



DRB-HICOM BERHAD

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

Interim Financial Report for the Financial Period
Ended 30 June 2020

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended 30.06.2020 RM'000	Financial Period 6 Months Ended 30.06.2020 RM'000
Revenue		2,004,954	4,741,743
Cost of sales and operating expenses		(2,192,722)	(4,980,557)
Other income		48,190	123,295
Other expenses		(77,383)	(163,535)
Loss from operations		(216,961)	(279,054)
Finance costs		(111,907)	(223,556)
Share of results of joint ventures (net of tax)		(15,768)	(20,247)
Share of results of associated companies (net of tax)		(21,167)	(28,250)
LOSS BEFORE TAXATION	15	(365,803)	(551,107)
Taxation	20	(11,289)	(41,750)
NET LOSS FOR THE FINANCIAL QUARTER/PERIOD		(377,092)	(592,857)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<u>Item that will not be reclassified subsequently to profit or loss:</u>			
Net gain/(loss) on fair value changes of equity instrument: financial assets at fair value through other comprehensive income		15,460	(2,921)
<u>Items that will be reclassified subsequently to profit or loss:</u>			
Net gain on fair value changes of investment securities: financial assets at fair value through other comprehensive income		35,176	51,004
Currency translation differences of foreign operations		(71)	4,341
<u>Reclassification adjustment:</u>			
Transfer of realised gain on fair value changes of investment securities: financial assets at fair value through other comprehensive income upon disposal		(19,961)	(37,433)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL QUARTER/PERIOD (NET OF TAX)		30,604	14,991

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended 30.06.2020 RM'000	Financial Period 6 Months Ended 30.06.2020 RM'000
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/PERIOD		(346,488)	(577,866)
Net loss for the financial quarter/period attributable to:			
Owners of the Company		(306,083)	(479,355)
Holder of Perpetual Sukuk		8,146	19,517
Non-controlling interest		(79,155)	(133,019)
		(377,092)	(592,857)
Total comprehensive loss for the financial quarter/period attributable to:			
Owners of the Company		(284,530)	(469,319)
Holder of Perpetual Sukuk		8,146	19,517
Non-controlling interest		(70,104)	(128,064)
		(346,488)	(577,866)
Basic and diluted loss per share (sen):	26	(15.83)	(24.80)

There is no comparative for the financial quarter/period ended 30 June 2020. Due to the change in the financial year end from 31 March to 31 December, the Condensed Consolidated Statement of Comprehensive Income for the current financial quarter/period ended 30 June 2020, being the second quarter of the financial year ending 31 December 2020, is not comparable with that of the second quarter of the previous financial period ended 31 December 2019.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,222,479	6,433,898
Investment properties		279,239	278,492
Inventories		236,218	235,999
Joint ventures		388,817	422,923
Associated companies		816,496	845,226
Intangible assets		1,404,905	1,335,680
Deferred tax assets		211,106	212,892
Investment securities: financial assets at fair value through profit or loss			
- Banking		145,284	139,684
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		1,390,302	2,830,480
- Non-banking		44,748	44,748
Investment securities: financial assets at amortised cost			
- Banking		104,547	103,162
Trade and other receivables		1,509,522	1,382,098
Other assets		480	480
Banking related assets			
- Financing of customers		11,954,434	11,422,973
- Statutory deposits with Bank Negara Malaysia		83,286	568,768
		24,791,863	26,257,503
CURRENT ASSETS			
Assets and disposal groups held for sale		514,014	499,224
Inventories		2,309,085	2,220,513
Trade and other receivables		2,875,613	3,079,997
Investment securities: financial assets at fair value through profit or loss			
- Banking		183,238	169,109
- Non-banking		30,671	117,843
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		3,396,992	1,774,344
Banking related assets			
- Cash and short-term funds		2,451,166	1,065,150
- Financing of customers		3,944,158	3,948,580
Bank balances and cash deposits		2,437,326	2,521,224
Derivative assets	23(a)	33,997	21,916
		18,176,260	15,417,900
TOTAL ASSETS		42,968,123	41,675,403

