



## **DRB-HICOM BERHAD**

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

Interim Financial Report for the Financial Period  
Ended 30 September 2020

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

The Board of Directors hereby announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/period ended 30 September 2020.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Financial Quarter 3 Months Ended 30.09.2020 RM'000	Financial Period 9 Months Ended 30.09.2020 RM'000
Revenue		3,563,735	8,305,478
Cost of sales and operating expenses		(3,390,112)	(8,370,669)
Other income		73,814	197,109
Other expenses		(19,097)	(182,632)
Profit/(loss) from operations		228,340	(50,714)
Finance costs		(115,415)	(338,971)
Share of results of joint ventures (net of tax)		14,760	(5,487)
Share of results of associated companies (net of tax)		14,739	(13,511)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	15	<b>142,424</b>	<b>(408,683)</b>
Taxation	20	(31,826)	(73,576)
<b>NET PROFIT/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD</b>		<b>110,598</b>	<b>(482,259)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<u>Item that will not be reclassified subsequently to profit or loss:</u>			
Net gain/(loss) on fair value changes of equity instrument: financial assets at fair value through other comprehensive income		1,145	(1,776)
<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		15,598	66,602
Currency translation differences of foreign operations		(1,419)	2,922

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

	Note	Financial Quarter 3 Months Ended 30.09.2020 RM'000	Financial Period 9 Months Ended 30.09.2020 RM'000
<b>OTHER COMPREHENSIVE INCOME/(LOSS) (Continued)</b>			
<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		(11,463)	(48,896)
Transfer of currency translation differences of a foreign subsidiary company to profit or loss		1,084	1,084
<b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL QUARTER/ PERIOD (NET OF TAX)</b>		<b>4,945</b>	<b>19,936</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD</b>		<b>115,543</b>	<b>(462,323)</b>
Net profit/(loss) for the financial quarter/period attributable to:			
Owners of the Company		47,498	(431,857)
Holders of Perpetual Sukuk		6,707	26,224
Non-controlling interest		56,393	(76,626)
		<b>110,598</b>	<b>(482,259)</b>
Total comprehensive income/(loss) for the financial quarter/period attributable to:			
Owners of the Company		50,724	(418,595)
Holders of Perpetual Sukuk		6,707	26,224
Non-controlling interest		58,112	(69,952)
		<b>115,543</b>	<b>(462,323)</b>
Basic and diluted profit/(loss) per share (sen):	26	<b>2.46</b>	<b>(22.34)</b>

There is no comparative for the financial quarter/period ended 30 September 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 financial quarter/period ended 30 September 2020, being the third quarter of the financial year ending 31 December 2020, is not comparable with that of the third 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 30.09.2020 RM'000	As at 31.12.2019 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,246,379	6,433,898
Investment properties		281,733	278,492
Inventories		236,381	235,999
Joint ventures		396,122	422,923
Associated companies		848,329	845,226
Intangible assets		1,399,927	1,335,680
Deferred tax assets		206,918	212,892
Investment securities: financial assets at fair value through profit or loss			
- Banking		146,825	139,684
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		2,109,187	2,830,480
- Non-banking		44,748	44,748
Investment securities: financial assets at amortised cost			
- Banking		105,518	103,162
- Non-banking		4,000	-
Trade and other receivables		1,557,882	1,382,098
Other assets		454	480
Banking related assets			
- Financing of customers		12,633,843	11,422,973
- Statutory deposits with Bank Negara Malaysia		92,008	568,768
		<b>26,310,254</b>	<b>26,257,503</b>
<b>CURRENT ASSETS</b>			
Assets and disposal groups held for sale		523,117	499,224
Inventories		2,266,317	2,220,513
Trade and other receivables		2,919,888	3,079,997
Investment securities: financial assets at fair value through profit or loss			
- Banking		129,370	169,109
- Non-banking		30,718	117,843
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		2,683,036	1,774,344
Banking related assets			
- Cash and short-term funds		1,309,005	1,065,150
- Financing of customers		4,100,653	3,948,580
Bank balances and cash deposits		2,566,620	2,521,224
Derivative assets	23(a)	39,796	21,916
		<b>16,568,520</b>	<b>15,417,900</b>
<b>TOTAL ASSETS</b>		<b>42,878,774</b>	<b>41,675,403</b>

