the 2023 introduction of the Audi EV model range.

EON Auto Mart Sdn. Bhd. (“EAM”)

As an authorised dealer of MMM, EAM is principally engaged in the sales of Mitsubishi vehicles and spare parts as well as the provision of after-sales services in Malaysia. It accounts for 20% of MMM sales, making it MMM’s biggest sales contributor. It has eight 3S centres nationwide and one body and paint (“B&P”) hub in Kota Damansara while serving as an authorised B&P service provider in Bayan Lepas, Pulau Pinang; Johor Bahru, Johor; Kota Kinabalu, Sabah and Jalan Ampang, Kuala Lumpur.

In 2022, EAM exceeded its targets across multiple aspects. Actual sales showcased a strong performance by reaching 4,363 units, surpassing the target of 3,600 units. Similarly, the after-sales service throughput surpassed the target of 31,128 units with the actual figure being 38,215 units. For B&P, the actual units achieved was 998, outperforming the target of 918 units.

EAM is focused on improving customer experience to ensure customer retention. During the year in review, six outlets completed their new Mitsubishi visual identity, namely Glenmarie, Shah Alam, Selangor; Johor Bahru, Johor; Jalan Ampang, Kuala Lumpur; Kota Kinabalu and Tawau in Sabah and Bayan Lepas in Pulau Pinang. The Kuching branch in Sarawak is expected to complete its revamp in the first half of 2023 while the relocation to the new standalone 3S facility in Melaka will be completed in the first quarter of 2024. For 2023, EAM will explore network expansion opportunities in Sabah.

Euromobil Sdn. Bhd. (“Euromobil”)

Euromobil, a wholly-owned subsidiary of EON, is the authorised dealer for Audi in Malaysia, accounting for 77% of the total Audi sales in the country.

In 2022, Euromobil recorded a sales volume of 74 cars, comprising 61 new vehicles and 13 demonstration units. Following a re-strategising of its after-sales operations, it recorded an increased throughput of 4,858 vehicles.

BUSINESS REVIEW

AUTOMOTIVE SECTOR



Euromobil carries an extensive range of Audi vehicles, including high performance models

In July 2022, PHS Automotive Malaysia became the official distributor for Audi Malaysia. PHS, or Porsche Holding Salzburg, is part of the Volkswagen Group and is one of the largest automotive distributors in Europe. As a result of this agreement, Audi cars purchased from 1 July 2022 onwards will receive three years of free maintenance, five years of unlimited mileage warranty and five years of roadside assistance.

In 2023, Euromobil will strengthen sales by offering higher-specification variants, mainly S-line models, along with a new EV line-up. Reception for the EV line-up has been positive with bookings already recorded.

Euromobil will also enhance its after-sales services by offering insurance renewal services and improving its service packages to attract and retain customers. It will also focus on improving its tyre business as part of the after-sales offerings for the e-tron line of models.

HICOM Auto Sdn. Bhd. (“HASB”)

HASB is an authorised dealer for Volkswagen Passenger Cars Malaysia operating out of a 4S centre located in Seremban 2. It accounts for about 5% of the total Volkswagen sales in the country.

In 2022, HASB recorded sales of 224 units comprising 211 new vehicles and 13 demonstration vehicles, more than double the previous year’s sales. After-sales figures remained strong with 4,259 units entering its 4S centre for servicing which also reflected a higher number compared with 2021.

In 2023, HASB plans to strengthen its sales by enhancing its digital platform and physical showroom to generate more leads while prioritising the Volkswagen Cares App to focus more on personal after-sales experience.

Automotive Corporation (Malaysia) Sdn. Bhd. (“ACM”)

ACM is the largest dealer of Isuzu trucks and pick-ups in Malaysia with five 3S and one 1S centres in Batu Caves and Shah Alam, Selangor; Kuantan, Pahang; Juru, Pulau Pinang; Ipoh, Perak and Johor Bahru, Johor.

In 2022, sales of ACM increased by 80% year-on-year while overall Isuzu sales increased by 67% in the same period. Consequently, ACM’s contribution towards Isuzu sales increased from 7% to 8%. ACM had a total of 450 bookings at the end of 2022 which it was unable to convert to sales due to a shortage in supply.

Despite the challenges, ACM was able to garner several awards, namely the Isuzu Highest Sales Volume and Service Intake Award, Highest Retail Sales Award and the After-sales Award.

BUSINESS REVIEW



Volkswagen Arteon R-Line 4Motion

For 2023, ACM will shift the branding of D-Max towards the luxury segment by equipping its trucks with added-value accessories while promoting its ELF Smoother AMT Transmission.

SERVICES COMPANIES

DRB-HICOM EZ-Drive Sdn. Bhd. (“EZ-Drive”)

EZ-Drive is the licensee of Avis Rent-A-Car in Malaysia, offering short-term car rentals and long-term leasing solutions for passenger vehicles. In recent years, Avis Malaysia has expanded its portfolio of leased vehicles to include commercial vehicles as well as agricultural machinery and equipment.

Due to the difficulties encountered during the year after the pandemic, EZ-Drive recorded a 9% decline in its fleet. Vehicle disposal exercises and the market shortage of new vehicles also contributed to this situation.

EZ-Drive expanded its network of Avis Malaysia rental outlets to 20 from 16. It also won awards in recognition of excellence in market acceptance and customer experience. These awards are the World Travel Awards 2022 (Malaysia's Best Car Rental Company 2022), Asian Experience Awards 2022 (Best Customer Experience 2022: Car Rental) and Malaysia Kind Hearts Award 2022.

In 2023, EZ-Drive plans to expand its geographical network further to improve accessibility for customers and introduce a new brand. In addition, it will continue enhancing its operational efficiency, diversifying its revenue streams, digitalising its processes, investing in the upskilling and engagement of its employees and providing excellent customer experience at every touchpoint.

DRB-HICOM Auto Solutions Sdn. Bhd. (“DHAS”)

DHAS provides end-to-end logistics solutions for the automotive industry from the importation of CBU vehicles and CKD kits to forwarding and clearance, vehicle yard management, pre-delivery inspection and final delivery to dealer networks as well as warehouse management. Marques served include PROTON, Audi, Volkswagen, Honda, Mitsubishi, Isuzu, TATA, Mercedes-Benz, Fuso, Actros, Volvo and MODENAS.

Total production volume in the year 2022 increased 46% to reach a total of 702,275 units compared with 481,652 units in the same period last year. The higher total production volume in the year 2022 was also in tandem with the surge in demand for new vehicles.

Revenue for DHAS increased 26% to RM78.1 million an increase of RM36.7 million, attributed to higher CKD and CBU importation and higher contribution from clearance activities and vehicle preparation centre services.

BUSINESS REVIEW

AUTOMOTIVE SECTOR



HICOM Automotive Manufacturers (Malaysia) assembles various models by Mercedes-Benz, as well as other brands



Door sub-assembly line at the HICOM Automotive Manufacturers (Malaysia) plant in Pekan, Pahang

For 2023, DHAS expects lower earnings due to the discontinued importation of PROTON CKD kits, ending of the contract for Volvo haulage and the change of Volkswagen's business model to logistics only. DHAS will mitigate the impact by increasing activity in other areas, including higher approved permits utilisation of 21,635 units mainly from MMM and Isuzu models, and higher vehicle preparation centre activities and vehicles storage.

