



DRB-HICOM BERHAD

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

Interim Financial Report for the Financial Period
Ended 30 September 2022

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

The Board of Directors is pleased to announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/period ended 30 September 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 9 Months Ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Revenue		4,540,778	2,119,955	11,164,383	8,253,942
Cost of sales and operating expenses		(4,333,758)	(2,215,152)	(10,838,822)	(8,468,318)
Other income		88,486	61,291	374,432	229,450
Other expenses		(33,465)	(37,262)	(138,581)	(168,786)
Profit/(loss) from operations		262,041	(71,168)	561,412	(153,712)
Finance costs		(136,282)	(128,738)	(374,437)	(362,618)
Share of results of joint ventures (net of tax)		75,885	18,631	183,369	65,895
Share of results of associated companies (net of tax)		48,316	(20,145)	112,773	5,797
PROFIT/(LOSS) BEFORE TAXATION	14	249,960	(201,420)	483,117	(444,638)
Taxation	19	(28,131)	(44,025)	(112,489)	(87,586)
NET PROFIT/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD		221,829	(245,445)	370,628	(532,224)
OTHER COMPREHENSIVE (LOSS)/INCOME					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
Fair value loss on investment properties		-	-	(808)	-
Net loss on fair value changes of equity instruments: financial assets at fair value through other comprehensive income		(2,571)	(866)	(12,495)	(10,588)
<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		(14,212)	(13,697)	(48,348)	(23,570)
Currency translation differences of foreign operations		4,845	4,076	10,159	6,869

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 9 Months Ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
OTHER COMPREHENSIVE (LOSS)/INCOME (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		(1,192)	(1,852)	(1,531)	(1,859)
Transfer of currency translation differences of a foreign subsidiary company to profit or loss upon disposal		-	-	9	-
OTHER COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/PERIOD (NET OF TAX)		(13,130)	(12,339)	(53,014)	(29,148)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD		208,699	(257,784)	317,614	(561,372)
Net profit/(loss) for the financial quarter/period attributable to:					
Owners of the Company		143,953	(179,438)	287,774	(413,894)
Holder of Perpetual Sukuk		2,330	6,050	2,330	17,951
Non-controlling interest		75,546	(72,057)	80,524	(136,281)
		221,829	(245,445)	370,628	(532,224)
Total comprehensive income/(loss) for the financial quarter/period attributable to:					
Owners of the Company		134,134	(188,992)	249,255	(434,883)
Holder of Perpetual Sukuk		2,330	6,050	2,330	17,951
Non-controlling interest		72,235	(74,842)	66,029	(144,440)
		208,699	(257,784)	317,614	(561,372)
Basic and diluted earnings/(loss) per share (sen):	25	7.45	(9.28)	14.89	(21.41)

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 30.09.2022 RM'000	As at 31.12.2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,484,625	5,678,014
Investment properties		373,367	375,261
Inventories		2,132,298	2,130,876
Joint ventures		565,313	490,884
Associated companies		1,037,956	933,563
Intangible assets		1,579,663	1,504,490
Deferred tax assets		253,617	251,638
Investment securities: financial assets at fair value through profit or loss			
- Banking		10,938	147,840
- Non-banking		6,379	6,379
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		3,727,383	3,694,457
- Non-banking		67,488	65,916
Investment securities: financial assets at amortised cost			
- Banking		114,472	107,109
Trade and other receivables		1,714,860	1,690,104
Other assets		2,570	2,578
Banking related assets			
- Financing of customers		17,466,972	15,138,319
- Statutory deposit with Bank Negara Malaysia		117,714	130,148
		34,655,615	32,347,576
CURRENT ASSETS			
Assets and disposal group held for sale		14,433	14,241
Inventories		2,186,195	1,586,244
Trade and other receivables		3,084,880	2,819,690
Investment securities: financial assets at fair value through profit or loss			
- Banking		326,281	174,817
- Non-banking		31,230	38,889
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		860,714	1,172,313
Investment securities: financial assets at amortised cost			
- Non-banking		-	4,000
Banking related assets			
- Cash and short-term funds		686,808	1,173,475
- Financing of customers		4,949,871	4,972,233
Bank balances and cash deposits		3,079,356	2,804,473
Derivative assets	22(a)	78,297	10,700
		15,298,065	14,771,075
TOTAL ASSETS		49,953,680	47,118,651