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

	Note	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1,740,302	1,740,302
Reserves		4,803,857	5,255,610
<b>Equity attributable to Owners of the Company</b>		<b>6,544,159</b>	<b>6,995,912</b>
<b>Perpetual Sukuk</b>		<b>298,085</b>	<b>623,887</b>
<b>Redeemable Convertible Cumulative Preference Shares</b>		<b>669,266</b>	<b>669,266</b>
<b>Non-controlling interest</b>		<b>1,374,283</b>	<b>1,553,849</b>
<b>TOTAL EQUITY</b>		<b>8,885,793</b>	<b>9,842,914</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		10,888	24,278
Trade and other payables		47,884	50,792
Lease liabilities		351,622	330,381
Long-term borrowings	22(c)	5,173,801	4,389,149
Redeemable Convertible Cumulative Preference Shares		633,165	605,421
Provision for liabilities and charges		3,498	9,673
Post-employment benefit obligations		6,054	6,005
Deferred tax liabilities		296,706	265,492
Banking related liabilities			
- Deposits from customers		492,776	92,614
- Recourse obligation on financing sold to Cagamas		448,053	459,633
		<b>7,464,447</b>	<b>6,233,438</b>
<b>CURRENT LIABILITIES</b>			
Liabilities related to disposal groups held for sale		114,700	118,541
Deferred income		938	5,237
Trade and other payables		4,800,902	4,749,244
Lease liabilities		62,955	73,889
Provision for liabilities and charges		283,414	288,753
Post-employment benefit obligations		61	256
Bank borrowings			
- Bank overdrafts	22(a)	3,807	8,298
- Others	22(b)	1,808,170	1,960,435
Banking related liabilities			
- Deposits from customers		19,174,890	18,297,233
- Deposits and placements of banks and other financial institutions		101,010	6,303
- Bills and acceptances payable		6,605	8,444
Derivative liabilities	23(a)	171,082	82,418
		<b>26,528,534</b>	<b>25,599,051</b>
<b>TOTAL LIABILITIES</b>		<b>33,992,981</b>	<b>31,832,489</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,878,774</b>	<b>41,675,403</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)</b>		<b>3.39</b>	<b>3.62</b>

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

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual 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	-	-	-	-	-	-	(431,857)	(431,857)	26,224	-	(76,626)	(482,259)
Other comprehensive income for the financial period, net of tax	-	-	-	2,111	11,151	-	-	13,262	-	-	6,674	19,936
Total comprehensive (loss)/income for the financial period	-	-	-	2,111	11,151	-	(431,857)	(418,595)	26,224	-	(69,952)	(462,323)
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	(6,329)	-	6,329	-	-	-	-	-
Transfer of a subsidiary company's reserves	-	-	-	-	-	(297)	297	-	-	-	-	-
Effect of changes in shareholding in subsidiary companies	-	-	-	7,364	-	485	(1,710)	6,139	-	-	(6,139)	-
Acquisition of additional interest in a subsidiary company	-	-	-	-	-	-	(632)	(632)	-	-	(99,368)	(100,000)
Effect of deconsolidation of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(3,478)	(3,478)
Sub-total carried forward	1,933,237	1,740,302	1,214,085	867	(1,850)	134,807	3,494,613	6,582,824	650,111	669,266	1,374,912	9,277,113

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

	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						
Sub-total brought forward	1,933,237	1,740,302	1,214,085	867	(1,850)	134,807	3,494,613	6,582,824	650,111	669,266	1,374,912	9,277,113
<b>Transactions with Owners</b>												
Redemption of Perpetual Sukuk	-	-	-	-	-	-	-	-	(325,000)	-	-	(325,000)
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(27,026)	-	-	(27,026)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(629)	(629)
First and final dividend in respect of financial year ended 31 December 2019	-	-	-	-	-	-	(38,665)	(38,665)	-	-	-	(38,665)
<b>At 30 September 2020</b>	<b>1,933,237</b>	<b>1,740,302</b>	<b>1,214,085</b>	<b>867</b>	<b>(1,850)</b>	<b>134,807</b>	<b>3,455,948</b>	<b>6,544,159</b>	<b>298,085</b>	<b>669,266</b>	<b>1,374,283</b>	<b>8,885,793</b>

There is no comparative for the financial quarter/period ended 30 September 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 financial quarter/period ended 30 September 2020, being the third quarter of the financial year ending 31 December 2020, is not comparable with that of the third 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**

