



DRB-HICOM BERHAD

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

Interim Financial Report for the Financial Period
Ended 30 June 2021

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

The Board of Directors is hereby pleased to announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/period ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.06.2021 RM'000	30.06.2020 (Restated) RM'000	30.06.2021 RM'000	30.06.2020 (Restated) RM'000
Revenue		2,622,488	2,004,954	6,133,987	4,741,743
Cost of sales and operating expenses		(2,823,453)	(2,183,101)	(6,253,166)	(4,964,607)
Other income		67,528	48,190	168,159	123,295
Other expenses		(68,640)	(77,383)	(131,524)	(163,535)
Loss from operations		(202,077)	(207,340)	(82,544)	(263,104)
Finance costs		(117,695)	(121,528)	(233,880)	(239,506)
Share of results of joint ventures (net of tax)		25,582	(15,768)	47,264	(20,247)
Share of results of associated companies (net of tax)		14,661	(21,167)	25,942	(28,250)
LOSS BEFORE TAXATION	14	(279,529)	(365,803)	(243,218)	(551,107)
Taxation	19	(21,245)	(11,289)	(43,561)	(41,750)
NET LOSS FOR THE FINANCIAL QUARTER/PERIOD		<u>(300,774)</u>	<u>(377,092)</u>	<u>(286,779)</u>	<u>(592,857)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME					
<u>Item that will not be reclassified subsequently to profit or loss:</u>					
Net (loss)/gain on fair value changes of equity instruments: financial assets at fair value through other comprehensive income		(7,813)	15,460	(9,722)	(2,921)
<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		9,137	35,176	(9,873)	51,004
Currency translation differences of foreign operations		(937)	(71)	2,793	4,341

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.06.2021 RM'000	30.06.2020 (Restated) RM'000	30.06.2021 RM'000	30.06.2020 (Restated) 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		(7)	(19,961)	(7)	(37,433)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD (NET OF TAX)		380	30,604	(16,809)	14,991
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL QUARTER/PERIOD		(300,394)	(346,488)	(303,588)	(577,866)
Net loss for the financial quarter/period attributable to:					
Owners of the Company		(217,496)	(306,083)	(234,456)	(479,355)
Holder of Perpetual Sukuk		5,983	8,146	11,901	19,517
Non-controlling interest		(89,261)	(79,155)	(64,224)	(133,019)
		(300,774)	(377,092)	(286,779)	(592,857)
Total comprehensive loss for the financial quarter/period attributable to:					
Owners of the Company		(217,001)	(284,530)	(245,891)	(469,319)
Holder of Perpetual Sukuk		5,983	8,146	11,901	19,517
Non-controlling interest		(89,376)	(70,104)	(69,598)	(128,064)
		(300,394)	(346,488)	(303,588)	(577,866)
Basic and diluted loss per share (sen):	25	(11.25)	(15.83)	(12.13)	(24.80)

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 2020 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,983,421	6,182,082
Investment properties		363,702	362,505
Inventories		2,135,995	2,122,024
Joint ventures		467,959	420,253
Associated companies		956,799	954,001
Intangible assets		1,468,174	1,410,723
Deferred tax assets		202,729	178,950
Investment securities: financial assets at fair value through profit or loss			
- Banking		203,059	303,649
- Non-banking		6,379	9,796
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		4,085,498	2,757,750
- Non-banking		44,748	44,748
Investment securities: financial assets at amortised cost			
- Banking		106,566	105,544
- Non-banking		4,000	4,000
Trade and other receivables		1,651,754	1,589,641
Other assets		2,707	2,707
Banking related assets			
- Financing of customers		14,019,948	13,084,317
- Statutory deposit with Bank Negara Malaysia		123,353	95,255
		31,826,791	29,627,945
CURRENT ASSETS			
Assets and disposal group held for sale		15,057	15,358
Inventories		2,153,533	1,924,846
Trade and other receivables		2,903,228	3,077,145
Investment securities: financial assets at fair value through profit or loss			
- Banking		113,233	9,688
- Non-banking		35,797	72,816
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		681,200	1,041,215
Banking related assets			
- Cash and short-term funds		842,793	2,963,589
- Financing of customers		4,713,726	4,407,993
Bank balances and cash deposits		2,574,899	2,406,122
Derivative assets	22(a)	30,901	49,473
		14,064,367	15,968,245
TOTAL ASSETS		45,891,158	45,596,190

