



DRB-HICOM BERHAD

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

Interim Financial Report for the Financial Period
Ended 31 March 2022

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

The Board of Directors hereby announces the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/period ended 31 March 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		31.03.2022 RM'000	31.03.2021 RM'000	31.03.2022 RM'000	31.03.2021 RM'000
Revenue		3,069,558	3,511,499	3,069,558	3,511,499
Cost of sales and operating expenses		(3,057,956)	(3,429,713)	(3,057,956)	(3,429,713)
Other income		73,029	100,631	73,029	100,631
Other expenses		(32,450)	(62,884)	(32,450)	(62,884)
Profit from operations		52,181	119,533	52,181	119,533
Finance costs		(118,077)	(116,185)	(118,077)	(116,185)
Share of results of joint ventures (net of tax)		36,191	21,682	36,191	21,682
Share of results of associated companies (net of tax)		33,707	11,281	33,707	11,281
PROFIT BEFORE TAXATION	14	4,002	36,311	4,002	36,311
Taxation	19	(47,800)	(22,316)	(47,800)	(22,316)
NET (LOSS)/PROFIT FOR THE FINANCIAL QUARTER/PERIOD		(43,798)	13,995	(43,798)	13,995
OTHER COMPREHENSIVE LOSS					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
Fair value loss on investment properties		(808)	-	(808)	-
Net loss on fair value changes of equity instruments: financial assets at fair value through other comprehensive income		(2,360)	(1,909)	(2,360)	(1,909)
<u>Items that will be reclassified subsequently to profit or loss:</u>					
Net loss on fair value changes of investment securities: financial assets at fair value through other comprehensive income		(2,660)	(19,010)	(2,660)	(19,010)
Currency translation differences of foreign operations		297	3,730	297	3,730

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		31.03.2022 RM'000	31.03.2021 RM'000	31.03.2022 RM'000	31.03.2021 RM'000
OTHER COMPREHENSIVE LOSS (Continued)					
<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		(339)	-	(339)	-
Transfer of currency translation differences of a foreign subsidiary company to profit or loss upon disposal		9	-	9	-
OTHER COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/PERIOD (NET OF TAX)		(5,861)	(17,189)	(5,861)	(17,189)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/ PERIOD		(49,659)	(3,194)	(49,659)	(3,194)
Net (loss)/profit for the financial quarter/period attributable to:					
Owners of the Company		(25,740)	(16,960)	(25,740)	(16,960)
Holder of Perpetual Sukuk		-	5,918	-	5,918
Non-controlling interest		(18,058)	25,037	(18,058)	25,037
		(43,798)	13,995	(43,798)	13,995
Total comprehensive loss for the financial quarter/period attributable to:					
Owners of the Company		(30,111)	(28,890)	(30,111)	(28,890)
Holder of Perpetual Sukuk		-	5,918	-	5,918
Non-controlling interest		(19,548)	19,778	(19,548)	19,778
		(49,659)	(3,194)	(49,659)	(3,194)
Basic and diluted loss per share (sen):	25	(1.33)	(0.88)	(1.33)	(0.88)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2021 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,592,460	5,678,014
Investment properties		375,109	375,261
Inventories		2,131,027	2,130,876
Joint ventures		505,341	490,884
Associated companies		967,244	933,563
Intangible assets		1,497,180	1,504,490
Deferred tax assets		247,670	251,638
Investment securities: financial assets at fair value through profit or loss			
- Banking		155,506	147,840
- Non-banking		6,379	6,379
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		3,744,112	3,694,457
- Non-banking		66,068	65,916
Investment securities: financial assets at amortised cost			
- Banking		109,385	107,109
Trade and other receivables		1,674,379	1,690,104
Other assets		2,565	2,578
Banking related assets			
- Financing of customers		16,029,983	15,138,319
- Statutory deposit with Bank Negara Malaysia		161,971	130,148
		33,266,379	32,347,576
CURRENT ASSETS			
Assets and disposal group held for sale		13,355	14,241
Inventories		1,864,704	1,586,244
Trade and other receivables		3,075,911	2,819,690
Investment securities: financial assets at fair value through profit or loss			
- Banking		176,616	174,817
- Non-banking		29,002	38,889
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		911,344	1,172,313
Investment securities: financial assets at amortised cost			
- Non-banking		4,000	4,000
Banking related assets			
- Cash and short-term funds		1,149,501	1,173,475
- Financing of customers		4,843,317	4,972,233
Bank balances and cash deposits		2,058,738	2,804,473
Derivative assets	22(a)	21,134	10,700
		14,147,622	14,771,075
TOTAL ASSETS		47,414,001	47,118,651

