



DRB-HICOM BERHAD

Registration No. 199001011860 (203430-W)
(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 31 March 2020

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

The Board of Directors hereby announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/period ended 31 March 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter/Period 3 Months Ended 31.03.2020 RM'000
Revenue		2,736,789
Cost of sales and operating expenses		(2,787,835)
Other income		75,105
Other expenses		(86,152)
Loss from operations		(62,093)
Finance costs		(111,649)
Share of results of joint ventures (net of tax)		(4,479)
Share of results of associated companies (net of tax)		(7,083)
LOSS BEFORE TAXATION	15	(185,304)
Taxation	20	(30,461)
NET LOSS FOR THE FINANCIAL QUARTER/PERIOD		(215,765)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Net loss on fair value changes of equity instrument: financial assets at fair value through other comprehensive income		(18,381)
<u>Items that will be reclassified subsequently to profit or loss:</u>		
Net gain on fair value changes of investment securities: financial assets at fair value through other comprehensive income		15,828
Currency translation differences of foreign subsidiary companies		4,412
<u>Reclassification adjustments:</u>		
Transfer of realised gain on fair value changes of investment securities: financial assets at fair value through other comprehensive income upon disposal		(17,472)
OTHER COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/PERIOD (NET OF TAX)		(15,613)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter/Period 3 Months Ended 31.03.2020 RM'000
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/PERIOD		(231,378)
Net loss for the financial quarter/period attributable to:		
Owners of the Company		(173,272)
Holders of Perpetual Sukuk		11,371
Non-controlling interest		(53,864)
		(215,765)
Total comprehensive loss for the financial quarter/period attributable to:		
Owners of the Company		(184,789)
Holders of Perpetual Sukuk		11,371
Non-controlling interest		(57,960)
		(231,378)
Basic and diluted loss per share (sen):	26	(8.96)

There is no comparative for the quarter ended 31 March 2020. Due to the change in the financial year end from 31 March to 31 December, the Condensed Consolidated Statement of Comprehensive Income for the current quarter ended 31 March 2020, being the first quarter of the financial year ending 31 December 2020, is not comparable with that of the first quarter of the previous financial period ended 31 December 2019.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,373,175	6,433,898
Investment properties		278,889	278,492
Inventories		236,184	235,999
Joint ventures		430,447	422,923
Associated companies		837,662	845,226
Intangible assets		1,343,207	1,335,680
Deferred tax assets		228,654	212,892
Investment securities: financial assets at fair value through profit or loss			
- Banking		143,284	139,684
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		1,411,709	2,830,480
- Non-banking		44,748	44,748
Investment securities: financial assets at amortised cost			
- Banking		104,522	103,162
Trade and other receivables		1,429,800	1,382,098
Other assets		480	480
Banking related assets			
- Financing of customers		11,575,307	11,422,973
- Statutory deposits with Bank Negara Malaysia		414,429	568,768
		24,852,497	26,257,503
CURRENT ASSETS			
Assets and disposal groups held for sale		513,557	499,224
Inventories		2,156,050	2,220,513
Trade and other receivables		2,858,108	3,079,997
Investment securities: financial assets at fair value through profit or loss			
- Banking		127,118	169,109
- Non-banking		73,113	117,843
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		4,110,662	1,774,344
Banking related assets			
- Cash and short-term funds		1,582,639	1,065,150
- Financing of customers		3,988,411	3,948,580
Bank balances and cash deposits		2,542,206	2,521,224
Derivative assets	23(a)	84,175	21,916
		18,036,039	15,417,900
TOTAL ASSETS		42,888,536	41,675,403