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		4,791,798	5,255,610
Equity attributable to Owners of the Company		6,532,100	6,995,912
Perpetual Sukuk		369,164	623,887
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,320,278	1,553,849
TOTAL EQUITY		8,890,808	9,842,914
NON-CURRENT LIABILITIES			
Deferred income		24,189	24,278
Trade and other payables		47,780	50,792
Lease liabilities		302,646	330,381
Long-term borrowings	22(c)	4,904,473	4,389,149
Redeemable Convertible Cumulative Preference Shares		623,711	605,421
Provision for liabilities and charges		3,555	9,673
Post-employment benefit obligations		6,010	6,005
Deferred tax liabilities		279,913	265,492
Banking related liabilities			
- Deposits from customers		498,345	92,614
- Recourse obligation on financing sold to Cagamas		451,917	459,633
		7,142,539	6,233,438
CURRENT LIABILITIES			
Liabilities related to disposal groups held for sale		115,166	118,541
Deferred income		2,519	5,237
Trade and other payables		4,437,086	4,749,244
Lease liabilities		62,708	73,889
Provision for liabilities and charges		272,765	288,753
Post-employment benefit obligations		134	256
Bank borrowings			
- Bank overdrafts	22(a)	11,370	8,298
- Others	22(b)	2,277,921	1,960,435
Banking related liabilities			
- Deposits from customers		19,559,047	18,297,233
- Deposits and placements of banks and other financial institutions		54,158	6,303
- Bills and acceptances payable		7,953	8,444
Derivative liabilities	23(a)	133,949	82,418
		26,934,776	25,599,051
TOTAL LIABILITIES		34,077,315	31,832,489
TOTAL EQUITY AND LIABILITIES		42,968,123	41,675,403
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.38	3.62

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Non-distributable				Retained Earnings RM'000	Equity attributable to Owners of the Company RM'000	Perpetual Sukuk RM'000	Redeemable Convertible Cumulative Preference Shares ("RCCPS") RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary value RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Fair Value through Other Comprehensive Income ("FVOCI") Reserve RM'000	Other Reserves RM'000						
At 1 January 2020	1,933,237	1,740,302	1,214,085	(8,608)	(6,672)	134,619	3,922,186	6,995,912	623,887	669,266	1,553,849	9,842,914
Net (loss)/profit for the financial period	-	-	-	-	-	-	(479,355)	(479,355)	19,517	-	(133,019)	(592,857)
Other comprehensive income for the financial period, net of tax	-	-	-	2,581	7,455	-	-	10,036	-	-	4,955	14,991
Total comprehensive (loss)/income for the financial period	-	-	-	2,581	7,455	-	(479,355)	(469,319)	19,517	-	(128,064)	(577,866)
Transfer of a subsidiary company's reserves	-	-	-	-	-	(5,824)	5,824	-	-	-	-	-
Effect of changes in shareholding in subsidiary companies	-	-	-	6,824	-	485	(1,170)	6,139	-	-	(6,139)	-
Acquisition of additional interest in a subsidiary company	-	-	-	-	-	-	(632)	(632)	-	-	(99,368)	(100,000)
Sub-total carried forward	1,933,237	1,740,302	1,214,085	797	783	129,280	3,446,853	6,532,100	643,404	669,266	1,320,278	9,165,048

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Share Capital		Non-distributable				Retained Earnings RM'000	Equity attributable to Owners of the Company RM'000	Perpetual Sukuk RM'000	Redeemable Convertible Cumulative Preference Shares ("RCCPS") RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary value RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Fair Value through Other Comprehensive Income ("FVOCI") Reserve RM'000	Other Reserves RM'000						
Sub-total brought forward	1,933,237	1,740,302	1,214,085	797	783	129,280	3,446,853	6,532,100	643,404	669,266	1,320,278	9,165,048
<u>Transactions with Owners</u>												
Redemption of Perpetual Sukuk	-	-	-	-	-	-	-	-	(250,000)	-	-	(250,000)
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(24,240)	-	-	(24,240)
At 30 June 2020	1,933,237	1,740,302	1,214,085	797	783	129,280	3,446,853	6,532,100	369,164	669,266	1,320,278	8,890,808

