

NOTES

1. ACCOUNTING POLICIES

(a) The second quarter financial statements have been prepared using the same accounting policies and methods of computation consistent with those adopted in 31 March 2000 audited financial statements.

(b) Consolidation of Gadek, Gadek Capital and HICOM

(i) Effective date of acquisitions

On 23 May 2000 (i.e. the 1st closing date of the voluntary conditional Offers), DRB-HICOM Berhad (“DRB-HICOM”) received valid acceptances which resulted in the Company holding, directly and indirectly more than 75% equity interests in Gadek (Malaysia) Berhad (“Gadek”), Gadek Capital Berhad (“Gadek Capital”) and HICOM Holdings Berhad (“HICOM”). Consequently, the Offers became unconditional on the same date. Therefore, the effective date for the acquisitions of the above companies was deemed on 23 May 2000 and hence these companies became subsidiaries of DRB-HICOM Berhad as of the date.

Pursuant to Section 34 of the Securities Commission Act, 1993, the compulsory acquisition for the remaining shares not owned by the Company in Gadek and Gadek Capital were completed on 19 September 2000 and in HICOM on 22 September 2000 and thereafter these companies became wholly-owned subsidiaries of DRB-HICOM Berhad. Accordingly, the accounts of these companies were consolidated and reflected in the consolidated income statement and balance sheet.

(ii) Pursuant to Section 60 (4)(a) of the Companies Act, 1965, the premium on the new shares issued as consideration for the acquisitions are not recorded as share premium. The difference between the issue price and the nominal value of shares of the Company issued as consideration is classified as merger reserve.

(iii) The goodwill arising on consolidation is written off against reserves.

2. EXCEPTIONAL ITEMS

The exceptional item for the quarter ended 30 September 2000 is the loss arising from the disposal of shares in a subsidiary company.

3. EXTRAORDINARY ITEMS

There were no extraordinary items for the financial period ended 30 September 2000.

4. TAXATION

Taxation comprises the following :

	2nd Quarter		Cumulative Quarter	
	Current Year Quarter 30.9.2000 RM'000	Preceding Year Corresponding Quarter 30.9.1999 RM'000	Current Year To date 30.9.2000 RM'000	Preceding Year Corresponding Period 30.9.1999 RM'000
Current Taxation	29,933	15,338	54,390	15,359
Overprovision in prior periods	-	(11)	-	(11)
Taxation on share of profits of associated companies	27,987	460	36,506	2,987
	<u>57,920</u>	<u>15,787</u>	<u>90,896</u>	<u>18,335</u>

5. PRE-ACQUISITION PROFITS OR LOSSES

There were no pre-acquisition profits or losses included in the consolidated income statement for the financial period ended 30 September 2000.

6. PROFIT ON SALE OF INVESTMENT AND /OR PROPERTIES

Save as disclosed in Note 2, there were no sale of investments nor properties for the current financial period .

7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

The following particulars on quoted investments do not include any investments undertaken by the insurance and finance subsidiary companies of the Group and the quoted shares acquired pursuant to the voluntary Offers referred to in Note 9 (a).

**Current Year
To Date
30.9.2000
RM'000**

- (a) Total purchases and disposal of quoted securities are as follows:

Purchases	<u>Nil</u>
Disposal	<u>Nil</u>

- (b) Investment in quoted securities other than the investments in subsidiaries and associated companies as at 30 September 2000 is as follows :

	In Malaysia RM'000	Outside Malaysia RM'000
At cost	<u>3,416</u>	<u>38,781</u>
At carrying value	<u>3,292</u>	<u>38,781</u>
At market value	<u>1,769</u>	<u>41,068</u>

8. CHANGES IN THE COMPOSITION OF THE GROUP

On 23 May 2000, Gadek, Gadek Capital and HICOM became subsidiaries of DRB-HICOM Berhad and, subsequently as explained in Note 1(b), on completion of the compulsory acquisitions, these companies became wholly-owned subsidiaries.