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,554,862	5,839,418
Equity attributable to Owners of the Company		7,295,164	7,579,720
Perpetual Sukuk		292,036	292,102
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,246,432	1,316,030
TOTAL EQUITY		9,502,898	9,857,118
NON-CURRENT LIABILITIES			
Deferred income		3,334	9,655
Trade and other payables		52,914	49,409
Lease liabilities		360,554	362,773
Long-term borrowings	21(c)	5,329,671	4,509,667
Redeemable Convertible Cumulative Preference Shares		662,125	642,762
Provision for liabilities and charges		3,193	3,413
Post-employment benefit obligations		5,788	6,366
Deferred tax liabilities		279,388	290,387
Banking related liabilities			
- Deposits from customers		640,916	475,742
- Deposits and placements of banks and other financial institutions		237,540	97,525
- Recourse obligation on financing sold to Cagamas		435,927	444,141
		8,011,350	6,891,840
CURRENT LIABILITIES			
Liabilities related to disposal group held for sale		4,399	6,732
Deferred income		5,845	842
Trade and other payables		4,328,269	4,658,863
Lease liabilities		79,821	83,599
Provision for liabilities and charges		336,833	273,620
Post-employment benefit obligations		657	411
Bank borrowings			
- Bank overdrafts	21(a)	4,122	4,539
- Others	21(b)	3,261,029	2,845,190
Banking related liabilities			
- Deposits from customers		20,230,868	20,758,441
- Deposits and placements of banks and other financial institutions		1,102	821
- Bills and acceptances payable		17,420	6,310
Derivative liabilities	22(a)	106,545	207,864
		28,376,910	28,847,232
TOTAL LIABILITIES		36,388,260	35,739,072
TOTAL EQUITY AND LIABILITIES		45,891,158	45,596,190
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.77	3.92

* 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 2020 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 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 (loss)/profit for the financial period	-	-	-	-	-	-	(234,456)	(234,456)	11,901	-	(64,224)	(286,779)
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	2,286	(13,721)	-	-	(11,435)	-	-	(5,374)	(16,809)
Total comprehensive (loss)/income for the financial period	-	-	-	2,286	(13,721)	-	(234,456)	(245,891)	11,901	-	(69,598)	(303,588)
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	718	-	(718)	-	-	-	-	-
<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 June 2021	1,933,237	1,740,302	1,214,085	1,308	(14,995)	172,972	4,181,492	7,295,164	292,036	669,266	1,246,432	9,502,898

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 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	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						
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

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 2020 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 6 Months Ended 30.06.2021	Financial Period 6 Months Ended 30.06.2020 (Restated)
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the financial period	(286,779)	(592,857)
Adjustments:		
- Depreciation of property, plant and equipment	376,337	368,794
- Finance costs	233,880	239,506
- Taxation	43,561	41,750
- Share of results of joint ventures (net of tax)	(47,264)	20,247
- Share of results of associated companies (net of tax)	(25,942)	28,250
- Others	125,321	292,603
Operating profit before working capital changes	419,114	398,293
Changes in working capital:		
Net increase in banking related assets	(1,323,423)	(133,297)
Net (decrease)/increase banking related liabilities	(210,993)	1,714,909
Net decrease in current assets	(36,119)	(189,520)
Net decrease in current liabilities	(538,321)	(185,663)
Net cash (used)/generated in operations	(1,689,742)	1,604,722
Interest received	27,088	41,737
Tax paid, net of refund	(59,519)	(66,762)
Finance costs paid	(72,422)	(69,621)
Provision for liabilities and charges paid	(16,952)	(29,070)
Post-employment benefit obligations paid	(419)	(224)
Net cash (outflow)/inflow from operating activities	(1,811,966)	1,480,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities by a banking subsidiary company (net)	(937,644)	(141,204)
Acquisition of additional shares in a subsidiary company	-	(100,000)
Acquisitions of investment securities	(4,000)	-
Additional investment in a joint venture	-	(11,956)
Dividends received from an associated company	-	480
Movement in fixed deposits placement with maturity profile more than 3 months	24	17,263
Proceeds from disposal of an associated company	9,922	-
Proceeds from disposal of property, plant and equipment	2,643	6,524
Proceeds from redemption of other investments	45,510	88,051
Purchases of property, plant and equipment/intangible assets	(290,740)	(354,121)
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	(1,137,585)	(494,963)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 6 Months Ended 30.06.2021 RM'000	Financial Period 6 Months Ended 30.06.2020 (Restated) RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to holders of Perpetual Sukuk	(11,967)	(24,240)
Finance costs paid	(130,032)	(135,527)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(11,428)	(24,498)
Payment of the principal portion of lease liabilities	(42,812)	(39,588)
Proceeds from bank borrowings	3,391,811	2,690,266
Redemption of Perpetual Sukuk	-	(250,000)
Repayment of bank borrowings	(2,191,312)	(1,875,915)
Repayment of principal for recourse obligation on financing sold to Cagamas	(8,161)	(7,662)
Net cash inflow from financing activities	996,099	332,836
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,953,452)	1,318,655
Effects of foreign currency translation	(1,728)	(13,058)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	4,520,520	2,772,261
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	2,565,340	4,077,858
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	2,574,899	2,437,326
Banking related assets - cash and short-term funds	842,793	2,451,166
Bank overdrafts	(4,122)	(11,370)
	3,413,570	4,877,122
Less: Bank balances and fixed deposits held as security/sinking fund	(828,042)	(811,426)
Less: Fixed deposits with maturity profile more than 3 months	(463)	(8,704)
Less: Bank balances in respect of Automotive Development Fund liabilities	(5,188)	(20,408)
Less: Collections held by a postal subsidiary company on behalf of third parties	(16,656)	(28,476)
Add: Cash and cash equivalents attributable to the disposal group held for sale	2,119	69,750
	2,565,340	4,077,858

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 2020 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 2020 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 2020.