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,673,004	5,462,414
Equity attributable to Owners of the Company		7,413,306	7,202,716
Perpetual Sukuk		348,065	-
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,291,873	1,225,844
TOTAL EQUITY		9,722,510	9,097,826
NON-CURRENT LIABILITIES			
Deferred income		5,798	6,044
Trade and other payables		358,158	339,308
Lease liabilities		193,942	209,643
Long-term borrowings	21(c)	6,181,489	5,503,870
Redeemable Convertible Cumulative Preference Shares		713,648	682,406
Post-employment benefit obligations		3,360	3,803
Deferred tax liabilities		257,269	264,927
Banking related liabilities			
- Deposits from customers		990,445	1,222,466
- Deposits and placements of banks and other financial institutions		296,919	291,569
- Recourse obligation on financing sold to Cagamas		589,376	427,466
		9,590,404	8,951,502
CURRENT LIABILITIES			
Liabilities related to disposal group held for sale		4,641	3,707
Deferred income		1,565	1,673
Trade and other payables		4,750,434	4,280,881
Lease liabilities		78,105	104,995
Provision for liabilities and charges		402,122	321,518
Post-employment benefit obligations		704	437
Bank borrowings			
- Bank overdrafts	21(a)	2,999	4,203
- Others	21(b)	2,096,727	2,530,992
Banking related liabilities			
- Deposits from customers		23,155,023	21,748,564
- Deposits and placements of banks and other financial institutions		109,030	297
- Bills and acceptances payable		10,462	7,755
Derivative liabilities	22(a)	28,954	64,301
		30,640,766	29,069,323
TOTAL LIABILITIES		40,231,170	38,020,825
TOTAL EQUITY AND LIABILITIES		49,953,680	47,118,651
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.83	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	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 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 profit for the financial period	-	-	-	-	-	-	287,774	287,774	2,330	-	80,524	370,628
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	5,951	(43,662)	(808)	-	(38,519)	-	-	(14,495)	(53,014)
Total comprehensive income/(loss) for the financial period	-	-	-	5,951	(43,662)	(808)	287,774	249,255	2,330	-	66,029	317,614
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	15,354	-	(15,354)	-	-	-	-	-
Transfer of a subsidiary company's reserves	-	-	-	-	-	19,996	(19,996)	-	-	-	-	-
<u>Transactions with Owners</u>												
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	-	-	345,735	-	-	345,735
First and final dividend in respect of financial year ended 31 December 2021	-	-	-	-	-	-	(38,665)	(38,665)	-	-	-	(38,665)
At 30 September 2022	1,933,237	1,740,302	1,214,085	9,030	(71,446)	176,661	4,344,674	7,413,306	348,065	669,266	1,291,873	9,722,510

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	-	-	-	-	-	-	(413,894)	(413,894)	17,951	-	(136,281)	(532,224)
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	4,223	(25,212)	-	-	(20,989)	-	-	(8,159)	(29,148)
Total comprehensive (loss)income for the financial period	-	-	-	4,223	(25,212)	-	(413,894)	(434,883)	17,951	-	(144,440)	(561,372)
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	718	-	(718)	-	-	-	-	-
Transfer of a subsidiary company's reserves	-	-	-	-	-	(7,143)	7,143	-	-	-	-	-
Acquisition of additional interest in a subsidiary company	-	-	-	-	-	-	(1,260)	(1,260)	-	-	1,160	(100)
<u>Transactions with Owners</u>												
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(11,967)	-	-	(11,967)
First and final dividend in respect of financial year ended 31 December 2020	-	-	-	-	-	-	(38,665)	(38,665)	-	-	-	(38,665)
At 30 September 2021	1,933,237	1,740,302	1,214,085	3,245	(26,486)	165,829	4,007,937	7,104,912	298,086	669,266	1,172,750	9,245,014

