



DRB-HICOM BERHAD

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

Interim Financial Report for the Financial Period
Ended 31 March 2023

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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 31 March 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Revenue		4,103,571	3,069,558	4,103,571	3,069,558
Cost of sales and operating expenses		(3,951,098)	(3,057,956)	(3,951,098)	(3,057,956)
Other income		103,262	73,029	103,262	73,029
Other expenses		(41,322)	(32,450)	(41,322)	(32,450)
Profit from operations		214,413	52,181	214,413	52,181
Finance costs		(127,437)	(118,077)	(127,437)	(118,077)
Share of results of joint ventures (net of tax)		35,551	36,191	35,551	36,191
Share of results of associated companies (net of tax)		78,239	33,707	78,239	33,707
PROFIT BEFORE TAXATION	14	200,766	4,002	200,766	4,002
Taxation	19	(42,195)	(47,800)	(42,195)	(47,800)
NET PROFIT/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD		158,571	(43,798)	158,571	(43,798)
OTHER COMPREHENSIVE INCOME/(LOSS)					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
Fair value gain on investment properties		-	(808)	-	(808)
Net loss on fair value changes of equity instruments: financial assets at fair value through other comprehensive income		(748)	(2,360)	(748)	(2,360)
<u>Items that will be reclassified subsequently to profit or loss:</u>					
Net gain/(loss) on fair value changes of investment securities: financial assets at fair value through other comprehensive income		31,003	(2,660)	31,003	(2,660)
Currency translation differences of foreign operations		362	297	362	297

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
OTHER COMPREHENSIVE INCOME/(LOSS) (Continued)					
<u>Reclassification adjustments:</u>					
Transfer of realised loss on fair value changes of investment securities: financial assets at fair value through other comprehensive income upon disposal		(1,489)	(339)	(1,489)	(339)
Transfer of currency translation differences of a foreign subsidiary company to profit or loss upon disposal		-	9	-	9
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD (NET OF TAX)		29,128	(5,861)	29,128	(5,861)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD		187,699	(49,659)	187,699	(49,659)
Net profit/(loss) for the financial quarter/period attributable to:					
Owners of the Company		107,907	(25,740)	107,907	(25,740)
Holders of Perpetual Sukuk		5,825	-	5,825	-
Non-controlling interest		44,839	(18,058)	44,839	(18,058)
		158,571	(43,798)	158,571	(43,798)
Total comprehensive income/(loss) for the financial quarter/period attributable to:					
Owners of the Company		128,490	(30,111)	128,490	(30,111)
Holders of Perpetual Sukuk		5,825	-	5,825	-
Non-controlling interest		53,384	(19,548)	53,384	(19,548)
		187,699	(49,659)	187,699	(49,659)
Basic and diluted earnings/(loss) per share (sen):	25	5.58	(1.33)	5.58	(1.33)

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 2022 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,320,183	5,304,859
Investment properties		439,396	438,819
Inventories		2,130,983	2,129,423
Joint ventures		632,081	596,122
Associated companies		1,067,486	989,245
Intangible assets		1,791,543	1,556,792
Deferred tax assets		275,543	297,809
Investment securities: financial assets at fair value through profit or loss			
- Banking		178,812	180,376
- Non-banking		6,380	6,379
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		3,406,113	3,565,604
- Non-banking		65,668	65,668
Investment securities: financial assets at amortised cost			
- Banking		115,208	113,589
Trade and other receivables		1,763,627	1,773,885
Other assets		2,573	2,573
Banking related assets			
- Financing of customers		18,561,599	18,269,467
- Statutory deposit with Bank Negara Malaysia		516,322	417,091
		36,273,517	35,707,701
CURRENT ASSETS			
Assets and disposal group held for sale		11,928	12,025
Inventories		2,420,642	2,440,245
Trade and other receivables		3,120,411	3,036,740
Investment securities: financial assets at fair value through profit or loss			
- Banking		149,042	147,485
- Non-banking		36,058	36,789
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		1,544,265	1,500,275
Banking related assets			
- Cash and short-term funds		2,299,789	1,257,200
- Financing of customers		5,538,236	5,140,313
Bank balances and cash deposits		2,236,754	2,187,861
Derivative assets	22(a)	17,700	22,554
		17,374,825	15,781,487
TOTAL ASSETS		53,648,342	51,489,188