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,070,821	5,255,610
Equity attributable to Owners of the Company		6,811,123	6,995,912
Perpetual Sukuk		528,676	623,887
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,495,889	1,553,849
TOTAL EQUITY		9,504,954	9,842,914
NON-CURRENT LIABILITIES			
Deferred income		24,250	24,278
Trade and other payables		49,567	50,792
Lease liabilities		309,894	330,381
Long-term borrowings	22(c)	4,577,795	4,389,149
Redeemable Convertible Cumulative Preference Shares		614,498	605,421
Provision for liabilities and charges		9,653	9,673
Post-employment benefit obligations		6,017	6,005
Deferred tax liabilities		266,758	265,492
Banking related liabilities			
- Deposits from customers		191,758	92,614
- Recourse obligation on financing sold to Cagamas		455,799	459,633
		6,505,989	6,233,438
CURRENT LIABILITIES			
Liabilities related to disposal groups held for sale		115,483	118,541
Deferred income		3,186	5,237
Trade and other payables		4,569,044	4,749,244
Lease liabilities		78,216	73,889
Provision for liabilities and charges		292,295	288,753
Post-employment benefit obligations		138	256
Bank borrowings			
- Bank overdrafts	22(a)	9,382	8,298
- Others	22(b)	1,896,460	1,960,435
Banking related liabilities			
- Deposits from customers		19,695,712	18,297,233
- Deposits and placements of banks and other financial institutions		56,164	6,303
- Bills and acceptances payable		7,124	8,444
Derivative liabilities	23(a)	154,389	82,418
		26,877,593	25,599,051
TOTAL LIABILITIES		33,383,582	31,832,489
TOTAL EQUITY AND LIABILITIES		42,888,536	41,675,403
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.52	3.62

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

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the financial period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Non-distributable				Retained Earnings RM'000	Equity attributable to Owners of the Company RM'000	Perpetual Sukuk RM'000	Redeemable Convertible Cumulative Preference Shares ("RCCPS") RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary value RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Fair Value through Other Comprehensive Income ("FVOCI") Reserve RM'000	Other Reserves RM'000						
At 1 January 2020	1,933,237	1,740,302	1,214,085	(8,608)	(6,672)	134,619	3,922,186	6,995,912	623,887	669,266	1,553,849	9,842,914
Net (loss)/profit for the financial period	-	-	-	-	-	-	(173,272)	(173,272)	11,371	-	(53,864)	(215,765)
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	2,501	(14,018)	-	-	(11,517)	-	-	(4,096)	(15,613)
Total comprehensive (loss)/income for the financial period	-	-	-	2,501	(14,018)	-	(173,272)	(184,789)	11,371	-	(57,960)	(231,378)
Transfer of a subsidiary company's reserves	-	-	-	-	-	(5,998)	5,998	-	-	-	-	-
<u>Transactions with Owners</u>												
Redemption of Perpetual Sukuk	-	-	-	-	-	-	-	-	(100,000)	-	-	(100,000)
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(6,582)	-	-	(6,582)
At 31 March 2020	1,933,237	1,740,302	1,214,085	(6,107)	(20,690)	128,621	3,754,912	6,811,123	528,676	669,266	1,495,889	9,504,954

There is no comparative for the quarter ended 31 March 2020. Due to the change in the financial year end from 31 March to 31 December, the Condensed Consolidated Statement of Changes in Equity for the current quarter ended 31 March 2020, being the first quarter of the financial year ending 31 December 2020, is not comparable with that of the first quarter of the previous financial period ended 31 December 2019.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 3 Months Ended 31.03.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the financial period	(215,765)
Adjustments:	
- Depreciation of property, plant and equipment	184,316
- Finance costs	111,649
- Taxation	30,461
- Share of results of joint ventures (net of tax)	4,479
- Share of results of associated companies (net of tax)	7,083
- Others	158,323
Operating profit before working capital changes	280,546
Changes in working capital:	
Net increase in banking related assets	(70,616)
Net increase banking related liabilities	1,546,164
Net decrease in current assets	67,030
Net decrease in current liabilities	(125,299)
Net cash generated in operations	1,697,825
Interest received	16,531
Tax paid, net of refunds	(23,476)
Finance costs paid	(38,442)
Provision for liabilities and charges paid	(15,065)
Post-employment benefit obligations paid	(148)
Net cash inflow from operating activities	1,637,225
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisitions of investment securities by a banking subsidiary company (net)	(884,861)
Dividends received from joint ventures	-
Dividends received from associated companies	480
Dividends received from other investments	-
Interest received	6,575
Movement in fixed deposits placement with maturity profile more than 3 months	14,101
Additional investment in a joint venture	(11,956)
Net proceeds from disposals of fund investments	45,325
Proceeds from disposals of property, plant and equipment	1,085
Purchases of property, plant and equipment/intangible assets/investment properties	(133,739)
Net cash outflow from investing activities	(962,990)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 3 Months Ended 31.03.2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES	
Distribution to holders of Perpetual Sukuk	(6,582)
Finance costs paid	(37,710)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(1,637)
Payment of the principal portion of lease liabilities	(19,704)
Redemption of Perpetual Sukuk	(100,000)
Proceeds from bank borrowings	1,214,881
Repayment of bank borrowings	(1,126,143)
Repayment of principal for recourse obligation on financing sold to Cagamas	(3,832)
Net cash outflow from financing activities	(80,727)
NET INCREASE IN CASH AND CASH EQUIVALENTS	593,508
Effects of foreign currency translation	(11,090)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	2,772,261
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	3,354,679
Cash and cash equivalents as at end of the financial period comprise the followings:	
Bank balances and cash deposits	2,542,206
Banking related assets - cash and short-term funds	1,582,639
Bank overdrafts	(9,382)
	4,115,463
Less: Bank balances and fixed deposits held as security/sinking fund	(788,565)
Less: Fixed deposits with maturity profile more than 3 months	(11,866)
Less: Bank balances in respect of Automotive Development Fund liabilities	(20,294)
Less: Collections held by a postal subsidiary company on behalf of third parties	(10,002)
Add: Cash and cash equivalents attributable to the disposal groups held for sale	69,943
	3,354,679