MANUFACTURING AND ENGINEERING

HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd. ("HA")

HA manufactures both passenger cars and commercial vehicles at its Pekan Automotive Complex factories. HA assembles the C-Class, E-Class, S-Class, GLC and GLC Coupe for Mercedes-Benz; Actros, Mitsubishi Fuso light and medium-duty trucks for Hap Seng; Xpander for Mitsubishi and the Passat, Tiguan Allspace and Arteon for Volkswagen.

2022 was a year of achievements for HA as it recorded a total of 28,121 assembled units, the highest since 2000. This figure was spurred by the increase in demand following economic recovery and delivery of backlog units impacted by the global shortage in chips and components, in addition to the Government tax exemption for passenger cars. In the third quarter of 2022, Mercedes-Benz launched the new C-Class W206 which is manufactured locally.

Throughout the year in review, HA conducted initiatives to streamline operations and reduce costs, the latter including the installation of a rooftop solar photovoltaic system. Its efforts were recognised in the various awards and certifications received, including the Royal Customs of Malaysia's High-Productivity Private Company Award, zero non-compliance for ISO 14001 and ISO 45001, zero major non-compliance for the International Automotive Task Force ("IATF") 16949 and Trusted Information Security Assessment Exchange Label for Volkswagen, which will be extended to Mercedes-Benz in 2023.

HICOM Diecastings Sdn. Bhd. ("HDSB")

HDSB supplies aluminium die cast products and services to some of the biggest names in the local and international automotive, motorcycle and related industries. It manufactures a range of precision aluminium casting products specialising in powertrain and drivetrain engine components. More recently, it expanded its capabilities to include EV components. Its clients include PROTON, Perodua, Robert Bosch Automotive Steering, Honda Malaysia, Mazda Japan, Magna Power Train and Hanon System in North America.

It recorded higher sales due to increased passenger car demand throughout the year. However, the target for 2022 was not met because of OEMs delaying their new project launches.

BUSINESS REVIEW

In 2022, HDSB received 48 request of quotations from local and global customers which provided the chance to explore opportunities and increase its value proposition.

HDSB is investing in and implementing more automated and robotic processes to enhance its capacity, operational efficiencies and to achieve the economies of scale volume production. This will help the company sustain its competitive edge and increase its market share as it accelerates its business growth.

HICOM HBPO Sdn. Bhd. (“HHBPO”)

HHBPO designs, develops and supplies front-end modules for PROTON, Volkswagen and BMW in its plants in Tanjong Malim, Perak; Pekan, Pahang and Kulim, Kedah.

2022 saw HHBPO’s best performance ever, recording revenue of RM109 million with PROTON accounting for half of the amount. This figure doubled that of 2021, exceeding the expectations set in HHBPO’s business plan. The high figure was attributed to the increase in demand for passenger vehicles, the start of local production for the Porsche Cayenne and cost reduction exercises.

In 2022, Plastic Omnium Group (“PO”) completed the acquisition of HBPO GmbH in Germany, allowing HHBPO to focus on expanding its product offerings to reach a wider market and meeting the demand for EV-related parts. PO and HBPO are currently studying options to offer combined modules with the possibility of extension to HHBPO and ASEAN OEMs.

HICOM-Teck See Manufacturing Malaysia Sdn. Bhd. (“HTS”)

HTS is the leading local manufacturer of precision plastic injection mouldings for the automotive industry in terms of market share. These products are mainly supplied to PROTON and Perodua. HTS has been accredited with the IATF 16949:2016, Environmental Management System ISO 14001:2015, Occupational Health and Safety Assessment Series 18001:2007 and AS9100 Rev D certifications for the aerospace industry.

HTS recorded a 47% increase in revenue to RM841.5 million for 2022, bolstered by cost reduction initiatives under its Continuous Improvement Programme and process optimisation measures which effectively reduced cycle time and manpower requirements.

In 2023, HTS will expand its market overseas. It has signed a non-disclosure agreement with a Vietnamese company to collaborate with a Korean Tier-1 automotive company.

Systems and processes are also in place for enhanced operations with a continued focus on the Innovative Creative Circle and HICOM Management System Capability Development programmes to inspire innovation and productivity among employees. This is supported by human capital development programmes aimed at excellence in manufacturing.



HICOM HBPO develops and supplies front end modules for PROTON and various other car brands



HICOM-Teck See Manufacturing Malaysia is Malaysia’s leading local manufacturer of precision plastic injection mouldings

BUSINESS REVIEW

AUTOMOTIVE SECTOR

HICOM-YAMAHA Manufacturing Malaysia Sdn. Bhd. (“HYMM”)

HYMM manufactures and assembles Yamaha motorcycle engines and parts for mopeds and scooters with engines ranging in the capacity of 115cc to 155cc.

2022 was another challenging year for HYMM. Although Yamaha retained its dominance in the local bikes segment with a 41% market share, it was a reduction from 48% in 2021. This reduction was largely due to the shortage of supply of engines resulting from the damage caused by the December 2021 floods in Selangor.

The flood damage resulted in a five-month slowdown in production. HYMM worked closely with CKD part suppliers on the urgent order of replacement parts and arranged immediate shipment of the ready stock, causing a surge in operating costs. HYMM was able to stabilise production in June 2022 and fully recover the CKD parts replacement in August.

During the financial year, HYMM introduced two facelift models, the BDK1 (T135) and BBY1 (T115) to sustain Yamaha’s brand positioning and market share.

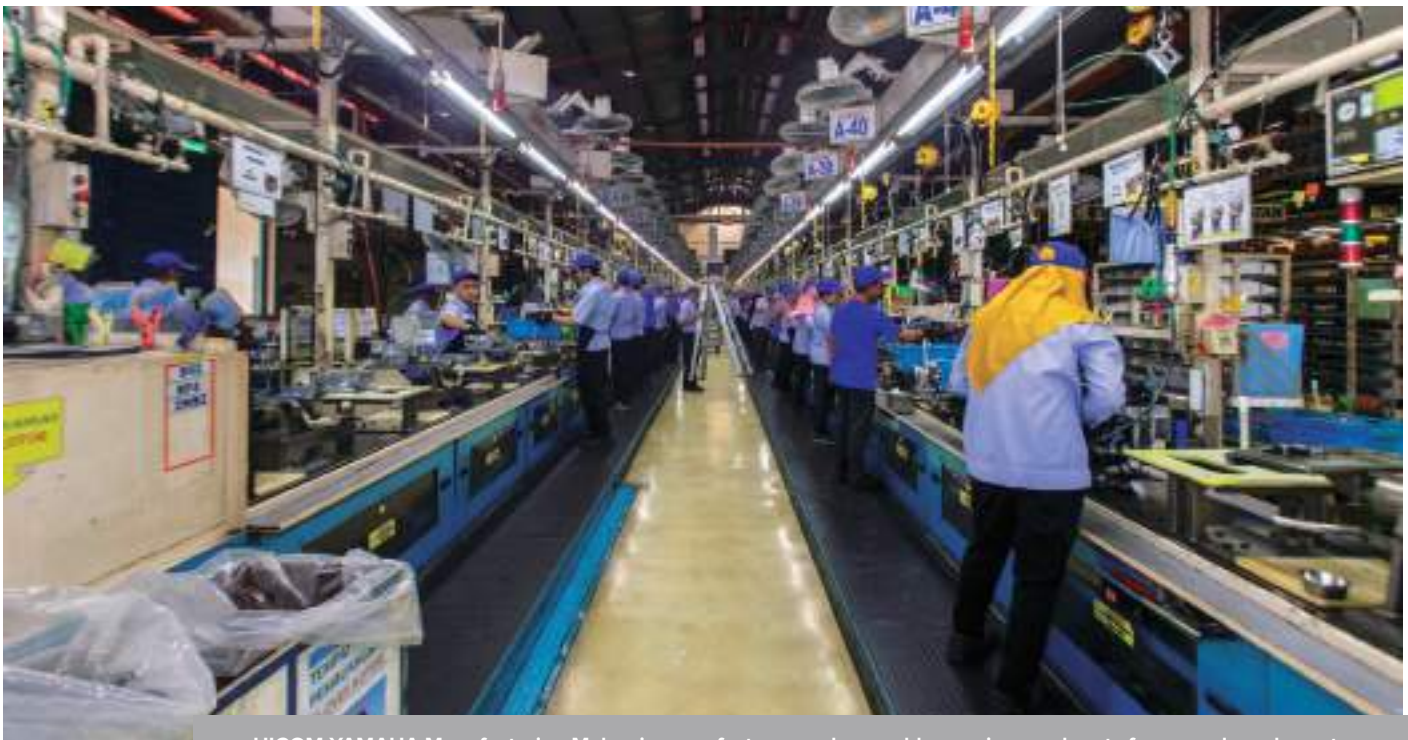
To meet the increase in demand, HYMM increased engine assembly production capacity from 1,050 units/day (21,000 units/month) to 1,150 units/day (23,000 units/month) in June 2022, again ramping up production to 1,230 units/day (24,600 units/month) in September 2022. In addition, a new crankshaft line was installed in September and its mass production by model started in October 2022. It doubled the crankshaft machining capacity, increasing the LCP ratio which will enable HYMM to cater to increased customer demand in the coming years.