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,753,903	5,625,413
Equity attributable to Owners of the Company		7,494,205	7,365,715
Perpetual Sukuk		347,871	354,020
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,352,784	1,299,400
TOTAL EQUITY		9,864,126	9,688,401
NON-CURRENT LIABILITIES			
Deferred income		2,252	2,351
Trade and other payables		350,516	336,354
Lease liabilities		176,555	189,711
Long-term borrowings	21(c)	6,094,194	6,134,426
Redeemable Convertible Cumulative Preference Shares		735,267	724,495
Post-employment benefit obligations		3,341	3,628
Deferred tax liabilities		246,913	248,010
Banking related liabilities			
- Deposits from customers		1,027,989	989,549
- Deposits and placements of banks and other financial institutions		314,367	301,388
- Recourse obligation on financing sold to Cagamas		725,396	733,174
		9,676,790	9,663,086
CURRENT LIABILITIES			
Liabilities related to disposal group held for sale		4,597	3,467
Deferred income		8,525	4,911
Trade and other payables		5,002,964	4,762,551
Lease liabilities		71,914	73,236
Provision for liabilities and charges		370,079	362,820
Post-employment benefit obligations		758	510
Bank borrowings			
- Bank overdrafts	21(a)	3,288	3,205
- Others	21(b)	1,614,478	1,809,448
Banking related liabilities			
- Deposits from customers		26,283,269	25,053,543
- Deposits and placements of banks and other financial institutions		722,705	2,000
- Bills and acceptances payable		8,861	20,218
Derivative liabilities	22(a)	15,988	41,792
		34,107,426	32,137,701
TOTAL LIABILITIES		43,784,216	41,800,787
TOTAL EQUITY AND LIABILITIES		53,648,342	51,489,188
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.88	3.81

* 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 2022 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 2023	1,933,237	1,740,302	1,214,085	4,600	(32,606)	238,309	4,201,025	7,365,715	354,020	669,266	1,299,400	9,688,401
Net profit for the financial period	-	-	-	-	-	-	107,907	107,907	5,825	-	44,839	158,571
Other comprehensive income for the financial period, net of tax	-	-	-	447	20,136	-	-	20,583	-	-	8,545	29,128
Total comprehensive income for the financial period	-	-	-	447	20,136	-	107,907	128,490	5,825	-	53,384	187,699
Transfer of a subsidiary company's reserves	-	-	-	-	-	(2,780)	2,780	-	-	-	-	-
Transactions with Owners	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(11,974)	-	-	(11,974)
At 31 March 2023	1,933,237	1,740,302	1,214,085	5,047	(12,470)	235,529	4,311,712	7,494,205	347,871	669,266	1,352,784	9,864,126

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	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 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

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 2022 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 3 Months Ended 31.03.2023 RM'000	Financial Period 3 Months Ended 31.03.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the financial period	158,571	(43,798)
Adjustments:		
- Amortisation of intangible assets	62,641	54,701
- Depreciation of property, plant and equipment	174,045	169,950
- Finance costs	127,437	118,077
- Taxation	42,195	47,800
- Share of results of joint ventures (net of tax)	(35,551)	(36,191)
- Share of results of associated companies (net of tax)	(78,239)	(33,707)
- Others	23,426	(7,204)
Operating profit before working capital changes	474,525	269,628
Changes in working capital:		
Net increase in banking related assets	(830,804)	(808,402)
Net increase banking related liabilities	1,990,495	588,199
Net increase in assets	(200,687)	(520,886)
Net increase in liabilities	493,445	34,627
Net cash generated/(used) in operations	1,926,974	(436,834)
Interest received	11,391	8,209
Tax paid, net of refund	(39,141)	(29,594)
Finance costs paid	(42,272)	(37,860)
Provision for liabilities and charges paid	(92,872)	(13,361)
Post-employment benefit obligations paid	(416)	(125)
Net cash inflow/(outflow) from operating activities	1,763,664	(509,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of investment securities	(6,000)	(10,020)
Movement in fixed deposits placement with maturity profile more than 3 months	4,000	(1,135)
Proceeds from disposal of property, plant and equipment	194	168
Proceeds from redemption of fund investments	7,000	19,997
Purchases of property, plant and equipment/intangible assets	(477,130)	(232,699)
Redemption of investment securities by a banking subsidiary company (net)	150,522	184,194
Net cash outflow from investing activities	(321,414)	(39,495)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 3 Months Ended 31.03.2023 RM'000	Financial Period 3 Months Ended 31.03.2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to holders of Perpetual Sukuk	(11,973)	-
Finance costs paid	(71,913)	(53,846)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(33,363)	(6,645)
Payment of the principal portion of lease liabilities	(27,438)	(27,808)
Proceeds from bank borrowings	1,295,847	1,229,973
Repayment of bank borrowings	(1,516,758)	(1,358,980)
Repayment of principal for recourse obligation on financing sold to Cagamas	(7,772)	(4,313)
Net cash outflow from financing activities	(373,370)	(221,619)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,068,880	(770,679)
Effects of foreign currency translation	429	(933)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	3,005,741	3,320,938
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	4,075,050	2,549,326
Cash and cash equivalents as at end of the financial period the followings:		
Bank balances and cash deposits	2,236,754	2,058,738
Banking related assets - cash and short-term funds	2,299,789	1,149,501
Bank overdrafts	(3,288)	(2,967)
	4,533,255	3,205,272
Less: Bank balances and fixed deposits held as security/sinking fund	(443,531)	(636,273)
Less: Fixed deposits with maturity profile of more than 3 months	(470)	(1,602)
Less: Bank balances in respect of Automotive Development Fund liabilities	(3,872)	(4,428)
Less: Collections held by a postal subsidiary company on behalf of third parties	(10,452)	(14,351)
Add: Cash and cash equivalents attributable to the disposal group held for sale	120	708
	4,075,050	2,549,326