	<b>Financial Period 9 Months Ended 30.09.2020 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss for the financial period	(482,259)
Adjustments:	
- Depreciation of property, plant and equipment	549,572
- Finance costs	338,971
- Taxation	73,576
- Share of results of joint ventures (net of tax)	5,487
- Share of results of associated companies (net of tax)	13,511
- Others	313,068
Operating profit before working capital changes	811,926
Changes in working capital:	
Net increase in banking related assets	(985,403)
Net increase banking related liabilities	1,370,687
Net increase in current assets	(164,792)
Net increase in current liabilities	105,867
Net cash generated in operations	1,138,285
Interest received	58,688
Tax paid, net of refunds	(91,272)
Finance costs paid	(104,571)
Provision for liabilities and charges paid	(38,205)
Post-employment benefit obligations paid	(297)
Net cash inflow from operating activities	<b>962,628</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisitions of investment securities by a banking subsidiary company (net)	(50,428)
Acquisitions of investment securities	(4,000)
Acquisition of additional shares in a subsidiary company	(100,000)
Dividends received from joint ventures	25,000
Dividends received from an associated company	480
Dividends received from other investments	125
Movement in fixed deposits placement with maturity profile more than 3 months	25,480
Net cash outflow from partial disposal of equity interest in a former subsidiary company	(1,929)
Additional investment in a joint venture	(11,956)
Net proceeds from disposals of fund investments	88,285
Proceeds from disposal of property, plant and equipment	3,825
Purchases of property, plant and equipment/intangible assets/investment properties	(527,922)
Net cash outflow from investing activities	<b>(553,040)</b>



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

	<b>Financial Period 9 Months Ended 30.09.2020 RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Distribution to holders of Perpetual Sukuk	(27,026)
Dividends paid to non-controlling interest	(629)
Dividends paid to shareholders	(38,665)
Finance costs paid	(171,563)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(5,126)
Payment of the principal portion of lease liabilities	(59,193)
Redemption of Perpetual Sukuk	(325,000)
Proceeds from bank borrowings	3,459,577
Repayment of bank borrowings	(2,853,911)
Repayment of principal for recourse obligation on financing sold to Cagamas	(11,523)
<b>Net cash outflow from financing activities</b>	<b>(33,059)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>376,529</b>
Effects of foreign currency translation	(28,029)
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>2,772,261</b>
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD</b>	<b>3,120,761</b>
Cash and cash equivalents as at end of the financial period comprise the followings:	
Bank balances and cash deposits	2,566,620
Banking related assets - cash and short-term funds	1,309,005
Bank overdrafts	(3,807)
	3,871,818
Less: Bank balances and fixed deposits held as security/sinking fund	(792,054)
Less: Fixed deposits with maturity profile more than 3 months	(487)
Less: Bank balances in respect of Automotive Development Fund liabilities	(7,277)
Less: Collections held by a postal subsidiary company on behalf of third parties	(24,505)
Add: Cash and cash equivalents attributable to the disposal groups held for sale	73,266
	<b>3,120,761</b>

There is no comparative for the financial quarter/period ended 30 September 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 financial quarter/period ended 30 September 2020, being the third quarter of the financial year ending 31 December 2020, is not comparable with that of the third 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 30 September 2020, being the third quarter of the current financial year ending 31 December 2020, is not comparable with that of the third quarter of the previous financial period ended 31 December 2019 (i.e. October to December 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

### **3. CHANGES IN ACCOUNTING POLICIES (Continued)**

During the financial period, the Group has early adopted the Amendment to MFRS 16, *COVID-19-Related Rent Concessions* issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

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 30 September 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 30 September 2020.

- (i) 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 above pandemic containment measures resulted in adverse financial results to the Group’s performance for the nine months ended 30 September 2020, notwithstanding a modest recovery in business activities during the third quarter of 2020, which enabled the Group to achieve a profit in the current quarter under review.

### **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**

Other than as disclosed in the Condensed Consolidated Statement of Changes in Equity on page 6, there was no issuance and repayment of debt securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 30 September 2020.

**8. DIVIDENDS PAID**

The shareholders approved a first and final dividend of 2.0 sen per share at the last Annual General Meeting held on 22 July 2020 in respect of the financial period ended 31 December 2019. The dividend of RM38,664,741 was paid on 18 August 2020.