There is no comparative for the quarter ended 31 March 2020. Due to the change in the financial year end from 31 March to 31 December, the Condensed Consolidated Statement of Cash Flows for the current quarter ended 31 March 2020, being the first quarter of the financial year ending 31 December 2020, is not comparable with that of the first quarter of the previous financial period ended 31 December 2019.

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial period ended 31 December 2019 and the explanatory notes attached to the interim financial report.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report should be read in conjunction with the Group’s annual audited financial statements for the financial period ended 31 December 2019 and all the financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2. CHANGE OF FINANCIAL YEAR END AND DISCLOSURE OF COMPARATIVES

In the previous year, the Group had changed its financial year end from 31 March to 31 December. Due to the change, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the current quarter ended 31 March 2020, being the first quarter of the current financial year ending 31 December 2020, is not comparable with that of the first quarter of the previous financial period ended 31 December 2019 (i.e. April to June 2019). As such, no comparative figures are presented.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial period ended 31 December 2019 except for the adoption of the following new/amended standards which are applicable to the Group with effect from 1 January 2020:

Amendment to MFRS 3	Business Combinations
Amendments to MFRS 3	Definition of Business
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendment to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to MFRS 138	Intangible Assets
Amendment to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs

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

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 31 March 2020.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as disclosed below, there was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 31 March 2020.

On 11 March 2020, the World Health Organisation declared the Coronavirus (“COVID-19”) outbreak to be a global pandemic. On 16 March 2020, the Government imposed the Movement Control Order (“MCO”) starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in the country. The COVID-19 outbreak also resulted in travel restriction, lockdown, quarantines, social distancing and closures of non-essential services which have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. This has also brought major economic uncertainties in Malaysia within which the Group operates.

The effects of the pandemic containment measures imposed in March 2020 resulted in an adverse result to the Group’s performance for the first quarter ended 31 March 2020.

6. CHANGES IN ESTIMATES

There was no material change in the estimate of amounts reported in prior financial years that has a material effect to this interim financial report.

7. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance and repayment of debt securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31 March 2020.

8. PROPOSED DIVIDEND

The Directors recommend the payment of a first and final dividend of 2.0 sen per share amounting to RM38,664,741 in respect of the financial period ended 31 December 2019, subject to the approval of shareholders at the forthcoming Annual General Meeting of DRB-HICOM Berhad to be held on 22 July 2020.

9. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 31 March 2020 is as follows:

	Automotive	Services	Properties	Investment Holding	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Total revenue	1,971,865	863,935	106,131	7,684	2,949,615
Inter-segment revenue	(158,905)	(33,450)	(12,787)	(7,684)	(212,826)
External revenue	1,812,960	830,485	93,344	-	2,736,789
Results					
Segment (loss)/profit	(44,121)	(24,878)	18,777	(1,300)	(51,522)
Unallocated expenses					(21,762)
Interest income on short-term deposits					11,191
Finance costs					(111,649)
Share of results of joint ventures (net of tax)	(4,879)	-	400	-	(4,479)
Share of results of associated companies (net of tax)	(7,038)	(45)	-	-	(7,083)
Loss before taxation					(185,304)
Taxation					(30,461)
Net loss for the financial period					(215,765)
Attributable to:					
Owners of the Company					(173,272)
Holder of Perpetual Sukuk					11,371
Non-controlling interest					(53,864)

10. PROPERTY, PLANT AND EQUIPMENT

There is no revaluation of property, plant and equipment brought forward from the previous annual audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

11. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature that would likely affect substantially the results of the operations of the Group, other than the assessment of the financial impact that would arise from the effects of COVID-19 pandemic. These would include fair value adjustments on financial assets/investments, allowance for expected credit losses on receivables, allowance for inventories, etc.

12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 31 MARCH 2020

There is no change in the composition of the Group during the current period under review.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. COMMITMENTS AND CONTINGENT LIABILITIES OF BANK MUAMALAT MALAYSIA BERHAD

No material loss is anticipated as these amounts arose in the business of Bank Muamalat Malaysia Berhad in which it makes various commitments and incurs certain contingent liabilities with legal recourse to its customers.

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

	As at 31.03.2020		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Direct credit substitutes	206,634	206,634	177,996
Trade-related contingencies	35,100	7,020	951
Transaction related contingencies	418,070	209,035	208,588
Credit extension commitment:			
- maturity within one year	1,459,446	291,889	288,075
- maturity exceeding one year	907,996	453,998	418,885
Profit rate related contracts	1,275,000	71,188	14,238
Foreign exchange related contracts	3,498,567	111,912	75,492
	7,800,813	1,351,676	1,184,225

15. LOSS BEFORE TAXATION

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

	Financial Quarter/Period 3 Months Ended 31.03.2020 RM'000
Allowance for financing of customers	31,608
Allowance for expected credit losses	2,760
Amortisation of intangible assets	43,046
Depreciation of property, plant and equipment	184,316
Finance costs	111,649
Financing written off	1,182
Loss on fair value adjustment of investment securities	42,444
Marked to market loss on derivatives	9,712
Unrealised foreign exchange differences	69,351
Write-down of inventories	4,939
Gain on disposal of:	
- investment securities	(18,219)
- property, plant and equipment	(524)
Interest income on short-term deposits	(11,191)

16. REVIEW OF PERFORMANCE

As stated in Note 2, due to the change in the financial year end, the Group's performance for the current 3-month period ended 31 March 2020 is not comparable against any comparative period previously reported.

16.1 Revenue

	Group Business Sectors	Financial Quarter/Period 3 Months Ended 31.03.2020 RM'000
(i)	Automotive	1,812,960
(ii)	Services	830,485
(iii)	Properties	93,344
	Total	2,736,789

The Group's revenue for the three months ended 31 March 2020 has been significantly impacted by the effect of COVID-19 pandemic containment measures imposed by the Government on 18 March 2020.

16. REVIEW OF PERFORMANCE (Continued)

16.1 Revenue (Continued)

(i) Automotive Sector

The revenue for the current quarter was mainly derived from sales of vehicles and components by PROTON, automotive distribution companies, and also from manufacturing & engineering and aerospace companies. The sales performance for the current quarter was adversely affected as the automotive business operations were temporarily ceased during the MCO.

(ii) Services Sector

The revenue for service sector for the current quarter was mainly from postal & logistics and banking businesses. These companies were also impacted by the MCO even though they are classified as essential services.

(iii) Properties Sector

The revenue from properties sector was mainly from construction related projects and was impacted by the temporary closure of construction sites due to the imposition of the MCO.