Moving forward, HYMM will continue to upgrade its production capabilities through automation, effectively reducing the Company’s dependence on foreign workers.

ISUZU HICOM Malaysia Sdn. Bhd. (“IHM”)

IHM manufactures Isuzu commercial vehicles such as the N-Series light-duty trucks, F-Series medium, heavy-duty trucks and D-Max pick-up trucks.

In 2022, revenue increased 40% to RM681.61 million from RM487.58 million in 2021, attributed to higher sales volume from pent-up demand for new vehicles.



HICOM YAMAHA Manufacturing Malaysia manufactures and assembles engines and parts for mopeds and scooters

BUSINESS REVIEW



The popularity of the Isuzu D-Max pick-up and other trucks make Isuzu the number 1 truck brand in Malaysia

Sales of Isuzu light, medium and heavy-duty trucks in 2022 totalled 6,528 units, capturing 44% of the market, further entrenching the brand as a firm leader in its segment. Sales of pick-up trucks stood at 9,211 units, making up 16% of the market. IHM's performance meant that Isuzu retained its position as the number one all trucks brand for the ninth consecutive year and the number one light-duty truck brand for the 13th consecutive year.

IHM is committed to ensuring good management of its costs and supply chain to boost its market position and cater to increasing demand. Concurrently, IHM is working closely with its Japanese counterpart to ensure its existing models are in full compliance with Euro 4 emissions guidelines by 2024.

PHN Industry Sdn. Bhd. ("PHN")

PHN is a Tier-1 manufacturer of automotive components specialising in metal stamping, roll forming, welding and modular assembly, dies design and manufacturing, and electrical and electronic device assembly, operating nine plants in Malaysia. PHN owns DRB-HICOM Mechatronics Sdn. Bhd. ("DHMSB"), a supplier of automotive batteries and electrical/electronic devices. In recent years, PHN has diversified into the non-automotive sector via tool-making and the production of premium fan blades and industrial air filters.

PHN saw a 43% increase in revenue for 2022, boosted by PROTON's stronger sales of its X50, Saga and X70 models. PROTON contributed 59% of the total revenue for PHN. The improvement in global chip supply led to an increased revenue from Perodua and Honda by 2% and 1%, respectively.

The year 2023 will see PHN starting production for five new models, one new model each from PROTON, Perodua and Toyota, and two new models from Honda. In addition, seven new models from these car brands will be in the development stage.

In the non-automotive segment, besides growing its business with Camfil, Bafco, HP and Steelcase, PHN is expanding its local and global customer base while increasing the localisation of its in-house tool making business and enhancing operational efficiency.

BUSINESS REVIEW

AEROSPACE AND DEFENCE SECTOR



Test firing of the AV8 Gempita armoured vehicle manufactured by DEFTECH

DRB-HICOM is an integral player in the nation's defence industry, driving solutions through DEFTECH, a leading contractor in the development, manufacturing, and supply of armoured and logistics vehicles for military and homeland security. In the aerospace industry, the Group is making headway in composite manufacturing for aerostructures and non-aerostructure supplies for global players in aviation and other sectors through CTRM.

DRB-HICOM Defence Technologies Sdn. Bhd. ("DEFTECH")

DEFTECH is a prominent player in Malaysia's national defence and security industry, committed to driving the design, development, manufacturing, supply and maintenance of land platforms, aeronautics, composite structures, unmanned technologies and systems integration for military, homeland security, Government agencies and commercial applications. This industry relies on two primary customers: Ministry of Defence ("MINDEF") and the Ministry of Home Affairs. DEFTECH is dedicated to serving both of these important customers.

BUSINESS REVIEW



Line up of the AV8 Gempita armoured vehicle at DEFTECH's plant in Pekan, Pahang

Rising above the challenges of 2022, DEFTECH is poised to capitalise on the growth in the defence and security industry, leveraging the blue prints of each services such as Army Mobility Phase 2 (2021-2025) and Royal Malaysian Air Force (“RMAF”) Capability Development 55 Programme.

In the third quarter of 2022, MINDEF selected DEFTECH's ANKA unmanned aerial vehicle (“UAV”) for the Medium Altitude Long Endurance UAV worth RM450 million. DEFTECH also acquired the maintenance contract for the AV8 worth RM99 million with operations commencing in the fourth quarter of 2022. For this contract, DEFTECH's Supplier Management Division has increased localisation efforts whereby 367 line items that are prone to wear and tear have been registered to be localised. During the review year, DEFTECH also managed to secure contracts for soft-skinned vehicles and continued its supply of the AV8 for MINDEF. It also won the following soft-skinned vehicle supply projects with their respective contract values:

- 3 Tonne GS Cargo 4x4 Phase 2: RM59.8 million
- Outreach Command Centre Vehicle: RM0.8 million
- Multi-Purpose Inventory Vehicle (Binned Truck): RM4.5 million
- 3 Tonne Hydraulic Tail-Lift: RM0.4 million

Moving forward, DEFTECH plans to keep engaging in business ventures that involve providing soft-skinned vehicles and trucks to Malaysia's various national security sectors.

DEFTECH participated in Defence Services Asia (“DSA”) 2022 and successfully inked two Memorandums of Understanding with Universiti Pertahanan Nasional Malaysia (“UPNM”) and SIRIM Berhad to collaborate on research and development. In addition, DEFTECH signed four Collaboration Agreements with foreign OEMs, including FNSS Defence Systems for the supply and manufacturing of PARS armoured vehicles, Denel for collaborations towards indigenous turret manufacturing, Thales for collaborations towards transfer of technology and product localisation and Iveco Defence for cooperation regarding the feasibility of establishing a certified maintenance, repair and overhaul (“MRO”) centre in Defence Services Sdn. Bhd. (“DSSB”).