**9. SEGMENTAL INFORMATION**

The information on each of the Group's business segments for the financial period ended 30 September 2020 is as follows:

	<b>Automotive RM'000</b>	<b>Services RM'000</b>	<b>Properties RM'000</b>	<b>Investment Holding RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>					
Total revenue	5,944,272	2,718,241	308,213	22,994	8,993,720
Inter-segment revenue	(535,922)	(97,677)	(31,649)	(22,994)	(688,242)
External revenue	5,408,350	2,620,564	276,564	-	8,305,478
<b>Results</b>					
Segment (loss)/profit	(136,343)	75,172	48,048	4,703	(8,420)
Unallocated expenses					(66,961)
Interest income on short-term deposits					24,667
Finance costs					(338,971)
Share of results of joint ventures (net of tax)	(6,789)	-	1,302	-	(5,487)
Share of results of associated companies (net of tax)	(12,896)	(615)	-	-	(13,511)
Loss before taxation					(408,683)
Taxation					(73,576)
Net loss for the financial period					(482,259)

**9. SEGMENTAL INFORMATION (Continued)**

The information on each of the Group's business segments for the financial period ended 30 September 2020 is as follows: (Continued)

	<b>Automotive</b>	<b>Services</b>	<b>Properties</b>	<b>Investment Holding</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Attributable to: Owners of the Company					(431,857)
Holder of Perpetual Sukuk					26,224
Non-controlling interest					(76,626)

**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 EVENT**

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.

**12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

Save as disclosed below, there is no change in the composition of the Group during the current period under review.

- (a) On 5 June 2020, DRB-HICOM Berhad had completed the acquisition of the remaining 49% equity interest in Media City Ventures Sdn. Bhd. ("MCVSB"), comprising 49,000 ordinary shares in MCVSB from Enigma Permata Sdn. Bhd., for a total cash consideration of RM100 million. As a result, MCVSB became a direct wholly-owned subsidiary company of the Group.
- (b) On 30 June 2020, HICOM Berhad, an indirect wholly-owned subsidiary company of the Group, acquired 100% equity interest in Proton Cars (UK) Limited and Proton Cars Australia Pty. Limited from Proton Marketing Sdn. Bhd., a wholly-owned subsidiary company of PROTON Holdings Berhad for cash considerations of GBP1 and AUD1 respectively via an internal re-organisation. Both of the above companies have become wholly-owned subsidiary companies of the Group.

**12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (Continued)**

- (c) On 24 August 2020, the Group announced the proposed winding-up of its direct and indirect dormant / inactive subsidiary companies via members' voluntary winding up ("MVL") and creditors' winding up ("CVL") and the companies involved in the exercise are as follows:

Companies under MVL

1. Automotive Components Engineering Centre Sdn. Bhd.
2. Comtrac Builders Sdn. Bhd.
3. Cougar Logistics (Malaysia) Sdn. Bhd.
4. Diperdana Utara Sdn. Bhd.
5. HICOM Trucks Sdn. Bhd.
6. Isti-Emas Sdn. Bhd.
7. Mega Consolidated Sdn. Bhd.
8. Parcel Tankers Malaysia Sdn. Bhd.

Companies under CVL

1. Aman Freight Services Sdn. Bhd.
2. North Terminal Sdn. Bhd.
3. Pengangkutan Aspacs Sdn. Bhd.

Upon the completion of the liquidation exercise, the above companies will cease to be subsidiary companies of the Group.

- (d) On 24 September 2020, HICOM Polymers Industry Sdn. Bhd. ("HPI"), an indirect wholly-owned subsidiary company of the Group, had entered into a Share Sale Agreement ("SSA") with HBPO GmbH to partially divest 11% of its equity interest in HICOM HBPO Sdn. Bhd. ("HHBPO") for a cash consideration of Euro 0.8 million (equivalent to RM3.88 million). Following the divestment, HPI's equity interest in HHBPO has reduced from 60% to 49%. Pursuant to the SSA, HHBPO has been reclassified from a subsidiary to an associate company of the Group.