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 9 Months Ended 30.09.2022 RM'000	Financial Period 9 Months Ended 30.09.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the financial period	370,628	(532,224)
Adjustments:		
- Amortisation of intangible assets	161,589	156,944
- Depreciation of property, plant and equipment	514,795	550,891
- Finance costs	374,437	362,618
- Income from disposal of a former subsidiary company	(119,512)	-
- Taxation	112,489	87,586
- Share of results of joint ventures (net of tax)	(183,369)	(65,895)
- Share of results of associated companies (net of tax)	(112,773)	(5,797)
- Others	109,131	39,322
Operating profit before working capital changes	1,227,415	593,445
Changes in working capital:		
Net increase in banking related assets	(2,351,692)	(1,629,423)
Net increase banking related liabilities	1,291,228	142,240
Net (increase)/decrease in assets	(819,386)	226,585
Net increase/(decrease) in liabilities	377,665	(827,347)
Net cash used in operations	(274,770)	(1,494,500)
Interest received	26,781	40,469
Tax paid, net of refund	(48,609)	(68,721)
Finance costs paid	(116,596)	(102,123)
Provision for liabilities and charges paid	(28,479)	(18,639)
Post-employment benefit obligations paid	(351)	(503)
Net cash outflow from operating activities	(442,024)	(1,644,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption/(acquisition) of investment securities by a banking subsidiary company (net)	170,979	(801,967)
Acquisition of additional shares in a subsidiary company	-	(100)
Acquisitions of investment securities	(17,909)	(25,000)
Dividends received from joint ventures	86,096	3,140
Dividends received from an associated company	31,320	38,250
Dividends received from other investments	967	-
Movement in fixed deposits placement with maturity profile more than 3 months	(1,135)	24
Proceeds from disposal of a former subsidiary company	119,512	-
Proceeds from disposal of an associated company	-	9,922
Proceeds from disposal of property, plant and equipment	803	3,986
Proceeds from redemption of other investments	47,852	73,565
Purchases of property, plant and equipment/intangible assets	(571,604)	(470,016)
Proceed received from liquidation of an associated company	-	8,700
Settlement of advance from a former subsidiary company	-	28,000
Net cash outflow from investing activities	(133,119)	(1,131,496)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 9 Months Ended 30.09.2022 RM'000	Financial Period 9 Months Ended 30.09.2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to holders of Perpetual Sukuk	-	(11,967)
Dividends paid to shareholders	(38,665)	(38,665)
Finance costs paid	(194,862)	(174,594)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	24,359	(3,714)
Net proceeds from issuance of Perpetual Sukuk	345,735	-
Payment of the principal portion of lease liabilities	(76,939)	(64,944)
Proceeds from bank borrowings	4,277,724	4,481,150
Proceed from recourse obligation on financing sold to Cagamas	600,000	-
Repayment of bank borrowings	(4,099,855)	(3,189,866)
Repayment of principal for recourse obligation on financing sold to Cagamas	(438,012)	(12,389)
Net cash inflow from financing activities	399,485	985,011
NET DECREASE IN CASH AND CASH EQUIVALENTS	(175,658)	(1,790,502)
Effects of foreign currency translation	(3,478)	(2,587)
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	3,141,802	2,727,431
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	3,079,356	2,195,402
Banking related assets - cash and short-term funds	686,808	1,383,555
Bank overdrafts	(2,999)	(4,529)
	3,763,165	3,574,428
Less: Bank balances and fixed deposits held as security/sinking fund	(605,269)	(820,328)
Less: Fixed deposits with maturity profile of more than 3 months	(1,602)	(463)
Less: Bank balances in respect of Automotive Development Fund liabilities	(4,463)	(5,210)
Less: Collections held by a postal subsidiary company on behalf of third parties	(10,715)	(21,717)
Add: Cash and cash equivalents attributable to the disposal group held for sale	686	721
	3,141,802	2,727,431

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 amendments to 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 30 September 2022.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as 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 2022.