There is no comparative for the financial quarter/period ended 30 June 2020. Due to the change in the financial year end from 31 March to 31 December, the Condensed Consolidated Statement of Changes in Equity for the current financial quarter/period ended 30 June 2020, being the second quarter of the financial year ending 31 December 2020, is not comparable with that of the second quarter of the previous financial period ended 31 December 2019.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 6 Months Ended 30.06.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the financial period	(592,857)
Adjustments:	
- Depreciation of property, plant and equipment	368,794
- Finance costs	223,556
- Taxation	41,750
- Share of results of joint ventures (net of tax)	20,247
- Share of results of associated companies (net of tax)	28,250
- Others	292,603
Operating profit before working capital changes	382,343
Changes in working capital:	
Net increase in banking related assets	(133,297)
Net increase banking related liabilities	1,714,909
Net increase in current assets	(189,520)
Net decrease in current liabilities	(151,507)
Net cash generated in operations	1,622,928
Interest received	41,737
Tax paid, net of refunds	(66,762)
Finance costs paid	(69,621)
Provision for liabilities and charges paid	(29,070)
Post-employment benefit obligations paid	(224)
Net cash inflow from operating activities	1,498,988
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisitions of investment securities by a banking subsidiary company (net)	(141,204)
Acquisition of additional shares in a subsidiary company	(100,000)
Dividends received from an associated company	480
Movement in fixed deposits placement with maturity profile more than 3 months	17,263
Additional investment in a joint venture	(11,956)
Net proceeds from disposals of fund investments	88,051
Proceeds from disposal of property, plant and equipment	6,524
Purchases of property, plant and equipment/intangible assets/investment properties	(354,121)
Net cash outflow from investing activities	(494,963)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 6 Months Ended 30.06.2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES	
Distribution to holders of Perpetual Sukuk	(24,240)
Finance costs paid	(135,527)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(24,498)
Payment of the principal portion of lease liabilities	(39,588)
Redemption of Perpetual Sukuk	(250,000)
Proceeds from bank borrowings	2,690,266
Repayment of bank borrowings	(1,875,915)
Repayment of principal for recourse obligation on financing sold to Cagamas	(7,662)
Net cash inflow from financing activities	332,836
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,336,861
Effects of foreign currency translation	(31,264)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	2,772,261
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	4,077,858
Cash and cash equivalents as at end of the financial period comprise the followings:	
Bank balances and cash deposits	2,437,326
Banking related assets - cash and short-term funds	2,451,166
Bank overdrafts	(11,370)
	4,877,122
Less: Bank balances and fixed deposits held as security/sinking fund	(811,426)
Less: Fixed deposits with maturity profile more than 3 months	(8,704)
Less: Bank balances in respect of Automotive Development Fund liabilities	(20,408)
Less: Collections held by a postal subsidiary company on behalf of third parties	(28,476)
Add: Cash and cash equivalents attributable to the disposal groups held for sale	69,750
	4,077,858

There is no comparative for the financial quarter/period ended 30 June 2020. Due to the change in the financial year end from 31 March to 31 December, the Condensed Consolidated Statement of Cash Flows for the current financial quarter/period ended 30 June 2020, being the second quarter of the financial year ending 31 December 2020, is not comparable with that of the second quarter of the previous financial period ended 31 December 2019.