**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:

	<b>As at 30.09.2020</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Total Risk Weighted Amount RM'000</b>
Direct credit substitutes	239,930	239,930	212,327
Trade-related contingencies	29,500	5,900	246
Transaction related contingencies	408,051	204,026	189,721
Credit extension commitment:			
- maturity within one year	950,680	190,136	185,307
- maturity exceeding one year	720,949	360,474	328,348
Profit rate related contracts	1,275,000	64,075	12,815
Foreign exchange related contracts	3,199,437	72,550	27,718
	<b>6,823,547</b>	<b>1,137,091</b>	<b>956,482</b>

**15. PROFIT/(LOSS) BEFORE TAXATION**

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

	<b>Financial Quarter 3 Months Ended 30.09.2020 RM'000</b>	<b>Financial Period 9 Months Ended 30.09.2020 RM'000</b>
Allowance for financing of customers	11,386	54,435
Allowance for expected credit losses (net)	20,411	40,161
Amortisation of intangible assets	46,662	133,761
Depreciation of property, plant and equipment	180,778	549,572
Finance costs	115,415	338,971
Financing written off	48	2,525
Impairment loss of (net of reversals):		
- non-current assets held for sale	1,200	1,200
- property, plant and equipment	(1,688)	52,921

**15. PROFIT/(LOSS) BEFORE TAXATION (Continued)**

	<b>Financial Quarter 3 Months Ended 30.09.2020 RM'000</b>	<b>Financial Period 9 Months Ended 30.09.2020 RM'000</b>
Loss on fair value adjustment of investment securities	178	40,080
Marked to market loss on derivatives (net)	31,334	70,784
Modification loss arising from financing moratorium from:		
- a subsidiary company	-	46,214
- share of a joint venture	-	14,370
Unrealised foreign exchange differences (net)	(31,889)	20,428
Write-down of inventories (net)	3,691	16,347
(Gain)/loss on disposals of:		
- investment securities	(11,681)	(49,336)
- partial equity interest in a former subsidiary company	(15,938)	(15,938)
- property, plant and equipment	3,024	(1,151)
Interest income on short-term deposits	(5,307)	(24,667)

**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 quarter and 9-month financial period ended 30 September 2020 is not comparable against any comparative period previously reported.

**16.1 Revenue**

	<b>Group Business Sectors</b>	<b>Financial Quarter 3 Months Ended</b>			<b>Financial Period 9 Months Ended</b>
		<b>31.03.2020 RM'000</b>	<b>30.06.2020 RM'000</b>	<b>30.09.2020 RM'000</b>	<b>30.09.2020 RM'000</b>
(i)	Automotive	1,812,960	1,054,642	2,540,748	5,408,350
(ii)	Services	830,485	871,413	918,666	2,620,564
(iii)	Properties	93,344	78,899	104,321	276,564
	<b>Total</b>	<b>2,736,789</b>	<b>2,004,954</b>	<b>3,563,735</b>	<b>8,305,478</b>



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

### **16.1 Revenue (Continued)**

The Group achieved a higher revenue of RM3.56 billion in the current quarter and cumulatively of RM8.31 billion for the financial period ended 30 September 2020. The revenue from all business sectors have gradually improved in the third quarter of 2020 due to the reopening of economic activities by the Government and recovery efforts by the Group's businesses.

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

The revenue for the current financial period 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 was significantly affected as the automotive business operations were temporarily ceased (from mid-March to early May 2020) during the MCO.

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

The revenue for service sector for the current financial period was mainly from postal & logistics and banking businesses. These businesses 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 Profit/(Loss) Before Tax**

The Group registered a pre-tax profit of RM142.42 million in the current quarter ended 30 September 2020. The improved performance was contributed by better financial results of operating subsidiary companies including higher share of results from joint ventures and associated companies during the quarter under review.

For the nine months financial period ended 30 September 2020, the Group suffered a pre-tax loss of RM408.68 million mainly due to following:

- (i) lower revenue and weak financial performance of operating companies mainly due to the effects of the MCO and the COVID-19 pandemic containment measures as mentioned in Note 5.
- (ii) recognition of modification loss arising from the financing moratorium in the financial period.
- (iii) impairment loss of certain property, plant and equipment during the financial period.

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

The Group achieved a pre-tax profit of RM142.42 million in the current quarter ended 30 September 2020 compared with a pre-tax loss of RM365.80 million in the preceding quarter ended 30 June 2020. All the business sectors of the Group registered positive financial performance in the current quarter with the automotive sector achieving higher revenue and profitability. The improvement was due to the higher domestic activities in the current quarter.