16.2 Loss Before Tax

During the quarter under review, the Group suffered a pre-tax loss of RM185.30 million mainly due to:

- (i) Lower revenue and weak financial performance of automotive and services companies mainly due to the effects of the MCO and the COVID-19 pandemic containment measures as mentioned in Note 5.
- (ii) Impact of foreign exchange losses arising from translation of certain payables and borrowings denominated in foreign currencies at the reporting date.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a pre-tax loss of RM185.30 million in the current financial quarter ended 31 March 2020 compared with a pre-tax profit of RM194.72 million in the preceding quarter ended 31 December 2019. The preceding quarter's results included the exceptional gain on disposal of Alam Flora Sdn. Bhd. (a former subsidiary company) and impairment losses of goodwill in certain subsidiary companies.

18. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

Malaysia's Gross Domestic Product ("GDP") weakened sharply to 0.7% in the first quarter of 2020 ("Q1 2020"), clearly reflecting the early impact of the COVID-19 pandemic (GDP in Q4 2019 was 3.6 %). To support the struggling economy, Bank Negara Malaysia made three cuts to its overnight policy rate ("OPR") in January, March and May 2020 totalling 100 basis points, thus reducing the OPR to 2.0%. In addition, the Government introduced various comprehensive stimulus packages and fiscal measures to revitalise the domestic economy.

DRB-HICOM's negative performance in Q1 2020 is attributed to the impact of the COVID-19 pandemic as revenue fell especially in the month of March. For the second quarter of 2020, various forms of Movement Control Order ("MCO") were enforced and hence a similar impact is expected. Notwithstanding the re-commencement of Group's businesses in early May 2020, the operations were resumed under strict MCO protocols.

The Malaysian Automotive Association has revised its 2020 total industry volume ("TIV") forecast downwards from TIV of 604,287 in 2019 to 400,000 units. While the introduction of a sales tax exemption by the Government for passenger vehicles until the end of December 2020 is expected to boost TIV, the prospects of a full recovery to pre-COVID-19 level is unlikely. The Group will however respond with consumer promotions and new model launches to recover lost ground.

The prospects for the Group's other businesses in defence, aerospace, postal and logistics, banking, services and construction segments remains volatile as these have also been impacted by the uncertainty of a prolonged battle against COVID-19.

Based on the aforementioned, the Group's operational performance for the financial year ending 31 December 2020 will be adversely impacted by the on-going pandemic crisis. Notwithstanding the above, the Group will continue to implement prudent cost optimisation measures and cashflow management to ensure the Group is able to meet its financial and operational obligations.

19. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the current financial period in a public document.

20. TAXATION

Taxation comprises the following:

	Financial Quarter/Period 3 Months Ended 31.03.2020 RM'000
Current taxation	38,590
Deferred taxation	(8,129)
Total	30,461

For the financial period ended 31 March 2020, the taxation charge arose mainly from certain profit-making subsidiary companies and certain expenses which were not deductible for income tax purposes.

21. STATUS OF CORPORATE PROPOSALS

- (a) On 8 March and 11 July 2018, DRB-HICOM Group entered into various agreements and supplemental agreements respectively for the proposed disposals of certain property assets and investments to Prisma Dimensi Sdn. Bhd. and Kelana Ventures Sdn. Bhd. The Proposed Disposals had been approved by DRB-HICOM Berhad shareholders at the Extraordinary General Meeting held on 15 October 2018. On 7 March 2019, the respective parties to the Disposal Agreements had mutually agreed to extend the period for fulfilment of the Conditions Precedent until 8 September 2019. The parties had on 6 September 2019 agreed for a further extension period until 7 March 2020. Subsequently, the parties had on 26 February 2020 agreed for another extension period until 7 September 2020.
- (b) On 13 February 2020, Pos Aviation Sdn. Bhd. ("Pos Aviation") entered into a Share Purchase Agreement ("SPA") and a Shareholders Agreement with SIA Engineering Company Limited ("SIAEC") for the proposed divestment of its 49% equity interest in Pos Aviation Engineering Services Sdn. Bhd., for an indicative cash consideration of RM10.09 million. The final consideration will be determined based on the latest available management financial statements prior to the completion date. The completion of the divestment is subject to the fulfilment of the Conditions Precedent ("CP") in the SPA. The parties on 15 May 2020 had mutually agreed to extend the period for fulfilment of the CPs until 13 February 2021.