During the current period, the Group received the remaining 20% proceeds of RM119.51 million in relation to the disposal of a former subsidiary company, Lotus Advance Technologies Sdn. Bhd. which had been completed in 2017. The proceeds were previously withheld as contingent consideration in an escrow account subject to the termination of the Equity Joint Venture Contract (“EJVC”) entered into between PROTON Holdings Berhad, Lotus Group International Limited and Goldstar Heavy Industrial Co., Ltd.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE (Continued)

The Group received an arbitration award granting that the EJVC had been validly terminated as disclosed in Note 23 on page 23 and therefore, the proceeds were subsequently released by the escrow agent to DRB-HICOM and recognised as other income in the consolidated statement of comprehensive income for the current period ended 30 September 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

Other than as disclosed in the Condensed Consolidated Statement of Changes in Equity on page 5 and Note 21(d) on page 21, 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 30 September 2022.

7. DIVIDEND PAID

The shareholders approved a single tier first and final dividend of 2.0 sen per share at the last Annual General Meeting held on 22 June 2022 in respect of the financial year ended 31 December 2021. The dividend of RM38,664,741 was paid on 18 July 2022.

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8. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 30 September 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	8,028,539	540,208	963,907	939,467	716,849	191,540	11,380,510
Inter-segment revenue	(21,896)	(20)	(5,698)	(17,180)	(171,333)	-	(216,127)
External revenue	8,006,643	540,188	958,209	922,287	545,516	191,540	11,164,383
Results							
Segment profit/(loss)	247,504	20,984	(73,538)	253,577	177,817	(10,394)	615,950
Unallocated expenses							(81,722)
Interest income on short-term deposits							27,184
Finance costs							(374,437)
Share of results of joint ventures (net of tax)	183,369	-	-	-	-	-	183,369
Share of results of associated companies (net of tax)	113,270	-	-	-	(497)	-	112,773
Profit before taxation							483,117
Taxation							(112,489)
Net profit for the financial period							370,628
Attributable to:							
Owners of the Company							287,774
Holder of Perpetual Sukuk							2,330
Non-controlling interest							80,524

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 30 SEPTEMBER 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, 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, for 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.

11. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Continued)

- (d) On 10 June 2022, the following dormant/inactive companies of the Group were voluntarily wound up via members' voluntary winding up ("MVL") and creditors' voluntary winding up ("CVL") and as a result, ceased to be subsidiaries companies of the Group.

Companies under MVL

1. HICOM Trucks Sdn. Bhd.
2. Isti-Emas Sdn. Bhd.
3. Parcel Tankers Malaysia Sdn. Bhd.

Companies under CVL

1. Aman Freight Services Sdn. Bhd.
2. North Terminal Sdn. Bhd.

- (e) On 16 August 2022, PROTON New Energy Technology Sdn. Bhd. ("Pro-Net") was incorporated by Perusahaan Otomobil Nasional Sdn. Bhd., an indirect 50.1% owned subsidiary company of the Group, and as a result, Pro-Net became an indirect 50.1% owned subsidiary company of the Group. Pro-Net is established as a manufacturer of New Energy Vehicles and their components, and distributor of New Energy Vehicles of brands other than PROTON and their spare parts.
- (f) On 29 August 2022, Edaran Otomobil Nasional Berhad ("EON"), an indirect wholly-owned subsidiary company of the Group, entered into a Joint Venture Agreement with Petromin Corporation ("Petromin") to form a joint venture, EON Petromin Sdn. Bhd. ("EON Petromin"), to establish a vehicle aftersales servicing and parts business in Malaysia. EON Petromin was incorporated on 13 September 2022 and the shareholdings of EON and Petromin in EON Petromin are 51% and 49% respectively. EON Petromin is an indirect 51% associated company 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 30.09.2022		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Contingent liabilities			
Direct credit substitutes	518,594	518,594	506,246
Trade-related contingencies	105,851	21,170	3,894
Transaction-related contingencies	548,082	274,041	263,835
Commitments			
Credit extension commitment:			
- Maturity within one year	607,834	121,567	126,283
- Maturity exceeding one year	1,109,837	554,919	408,887
Other miscellaneous commitments & contingencies	80,211	9,364	7,023
Islamic derivative financial Instruments			
Foreign exchange related contracts	1,737,542	53,628	44,031
	4,707,951	1,553,283	1,360,199