During DSA 2022, DEFTECH also unveiled its indigenous tactical UAV which gained significant media coverage and was officially inaugurated by the Chief of the Air Force. DEFTECH Tactical UAV also successfully completed its maiden remote-controlled flight on 15 December 2022. The company's Unmanned Systems Division aims to complete autonomous flight testing by 2023.

BUSINESS REVIEW

AEROSPACE AND DEFENCE SECTOR



CTRM in Batu Berendam, Melaka, is a top composites aerostructure manufacturer in the region



In-jigs for the manufacturing of airplane fan cowl doors in the CTRM plant

DEFTECH has successfully forged strategic partnerships with prominent international industries as well as local names such as Institut Penyelidikan Sains dan Teknologi Pertahanan ("STRIDE"), UPNM and SIRIM Berhad, driving headways in acquiring strong programme line-ups, positioning itself as a part of their partners' value chain and maximising synergy. DEFTECH is actively pursuing development in the unmanned system domain with STRIDE's cooperation and successfully securing revenue for commercial aircraft MRO business and composite structures for RMAF in the aerospace sector.

Having completed the AV8 programme, DEFTECH is now preparing for the next big project, the AV4/AV6 project, estimated at RM4 billion. For the coming year, it expects to sustain its business by completing on-going projects and participating in upcoming mobility tenders in 2023.

Composites Technology Research Malaysia Sdn. Bhd. ("CTRM")

As a top composite aerostructure manufacturer in ASEAN, CTRM supplies Tier 1 and other OEM companies with critical components for leading names in the aviation industry including Airbus and Boeing. CTRM is aided by its three subsidiaries namely CTRM Aero Composites Sdn. Bhd. ("AC"), CTRM Composites Engineering Sdn. Bhd. ("CE") and CTRM Testing Laboratory Sdn. Bhd. ("CTRM TL"). The rapid recommencement of flights as the aviation industry resumes its activities has spurred demand for new aircraft, aircraft parts and components. At least two-thirds of the world's fleet of 16,000 aircraft were grounded when the COVID-19 pandemic halted economic activities in 2020. As recovery accelerates in the aviation industry, some of the aircraft have reached their ageing time, falling due for replacement.

Additionally, new parts and components are required for aircraft to be rendered air worthy creating substantial pent-up demand. Capitalising on the airlines' pivot to narrow-body aircraft, CTRM has ventured into a new segment of manufacturing aircraft components and parts for the single-aisle Airbus A220. At present, at least 70% of its aircraft line-up for Airbus represents components and parts for single aisle aircrafts, in particular the A320.

Moving in tandem with the industry's recovery, CTRM's production will focus on the delivery of orders from Airbus and Boeing through Spirit AeroSystems and Collins Aerospace which collectively account for 89% of its revenue.

In its non-aerostructure composites segment, CTRM's successful delivery of eight units of the 36 eight-metre radome ordered by Cobham of Germany has paved the way for a further order in a new radome category of 5.3 metres. CTRM is looking into more orders moving forward and to establish its position as the manufacturer of choice as well as to be part of Cobham's supply chain as it expands its presence in the Southeast Asian region. Cobham's market capitalisation of the radome business is approximately 70% in total, driving potential for CTRM.

Pursuant to strengthening its reputation in the aerospace industry, CTRM is stepping up research and technology activities and seeking new opportunities to venture into new technology apart from focusing on growing its production capacity.

BUSINESS REVIEW



The CTRM team celebrating the completion of the eight-metre radar dome

On its operating environment, the geopolitical tensions are yet to temper, causing prices of imported parts significant to its production to remain high, requiring the austerity measures taken during the pandemic years to continue in order to strive to regain income at the RM1 billion pre-pandemic range. In an effort to tame escalating costs, CTRM implemented cost-cutting measures such as zero overtime, zero wastage and workforce right-sizing. It also exerted tighter control over its supply chain by breaking away from legacy suppliers and implemented stricter vendor negotiations.

BUSINESS REVIEW

POSTAL SECTOR



As the nation's sole postal service, Pos Malaysia delivers to even the most remote corners of the country ●

DRB-HICOM's exposure in the postal and logistics business spans over a decade through Pos Malaysia Berhad, the national postal service provider and sole licensee for universal postal services in the country. To remain relevant, the 200-year-old company is diversifying into end-to-end logistics services.

Pos Malaysia Berhad ("Pos Malaysia")

Pos Malaysia plays a crucial role as the nation's sole postal service, delivering to even the most remote locations in the nation. In the past two years, the post and courier industry has rapidly transformed as digitalisation resulted in lower mail volumes, pushing Pos Malaysia to focus on the burgeoning segment of parcel delivery which grew exponentially driven by e-commerce demand during the movement restriction period.

Nevertheless, the rapid acceleration attracted many market players, resulting in price-cutting activities to grab market share. Further, on-line platforms began to utilise internal logistics, reducing the market share for parcel delivery by 30% to 40%.

BUSINESS REVIEW

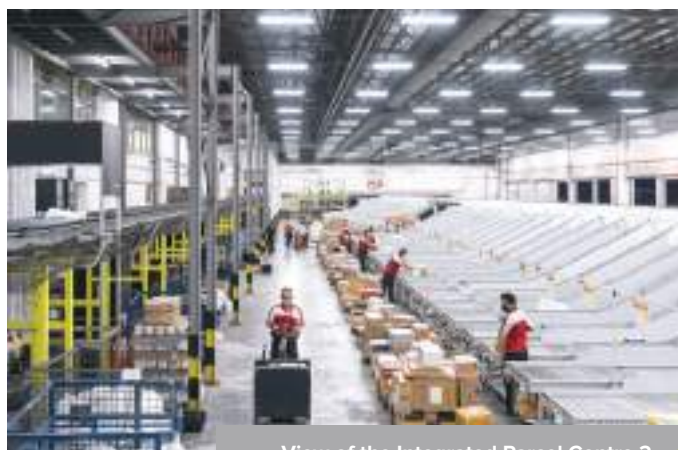
To counter the loss in revenue from reduced parcel business, Pos Malaysia took on an integrated and macro approach by selecting the right customers to drive into the right channels. Realising better yields from business-to-business (“B2B”) customers, it strived to raise its share of B2B customers from 15% to 44%.

Pos Malaysia also looked to leverage its extensive network of post offices, retail outlets and other touchpoints to accept and deliver parcels to customers in various locations, earning a competitive edge for its broader presence while optimising costs by utilising existing mail and retail infrastructure as well as resources to ensure efficient and reliable parcel delivery. This includes Pos Malaysia’s own fleet of vehicles and vast network of delivery personnel for quick and easy parcel delivery to even the most remote areas of the country.

Pos Malaysia also looked to diversify its customer segment, shifting focus from on-line e-commerce platforms to long-tail customers for better profitability. One key strategy to achieve this is to implement Pos Fulfill which will cover the entire value chain of e-commerce order fulfilment.