21. STATUS OF CORPORATE PROPOSALS (Continued)

- (c) On 2 June 2020, DRB-HICOM Berhad entered into a Share Sale and Purchase Agreement (“SSA”) with Enigma Permata Sdn. Bhd. (“EPSB”) to acquire the remaining 49% shareholding in Media City Ventures Sdn. Bhd. (“MCVSB”), comprising 49,000 ordinary shares in MCVSB from EPSB for a total cash consideration of RM100 million. The acquisition was completed on 5 June 2020. As a result, MCVSB became a wholly-owned subsidiary company of the Group.

22. BORROWINGS

Total Group borrowings are as follows:

		As at 31.03.2020 RM'000
	Short-Term Borrowings	
(a)	Bank overdrafts	
	- Secured	6,038
	- Unsecured	3,344
	Total	9,382
(b)	Others	
	<u>Secured</u>	
	Bankers acceptances	308,779
	Revolving credits	382,537
	Short-term loans	18,088
	Short-term loans under Islamic financing	151,800
	Hire purchase - portion repayable within 12 months	27,774
	Long-term loans - portion repayable within 12 months	23,288
	Long-term loans under Islamic financing - portion repayable within 12 months	279,382
	Sub-total	1,191,648

22. BORROWINGS (Continued)

Total Group borrowings are as follows: (Continued)

	As at 31.03.2020 RM'000
Short-Term Borrowings (Continued)	
(b) Others (Continued)	
<u>Unsecured</u>	
Bankers acceptances	450,756
Revolving credits	186,296
Long-term loans - portion repayable within 12 months	1,760
Long-term loans under Islamic financing - portion repayable within 12 months	66,000
Sub-total	704,812
Total	1,896,460
(c) Long-Term Borrowings	
<u>Secured</u>	
Hire purchase	97,300
- portion repayable within 12 months	(27,774)
	69,526
Long-term loans	585,448
- portion repayable within 12 months	(23,288)
	562,160
Long-term loans under Islamic financing	3,276,940
- portion repayable within 12 months	(279,382)
	2,997,558
<u>Unsecured</u>	
Long-term loans	2,787
- portion repayable within 12 months	(1,760)
	1,027
Long-term loans under Islamic financing	1,013,524
- portion repayable within 12 months	(66,000)
	947,524
Total	4,577,795
Grand Total	6,483,637

22. BORROWINGS (Continued)

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

	Short-Term			Long-Term			Total		
	Foreign currency	Foreign '000	RM '000	Foreign currency	Foreign '000	RM '000	Foreign currency	Foreign '000	RM '000
As at 31 March 2020									
Secured									
Short-term loans under Islamic financing	GBP	818	4,337	-	-	-	GBP	818	4,337
	USD	34,326	147,464	-	-	-	USD	34,326	147,464
Short-term loans	USD	2,103	9,036	-	-	-	USD	2,103	9,036
Term loans under Islamic financing	USD	3,570	15,335	USD	18,515	79,539	USD	22,085	94,874
Long-term loans	-	-	-	USD	59,000	254,143	USD	59,000	254,143
Total			176,172			333,682			509,854

23. OUTSTANDING DERIVATIVES

(a) Derivatives outstanding as at 31 March 2020 consist mainly of foreign exchange contracts, profit rate swap and currency swap foreign exchange contracts which are measured at their fair values together with their corresponding contract/notional amounts as below:

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Financial instruments at fair value through profit or loss			
Currency forward foreign exchange contracts	1,560,038	54,341	4,975
Currency swaps foreign exchange contracts	2,436,029	29,834	47,854
Islamic profit rate swap	1,275,000	-	101,560
	5,271,067	84,175	154,389

23. OUTSTANDING DERIVATIVES (Continued)

(a) (Continued)

There is no significant change for the financial derivatives in respect of the following since the last financial period ended 31 December 2019:

- (i) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (ii) the cash requirements of the financial derivatives; and
- (iii) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

(b) Disclosure of (loss)/gain arising from fair value changes of financial derivatives

During the financial period ended 31 March 2020, the Group recognised a total net loss of RM9.71 million arising from the fair value changes on the currency forward foreign exchange contracts, currency swaps foreign exchange contracts and Islamic profit rate swap which are marked to market as at 31 March 2020.