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,432,303	5,462,414
Equity attributable to Owners of the Company		7,172,605	7,202,716
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,206,296	1,225,844
TOTAL EQUITY		9,048,167	9,097,826
NON-CURRENT LIABILITIES			
Deferred income		5,963	6,044
Trade and other payables		344,959	339,308
Lease liabilities		195,054	209,643
Long-term borrowings	21(c)	5,312,504	5,503,870
Redeemable Convertible Cumulative Preference Shares		692,552	682,406
Post-employment benefit obligations		3,363	3,803
Deferred tax liabilities		261,305	264,927
Banking related liabilities			
- Deposits from customers		1,022,540	1,222,466
- Deposits and placements of banks and other financial institutions		293,941	291,569
- Recourse obligation on financing sold to Cagamas		423,151	427,466
		8,555,332	8,951,502
CURRENT LIABILITIES			
Liabilities related to disposal group held for sale		3,809	3,707
Deferred income		1,670	1,673
Trade and other payables		4,198,952	4,280,881
Lease liabilities		88,520	104,995
Provision for liabilities and charges		309,940	321,518
Post-employment benefit obligations		807	437
Bank borrowings			
- Bank overdrafts	21(a)	2,967	4,203
- Others	21(b)	2,614,701	2,530,992
Banking related liabilities			
- Deposits from customers		22,531,338	21,748,564
- Deposits and placements of banks and other financial institutions		390	297
- Bills and acceptances payable		10,641	7,755
Derivative liabilities	22(a)	46,767	64,301
		29,810,502	29,069,323
TOTAL LIABILITIES		38,365,834	38,020,825
TOTAL EQUITY AND LIABILITIES		47,414,001	47,118,651
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.71	3.73

* 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 year ended 31 December 2021 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	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 2022	1,933,237	1,740,302	1,214,085	3,079	(43,138)	157,473	4,130,915	7,202,716	669,266	1,225,844	9,097,826
Net loss for the financial period	-	-	-	-	-	-	(25,740)	(25,740)	-	(18,058)	(43,798)
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	189	(3,752)	(808)	-	(4,371)	-	(1,490)	(5,861)
Total comprehensive (loss)/income for the financial period	-	-	-	189	(3,752)	(808)	(25,740)	(30,111)	-	(19,548)	(49,659)
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	(64)	-	64	-	-	-	-
Transfer of a subsidiary company's reserves	-	-	-	-	-	6,209	(6,209)	-	-	-	-
At 31 March 2022	1,933,237	1,740,302	1,214,085	3,268	(46,954)	162,874	4,099,030	7,172,605	669,266	1,206,296	9,048,167

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	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	FVOCI Reserve RM'000	Other Reserves RM'000						
At 1 January 2021	1,933,237	1,740,302	1,214,085	(978)	(1,992)	172,972	4,455,331	7,579,720	292,102	669,266	1,316,030	9,857,118
Net profit/(loss) for the financial period	-	-	-	-	-	-	(16,960)	(16,960)	5,918	-	25,037	13,995
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	2,713	(14,643)	-	-	(11,930)	-	-	(5,259)	(17,189)
Total comprehensive (loss)/income for the financial period	-	-	-	2,713	(14,643)	-	(16,960)	(28,890)	5,918	-	19,778	(3,194)
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	718	-	(718)	-	-	-	-	-
At 31 March 2021	1,933,237	1,740,302	1,214,085	1,735	(15,917)	172,972	4,437,653	7,550,830	298,020	669,266	1,335,808	9,853,924