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

14. PROFIT/(LOSS) BEFORE TAXATION

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

	Financial Quarter 3 Months Ended		Financial Period 9 Months Ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Allowance for financing of customers (net of write-back)	13,694	4,764	22,311	48,421
Amortisation of intangible assets	51,636	60,526	161,589	156,944
Depreciation of property, plant and equipment	174,660	174,554	514,795	550,891
Finance costs	136,282	128,738	374,437	362,618
Impairment loss/(reversal of impairment loss) of property, plant and equipment (net)	39	(994)	69	41,702
Loss on disposal of an associated company	-	-	9	4,549
Unrealised foreign exchange differences (net)	24,411	8,859	87,807	65,195
Write-down of inventories (net)	4,205	5,441	10,556	7,317
Write-off of property, plant and equipment	61	383	854	482
Gain on fair value adjustment of investment securities (net)	(3,986)	(2,931)	(1,882)	(2,376)
Gain on disposal of (net):				
- investment securities	(1,196)	(1,957)	(1,566)	(2,060)
- property, plant and equipment	(82)	(126)	(470)	(2,634)
Interest income on short-term deposits	(11,768)	(8,168)	(27,184)	(23,379)
Marked to market gain on derivatives (net)	(8,986)	(15,558)	(102,944)	(98,305)
Income from disposal of a former subsidiary company	-	-	(119,512)	-
(Write-back of)/allowance for expected credit losses	(15,168)	(2,777)	(14,069)	11,793

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	Financial Quarter 3 Months Ended		Variance		Financial Period 9 Months Ended		Variance	
		30.09.2022 RM'000	30.09.2021 RM'000	RM'000	% +/-	30.09.2022 RM'000	30.09.2021 RM'000	RM'000	% +/-
(i)	Automotive	3,409,169	1,113,206	2,295,963	206.2	8,006,643	5,174,550	2,832,093	54.7
(ii)	Aerospace and Defence	230,823	158,698	72,125	45.4	540,188	451,285	88,903	19.7
(iii)	Postal	302,455	374,379	(71,924)	-19.2	958,209	1,158,299	(200,090)	-17.3
(iv)	Banking	334,598	279,308	55,290	19.8	922,287	826,100	96,187	11.6
(v)	Services	187,954	181,520	6,434	3.5	545,516	506,297	39,219	7.7
(vi)	Properties	75,779	12,844	62,935	490.0	191,540	137,411	54,129	39.4
	Total	4,540,778	2,119,955	2,420,823	114.2	11,164,383	8,253,942	2,910,441	35.3

For the current quarter ended 30 September 2022, the Group's revenue increased by 114.2% to RM4.54 billion compared with RM2.12 billion in the corresponding quarter ended 30 September 2021. The higher revenue was mainly attributed to the higher sales from PROTON as well as higher revenue from manufacturing & engineering and automotive distribution companies. In the corresponding quarter, the revenue for July and August was significantly affected by the lockdown and restriction of business activities under Phase 1 and 2 of the National Recovery Plan. The business operations were resumed after the re-opening of economic activities as announced by Government in mid-August 2021.

In respect of the nine months ended 30 September 2022, the Group's revenue increased by 35.3% to RM11.16 billion compared with RM8.25 billion in the corresponding period ended 30 September 2021.

(i) Automotive Sector

The Automotive sector recorded higher revenue mainly from PROTON, automotive distribution companies, and also from manufacturing & engineering companies. In the corresponding quarter/period, the business activities of the automotive companies were significantly affected by the nationwide Movement Control Order ("MCO").

(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.

15. REVIEW OF PERFORMANCE (Continued)

15.1 Revenue (Continued)

(iii) Postal Sector

The Postal sector recorded lower revenue mainly due to the decline in courier business following the decrease in overall parcel volume, especially from contract customers. In addition, major e-commerce players leveraged their insourced delivery capabilities while international players pursued penetration strategies in order to capture a higher market share in the courier business.

(iv) Banking Sector

The Banking sector posted higher revenue mainly due to higher financing income attributed to the increase in financing volume along with a rise in the Overnight Policy Rate to 2.50% in the current period against 1.75% in the corresponding period.

(v) Services Sector

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

(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/(Loss) Before Tax

For the current quarter ended 30 September 2022, the Group registered a pre-tax profit of RM249.96 million compared with the pre-tax loss of RM201.42 million in the corresponding financial quarter ended 30 September 2021.