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

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

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

2. CHANGE OF FINANCIAL YEAR END AND DISCLOSURE OF COMPARATIVES

In the previous year, the Group had changed its financial year end from 31 March to 31 December. Due to the change, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the current quarter ended 30 June 2020, being the second quarter of the current financial year ending 31 December 2020, is not comparable with that of the second quarter of the previous financial period ended 31 December 2019 (i.e. July to September 2019). As such, no comparative figures are presented.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 30 June 2020.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as disclosed below, there was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2020.

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

The effects of the above pandemic containment measures resulted in adverse financial results to the Group’s performance for the second quarter and financial period ended 30 June 2020.

6. CHANGES IN ESTIMATES

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

7. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance and repayment of debt securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 30 June 2020.

8. DIVIDENDS PAID

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

9. SEGMENTAL INFORMATION

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

	Automotive	Services	Properties	Investment Holding	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Total revenue	3,179,461	1,761,311	196,473	15,373	5,152,618
Inter-segment revenue	(311,859)	(59,413)	(24,230)	(15,373)	(410,875)
External revenue	2,867,602	1,701,898	172,243	-	4,741,743
Results					
Segment (loss)/profit	(277,100)	(1,341)	27,150	672	(250,619)
Unallocated expenses					(47,795)
Interest income on short-term deposits					19,360
Finance costs					(223,556)
Share of results of joint ventures (net of tax)	(21,045)	-	798	-	(20,247)
Share of results of associated companies (net of tax)	(27,661)	(589)	-	-	(28,250)
Loss before taxation					(551,107)
Taxation					(41,750)
Net loss for the financial period					(592,857)
Attributable to:					
Owners of the Company					(479,355)
Holder of Perpetual Sukuk					19,517
Non-controlling interest					(133,019)

10. PROPERTY, PLANT AND EQUIPMENT

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

11. SUBSEQUENT EVENT

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature that would likely affect substantially the results of the operations of the Group.

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

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

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

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. COMMITMENTS AND CONTINGENT LIABILITIES OF BANK MUAMALAT MALAYSIA BERHAD

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

14. COMMITMENTS AND CONTINGENT LIABILITIES OF BANK MUAMALAT MALAYSIA BERHAD (Continued)

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

	As at 30.06.2020		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Direct credit substitutes	245,573	245,573	214,502
Trade-related contingencies	30,575	6,115	299
Transaction related contingencies	407,052	203,526	190,411
Credit extension commitment:			
- maturity within one year	1,285,488	257,098	250,301
- maturity exceeding one year	1,034,113	517,057	492,475
Profit rate related contracts	1,275,000	71,075	14,215
Foreign exchange related contracts	2,815,631	71,504	42,327
	7,093,432	1,371,948	1,204,530

15. LOSS BEFORE TAXATION

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

	Financial Quarter 3 Months Ended 30.06.2020 RM'000	Financial Period 6 Months Ended 30.06.2020 RM'000
Allowance for financing of customers	11,441	43,049
Allowance for expected credit losses (net)	16,990	19,750
Amortisation of intangible assets	44,053	87,099
Depreciation of property, plant and equipment	184,478	368,794
Finance costs	111,907	223,556
Financing written off	1,295	2,477
Impairment loss of property, plant and equipment (net)	54,609	54,609
Marked to market loss on derivatives (net)	29,738	39,450
Modification loss arising from financing moratorium from:		
- a subsidiary company	46,214	46,214
- share of a joint venture	14,370	14,370
Write-down of inventories (net)	7,717	12,656
Gain on disposal of:		
- investment securities	(19,436)	(37,655)
- property, plant and equipment	(3,651)	(4,175)
(Gain)/loss on fair value adjustment of investment securities	(2,542)	39,902
Interest income on short-term deposits	(8,169)	(19,360)
Unrealised foreign exchange differences (net)	(17,034)	52,317

16. REVIEW OF PERFORMANCE

As stated in Note 2, due to the change in the financial year end, the Group's performance for the current quarter and 6-month financial period ended 30 June 2020 is not comparable against any comparative period previously reported.