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2021 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 3 Months Ended 31.03.2022 RM'000	Financial Period 3 Months Ended 31.03.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the financial period	(43,798)	13,995
Adjustments:		
- Depreciation of property, plant and equipment	169,950	193,207
- Finance costs	118,077	116,185
- Taxation	47,800	22,316
- Share of results of joint ventures (net of tax)	(36,191)	(21,682)
- Share of results of associated companies (net of tax)	(33,707)	(11,281)
- Others	47,497	1,128
Operating profit before working capital changes	269,628	313,868
Changes in working capital:		
Net increase in banking related assets	(808,402)	(598,677)
Net increase/(decrease) banking related liabilities	588,199	(1,463,275)
Net (increase)/decrease in assets	(520,886)	155,045
Net increase/(decrease) in liabilities	34,627	(119,177)
Net cash used in operations	(436,834)	(1,712,216)
Interest received	8,209	13,245
Tax paid, net of refund	(29,594)	(34,127)
Finance costs paid	(37,860)	(40,926)
Provision for liabilities and charges paid	(13,361)	(4,317)
Post-employment benefit obligations paid	(125)	(189)
Net cash outflow from operating activities	(509,565)	(1,778,530)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption/(acquisition) of investment securities by a banking subsidiary company (net)	184,194	(416,250)
Acquisitions of investment securities	(10,020)	(4,000)
Movement in fixed deposits placement with maturity profile more than 3 months	(1,135)	24
Proceeds from disposal of property, plant and equipment	168	1,523
Proceeds from redemption of other investments	19,997	43,456
Purchases of property, plant and equipment/intangible assets	(232,699)	(196,066)
Proceed received from liquidation of an associated company	-	8,700
Net cash outflow from investing activities	(39,495)	(562,613)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 3 Months Ended 31.03.2022 RM'000	Financial Period 3 Months Ended 31.03.2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(53,846)	(42,621)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(6,645)	(30,574)
Payment of the principal portion of lease liabilities	(27,808)	(20,123)
Proceeds from bank borrowings	1,229,973	915,915
Repayment of bank borrowings	(1,358,980)	(852,205)
Repayment of principal for recourse obligation on financing sold to Cagamas	(4,313)	(4,028)
Net cash outflow from financing activities	(221,619)	(33,636)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(770,679)	(2,374,779)
Effects of foreign currency translation	(933)	138
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	3,320,938	4,520,520
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	2,549,326	2,145,879
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	2,058,738	2,320,868
Banking related assets - cash and short-term funds	1,149,501	697,597
Bank overdrafts	(2,967)	(4,189)
	3,205,272	3,014,276
Less: Bank balances and fixed deposits held as security/sinking fund	(636,273)	(847,188)
Less: Fixed deposits with maturity profile more than 3 months	(1,602)	(463)
Less: Bank balances in respect of Automotive Development Fund liabilities	(4,428)	(5,708)
Less: Collections held by a postal subsidiary company on behalf of third parties	(14,351)	(17,755)
Add: Cash and cash equivalents attributable to the disposal group held for sale	708	2,717
	2,549,326	2,145,879

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2021 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 year ended 31 December 2021 and all the financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 December 2021 except for the adoption of the following new/amended standards which are applicable to the Group with effect from 1 January 2022:

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	

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

3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 31 March 2022.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

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 2022.

5. CHANGES IN ESTIMATES

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

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance or 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 2022.

7. PROPOSED DIVIDEND

The Directors recommend the payment of a final dividend of 2.0 sen per share amounting to RM38,664,741 in respect of the financial year ended 31 December 2021, subject to the approval of shareholders at the forthcoming Annual General Meeting of DRB-HICOM Berhad to be held on 22 June 2022.

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8. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 31 March 2022 is as follows:

	Automotive	Aerospace and Defence	Postal	Banking	Services	Properties	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
Total revenue	2,074,579	160,329	307,109	290,363	225,676	65,352	3,123,408
Inter-segment revenue	(7,141)	(8)	(476)	(5,370)	(40,855)	-	(53,850)
External revenue	2,067,438	160,321	306,633	284,993	184,821	65,352	3,069,558
Results							
Segment (loss)/profit	(9,473)	(110)	(32,674)	77,590	28,450	3,827	67,610
Unallocated expenses							(22,857)
Interest income on short-term deposits							7,428
Finance costs							(118,077)
Share of results of joint ventures (net of tax)	36,191	-	-	-	-	-	36,191
Share of results of associated companies (net of tax)	33,665	-	-	-	42	-	33,707
Profit before taxation							4,002
Taxation							(47,800)
Net loss for the financial period							(43,798)
Attributable to:							
Owners of the Company							(25,740)
Non-controlling interest							(18,058)

9. PROPERTY, PLANT AND EQUIPMENT

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

10. SUBSEQUENT 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.

11. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 31 MARCH 2022

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

- (a) On 16 February 2022, Proton Cars (UK) Limited (“PCUK”), an indirect wholly-owned subsidiary company of the Group, has completed the divestment of its entire equity interest in Proton Finance Limited (“PFL”) comprising 9,999 ordinary shares representing approximately 49.995% equity interest in PFL, to Black Horse Group Limited, the 50% shareholder of PFL and a member of Lloyds Banking Group, at a cash consideration of £1.00 or approximately RM5.67 (based on the exchange rate as at 16 February 2022).
- (b) On 16 March 2022, the Group announced the proposed winding-up of its direct and indirect dormant subsidiary companies via members’ voluntary winding up and the companies involved in the exercise are as follows:
 - 1. Uni.Asia Capital Sdn. Bhd.
 - 2. HICOM Polymers Industry Sdn. Bhd.
 - 3. DRB-HICOM SPV (Labuan) Limited