9. STATUS OF CORPORATE PROPOSALS

- a. Further to the conditional voluntary Offer announced by DRB-HICOM on 28 February 2000, DRB-HICOM had announced on 3 October 2000 that the Company has successfully acquired the remaining shares not held by DRB-HICOM and its related companies in Gadek and Gadek Capital on 19 September 2000 and in HICOM on 22 September 2000. As a result, DRB-HICOM holds 100% equity interest in Gadek, Gadek Capital and HICOM.

As stated in the Gadek and HICOM Offer Documents, the Company will seek Gadek and HICOM Warrantholders' approval for the respective warrant exchange scheme at the respective warrantholders' meeting to be held on 14 December 2000.

- b. In respect of the acquisition of the entire equity interest in Master Carriage (Malaysia) Sdn Bhd ("MCM") which was approved by the Securities Commission ("SC") on 17 April 2000, an announcement was made to the Kuala Lumpur Stock Exchange ("KLSE") on 28 August 2000 that the Company and the vendors of MCM have mutually agreed to extend the period for the fulfilment of the conditions precedent stated in the sale and purchase agreement dated 28 February 2000, as supplemented by the supplemental agreement dated 6 March 2000, for a further period of six (6) months up to 28 February 2001 via the execution of a letter of extension dated 28 August 2000.
- c. On 30 June 2000, an announcement was made to KLSE that Gadek Capital Berhad had entered into a conditional sale and purchase agreement with Hong Leong Bank Berhad for the disposal of the entire equity interest in Credit Corporation (Malaysia) Berhad, its wholly-owned licensed finance company ("Proposed CCM Disposal"). The Proposed CCM Disposal has been approved by the Company's shareholders on 22 September 2000 and the Minister of Finance ("MoF"), through Bank Negara Malaysia ("BNM") on 13 November 2000.

- d. On 22 September 2000, the Company announced that its shareholders had approved the proposed disposal of 25.8% equity interest in PROTON to Petroliam Nasional Berhad (“PETRONAS”). The proposed disposal is expected to be completed soon.
- e. On 9 October 2000, DRB-HICOM announced that the Company had, on 30 August 2000 received approval from the MoF/BNM to commence negotiations with:-
 - (i) Tekun Cemerlang Sdn Bhd for the proposed disposal of the entire equity interest in Gadek; and
 - (ii) Malton Corporation Sdn Bhd for the proposed disposal of the entire equity interest in Gadek Capital.

(collectively referred to as “Proposed Disposals”)

The parties are currently finalising the terms and conditions of the sale and purchase agreements. An announcement will be made on the Proposed Disposals upon the execution of the aforesaid agreements, which are subject to the approval of MoF/BNM.

With regard to HICOM, DRB-HICOM is at a preliminary stage of evaluating several proposals for the proposed disposal of equity interest in HICOM. Once details are finalised, an announcement will be made.

- f. On 31 October 2000, an announcement was made to the KLSE that the disposal of 51% of the issued and paid-up share capital of Usahasama Proton-DRB Sdn Bhd to Perusahaan Otomobil Nasional Berhad (“PROTON”) was completed on 31 October 2000.
- g. On 10 November 2000, DRB-HICOM announced that the Company had, on even date, signed a Joint-Venture Agreement with Oriental Holdings Berhad (“Oriental”) and Honda Motor Co., Ltd of Japan (“Honda”) to form a new joint-venture company known as DRB-Oriental-Honda Sdn Bhd (“NewCo”) as the sole and exclusive distributor and manufacturer of Honda automobiles, spare parts and accessories in Malaysia.

NewCo is expected to commence operation in early 2001. In the interim, Kah Motor Sdn Bhd, a wholly-owned subsidiary of Oriental will continue to retail the Honda cars.
- h. The negotiation for the proposed divestment of the Group’s entire shareholding in EON Berhad to PROTON has not progressed as the parties have not reached an agreement on the issue of pricing.