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 2022 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 2022 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 2022 except for the adoption of the following amendments to standards which are applicable to the Group with effect from 1 January 2023:

Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2023.

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 2023.

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 2023.

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 2022, subject to the approval of shareholders at the forthcoming Annual General Meeting of DRB-HICOM Berhad to be held on 29 May 2023.

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8. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 31 March 2023 is as follows:

	Automotive	Aerospace and Defence	Postal	Banking	Services	Properties	Investments and Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
Total revenue	3,029,592	168,628	280,201	386,060	262,040	48,510	6,112	4,181,143
Inter-segment revenue	(5,232)	-	(1,795)	(6,766)	(57,667)	-	(6,112)	(77,572)
External revenue	3,024,360	168,628	278,406	379,294	204,373	48,510	-	4,103,571
Results								
Segment profit/(loss)	151,358	4,744	(32,960)	60,723	29,343	2,900	4,065	220,173
Unallocated expenses								(18,438)
Interest income on short-term deposits								12,678
Finance costs								(127,437)
Share of results of joint ventures (net of tax)	35,551	-	-	-	-	-	-	35,551
Share of results of associated companies (net of tax)	78,158	-	-	-	81	-	-	78,239
Profit before taxation								200,766
Taxation								(42,195)
Net profit for the financial period								158,571
Attributable to:								
Owners of the Company								107,907
Holder of Perpetual Sukuk								5,825
Non-controlling interest								44,839

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 2023

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

- (a) On 27 January 2023, HICOM Automotive Plastics (Thailand) Limited (“HAPTAL”), an indirect 50.99% owned dormant subsidiary company of the Group was wound up and as a result, HAPTAL ceased to be a subsidiary company of the Group.
- (b) On 31 January 2023, the proposed acquisition of 1,000 Convertible Preference Shares in Motosikal dan Enjin Nasional Sdn. Bhd. by DRB-HICOM Berhad from Kawasaki Motors, Ltd. for a cash consideration of RM1.00 had been completed.

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 31.03.2023		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Contingent liabilities			
Direct credit substitutes	424,247	424,247	412,521
Trade-related contingencies	93,962	18,792	923
Transaction-related contingencies	338,952	169,476	159,097
Commitments			
Credit extension commitment:			
- Maturity within one year	766,292	153,258	164,003
- Maturity exceeding one year	1,290,867	645,433	492,990
Other miscellaneous commitments & contingencies	238,519	17,775	13,330
Islamic derivative financial Instruments			
Foreign exchange related contracts	1,698,193	30,229	22,778
	4,851,032	1,459,210	1,265,642