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

- (c) On 16 March 2022, HICOM-HONDA Manufacturing Malaysia Sdn. Bhd. (“HHMM”), an indirect 48% owned dormant joint venture of the Group has commenced the dissolution exercise via members’ voluntary winding up. Upon the dissolution, HHMM will cease to be an indirect joint venture of the Group.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

13. COMMITMENTS AND CONTINGENT LIABILITIES OF BANK MUAMALAT MALAYSIA BERHAD

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

	As at 31.03.2022		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Contingent liabilities			
Direct credit substitutes	329,844	329,844	306,599
Trade-related contingencies	83,731	16,746	1,337
Transaction-related contingencies	521,073	260,536	249,958
Commitments			
Credit extension commitment:			
- Maturity within one year	641,706	128,341	127,012
- Maturity exceeding one year	964,782	482,391	395,901
Other miscellaneous commitments & contingencies	35,532	223	167
Islamic derivative financial Instruments			
Foreign exchange related contracts	1,542,288	28,493	19,387
Profit rate related contracts	1,200,000	47,000	9,400
	5,318,956	1,293,574	1,109,761

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.

14. PROFIT BEFORE TAXATION

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

	Financial Quarter/Period 3 Months Ended	
	31.03.2022 RM'000	31.03.2021 RM'000
Allowance for financing of customers (net of write-back)	4,260	25,650
Amortisation of intangible assets	54,701	47,935
Depreciation of property, plant and equipment	169,950	193,207
Finance costs	118,077	116,185
Unrealised foreign exchange differences (net)	17,214	48,796
Write-off of property, plant and equipment	936	70
Gain on disposal of (net):		
- investment securities	(352)	(71)
- property, plant and equipment	(137)	(2,310)
(Gain)/loss on fair value adjustment of investment securities (net)	(1,586)	2,317
Interest income on short-term deposits	(7,428)	(7,078)
Marked to market gain on derivatives	(27,968)	(87,035)
Reversal of impairment of property, plant and equipment (net of impairment)	(175)	(4,003)
(Write-back of)/allowance for expected credit losses	(605)	7,989
Write-back of inventories (net)	(3,454)	(265)

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	Financial Quarter/Period 3 Months Ended		Variance	
		31.03.2022 RM'000	31.03.2021 RM'000	RM'000	% +/-
(i)	Automotive	2,067,438	2,439,858	(372,420)	-15.3
(ii)	Aerospace and Defence	160,321	138,318	22,003	15.9
(iii)	Postal	306,633	404,887	(98,254)	-24.3
(iv)	Banking	284,993	272,757	12,236	4.5
(v)	Services	184,821	186,020	(1,199)	-0.6
(vi)	Properties	65,352	69,659	(4,307)	-6.2
	Total	3,069,558	3,511,499	(441,941)	-12.6

For the current quarter ended 31 March 2022, the Group's revenue declined by 12.6% to RM3.07 billion compared with RM3.51 billion in the corresponding quarter ended 31 March 2021.

(i) Automotive Sector

The Automotive sector recorded lower revenue mainly due to PROTON's lower sales which was affected by lack of available stocks, as a result of disruption in supply by the flood-affected local vendors and chip shortages.

(ii) Aerospace and Defence Sector

The Aerospace and Defence sector recorded higher revenue mainly due to higher delivery of single-aisle aircraft parts and resumption of delivery of certain aircraft parts following the reopening of international flights as well as defence products.

(iii) Postal Sector

The Postal sector recorded lower revenue mainly due to the decline in the courier business. The parcel volume business from e-commerce platforms reduced as consumers' purchasing trend shifted from online shopping to conventional shopping following the relaxation of the movement control order.

(iv) Banking Sector

The Banking sector posted higher revenue mainly due to higher financing income attributed to the increase in average volume.

15. REVIEW OF PERFORMANCE (Continued)

15.1 Revenue (Continued)

(v) Services Sector

The Services sector recorded lower revenue mainly due to lower revenue from the logistics business, particularly from freight forwarding, as a result of the decrease in customer shipments. The lower revenue was partially offset by higher revenue driven from in-flight catering business and ground handling services by aviation business as well as vehicle inspection business.