Pos Malaysia has also been focusing on diversifying beyond its traditional functions to provide retail, logistics and aviation solutions in order to capitalise on the rise of e-commerce. As borders re-opened and economic activity commenced, the aviation industry presented growth potential, as did the retail industry. The success of the COVID-19 vaccines boosted confidence, and Pos Malaysia’s physical locations experienced increased footfall. To support this, Pos Malaysia intends to entice customer engagement and increase retail transactions at physical stores through Pos Disini. Pos Malaysia will leverage business data analytics to obtain accurate customer profiles/demographics to better understand customer needs and preferences, and device services and products to better serve the market.

To remain competitive in an evolving digitalised landscape, Pos Malaysia invested in digital technology to modernise its IT systems in a bid to revamp its operations. Among the initiatives implemented are the Aisha chatbot to enhance customer support services, a more interactive and user-friendly website and the estimated time of arrival feature, providing estimated parcel delivery time within a range of three hours. Other measures included the introduction of SendParcel Pro, a platform for contract customers that accelerates their orders/shipments processing, and Cash on Delivery and Cashless Payments to provide additional payment options to its customers at post offices.



View of the Integrated Parcel Centre 2
at Kuala Lumpur International Airport

As a service-oriented company, the people are Pos Malaysia’s key assets. In line with its three-phase transformation programme, Pos Malaysia embarked on a culture transformation programme to enhance the efficiency of its workforce and establish the Pos Malaysia DNA. Customer service levels have risen to register service satisfaction levels of above 90% consistently. Additionally, it completed the Wira Foundation training for 15,500 of its staff and intends to pursue additional culture transformation programmes in 2023.

Pos Malaysia’s three-phase transformation strategy launched in August 2021 is progressing well, with the first phase of cost rationalisation yielding desired results. The second phase Core Transformation, supported by a brand strategy, culture transformation, digital transformation and a focus on ESG initiatives is being rolled out successfully. In 2023, Pos Malaysia will embark on its journey in the third phase, Pos 2.0, by introducing big rocks such as margin-led initiatives in the areas of Pos DiSini, Pos Fulfill and Pos Global Express.

Pos Malaysia also realises the potential in its large network of post offices, retail outlets and other touchpoints which offer intensive connectivity to customers in various locations. Pos Malaysia will focus on its key areas of highly motivated, engaged and safe employees; delivering service quality and delighting its customers and delivering a profit in its transformation programme to establish a transformed and progressive brand in Pos Malaysia.

BUSINESS REVIEW

BANKING SECTOR



Bank Muamalat serves customers via network of 68 branches ●

DRB-HICOM's representation in the banking industry is through Bank Muamalat, which stands out for its emphasis on values-based banking. It holds the distinction of being the world's first Islamic bank and the first in Southeast Asia to join the Global Alliance for Banking on Values.

Bank Muamalat Malaysia Berhad ("Bank Muamalat", "Bank")

Ever since its inception in 1999 as a full-fledged Islamic financial institution, Bank Muamalat has offered customers a growing range of services to meet the needs of individuals and institutions. Governed by the Islamic Financial Services Act 2013, it delivers value to stakeholders and society via a network of 68 branches and through electronic channels encompassing i-Muamalat, its internet banking solution and self-service terminals.

With the lifting of the Movement Control Order ("MCO"), customers have resumed their businesses, albeit with slower recovery in financial conditions due to emerging risks during the national economic recovery phase. Despite the volatile economic condition, the Bank saw some improvement in its performance, particularly in its CASA segment. The Bank observed an increase in new CASA accounts opened, amounting to RM71.8 million compared with RM51.9 million in 2021. The gross impaired financing ratio also improved, currently at 0.85%, although slightly higher than the 0.83% recorded in 2021. The slight rise in the ratio can be attributed to higher inflation and slow economic recovery. However, the ratio is still contained and remains below the Islamic banking industry ratio of 2%.

BUSINESS REVIEW

During the year, Bank Muamalat opened a new branch in Indera Mahkota, Pahang, marking its 68th branch nationwide. It also introduced EasiGold, the first Shariah-compliant digital mobile-based gold investment platform for customers to invest in gold using mobile apps. Additionally, the Bank launched its first Shariah-compliant credit cards, Bank Muamalat Visa Platinum-i and Bank Muamalat Visa Infinite-i, in April 2022. In a bid to reach a wider and largely inaccessible market, the Bank embarked on Bank Bergerak or Mobile Bank, an initiative to provide basic banking services to rural areas and promote e-banking. Meanwhile, under the sustainability initiative, the Bank disbursed RM6.5 million to 777 asnaf and B40 entrepreneurs through the iTEKAD programme and collaborated with Pusat Pungutan Zakat-MAIWP and Lembaga Zakat Selangor to launch the zakat calculation service. In 2022, Muamalat Academy was established, offering 705 programmes bank-wide, rolling out over 140,000 learning hours.



Bank Muamalat launched the Visa Platinum-i and Visa Infinite-i credit card in April 2022

The Bank's implementation of the three-year IT Strategic Plan remains on track. Over the first 18 months, Bank Muamalat concentrated on strengthening its technology environment by modernising infrastructure, enhancing IT organisation and laying the foundation for future digital technology implementation. These initiatives are progressing well and nearing completion. Simultaneously, the Bank has initiated work to implement new digital technologies like Open API which will facilitate the complete modernisation and digitalisation of technology.

Towards transformation into a next-generation bank, significant progress was achieved as Bank Muamalat strived to meet its three strategic goals:

- Accelerate Growth and Deliver Superior Customer Experience: Implementation of On-line Deposit Application ("ODA") and customer relations management tools for its sales and digital marketing initiatives

- Innovative Products and Services Unlocking New Markets: Utilising Muamalat Application Platform to onboard retail customers and e-KYC to allow straight-through processing for savings account
- Efficient, Agile, and Secure Banking Operations: Tech-related training to upskill employees

Bank Muamalat RISE26+ has completed its first year of execution, bringing in 101,525 new customers to the Bank. The following were achieved in line with the eight thrusts outlined in the programme:

- Accelerate Business Growth: Efforts to grow the business resulted in higher gross financing while new initiatives were introduced like Shariah-compliant credit cards and rolling out technology to improve customer touchpoints
- Enable Islamic Banking for All: New customers were acquired, successfully diversifying the customer base
- Driving Sustainability: The Bank disbursed RM6.5 million through iTEKAD programme and built capabilities to assess climate risk in financial processing
- Customer Centricity: The Bank launched a new brand corporate identity and adopted digital marketing aligned to the digitalisation landscape
- Innovation: Enabled digital account opening and customer onboarding through e-KYC and ODA
- Improve Operational Efficiency: Automation and efficiency in branch and back office processing
- Strengthening Foundation: The Bank focused on data-driven decision-making to enhance operations
- High-Performing Organisation: More people-focused programmes were implemented to drive high-performing culture

In the future, Bank Muamalat plans to strategically allocate capital and maintain a financing composition of approximately 70% from retail banking. Additionally, the Bank aims to aggressively grow its commercial and small- and medium-sized enterprises banking sectors and enhance its digital touchpoints and processes to improve product offerings and customer services.

Bank Muamalat also aims to increase fee income by expanding the share of wallets of existing customers through various value propositions such as product bundling and foreign exchange which can potentially generate RM14.0 million. Furthermore, it plans to launch new products and engage in strategic collaborations to gain market share in the credit card segment which can potentially generate RM6 million, and trade business which can potentially generate RM4 million.