16.1 Revenue

	Group Business Sectors	Financial Quarter 3 Months Ended 30.06.2020 RM'000	Financial Period 6 Months Ended 30.06.2020 RM'000
(i)	Automotive	1,054,642	2,867,602
(ii)	Services	871,413	1,701,898
(iii)	Properties	78,899	172,243
	Total	2,004,954	4,741,743

The Group achieved a lower revenue of RM2.0 billion and RM4.74 billion for the current quarter and financial period ended 30 June 2020 respectively due to the effect of COVID-19 pandemic containment measures imposed in mid-March 2020.

(i) Automotive Sector

The revenue for the current financial quarter/period was mainly derived from sales of vehicles and components by PROTON, automotive distribution companies, and also from manufacturing & engineering and aerospace companies. The sales performance was significantly affected as the automotive business operations were temporarily ceased (from mid-March to early May 2020) during the MCO.

(ii) Services Sector

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

(iii) Properties Sector

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

16. REVIEW OF PERFORMANCE (Continued)

16.2 Loss Before Tax

The Group suffered a pre-tax loss of RM365.80 million and RM551.11 million for the current quarter and financial period ended 30 June 2020 respectively mainly due to following:

- (i) lower revenue and weak financial performance of automotive and services companies mainly due to the effects of the MCO and the COVID-19 pandemic containment measures as mentioned in Note 5.
- (ii) impact of foreign exchange losses for the current financial period arising from translation of certain payables and borrowings denominated in foreign currencies at the reporting date.
- (iii) recognition of modification loss arising from the financing moratorium in the current quarter and financial period.
- (iv) impairment loss of certain property, plant and equipment during the quarter and financial period.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a pre-tax loss of RM365.80 million in the current financial quarter ended 30 June 2020 compared with a pre-tax loss of RM185.30 million in the preceding quarter ended 31 March 2020. The higher losses in the current financial quarter was mainly due to the lower revenue caused by MCO lockdown (mid-March to early May), recognition of modification loss arising from the financing moratorium and also the impairment loss of certain property, plant and equipment.

18. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

The economic fallout arising from the COVID-19 pandemic-imposed Movement Control Order ("MCO") had contracted Malaysia's Gross Domestic Product ("GDP") by 17.1% in the second quarter of 2020 compared with a positive growth of 0.7% in the first quarter. The MCO impeded economic activities and deeply impacted all businesses. The Government has responded by implementing various fiscal measures to stimulate the domestic economy.

The Group's weaker financial performance reflect the slowdown of business activities in the six months ended 30 June 2020. On a fairly positive note, recovery efforts by the Group's businesses is currently on-going across all sectors and this should be reflected in the performance of the second half of 2020.

18. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020 (Continued)

For DRB-HICOM’s automotive businesses, PROTON sales started to rebound in June 2020. This was further underlined by the national carmaker’s highest monthly sales in July 2020 of 13,216 units of vehicles across its model range. With consumer confidence in the brand rising, PROTON will continue to excite the market with new product offerings over the rest of the current year. Reaping the benefits from the sales tax exemption for passenger vehicles until December 2020, the Group’s other marques are also expected to boost their sales performances in the second half of 2020 featuring new models.

Despite the challenging environment, Pos Malaysia’s on-going transformation efforts will augment the improved tariff rates approved earlier in the year and the growing demand for e-commerce business. Other businesses in the Group will continue to adapt to the so-called “new normal” environment to ensure financial sustainability against the backdrop of changes in customer and business behaviours.

With fears of a resurgence of the COVID-19 pandemic and its expected subsequent waves coupled with the potential of a further weakening economy globally, the Group remains cautious on the performance for the remaining period of the financial year ending 31 December 2020. Notwithstanding the above, the Group continues to take steps to proactively manage the businesses to ensure that the long-term prospects remain stable. These include on-going cost management and efficiency improvement efforts across all operating companies of the Group.