(vi) Properties Sector

The reduction is mainly due to lower revenue recognised from construction projects, which was partially mitigated by higher revenue from property development projects.

15.2 Profit Before Tax

The Group registered a pre-tax profit of RM4.00 million for the current quarter ended 31 March 2022 compared with the pre-tax profit of RM36.31 million in the corresponding quarter ended 31 March 2021. The lower results for the current quarter were mainly due to the loss incurred by PROTON and the Properties sector. The loss was offset by higher share of results from joint ventures and associated companies in the Automotive sector, higher profit from the Banking sector and lower loss from the Postal sector.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a lower pre-tax profit of RM4.00 million in the current quarter ended 31 March 2022 compared with a pre-tax profit of RM153.37 million in the preceding quarter ended 31 December 2021, mainly due to lower profit from the Automotive sector and was partially mitigated by the lower loss from the Postal sector.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

Malaysia has transitioned to the endemic phase on 1 April 2022, removing its restrictions on business activities imposed during the pandemic, and has reopened its international borders. Malaysia's Gross Domestic Product ("GDP") registered a positive growth of 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). The World Bank has predicted the Malaysian economy to grow by 5.5% in 2022 driven by the recovery in domestic demand and expansion in exports. This is in line with Bank Negara Malaysia's ("BNM") own forecast growth of between 5.3% and 6.3% (2021: 3.1%).

The Malaysian Automotive Association ("MAA") has announced a projected total industry volume ("TIV") of 600,000 units for 2022, leveraging on the sales tax exemption for passenger vehicles that is valid until June 2022. The introduction of new models, facelifted variants and aggressive promotional campaigns by marques under the Group such as PROTON, Honda, Mitsubishi, Volkswagen, and Isuzu, as well as bike maker MODENAS will further boost the Group's automotive businesses. The Group however is cautious in view of the global supply chain challenges affecting the overall production.

As announced, the development of Automotive Hi-Tech Valley ("AHTV") in Tanjung Malim is intended to provide the impetus in uplifting the automotive industry to the next level. The total estimated investment of RM32 billion is to be derived from various resources including vendors and potential investors over the next 10 years. Envisioned to be a high technology automotive hub for the ASEAN region, AHTV is planned to be an integrated Automotive City comprising of a full-fledged high technology research & development ("R&D") centre, a manufacturing cluster, as well as commercial and residential pockets. It will also encompass a supporting ecosystem including logistics, a research university, as well as training and learning institutions. AHTV is anticipated to create 370,000 jobs during construction and another 160,000 jobs in Phase 1 of its operations.

As the global economy re-opens, DRB-HICOM's businesses are gradually gaining momentum. For example, key contracts for aircraft assembly works under the aerospace segment were secured for the period until 2034. In addition, the postal segment expects improved performance with the on-going turnaround and transformation initiatives aimed at improving service levels and cost efficiencies. Other businesses in defence, banking, services and property will continue to build resilience and seize the emerging opportunities from the recovery.

Business operations across the Group are expected to recover particularly with the continued strong demand, new products, new markets and countermeasures against supply chain issues. With the opening of all businesses by sectors, the Group expects a better performance for the financial year ending 31 December 2022 compared to last year.

18. 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.

19. TAXATION

Taxation comprises the following:

	Financial Quarter/Period 3 Months Ended	
	31.03.2022 RM'000	31.03.2021 RM'000
Current taxation	46,484	44,776
Deferred taxation	1,316	(22,460)
Total	47,800	22,316

For the financial period ended 31 March 2022, the taxation charge arose mainly from certain profit-making subsidiary companies and certain expenses which were not deductible for income tax purposes.

20. STATUS OF CORPORATE PROPOSALS

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 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 in the SPA which was recently extended until 13 November 2022.