## **18. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020**

After a steep 17.1% decline in the second quarter of 2020, Malaysia's Gross Domestic Product ("GDP") registered a smaller contraction in the third quarter of -2.7%. This was boosted by recovery in domestic demand and improvements in the external markets. The sustainability of this recovery remains a challenge, as the third wave of the COVID-19 pandemic forced the Government to re-institute the Conditional Movement Control Order across most states.

In tandem with the improved economic performance, the Group recorded a pre-tax profit of RM142.42 million in the current quarter ended 30 September 2020. Led by strong demand for automobiles following the sales tax holiday for passenger cars announced by the Government, Malaysian Automotive Association data showed a total of 166,796 units of vehicles were sold in third quarter. This is a 145% increase of the Total Industry Volume from 68,147 units in second quarter. There is an expectation that the automotive sales will continue positively in the fourth quarter of 2020 as the sales tax holiday will end on 31 December 2020.

National carmaker PROTON launched its second SUV, X50, in late October and public response has been tremendous with more than 20,000 bookings secured. The other SUV, the larger X70, the Saga and the Persona have also remained popular with Malaysian buyers. These models should enable PROTON to sustain its upward momentum and maintain its growing market share that has risen to 22% in the nine months to September 2020. Other brands in the Group have also launched new models. Volkswagen launched the D-segment Arteon and the 7-seater SUV Tiguan Allspace whereas, Honda Malaysia and Mitsubishi Motors Malaysia recently launched the all-new B-segment City and the 7-seater mini-MPV Xpander respectively. These new models should continue to boost the Group's Automotive Sector.

DRB-HICOM's postal and logistic businesses continues to thrive in the new normal, with digitalisation becoming integral for the business. The on-going pandemic has created a robust e-commerce demand and will bode well for the courier segment. The Group's other businesses will keep focusing on strengthening their core business segments, while improving its operational performance and productivity in this challenging time through disciplined and prudent cost management.

With COVID-19 remaining a potent threat, the business environment domestically and global remains very challenging. The Group is continuously assessing strategies and initiatives to mitigate the adverse impact. Therefore, factoring the impact of the COVID-19 pandemic that began in March this year, the Group's full financial year operating performance is expected to be lower than the previous financial period.

**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:

	<b>Financial Quarter 3 Months Ended 30.09.2020 RM'000</b>	<b>Financial Period 9 Months Ended 30.09.2020 RM'000</b>
Current taxation	12,376	38,752
Deferred taxation	19,450	34,824
<b>Total</b>	<b>31,826</b>	<b>73,576</b>

For the financial period ended 30 September 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. On 4 September 2020, the parties had agreed for a further extension until 7 December 2020.
- (b) On 13 February 2020, Pos Aviation Sdn. Bhd. entered into a Share Purchase Agreement (“SPA”) and a Shareholders Agreement with SIA Engineering Company Limited for the proposed divestment of 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 19 August 2020, Pos Aviation Sdn. Bhd. ("Pos Aviation"), an indirect 53.50% owned subsidiary company of the Group, entered into the following agreements:

(i) Pos Aviation and World Cargo Airline Sdn. Bhd. (formerly known as Pos Asia Cargo Express Sdn. Bhd.)("WCA"), a wholly-owned subsidiary company of Pos Aviation entered into a Share Sale and Share Subscription Agreement ("SSA") with Asia Cargo Network Sdn. Bhd. ("ACN") in relation to the proposed subscription and disposal of shares for a total cash consideration as below:

- WCA shall issue and allot 15,612,240 ordinary shares representing 51% of the total enlarged issued ordinary share capital in WCA to ACN for a cash consideration of RM40 million; and
- Pos Aviation shall dispose 106,786 preference shares representing 51% of the total preference shares in WCA to ACN, for a cash consideration of RM1.

The proposed subscription and disposal of shares will result in the change of shareholders' shareholdings in WCA, where Pos Aviation and ACN will own 49% and 51% equity interest in WCA respectively; and

(ii) in conjunction with the above, Pos Aviation has entered into a Shareholders' Agreement with ACN.

The completion of the divestment is subject to the fulfilment of the Conditions Precedent in the SSA.