19. PROFIT FORECAST OR PROFIT GUARANTEE

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

20. TAXATION

Taxation comprises the following:

	Financial Quarter 3 Months Ended 30.06.2020 RM’000	Financial Period 6 Months Ended 30.06.2020 RM’000
Current taxation	(12,214)	26,376
Deferred taxation	23,503	15,374
Total	11,289	41,750

For the financial period ended 30 June 2020, the taxation charge arose mainly from certain profit-making subsidiary companies and certain expenses which were not deductible for income tax purposes.

21. STATUS OF CORPORATE PROPOSALS

- (a) On 8 March and 11 July 2018, DRB-HICOM Group entered into various agreements and supplemental agreements respectively for the proposed disposals of certain property assets and investments to Prisma Dimensi Sdn. Bhd. and Kelana Ventures Sdn. Bhd. The Proposed Disposals had been approved by DRB-HICOM Berhad shareholders at the Extraordinary General Meeting held on 15 October 2018. On 7 March 2019, the respective parties to the Disposal Agreements had mutually agreed to extend the period for fulfilment of the Conditions Precedent until 8 September 2019. The parties had on 6 September 2019 agreed for a further extension period until 7 March 2020. Subsequently, the parties had on 26 February 2020 agreed for another extension period until 7 September 2020.
- (b) On 13 February 2020, Pos Aviation Sdn. Bhd. entered into a Share Purchase Agreement (“SPA”) and a Shareholders Agreement with SIA Engineering Company Limited for the proposed divestment of 49% equity interest in Pos Aviation Engineering Services Sdn. Bhd., for an indicative cash consideration of RM10.09 million. The final consideration will be determined based on the latest available management financial statements prior to the completion date. The completion of the divestment is subject to the fulfilment of the Conditions Precedent (“CP”) in the SPA. The parties on 15 May 2020 had mutually agreed to extend the period for fulfilment of the CPs until 13 February 2021.
- (c) On 19 August 2020, Pos Aviation Sdn. Bhd. (“Pos Aviation”), an indirect 53.50% owned subsidiary company of the Group, entered into the following agreements:
- (i) Pos Aviation and World Cargo Airline Sdn. Bhd. (formerly known as Pos Asia Cargo Express Sdn. Bhd.) (“WCA”), a wholly-owned subsidiary company of Pos Aviation entered into a Share Sale and Share Subscription Agreement (“SSA”) with Asia Cargo Network Sdn. Bhd. (“ACN”) in relation to the proposed subscription and disposal of shares for a total cash consideration as below:
- WCA shall issue and allot 15,612,240 ordinary shares representing 51% of the total enlarged issued ordinary share capital in WCA to ACN for a cash consideration of RM40 million; and
 - Pos Aviation shall dispose 106,786 preference shares representing 51% of the total preference shares in WCA to ACN, for a cash consideration of RM1.
- The proposed subscription and disposal of shares will result in the change of shareholders’ shareholdings in WCA, where Pos Aviation and ACN will own 49% and 51% equity interest in WCA respectively; and
- (ii) In conjunction with the above, Pos Aviation has entered into a Shareholders’ Agreement with ACN.

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

22. BORROWINGS

Total Group borrowings are as follows:

	As at 30.06.2020 RM'000
(a) Short-Term Borrowings	
Bank overdrafts	
- Secured	8,194
- Unsecured	3,176
Total	11,370
(b) Others	
<u>Secured</u>	
Bankers acceptances	573,247
Revolving credits	552,541
Short-term loans	14,824
Short-term loans under Islamic financing	146,131
Hire purchase - portion repayable within 12 months	25,748
Long-term loans - portion repayable within 12 months	23,329
Long-term loans under Islamic financing - portion repayable within 12 months	259,965
Sub-total	1,595,785
<u>Unsecured</u>	
Bankers acceptances	505,576
Revolving credits	130,800
Long-term loans - portion repayable within 12 months	1,760
Long-term loans under Islamic financing - portion repayable within 12 months	44,000
Sub-total	682,136
Total	2,277,921
(c) Long-Term Borrowings	
<u>Secured</u>	
Hire purchase	94,599
- portion repayable within 12 months	(25,748)
	68,851
Long-term loans	646,380
- portion repayable within 12 months	(23,329)
	623,051
Long-term loans under Islamic financing	3,512,924
- portion repayable within 12 months	(259,965)
	3,252,959