21. BORROWINGS

Total Group borrowings are as follows:

	As at 31.03.2022 RM'000
Short-Term Borrowings	
(a) Bank overdrafts	
- Secured	917
- Unsecured	2,050
Total	2,967
(b) Others	
<u>Secured</u>	
Bankers acceptances	500,156
Revolving credits	443,395
Short-term loans	18,194
Short-term loans under Islamic financing	78,398
Hire purchase - portion repayable within 12 months	29,088
Long-term loans - portion repayable within 12 months	388,412
Long-term loans under Islamic financing - portion repayable within 12 months	686,279
Sub-total	2,143,922
<u>Unsecured</u>	
Bankers acceptances	348,518
Revolving credits	115,500
Long-term loans - portion repayable within 12 months	147
Long-term loans under Islamic financing - portion repayable within 12 months	6,614
Sub-total	470,779
Total	2,614,701
(c) Long-Term Borrowings	
<u>Secured</u>	
Hire purchase	72,405
- portion repayable within 12 months	(29,088)
	43,317
Long-term loans	698,122
- portion repayable within 12 months	(388,412)
	309,710

21. BORROWINGS (Continued)

Total Group borrowings are as follows: (Continued)

	As at 31.03.2022 RM'000
(c) Long-Term Borrowings (Continued)	
<u>Secured</u> (Continued)	
Long-term loans under Islamic financing - portion repayable within 12 months	5,146,864 (686,279)
	4,460,585
<u>Unsecured</u>	
Long-term loans - portion repayable within 12 months	147 (147)
	-
Long-term loans under Islamic financing - portion repayable within 12 months	505,506 (6,614)
	498,892
Total	5,312,504
Grand Total	7,930,172

(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
As at 31 March 2022									
Secured									
Short-term loans under Islamic financing	GBP	307	1,693	-	-	-	GBP	307	1,693
	USD	18,257	76,705	-	-	-	USD	18,257	76,705
Short-term loans	USD	735	3,089	-	-	-	USD	735	3,089
Revolving credit	USD	10,000	42,015	-	-	-	USD	10,000	42,015
Term loans under Islamic financing	USD	3,861	16,223	USD	10,959	46,046	USD	14,820	62,269
Term loans	USD	89,250	374,984	USD	7,400	31,091	USD	96,650	406,075
Total			514,709			77,137			591,846

22. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 31 March 2022 consist mainly of currency forward foreign exchange contracts, currency swaps foreign exchange contracts, Islamic profit rate swap and share put option 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
Currency forward foreign exchange contracts	1,318,635	7,146	1,150
Currency swaps foreign exchange contracts	1,181,274	12,362	5,377
Islamic profit rate swap	1,200,000	-	40,240
Share put option	1,626	1,626	-
	3,701,535	21,134	46,767

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2021:

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

During the financial period ended 31 March 2022, the Group recognised a total net gain of RM27.97 million arising from the fair value changes on the currency forward foreign exchange contracts, currency swaps foreign exchange contracts, Islamic profit rate swap and share put option which are marked to market as at 31 March 2022.

23. MATERIAL LITIGATION

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

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 a 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 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, accessories and to provide after-sales services (including spare parts) in connection with its products in the 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.

23. MATERIAL LITIGATION (Continued)

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 of the appeal was heard online on 7 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 hearings fixed on 22 February 2021 until 25 February 2021 in relation to the above Arbitration Proceedings before a single arbitrator had proceeded as scheduled and had been duly completed. On 11 August 2021, the Tribunal of the Arbitration Proceedings made its decision and granted an Award in favour of PONS'B and PACL. The said Tribunal had granted the Award, consisting of inter alia, the following declarations:

- (a) That the TA is valid and is a full and final settlement of all issues and disputes under the 2002 JVC according to the terms of the TA;
- (b) That the 2002 JVC had been terminated upon execution of the TA, whereupon all existing, future and accrued rights and obligations of the parties pertaining thereto have ceased and have no further effect;
- (c) That the TA was affirmed by Goldstar with its entry into the EJVC.

23. MATERIAL LITIGATION (Continued)

(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 hearings fixed on 3 March 2021 until 12 March 2021 in relation to the above Arbitration Proceedings before three arbitrators have proceeded as scheduled and had been duly completed. On 7 March 2022, the Company received from the Tribunal of the Arbitration Proceedings an Award in favour of PHB and LGIL. The said Tribunal had granted the Award, consisting of inter alia, the following declarations:

- (a) That the EJVC had been validly terminated on 22 February 2018;
- (b) That PHB and LGIL may under the EJVC call upon Goldstar to cause its appointed Directors of GLAC to approve the termination of the EJVC and the dissolution of GLAC at a duly called Board meeting of GLAC.

24. DIVIDEND

No interim dividend has been declared in the financial period ended 31 March 2022.

25. LOSS PER SHARE

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

	Financial Quarter/Period 3 Months Ended	
	31.03.2022	31.03.2021
Net loss attributable to Owners of the Company (RM'000)	(25,740)	(16,960)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted loss per share (sen)	(1.33)	(0.88)

26. 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 May 2022