(d) On 30 October 2020, HICOM Glen Sdn. Bhd. ("HGSB"), an indirect wholly-owned subsidiary company of the Group which was incorporated on 23 October 2020, entered into a conditional Sale and Purchase Agreement ("SPA") with Eksklusif Pesona Sdn. Bhd. ("EPSB") to acquire 9 parcels of freehold land and 1 parcel of leasehold land with an aggregate gross area measuring approximately 287.73 acres, located at Mukim of Pulau Sebang, Alor Gajah, Melaka with certain identified structures in its current existing physical condition and state with vacant possession from EPSB for a total cash consideration of RM240 million (subject to adjustment in accordance with the terms of the SPA) ("Proposed Acquisition"). The Proposed Acquisition is subject to the fulfilment of conditions precedent in the SPA. The purchase of the lands is for the development and sale of industrial properties by HGSB.

**22. BORROWINGS**

Total Group borrowings are as follows:

	<b>As at 30.09.2020 RM'000</b>
<b>(a) Short-Term Borrowings</b>	
<b>Bank overdrafts</b>	
- Secured	850
- Unsecured	2,957
<b>Total</b>	<b>3,807</b>
<b>(b) Others</b>	
<u>Secured</u>	
Bankers acceptances	172,594
Revolving credits	545,141
Short-term loans	13,643
Short-term loans under Islamic financing	99,774
Hire purchase - portion repayable within 12 months	27,357
Long-term loans - portion repayable within 12 months	206,270
Long-term loans under Islamic financing - portion repayable within 12 months	238,297
Sub-total	1,303,076
<u>Unsecured</u>	
Bankers acceptances	317,834
Revolving credits	119,500
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	505,094
<b>Total</b>	<b>1,808,170</b>
<b>(c) Long-Term Borrowings</b>	
<u>Secured</u>	
Hire purchase	93,252
- portion repayable within 12 months	(27,357)
	65,895
Long-term loans	619,693
- portion repayable within 12 months	(206,270)
	413,423
Long-term loans under Islamic financing	3,984,963
- portion repayable within 12 months	(238,297)
	3,746,666

**22. BORROWINGS (Continued)**

Total Group borrowings are as follows: (Continued)

	<b>As at 30.09.2020 RM'000</b>
<b>(c) Long-Term Borrowings (Continued)</b>	
<u>Unsecured</u>	
Long-term loans	1,907
- portion repayable within 12 months	(1,760)
	147
Long-term loans under Islamic financing	1,013,670
- portion repayable within 12 months	(66,000)
	947,670
<b>Total</b>	<b>5,173,801</b>
<b>Grand Total</b>	<b>6,985,778</b>

(d) Apart from the following Ringgit Malaysia ("RM") equivalent of foreign currency borrowings, the rest of the borrowings 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
<b>As at 30 September 2020</b>									
<b>Secured</b>									
Short-term loans under Islamic financing	GBP	561	3,001	-	-	-	GBP	561	3,001
	USD	23,308	96,774	-	-	-	USD	23,308	96,774
Short-term loans	USD	1,931	8,020	-	-	-	USD	1,931	8,020
Revolving credit	USD	40,000	166,120	-	-	-	USD	40,000	166,120
Term loans under Islamic financing	USD	3,641	15,121	USD	16,686	69,296	USD	20,327	84,417
Term loans	USD	44,625	185,328	USD	29,375	121,994	USD	74,000	307,322
<b>Total</b>			<b>474,364</b>			<b>191,290</b>			<b>665,654</b>

**23. OUTSTANDING DERIVATIVES**

- (a) Derivatives outstanding as at 30 September 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:

	<b>Contract/ Notional Value RM'000</b>	<b>Fair value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Financial instruments at fair value through profit or loss</b>			
Currency forward foreign exchange contracts	1,574,860	1,886	40,174
Currency swaps foreign exchange contracts	2,277,020	37,910	18,823
Islamic profit rate swap	1,275,000	-	112,085
	<b>5,126,880</b>	<b>39,796</b>	<b>171,082</b>

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 30 September 2020, the Group recognised a total net loss of RM70.78 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 30 September 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 PONSB and PONSB 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: RM0.6076). 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.

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.