22. BORROWINGS (Continued)

Total Group borrowings are as follows: (Continued)

	As at 30.06.2020 RM'000
(c) Long-Term Borrowings (Continued)	
<u>Unsecured</u>	
Long-term loans	2,347
- portion repayable within 12 months	(1,760)
	587
Long-term loans under Islamic financing	1,003,025
- portion repayable within 12 months	(44,000)
	959,025
Total	4,904,473
Grand Total	7,193,764

(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 30 June 2020									
Secured									
Short-term loans under	GBP	547	2,876	-	-	-	GBP	547	2,876
Islamic financing	USD	33,443	143,255	-	-	-	USD	33,443	143,255
Short-term loans	USD	2,208	9,458	-	-	-	USD	2,208	9,458
Term loans under Islamic financing	USD	3,600	15,422	USD	17,610	75,431	USD	21,210	90,853
Long-term loans	-	-	-	USD	74,000	316,979	USD	74,000	316,979
Total			171,011			392,410			563,421

23. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 June 2020 consist mainly of foreign exchange contracts, profit rate swap and currency swap foreign exchange contracts which are measured at their fair values together with their corresponding contract/notional amounts as below:

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Financial instruments at fair value through profit or loss			
Currency forward foreign exchange contracts	1,469,118	18,890	9,496
Currency swaps foreign exchange contracts	2,029,196	15,107	17,537
Islamic profit rate swap	1,275,000	-	106,916
	4,773,314	33,997	133,949

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

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

During the financial period ended 30 June 2020, the Group recognised a total net loss of RM39.45 million arising from the fair value changes on the currency forward foreign exchange contracts, currency swaps foreign exchange contracts and Islamic profit rate swap which are marked to market as at 30 June 2020.

24. MATERIAL LITIGATION

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

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

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

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

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

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

On the advice of appointed lawyers, as one of the steps to defend the claims and to ensure that the rights of the Company are protected, 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.

24. MATERIAL LITIGATION (Continued)

(a) (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. The SPC has yet to fix the date for decision. The proceedings before the GHC will not proceed until disposal of the SPC appeal.

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

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

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

- (a) the TA constitutes a full and final settlement of all issues and disputes under the 2002 JVC and its related agreements;
- (b) all existing, future and accrued rights and obligations of the parties pertaining to the 2002 JVC and its related agreements have ceased; and
- (c) the TA was affirmed by Goldstar with the execution of the EJVC.

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

(ii) Arbitration Proceedings under the EJVC at the HKIAC

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

- (a) the EJVC has been validly and effectively terminated; and
- (b) Goldstar has failed to perform its obligations under the EJVC, thus making it impossible for the EJVC to continue operation.

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

24. MATERIAL LITIGATION (Continued)

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

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

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

With regards to the Stay application of the Adjudication Award, CSCE's solicitors had on 9 July 2020 served a Notice of Application to strike out the amended originating summons of the Stay application filed by MCDSB. The High Court has fixed 5 October 2020 for hearing of the Notice of Application to strike out the amended originating summons of the Stay application.

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

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

25. DIVIDEND

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

26. LOSS PER SHARE

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

	Financial Quarter 3 Months Ended 30.06.2020	Financial Period 6 Months Ended 30.06.2020
Net loss attributable to Owners of the Company (RM'000)	(306,083)	(479,355)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted loss per share (sen)	(15.83)	(24.80)

27. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

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

BY ORDER OF THE BOARD

SABARINA LAILA BINTI MOHD HASHIM
Secretary

Shah Alam
28 August 2020