BUSINESS REVIEW

SERVICES SECTOR



A PUSPAKOM staff carrying out vehicle identification inspection

Within the Services Sector, the Group provides a range of transport and logistics-related facilities. These include vehicle inspection under a concession with the Government, ground-handling and cargo-handling services for the aviation sector, logistics and airfreight services. In addition, DRB-HICOM also owns and operates the region's first university geared towards the automotive industry.

CONCESSIONS

PUSPAKOM Sdn. Bhd. ("PUSPAKOM")

PUSPAKOM is a Government-appointed vehicle inspection body entrusted with ensuring the safety of commercial and private vehicles via regulatory inspection carried out at its 54 centres throughout the country.

BUSINESS REVIEW

The global automotive landscape is changing and transitioning to a software-enabled ecosystem. With these technological advancements, the transportation industry will see active developments in autonomous driving, connectivity, shared mobility and vehicle electrification. However, EV ownership in Malaysia is still low with 10,000 registered EVs as of December 2022.

While awaiting Government implementation of inspection regulations for EVs, PUSPAKOM continues to keep pace with technologies and equipment that are critical to improving inspection efficiency and effectiveness.

As a member of the International Motor Vehicle Inspection Committee, PUSPAKOM ensures vehicle inspection standards adopted in Malaysia are on par with global standards and continuously monitors for best practices to implement.

PUSPAKOM is at a pivotal point in its transformation plan to become a one-stop centre. It aims to obtain Government approval for non-inspection services related to vehicle ownership such as biometric validation services for vehicle transfer of ownership, renewal of road tax for e-hailing and commercial vehicles with permits, in addition to the existing renewal of insurance and road tax services for decontrolled commercial vehicles and all types of private vehicles.

On-going digitalisation initiatives including going cashless have created new capabilities and elevated its operational resilience. PUSPAKOM is optimistic in seeking continuation of the provision of mandatory vehicle inspection services beyond 2024.

EDUCATION

DRB-HICOM University of Automotive Malaysia (“DRB-HICOM University”)

The education industry faced significant challenges from 2020 to 2022 due to MCO restrictions. Campus operations were suspended and students shifted to on-line learning with physical exams replaced by on-line assessments. Internships, supervision and thesis examinations were also conducted on-line. However, graduation was not delayed and the three-semester mode remained. From October 2022, the university resumed full face-to-face teaching but hybrid classes were offered to students who chose to remain at home. The pandemic not only affected teaching modes but also impacted student enrolment. School leavers are increasingly interested in the gig economy which has led to a decline in new enrolments for DRB-HICOM University and other private institutions.

Financially, DRB-HICOM University recorded a 3% increase in revenue for the year under review, mainly due to an increase in training income from the Technical Training Institute (“TTI”). However, lower new intake, resulting in a decrease in tuition and



View of the Administration Building of the DRB-HICOM University in Pekan

other fees, affected overall revenue. DRB-HICOM University continues to streamline operations through cost management initiatives to improve its profitability.

DRB-HICOM University received approval for two programmes namely Diploma in Occupational Safety and Health and Master of Business and Management, to be offered via ODL by the end of the first quarter of 2023. In addition, two programmes in the Faculty of Business, namely Diploma in Automotive Parts Management and Diploma in Procurement Management, were successfully audited under MQA-04, leading to the courses being accredited. Meanwhile, the Bachelor of Supply Chain Management programme was also accredited by the Chartered Institute of Logistics and Transport in Malaysia.

The Faculty of Engineering had four academic programmes that obtained full accreditation in 2022. They were the Bachelor of Mechanical Engineering Technology with Honours, Diploma in Mechanical Engineering Technology, Bachelor of Information Technology with Honours and Master of Science in Industrial Design, while the Diploma in Automotive Technology programme was also successfully audited under MQA-04.

Meanwhile, TTI conducted numerous training programmes in 2022 including its top six programmes namely Professional Diploma in Procurement Programme, Leadership Efficacy and Development Programme, ISUZU Leadership Efficacy and

BUSINESS REVIEW

SERVICES SECTOR

Development, Automotive Distribution Leadership Efficacy and Development Programme, micro-learning series and in-house training for the technical division.

DRB-HICOM University seeks to streamline its academic programmes with more focus on Technical and Vocational Education and Training (“TVET”), including developing new TVET skills programmes, reinforcing flexible learning, optimising resources and elevating culture shift.

DRB-HICOM University has also implemented a digital documentation system resulting in strengthened document security and confidentiality, easy access to student data and a paperless office environment. It has also committed to providing flexible learning programmes and has applied to become the Accreditation of Prior Experiential Learning for Access and Accreditation of Prior Experiential Learning for Credit Centres by the first quarter of 2023.

Moving forward, DRB-HICOM University hopes to increase the intake of new students to 450 to ensure it maintain its university status which requires a minimum student enrolment of 1,000. It also plans to offer more courses via ODL mode, aiming at attracting non-campus students and broadening its customer base and generating an additional income stream.

AVIATION

Pos Aviation Sdn. Bhd. (“Pos Aviation”)

Pos Aviation, the sole independent licensed ground-handling service provider in Malaysia, continues to demonstrate its commitment to excellence and innovation in the aviation industry. The company recently received several awards and recognitions, including the Outstanding Partner Award 2022 by SF Airlines and a third place in the DRB-HICOM SHE Excellence Awards under the Best Practices Awards category. Additionally, three teams from Pos Aviation participated in the Malaysia Productivity Corporation Teams Excellent Convention, showcasing the company's focus on productivity and efficiency. Pos Aviation was also shortlisted for the Malaysia Technology Excellence Awards 2022, highlighting its investment in new digital and technology systems to meet the evolving marketplace and customer needs. These achievements are a testament to Pos Aviation's dedication to delivering high-quality ground-handling services, air cargo handling, in-flight catering, e-commerce warehousing and aircraft maintenance and engineering services at nine airports in Malaysia.

Expectedly, Malaysia's air traffic passengers have seen a significant increase, registering 52.7 million passenger movements in 2022 compared with 10.7 million in 2021. Domestic passenger movements continue to recover, reaching 70% of 2019's level with 36.2 million passengers for the year. International passenger



DRB-HICOM University graduates celebrating after their convocation ceremony

movements saw a total of 16.5 million passengers with Thailand, Indonesia, the Philippines, South Korea, Vietnam and India being the most visited destinations. The global air cargo market saw an 8% year-on-year growth, acting as a backstop for airlines. However, with the re-opening of the passenger business, cargo space will inevitably be reduced by passenger baggage.

Pos Aviation's financial performance in 2022 showed a larger turnover of RM241.8 million. This could be linked to the recovery from the epidemic following the re-opening of Malaysian borders, revenue produced from catering services for Malaysia Airlines and Brahims SATS Food Services and the movement of the e-commerce company to Cainiao e-Hub.

To continue driving growth and efficiency, Pos Aviation has developed a five-year plan that includes developing a strong organisational culture and teamwork, leveraging group synergies, ensuring service quality consistency, aggressive marketing and promotions, embracing digital transformation and disruptive technologies, improving human capital management and forming strategic alliances or joint ventures for global expansion. Pos Aviation intends to successfully implement this plan in order to sustain growth and innovation.

The aviation industry worldwide is still reeling from the staffing problem caused by the pandemic that will take three years to recover. Manpower shortage is evident not only in Malaysia and its Southeast Asian neighbours like Singapore but also in Europe.