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 BEFORE TAXATION

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

	Financial Quarter/Period 3 Months Ended	
	31.03.2023 RM'000	31.03.2022 RM'000
Allowance for financing of customers (net of write-back/recovered)	19,137	4,260
Allowance for/(write-back of) expected credit losses (net)	2,289	(605)
Amortisation of intangible assets	62,641	54,701
Depreciation of property, plant and equipment	174,045	169,950
Finance costs	127,437	118,077
Impairment loss/(reversal of impairment) of property, plant and equipment (net)	833	(175)
Loss/(gain) on fair value adjustment of investment securities	1,143	(1,586)
Write-off of property, plant and equipment	36	936
Gain on disposal of:		
- investment securities	(1,488)	(352)
- property, plant and equipment	(71)	(137)
Interest income on short-term deposits	(12,678)	(7,428)
Marked to market gain on derivatives	(20,952)	(27,968)
Unrealised foreign exchange differences (net)	(9,051)	17,214
Write-back of inventories	(1,134)	(3,454)

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	Financial Quarter/Period 3 Months Ended		Variance	
		31.03.2023 RM'000	31.03.2022 RM'000	RM'000	% +/-
(i)	Automotive	3,024,360	2,067,438	956,922	46.3
(ii)	Aerospace and Defence	168,628	160,321	8,307	5.2
(iii)	Postal	278,406	306,633	(28,227)	-9.2
(iv)	Banking	379,294	284,993	94,301	33.1
(v)	Services	204,373	184,821	19,552	10.6
(vi)	Properties	48,510	65,352	(16,842)	-25.8
	Total	4,103,571	3,069,558	1,034,013	33.7

For the current quarter ended 31 March 2023, the Group's revenue increased by 33.7% to RM4.10 billion compared with RM3.07 billion in the corresponding quarter ended 31 March 2022.

(i) Automotive Sector

The Automotive sector recorded higher revenue mainly from PROTON, automotive distribution companies and manufacturing & engineering companies. In the corresponding period, the sector recorded lower revenue mainly due to PROTON's lower sales which was affected by the lack of available stocks, as a result of disruption in supply by the flood-affected local vendors and global chip shortages.

(ii) Aerospace and Defence Sector

The Aerospace and Defence sector recorded higher revenue mainly due to higher delivery of single-aisle and certain aircraft parts. The higher revenue was partially offset by the lower delivery of defence products.

(iii) Postal Sector

The Postal sector recorded lower revenue mainly due to the drop in courier business following the decrease in overall parcel volume consequent to increased insourcing by e-commerce market players, shifting of demand from online shopping to bricks-and-mortar purchases and heightened competition from other courier players.

15. REVIEW OF PERFORMANCE (Continued)

15.1 Revenue (Continued)

(iv) Banking Sector

The Banking sector achieved higher revenue primarily due to higher financing income led by the growth in financing volume attributed to sustainable growth and expanding customer base as well as a rise in the Overnight Policy Rate (“OPR”) to 2.75% 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 with a higher number of meals prepared as well as new contracts secured by the logistics business.

(vi) Properties Sector

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

15.2 Profit Before Tax

The Group registered a pre-tax profit of RM200.77 million for the current quarter ended 31 March 2023 compared with the pre-tax profit of RM4.00 million in the corresponding quarter ended 31 March 2022. The higher results for the current quarter were mainly due to higher profits from the Automotive sector. In the corresponding quarter, certain automotive companies recorded lower profits mainly due to the lack of available stocks, as a result of disruption in supply by the flood-affected local vendors and global chip shortages.

16. COMPARISON WITH THE PRECEDING QUARTER’S RESULTS

The Group recorded a pre-tax profit of RM200.77 million in the current quarter ended 31 March 2023 compared with a pre-tax loss of RM73.13 million in the preceding quarter ended 31 December 2022 mainly contributed by better performance from Automotive and Services sectors. In the preceding quarter, the Group had recognised impairment loss of assets in certain subsidiary companies.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023

The Malaysian economy grew by 5.6% in the first quarter of 2023. This was mainly supported by firm domestic demand. The Overnight Policy Rate ("OPR") was increased to 3.00% to ensure the monetary policy stance remains consistent with the outlook of domestic inflation and growth. Global economies continue to grapple with higher-than-anticipated inflation, escalation of geopolitical tensions, volatility in financial markets and subdued overall global trade activities.

In the automotive sector, DRB-HICOM experienced a strong start in the first quarter of 2023, despite the Malaysian Automotive Association's ("MAA") estimation of a lower total industry volume ("TIV") of 650,000 units for 2023. PROTON has achieved remarkable growth in the first quarter of 2023 with 40,287 units sold compared to 26,706 units in the same period last year. The substantial increase was driven by key models including Persona, Saga, and X50; the latter has enjoyed sustained popularity since its introduction.