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, PONSB 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 PONSB 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 PONSB’s jurisdictional challenge was dismissed. On 26 September 2019, PONSB filed an appeal against the Ruling to the Supreme People’s Court in Beijing (“SPC”). The Hearing of the appeal was heard online on 7



## **24. MATERIAL LITIGATION (Continued)**

(a) (Continued)

July 2020 and both parties submitted their written submissions on 17 July 2020. On 5 November 2020, the Company had been notified by its appointed lawyers that the SPC had allowed PONS B's appeal, upheld PONS B's jurisdictional challenge and dismissed the earlier Ruling made by the GHC in favour of Goldstar. The SPC is of the view that the GHC has no jurisdiction to hear the case filed at the GHC. The proceedings at the GHC with respect to Goldstar's claims against PACL and PONS B for, 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: RM0.6076) will cease. As the matter has been decided by the SPC, the GHC legal suit is therefore dismissed with immediate effect.

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
- (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.

**24. MATERIAL LITIGATION (Continued)**

- (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 wholly-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.

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 filed applications to Stay and to Set Aside the Adjudication Award at the High Court.

With regards to the Stay application of the Adjudication Award, CSCE's solicitors had on 9 July 2020 served a Notice of Application to strike out the amended originating summons of the Stay application filed by MCDSB. On 5 October 2020, the High Court heard both parties’ submissions in relation to the Notice of Application. The continued hearing/decision date has been fixed on 2 December 2020.

In relation to the Setting Aside application of the Adjudication Award filed by MCDSB, the High Court had on 30 July 2020 dismissed the said application.

In respect of the Arbitration Proceedings, the Arbitrator has vacated the hearing dates fixed between 22 March 2021 and 26 March 2021, 29 March 2021 and 2 April 2021, and backup dates from 12 April 2021 to 16 April 2021. In relation thereto, the Arbitrator has fixed new hearing dates for the Arbitration Proceedings between 16 August 2021 to 20 August 2021, 23 August 2021 to 27 August 2021 and 6 September 2021 to 10 September 2021.

**24. MATERIAL LITIGATION (Continued)**

- (c) On 28 September 2020, Gading Sari Aviation Services Limited, a Labuan based company (“Gading Sari”) and World Cargo Airline Sdn. Bhd. (formerly known as Pos Asia Cargo Express Sdn. Bhd.) (“World Cargo Airline”) (collectively referred to as “the Defendants”) were served with a Writ of Summons and Statement of Claim, filed at the Kuala Lumpur High Court by the Bank of Utah (“the Plaintiff”). The Bank of Utah is a corporation organised under the laws of State of Utah, United States of America.

Gading Sari is a wholly-owned subsidiary company of World Cargo Airline, and World Cargo Airline is a wholly-owned subsidiary company of Pos Aviation Sdn. Bhd. (“Pos Aviation”), which in turn is an indirect 53.50% owned subsidiary company of the Group.

The Plaintiff is claiming for, inter alia, the sum of USD8,782,964.00 (equivalent to RM36,422,951.70) being the losses, damages, expenses, costs and/or liabilities sustained by the Plaintiff, as of 23 July 2020, from the Defendants as a result of alleged breaches and/or defaults under relevant contracts, which include amongst others, a Lease Agreement dated 13 February 2013, executed between the Plaintiff and Gading Sari, for the lease of an aircraft by the Plaintiff to Gading Sari (“Lease Agreement”) and a Sublease Agreement dated 15 March 2013, executed between Gading Sari and World Cargo Airline, for the sublease of the same aircraft by Gading Sari to World Cargo Airline (“Sublease Agreement”). Contractually, the Plaintiff is the Lessor, while Gading Sari and World Cargo Airline are the Lessee and Sub-Lessee respectively.

The Defendants and its legal advisors are currently reviewing the aforesaid claims; and will take all the necessary steps to defend against the claims and ensure the rights of the Defendants are protected. The Defendants have filed their Statement of Defence and Counterclaim on 25 November 2020. The case management has been fixed on 8 February 2021.

**25. DIVIDEND**

No interim dividend has been declared for the financial period ended 30 September 2020.

**26. EARNINGS/(LOSS) PER SHARE**

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

	<b>Financial Quarter 3 Months Ended 30.09.2020</b>	<b>Financial Period 9 Months Ended 30.09.2020</b>
Net profit/(loss) attributable to Owners of the Company (RM'000)	<b>47,498</b>	<b>(431,857)</b>
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted earnings/(loss) per share (sen)	<b>2.46</b>	<b>(22.34)</b>

**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  
26 November 2020