For the nine months ended 30 September 2022, the Group posted a pre-tax profit of RM483.12 million as compared with the pre-tax loss of RM444.64 million in the corresponding period ended 30 September 2021. The higher pre-tax profit was mainly attributed to the following:

- (i) better operating results from major operating companies as compared to the operating results in the corresponding financial quarter/period which were adversely impacted by the effect of nationwide MCO and the impairment loss of certain property, plant and equipment.

15. REVIEW OF PERFORMANCE (Continued)

15.2 Profit/(Loss) Before Tax (Continued)

- (ii) income arising from the disposal of a former subsidiary company amounting to RM119.51 million as disclosed in Note 4 on page 9.

16. COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

The Group recorded a higher pre-tax profit of RM249.96 million in the current quarter ended 30 September 2022 compared with a pre-tax profit of RM229.16 million in the preceding quarter ended 30 June 2022, mainly due to higher profit from the Automotive as well as Aerospace and Defence sectors. In the preceding quarter, the Group recognised the income arising from the disposal of a former subsidiary company amounting to RM119.51 million under other income as disclosed in Note 4 on page 9.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

The Malaysian economy registered double-digit growth of 14.2% in the third quarter of 2022 (second quarter: 8.9%) driven by strong domestic demand amid the labour market recovery. As part of continuous measures to curb inflationary pressure, Bank Negara Malaysia ("BNM") recently announced an additional 25-basis point Overnight Policy Rate ("OPR") hike from 2.50% to 2.75%. Still, global uncertainties induced by policy shifts in advanced economies, continued strengthening of the US dollar, escalation of geopolitical conflicts and supply chain disruptions continue to pose volatility in the economic landscape.

The automotive industry remains on track to achieve its 2022 Total Industry Volume ("TIV") forecast of 630,000 units. Sales of vehicles rose more than 60% to 516,798 units in the first nine months of 2022. PROTON exceeded the 100,000-unit sales milestone, selling 102,353 units for the financial period ended 30 September 2022 (corresponding period: 73,017 units). In addition, this encouraging growth in sales volume drove better performance for the Manufacturing & Engineering companies within the Group as they form part of PROTON's supply chain. Meanwhile, the positive acceptance of products from all marques within the Group including Honda, Mitsubishi, Isuzu and Volkswagen is expected to elevate DRB-HICOM's overall automotive performance.

Despite the increasingly challenging business environment, the postal segment remains focused on its transformation journey in providing great service for its customers, acquiring higher-yielding customers, optimising margin-led business and continuation of strict cost management. DRB-HICOM's banking segment aims to widen its Islamic banking reach through the diversification of its customer base and continued enhancement of its digital offerings. All other Group's segments including defence, aerospace, services and properties remain in a resilient position focusing on long-term value creation.

The Group anticipates the current financial year ending 31 December 2022 performance to be better than 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 3 Months Ended		Financial Period 9 Months Ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Current taxation	39,619	41,723	110,224	114,279
Deferred taxation	(11,488)	2,302	2,265	(26,693)
Total	28,131	44,025	112,489	87,586

For the financial period ended 30 September 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. ("Pos Aviation"), an indirect 53.5% owned subsidiary company of the Group, 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. ("PAES"), for an indicative cash consideration of RM10.09 million. PAES is a wholly-owned subsidiary company of Pos Aviation. 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 pending the fulfilment of the Conditions Precedent in the SPA which was recently extended until 13 February 2023.