The recent unveiling of the X90 family SUV, a mild-hybrid electric vehicle ("MHEV") model underscores PROTON's dedication to local manufacturing and ecosystem development of New Energy Vehicles ("NEV") in Malaysia. Meanwhile, PROTON's subsidiary, Proton New Energy Technology Sdn. Bhd. ("PRONET") will establish its market presence in the NEV segment with its first offering under the smart brand in Malaysia with the intended launching of the new model, smart #1 in the fourth quarter of this year.

Additionally, the introduction of new models featuring advanced technologies from marques under the DRB-HICOM Group, such as Honda, Mitsubishi, and Isuzu, as well as MODENAS, is expected to enhance the Group's overall competitive advantage.

DRB-HICOM's postal sector continues to execute its multi-pronged transformation plan aimed at improving its financial performance and optimising margin-led initiatives. Similarly, the aerospace sector is focused on accelerating productivity to handle the influx of post-pandemic aircraft orders. At the same time, the Group's banking, defence, services, and properties businesses are also strengthening their core operations to ensure sustainable growth throughout challenging business cycles.

Despite challenges in the global economy, DRB-HICOM is optimistic of its performance and maintains a positive outlook for the financial year ending 31 December 2023 given its strong market position and diverse portfolio.

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	
	31.03.2023 RM'000	31.03.2022 RM'000
Current taxation	29,701	46,484
Deferred taxation	12,494	1,316
Total	42,195	47,800

For the financial period ended 31 March 2023, 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 subject to the fulfilment of the Conditions Precedent in the SPA. This is expected to be completed by the end of the second quarter of 2023.

21. BORROWINGS

Total Group borrowings are as follows:

	As at 31.03.2023 RM'000
Short-Term Borrowings	
(a) Bank overdrafts	
- Secured	929
- Unsecured	2,359
Total	3,288
(b) Others	
<u>Secured</u>	
Bankers acceptances	171,183
Revolving credits	330,658
Short-term loans	64,084
Hire purchase - portion repayable within 12 months	26,780
Long-term loans - portion repayable within 12 months	46,033
Long-term loans under Islamic financing - portion repayable within 12 months	454,749
Sub-total	1,093,487
<u>Unsecured</u>	
Bankers acceptances	414,941
Revolving credits	96,300
Long-term loans under Islamic financing - portion repayable within 12 months	9,750
Sub-total	520,991
Total	1,614,478
(c) Long-Term Borrowings	
<u>Secured</u>	
Hire purchase	65,440
- portion repayable within 12 months	(26,780)
	38,660
Long-term loans	310,673
- portion repayable within 12 months	(46,033)
	264,640

21. BORROWINGS (Continued)

Total Group borrowings are as follows: (Continued)

	As at 31.03.2023 RM'000
(c) Long-Term Borrowings (Continued)	
<u>Secured</u> (Continued)	
Long-term loans under Islamic financing - portion repayable within 12 months	5,447,162 (454,749)
	4,992,413
<u>Unsecured</u>	
Long-term loans under Islamic financing - portion repayable within 12 months	808,231 (9,750)
	798,481
Total	6,094,194
Grand Total	7,711,960

(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 2023									
Secured									
Short-term loans	USD	1,008	4,448	-	-	-	USD	1,008	4,448
Term loans under Islamic financing	USD	4,019	17,739	USD	6,944	30,649	USD	10,963	48,388
Term loans	USD	7,400	32,664	USD	-	-	USD	7,400	32,664
Total			54,851			30,649			85,500

22. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 31 March 2023 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	1,396,011	12,668	8,147
Currency swaps foreign exchange contracts	845,950	3,406	7,841
Share put option	1,626	1,626	-
	2,243,587	17,700	15,988

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2022:

- (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 2023, the Group recognised a total net gain of RM20.95 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 31 March 2023.

23. MATERIAL LITIGATION

There is no material litigation as at the date of this report.

24. DIVIDEND

No interim dividend has been declared in the financial period ended 31 March 2023.

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/Period 3 Months Ended	
	31.03.2023	31.03.2022
Net profit/(loss) attributable to Owners of the Company (RM'000)	107,907	(25,740)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted earnings/(loss) per share (sen)	5.58	(1.33)

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 2023