BUSINESS REVIEW



Aircraft handling of passenger baggage is one of Pos Aviation's services

Pos Aviation in 2022 has been aggressive on staff recruitment and retention has been its primary focus. Staff retention programmes for senior and experienced employees and recruitment of new staff were also priorities. It aims to have a highly disciplined team by perfecting multiskilling together with a rich mix of experienced staff and highly motivated fresh recruits.

In addition, Pos Aviation is actively engaging manpower suppliers to expedite the intake of foreign workers for ramp and baggage-handling services. Pos Aviation was also facing challenges with low productivity and high attrition among local workers. For now, it has seen an improvement and stability in Pos Aviation as well as in its vendor staff numbers.

Pos Aviation has implemented several strategic initiatives to improve its business performance and market competitiveness. These initiatives include maximising the service package through partnerships with key players in the aviation industry. The joint venture with SIA Engineering Company Ltd for Pos Aviation Engineering will allow Pos Aviation to expand its aircraft engineering services, access the latest technology and expand its business to other regions. Pos Aviation has also signed memorandums of understanding with Sabah Air and Kulim Aeropolis Sdn. Bhd. to expand its cargo and ground operations, as well as aircraft maintenance services.

BUSINESS REVIEW

SERVICES SECTOR



Pos Aviation staff at the airport check-in counter ready to process passengers



Preparing meals in the Pos Aviation catering kitchen at KL International Airport

Pos Aviation is committed to digital transformation and automation initiatives to improve efficiency. The implementation of customer relationship management and the digitalisation of customer surveys with embedded artificial intelligence features have improved customer complaints management, transparency and efficiency. These initiatives have enabled Pos Aviation to gather valuable feedback from customers and identify areas for improvement.

Pos Aviation, as a licensed ground-handling agent in most airports in Malaysia, is closely monitored by both Malaysia Airport Holdings Berhad and Malaysian Aviation Commission (“MAVCOM”). In line with MAVCOM’s Airports Quality of Service (“QoS”) framework, Pos Aviation strives to improve passenger comfort at airports and prioritise consumer service levels to enhance the airport user experience for airlines, ground-handling operators and other airport users. The key areas under scrutiny are baggage retrieval time by passengers and aerobridge operator availability.

Pos Aviation has been able to meet the requirements and service levels by MAVCOM in 2022.

Pos Aviation expects full business recovery by end of 2023 or 2024 with air travel restrictions lifting and e-commerce boosting tonnage handling. Cargo volume is expected to decrease in 2023 due to higher passenger loads. Pos Aviation will continue to invest in upskilling its people and technology systems to cater to evolving customer needs while driving business growth. In 2023, domestic travel will remain strong while the outlook for international travel depends on vaccination and Government policies. Passenger load

demand is expected to reach 61% of pre-crisis levels with aviation capacity increasing faster than demand. Pos Aviation expects the air transportation sector to recover to 60-70% of pre-pandemic volume by 2024, remaining optimistic about its business outlook.

LOGISTICS

Pos Logistics Berhad (“Pos Logistics”)

Pos Logistics completes Pos Malaysia’s logistics supply chain through complete end-to-end supply chain logistics services, namely, freighting, forwarding, haulage, warehousing, transportation and depot.

The company primarily operates in Peninsular Malaysia with three main regions, namely central, northern and southern, and specialises in three main segments, namely automotive logistics which is Pos Logistics’ main sector, supply chain solutions and marine logistics. All three segments enjoyed a successful year.

The automotive segment, which contributes about 45% of the company’s total revenue and more than RM10 million in operating profits, made notable strides in 2022, buoyed by a robust industry rebound and recovery following the COVID-induced slump of the previous year. Nevertheless, the on-going global shortage of semiconductor microchips continues to hamper actual growth despite strong consumer demands.

BUSINESS REVIEW

As for the supply chain segment, it enjoyed a successful year benefiting from sustained demand for essential goods, accounting for 42% of the company's revenue. This was primarily generated via the transportation of essential commodities such as sugar and rice as well as specialised haulage or tanker.

Pos Logistics also carries coal for TNB Fuel Sdn. Bhd. through the marine logistics segment. This segment remained strong, supported by steady demand for electricity, accounting for approximately 13% of the revenue share.

A key achievement was recognised by Etiqa General Insurance Berhad at the 2021 and 2022 Pos Assurance and Strategy Partnership Conference, where the company was awarded The Largest Prime Mover Financial Year 2021 and 2022 for making the largest contribution to insurance premiums among the industry's commercial vehicle players.

Pos Logistics continues to provide services in the right sectors, focusing on the automotive, essential supply chain services and energy sectors where demands remain high. To complement this, the company successfully secured new contracts with Padiberas Nasional Berhad and Linde Malaysia Sdn. Bhd. while also protecting and strengthening its market share in existing and targeted customers as a one-stop centre. Additionally, Pos Logistics implemented a cost-savings programme which included turning around loss-making business units and abnormalities to deliver profitable business.

Pos Logistics will continue to implement new technologies, organise training programs and explore new technologies to improve its logistics capabilities. The relocation of the headquarters is expected to save Pos Logistics more than RM5 million per annum and the new organisation chart is expected to provide better operational and business streamlining. Pos Logistics is confident that these efforts will allow them to maintain their position as a leading logistics service provider.

OTHERS

World Cargo Airlines Sdn. Bhd. ("WCA")

WCA experienced a drop in net profit in 2022 compared with 2021 due to an 80% increase in jet fuel prices caused by geopolitical events and increased demand post-pandemic. Jet fuel accounts for approximately 70% of the total cost of sales.

WCA added another Boeing 737-800BCF aircraft to its fleet, boosting its daily flight capacity and maintaining its 100% on-time performance for Pos Malaysia's flights into East Malaysia. Furthermore, WCA plans to induct two new aircraft in 2023 and one additional wide-body aircraft in early 2024, enabling the company to meet the growing demand for air cargo services and expand its international destinations while maintaining timely and efficient delivery. This strategic fleet expansion will increase WCA's competitiveness in the market, reflecting its commitment to providing high-quality air cargo services both domestically and internationally.

In 2022, WCA improved its aircraft-handling programme, reducing flight delays. With no flight take-off or landing conflicts with other airlines, WCA continues to improve its on-time performance with customers, resulting in high customer satisfaction.

Moving forward, WCA plans to streamline its operations to improve on-time performance and customer satisfaction. In addition, as part of its continuous improvement programme, WCA seeks to add newer-generation aircraft to its fleet, improving fuel efficiency and reducing maintenance costs. For 2023, it will focus on high-trade countries, increase flight frequency, optimise routes and ensure aircraft are operating at peak efficiency through regular maintenance checks and on-time repairs. By doing so, WCA aims to provide comprehensive logistics solutions while minimising its carbon footprint and contributing to the aviation industry's sustainability efforts. However, the company acknowledges that success will depend on various factors and must continually evaluate and adapt its strategy to stay competitive and meet customer needs.



World Cargo Airline Sdn. Bhd. operates freight services to both domestic and international destinations

BUSINESS REVIEW

PROPERTIES SECTOR



The impressive frontage of the new 1,000-seat Auditorium Seri Angkasa at Media City Angkasapuri in Kuala Lumpur

DRB-HICOM is involved in property development and the management of assets built under concession agreements with the Government. Although well-known for the Glenmarie brand of residential developments, the Group has been training its focus on industrial estates since 2021, leveraging more than 30 years of experience and expertise in this niche area.