21. BORROWINGS

Total Group borrowings are as follows:

	As at 30.09.2022 RM'000
Short-Term Borrowings	
(a) Bank overdrafts	
- Secured	914
- Unsecured	2,085
Total	2,999
(b) Others	
<u>Secured</u>	
Bankers acceptances	84,810
Revolving credits	345,856
Short-term loans	20,385
Short-term loans under Islamic financing	28,618
Hire purchase - portion repayable within 12 months	28,160
Long-term loans - portion repayable within 12 months	254,563
Long-term loans under Islamic financing - portion repayable within 12 months	713,874
Sub-total	1,476,266
<u>Unsecured</u>	
Bankers acceptances	519,150
Revolving credits	91,500
Long-term loans under Islamic financing - portion repayable within 12 months	9,811
Sub-total	620,461
Total	2,096,727
(c) Long-Term Borrowings	
<u>Secured</u>	
Hire purchase	67,129
- portion repayable within 12 months	(28,160)
	38,969
Long-term loans	518,969
- portion repayable within 12 months	(254,563)
	264,406

21. BORROWINGS (Continued)

Total Group borrowings are as follows: (Continued)

	As at 30.09.2022 RM'000
(c) Long-Term Borrowings (Continued)	
<u>Secured</u> (Continued)	
Long-term loans under Islamic financing - portion repayable within 12 months	5,793,718 (713,874)
	5,079,844
<u>Unsecured</u>	
Long-term loans under Islamic financing - portion repayable within 12 months	808,081 (9,811)
	798,270
Total	6,181,489
Grand Total	8,281,215

- (d) On 30 June 2022, PONS Capital Berhad, an indirect wholly-owned subsidiary company of PROTON Holdings Berhad issued RM700 million from its Sukuk Wakalah programme. The proceeds raised from the Sukuk Wakalah will be utilised to finance the company's future expansion plans as well as working capital requirements. The Sukuk Wakalah is classified as secured long-term loans under Islamic financing.

21. BORROWINGS (Continued)

(e) 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 30 September 2022									
Secured									
Short-term loans under Islamic financing	USD	6,174	28,618	-	-	-	USD	6,174	28,618
Short-term loans	USD	710	3,291	-	-	-	USD	710	3,291
Revolving credit	USD	11,660	54,044	-	-	-	USD	11,660	54,044
	CNY	167,000	108,383	-	-	-	CNY	167,000	108,383
Term loans under Islamic financing	USD	3,941	18,265	USD	8,972	41,584	USD	12,913	59,849
Term loans	USD	52,025	241,136	USD	-	-	USD	52,025	241,136
Total			453,737			41,584			495,321

22. OUTSTANDING DERIVATIVES

(a) Derivatives outstanding as at 30 September 2022 consist mainly of currency forward foreign exchange contracts, currency swaps foreign exchange contracts 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	1,534,696	43,349	3,691
Currency swaps foreign exchange contracts	1,223,800	33,322	25,263
Share put option	1,626	1,626	-
	2,760,122	78,297	28,954

22. OUTSTANDING DERIVATIVES (Continued)

(a) (Continued)

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 30 September 2022, the Group recognised a total net gain of RM102.94 million arising from the fair value changes on the currency forward foreign exchange contracts, currency swaps foreign exchange contracts and share put option which are marked to market as at 30 September 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 PONSBB and PONSBB 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.

23. MATERIAL LITIGATION (Continued)

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

On 27 August 2019, GHC issued a ruling which held that it had jurisdiction over Goldstar’s claims (“Ruling”) and PONS B’s jurisdictional challenge was dismissed. On 26 September 2019, PONS B filed an appeal against the Ruling to the Supreme People’s Court in Beijing (“SPC”). The Hearing 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 had 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.

23. MATERIAL LITIGATION (Continued)

- (i) Arbitration Proceedings under the Termination Agreement (“TA”) at the Hong Kong International Arbitration Centre (“HKIAC”) (Continued)

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 PONSB 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.
- (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.

On 11 July 2022, Goldstar served an Originating Summons on PHB and LGIL applying for an Order to set aside the Award at the High Court of Hong Kong (“High Court”). The High Court has fixed both Goldstar’s application to set aside the Award and PHB’s and LGIL’s application to strike out Goldstar’s application for hearing on 15 February 2023.

24. DIVIDEND

No interim dividend has been declared in the financial period ended 30 September 2022.

25. 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 quarter/period:

	Financial Quarter 3 Months Ended		Financial Period 9 Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Net profit/(loss) attributable to Owners of the Company (RM'000)	143,953	(179,438)	287,774	(413,894)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237	1,933,237	1,933,237
Basic and diluted earnings/(loss) per share (sen)	7.45	(9.28)	14.89	(21.41)

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
24 November 2022