24. MATERIAL LITIGATION

Save as disclosed below, there is no material litigation as at the date of this report.

- (a) On 14 January 2019, Proton Automobiles (China) Ltd. ("PACL") was served with a Civil Complaint, filed at the Guangdong High People's Court ("GHC"), by Goldstar Heavy Industrial Co., Ltd. ("Goldstar"), involving PACL and Perusahaan Otomobil Nasional Sdn. Bhd. ("PONSB") as Defendants. PACL is a wholly-owned subsidiary company of PONSBB and PONSBB is wholly-owned subsidiary company of PROTON Holdings Berhad ("PHB") which in turn is a 50.10% owned subsidiary company of DRB-HICOM Berhad ("Company").

Goldstar is claiming, inter alia, the sum of Renminbi ("RMB") 860,613,418 (equivalent to RM522,908,713 based on Bank Negara Exchange Rate as at 17 January 2019 of RMB1: MYR0.6076). The claims arose as a result of the Equity Joint Venture Contract ("EJVC") dated 17 April 2015, entered into between PHB, Lotus Group International Limited ("LGIL") and Goldstar on the establishment of a joint venture company named as Goldstar Lotus Automobile Co., Ltd. ("GLAC"); and its termination on 22 January 2018, amongst others. The said termination had been announced to Bursa Malaysia Securities Berhad on 23 January 2018.

The purpose of the EJVC was to form a joint venture company to produce and sell LOTUS branded passenger cars, engines, parts and components, and accessories and to provide after-sales services (including spare parts) in connection with its products in People's Republic of China.

24. MATERIAL LITIGATION (Continued)

(a) (Continued)

GLAC has not yet commenced its business operations due to Goldstar's breach of its sole material obligation under the EJVC to obtain the required manufacturing licence. The deadline to obtain the manufacturing licence pursuant to the EJVC was originally 25 September 2017. This was subsequently extended to 31 December 2017. Pursuant to the EJVC, failure to obtain the said manufacturing licence within the agreed timeframe entitles either party to terminate the EJVC.

The Civil Complaint hearing date initially fixed on 9 July 2019 had been vacated by the GHC. At present, no new hearing date has been fixed by the GHC.

On the advice of appointed lawyers, as one of the steps to defend the claims and to ensure that the rights of the Company are protected, PONS B filed a Jurisdiction Opposition Notice ("JON") on 4 April 2019 to oppose GHC's jurisdiction to hear the Civil Complaint. The main reason for filing the JON is that the Joint Venture Contract entered into between Goldstar and PACL dated 17 June 2002 ("2002 JVC") had been subsequently terminated by a termination agreement entered into by Goldstar, PACL and PONS B on 3 September 2013 (as supplemented and amended by a supplemental termination agreement dated 23 April 2014 and a second supplemental termination agreement dated 17 April 2015) (collectively the "TA"). The TA constitutes the full and final settlement of all previous disputes between the parties, and in this regard, the dispute resolution clause in the TA provides that all disputes relating to the TA should be submitted to arbitration in Hong Kong.

On 27 August 2019, GHC issued a ruling which held that it had jurisdiction over Goldstar's claims ("Ruling") and PONS B's jurisdictional challenge was dismissed. On 26 September 2019, PONS B filed an appeal against the Ruling to the Supreme People's Court in Beijing ("SPC"). The Hearing date for the appeal which was fixed on 22 June 2020 has been cancelled by the SPC due to the coronavirus outbreak in Beijing and no new hearing date has been fixed yet. The proceedings before the GHC will not proceed until disposal of the SPC appeal.

The Company has taken the following steps to defend the claims as countermeasures:

(i) Arbitration Proceedings under the Termination Agreement ("TA") at the Hong Kong International Arbitration Centre ("HKIAC")

In order to exercise its rights under the TA and as a corollary of challenging the GHC proceedings and pursuant to the dispute resolution clause in the TA which emphasised that disputes between parties should be settled by way of arbitration, the main reliefs sought are, declarations that:

- (a) the TA constitutes a full and final settlement of all issues and disputes under the 2002 JVC and its related agreements;
- (b) all existing, future and accrued rights and obligations of the parties pertaining to the 2002 JVC and its related agreements have ceased; and

24. MATERIAL LITIGATION (Continued)

(a) (Continued)

(i) (Continued)

(c) the TA was affirmed by Goldstar with the execution of the EJVC.