PROPERTY DEVELOPMENT

The Group's property development division, under Glenmarie Properties Sdn. Bhd. ("GPSB"), is currently engaged in the development of an industrial park in Alor Gajah, Melaka and Tanjong Malim, Perak. In addition, it has on-going residential development projects in Tebrau, Johor and Tanjong Malim, Perak.

BUSINESS REVIEW



Glenmarie Johor is a freehold development located in Tebrau, Johor Bahru, Johor

Glenmarie Johor

Glenmarie Johor, located at the heart of the bustling and mature Tebrau region, is a 69-acre freehold development that is being rolled out in phases. Phases 1A and 1B comprising 291 units of double-storey linked homes and Phase 1C consisting of 56 semi-detached and cluster homes have been completed.

In July 2021, Phase 1D-2A was launched with 38 units of semi-detached and cluster homes. As of December 2022, the take-up rate for these units was approximately 84.2%. The semi-detached houses have a built-up area of around 2,690 square feet while the cluster houses are slightly smaller at about 2,429 square feet. The standard land dimensions for the semi-detached and cluster homes are 40 feet by 80 feet and 34 feet by 75 feet respectively. These units are priced between RM998,000 and RM1.27 million. The next development phase, Phase 1D-1B and 2B, which offers 48 units of cluster homes, is targeted to launch in the first quarter of 2023. These cluster houses have a built-up area of approximately 2,429 square feet with standard land dimensions of 34 feet by 75 feet and are priced from RM1.04 million.

The houses in Glenmarie Johor are highly desirable given its proximity to Johor Bahru's central business district and the Malaysia-Singapore Causeway.

HICOM Pegoh Park ("HPP")

Sprawling across 729 acres, HPP is one of Melaka's largest freehold and most strategically-located industrial parks. It can be easily accessed via the Alor Gajah/Simpang Empat Interchange of the North-South Expressway in Alor Gajah, Melaka. To date, approximately 515 acres of the industrial park have been developed.

Phase 3, launched in September 2019 and occupying about 69 acres, was fully completed in March 2022. As of December 2022, approximately 44.75 acres in Phase 3 and 7.57 acres in Phase 2A were sold with a total GDV of RM62.51 million.

The next phase of development, Phase 2C-1A, is slated for launch in the second quarter of 2023. This phase has approximately 33.35 acres with a total GDV of RM42.13 million.

BUSINESS REVIEW

PROPERTIES SECTOR

Automotive Hi-Tech Valley ("AHTV"), Tanjong Malim

Proton City Development Corporation Sdn. Bhd. ("PCDC") is developing a 4,000-acre township located in Tanjong Malim, Perak. The township, recently rebranded to Automotive Hi-Tech Valley ("AHTV"), features a mix of residential, commercial, institutional and industrial parcels, all surrounded by scenic lakes, PROTON's state-of-the-art plant and Universiti Pendidikan Sultan Idris, one of the country's oldest institutions of higher learning.

For the year under review, only one affordable home range was introduced. Zora, the final series of the affordable home range, was launched in January 2022. This series comprises 39 units of 1½-storey linked houses on standard lots measuring 22 feet by 70 feet and priced at approximately RM440,000. As of December 2022, 87% of the units have been sold and sales of the remaining units are expected to be concluded by February 2023.

For the year under review, no new property was launched, as PCDC is currently focused on selling all existing properties before launching new phases.

In 2022, PCDC also managed to dispose of 23.76 acres of industrial land in Parcel 3 Vendor Park, including a detached factory seated on a 3.55-acres plot for RM27.73 million. Sales of another 5.8 acres valued at RM8.78 million is expected to conclude in early 2023.

HICOM Vertex Industrial Park

A 200-acre freehold piece of land in Bukit Kayu Hitam, Kedah, was acquired in 2015 and is being developed into HICOM Vertex Industrial Park. The location is strategic as it is adjacent to the Immigration, Customs, Quarantine and Security ("ICQS") Complex in Bukit Kayu Hitam. Work on the site is scheduled to begin in 2024 with its first launch planned for the same year.

HICOM Glen Industrial Park and HICOM Johor Industrial Park

HICOM Glen Industrial Park located in Pulau Sebang, Melaka, spans 287 acres and approximately 6km away from HPP, while HICOM Johor Industrial Park sprawls across 1,243 acres in Tebrau, Johor. Site works for both industrial parks are expected to commence in 2024 with the first launch planned for 2025.



Embayu Lake in Tanjong Malim is set against Banjaran Titiwangsa

BUSINESS REVIEW



The refurbished Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex in Kedah has made the border-crossing process significantly more efficient

CONCESSION DEVELOPMENT AND CONSTRUCTION

Media City Development Sdn. Bhd. (“MCDSB”)

DRB-HICOM has 100% equity in Media City Ventures Sdn. Bhd., the parent company of MCDSB which holds a 23-year concession from the Government to develop, operate, and maintain Media City for the Ministry of Communications and Digital Malaysia. Modelled after MediaCityUK, the revamped Angkasapuri is envisaged as a modern hub for technology, innovation and creativity that is centred around Radio Televisyen Malaysia, the nation’s primary broadcasting agency featuring state-of-the-art technology and infrastructure.

The Media City development comprises the planning, design, and completion of an 18-floor office tower, a 1,000-person capacity auditorium, music and TV studios, multi-storey car-park buildings, a plaza and a 20-bay garage for outdoor broadcast vehicles. State-of-the-art broadcast equipment and systems will be provided in the new buildings as well as the existing Angkasapuri premise. The facilities and infrastructure cover an area of approximately 15.72 acres.

Development of Phase 1, consisting of new office buildings, studios, auditorium and broadcasting equipment and systems started in December 2016. With an estimated GDV of RM860 million, it is scheduled for completion in the second quarter of 2023 after which a new commercial component under Phase 2 will commence.

The Government’s acceptance of the first stage or Lease One of Phase One on 11 March 2019 marked a milestone on the country’s broadcasting history, leading to the termination of analogue terrestrial television transmission nationwide, which was replaced

with full high-definition television transmission. This was followed by the acceptance of the second stage or Lease Two on 15 April 2022 which involved renovations to existing buildings and the supply of systems and equipment at Wisma TV, Wisma Radio and the International Broadcasting Centre. Both Lease One and Lease Two will generate returns through rental and maintenance payments for eight years after their acceptance. The final stage or Lease Three will see the delivery of new buildings, including studios and an auditorium equipped with state-of-the-art broadcasting systems, including a Digital Media Asset Management System by the second quarter of 2023.

Northern Gateway Infrastructure Sdn. Bhd. (“NGISB”)

NGISB, a wholly-owned subsidiary of DRB-HICOM, holds a 28-year concession from the Government beginning 14 June 2014 to develop and subsequently maintain the new ICQS Complex in Bukit Kayu Hitam, Kedah. Following its completion in June 2019, the RM425 million Bukit Kayu Hitam ICQS complex has brought in consistent returns through lease rental and maintenance payments from the Government.

The Bukit Kayu Hitam ICQS facilitates smoother border crossings to and from Thailand given its enhanced capacity and security features compared with the previous ICQS. It has achieved an impressive Rating 4 (out of 5) and a remarkable average Satisfaction Level of 99% in all customer satisfaction surveys conducted on users, including Government officers and the public. NGISB has been actively involved in energy management and conservation, leading to savings of RM1.56 million between July 2019 and December 2022. NGISB will continue to manage the complex until the expiration of its concession agreement on 26 June 2044.