The Arbitration Proceedings consisting of a single arbitrator has yet to commence. Hearing dates have been fixed on 22 February 2021 until 25 February 2021.

(ii) Arbitration Proceedings under the EJVC at the HKIAC

Pursuant to the dispute resolution clause in the EJVC which emphasised that disputes between parties should be settled by way of arbitration, the main reliefs sought are, declarations that:

(a) the EJVC has been validly and effectively terminated; and

(b) Goldstar has failed to perform its obligations under the EJVC, thus making it impossible for the EJVC to continue operation.

The Arbitration Proceedings consisting of three arbitrators has yet to commence. Hearing dates have been fixed on 3 March 2021 until 12 March 2021.

(b) As announced to Bursa Malaysia Securities Berhad on 13 March 2020, China State Construction Engineering (M) Sdn. Bhd. ("CSCE"), a sub-contractor of Media City Development Sdn. Bhd. ("MCDSB") [a wholly-owned subsidiary company of Media City Holdings Sdn. Bhd. which in turn is a wholly-owned subsidiary company of Media City Ventures Sdn. Bhd. which in turn is a 51% owned subsidiary company of the Group] for the project, "Cadangan Membina, Melengkap Dan Menyiapkan Kerja-Kerja Bangunan Dan Infrastruktur Bagi Bandar Media Angkasapuri Di Atas Sebahagian Lot PT23, 8354, 47446 Dan 47447 Bandar Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur - Main Building Package", has initiated arbitration proceedings at the Asian International Arbitration Centre against MCDSB, in relation to disputes and/or differences arising from and/or related to the Letter of Award dated 6 December 2016 and the PAM Contract 2006 (with Quantities) dated 6 July 2017 (collectively referred to as "Contracts"), and the determination of the Contracts by MCDSB on 29 July 2019 ("Arbitration Proceedings"). CSCE has filed a Statement of Claim in the Arbitration Proceedings on 9 March 2020 wherein the total estimation of the claim is around the sum of RM129,700,000 (excluding interests and the costs of arbitration).

Meantime, on 13 January 2020, CSCE served its Adjudication Claim on MCDSB pursuant to the Construction Industry Payment and Adjudication Act 2012 for the non-payment of certified sums due amounting to RM22,191,443. On 22 April 2020, Adjudicator has given his award and ordered that MCDSB pays the sum of RM22,191,443, excluding interests and costs.

24. MATERIAL LITIGATION (Continued)

(b) (Continued)

MCDSB’s legal advisors have advised that the Adjudication Award is not binding on the Arbitration Proceedings and that all issues will be finally determined in the Arbitration Proceedings. In relation thereto and pursuant to the advice of MCDSB’s legal advisors, MCDSB is disputing the findings of the Adjudication Award and has filed applications to Stay and to Set Aside the Adjudication Award at the High Court. The High Court has fixed on 29 June 2020 for case management of the Stay application and hearing of the Setting Aside application.

The Arbitrator has fixed the hearing dates for the Arbitration Proceedings between 22 March 2021 and 26 March 2021, 29 March 2021 and 2 April 2021. Further dates from 12 April 2021 to 16 April 2021 shall be fixed as the backup dates.

25. DIVIDEND

No interim dividend has been declared for the financial period ended 31 March 2020.

26. LOSS PER SHARE

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

	Financial Quarter/Period 3 Months Ended 31.03.2020
Net loss attributable to Owners of the Company (RM'000)	(173,272)
Number of ordinary shares in issue ('000)	1,933,237
Basic and diluted loss per share (sen)	(8.96)

DRB-HICOM BERHAD
199001011860 (203430-W)
(Incorporated in Malaysia)

27. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group's preceding audited annual financial statements was not subject to any qualification.

BY ORDER OF THE BOARD

SABARINA LAILA BINTI MOHD HASHIM
Secretary

Shah Alam
25 June 2020