During the financial period, the Group has adopted the Amendment to MFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021* issued by MASB in April 2021, in response to on-going COVID-19 pandemic.

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

Agenda Decision on MFRS 123 *Borrowing Costs* relating to over time transfer of constructed good

In March 2019, the International Financial Reporting Standards Interpretation Committee concluded that interest cost should not be capitalised for assets created under the percentage-of-completion method i.e. receivables, contract assets and inventories as these assets do not meet the definition of qualifying assets.

Prior to the adoption of the Agenda Decision, the entity shall capitalise the finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset until the completion of the construction of the asset. The finance costs capitalised in the inventories were then recognised as cost of sales in profit or loss by reference to the progress towards the satisfaction of the performance obligation.

On 20 March 2019, the Malaysian Accounting Standard Board announced that an entity shall apply the change in accounting policy as a result of this Agenda Decision to the financial statements of annual periods beginning on or after 1 July 2020.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Agenda Decision on MFRS 123 *Borrowing Costs* relating to over time transfer of constructed good (Continued)

With effect from 1 January 2021, the Group adopted the Agenda Decision retrospectively where when control is transferred over time, the relevant borrowing costs on the construction development project incurred which were previously recognised under cost of sales is reclassified to finance costs accordingly. There is no restatement required on the condensed consolidated statement of financial position as at 1 January 2020 and throughout all comparative interim periods presented, as if these policies had always been in effect, except for the reclassification of cost of sales to finance costs in the condensed consolidated statement of comprehensive income as shown as below:

	As previously reported RM'000	Effects of adoption of Agenda Decision RM'000	As restated RM'000
<u>For the financial quarter ended 30 June 2020</u>			
Cost of sales and operating expenses	(2,192,722)	9,621	(2,183,101)
Finance costs	(111,907)	(9,621)	(121,528)
<u>For the financial period ended 30 June 2020</u>			
Cost of sales and operating expenses	(4,980,557)	15,950	(4,964,607)
Finance costs	(223,556)	(15,950)	(239,506)

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 June 2021.

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 30 June 2021.

5. 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.

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 30 June 2021.

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 23 June 2021 in respect of the financial year ended 31 December 2020. The dividend of RM38,664,741 was paid on 23 July 2021.

8. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 30 June 2021 is as follows:

	Automotive RM'000	Services RM'000	Properties RM'000	Investment Holding RM'000	Group RM'000
Revenue					
Total revenue	4,368,196	1,738,145	124,567	15,006	6,245,914
Inter-segment revenue	(14,265)	(82,656)	-	(15,006)	(111,927)
External revenue	4,353,931	1,655,489	124,567	-	6,133,987
Results					
Segment (loss)/profit	(68,808)	(22,159)	30,665	16,823	(43,479)
Unallocated expenses					(54,276)
Interest income on short-term deposits					15,211
Finance costs					(233,880)
Share of results of joint ventures (net of tax)	47,264	-	-	-	47,264
Share of results of associated companies (net of tax)	22,220	3,722	-	-	25,942
Loss before taxation					(243,218)

8. SEGMENTAL INFORMATION (Continued)

	Automotive RM'000	Services RM'000	Properties RM'000	Investment Holding RM'000	Group RM'000
Results (Continued)					
Taxation					(43,561)
Net loss for the financial period					(286,779)
Attributable to:					
Owners of the Company					(234,456)
Holder of Perpetual Sukuk					11,901
Non-controlling interest					(64,224)

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.

As at 30 June 2021, the property, plant and equipment of the cash generating units (“CGUs”) of postal services segment under a postal subsidiary group were tested for impairment due to impairment indicators noted, where the CGUs of the postal subsidiary group had recorded losses for the current financial period. Cashflow projections were prepared based on financial budgets and forecasts which covered a period of five years. Terminal values were then applied based on the useful lives of the respective property, plant and equipment. The carrying amount of the property, plant and equipment was higher than the recoverable amount which resulted in an impairment loss of RM46.71 million during the financial period.

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 JUNE 2021

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

- (a) On 24 March 2021, EON Properties Sdn Bhd changed its name to HICOM Hartanah Sdn. Bhd.
- (b) On 31 March 2021, Proton Properties Sdn Bhd changed its name to DHB Properties Sdn. Bhd.
- (c) On 31 March 2021, Proton Hartanah Sdn Bhd changed its name to DHB Hartanah Sdn. Bhd.
- (d) On 10 May 2021, Edaran Otomobil Nasional Berhad, an indirect wholly-owned subsidiary company of the Group, completed the disposal of its entire equity interest of 40% in SRT-EON Security Services Sdn. Bhd. (“SRT-EON”) to Rafiq Haji Rahmat for a cash consideration of RM10 million. As a result, SRT-EON ceased to be an indirect 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

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

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

	As at 30.06.2021		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Contingent liabilities			
Direct credit substitutes	288,428	288,428	269,503
Trade-related contingencies	46,370	9,274	379
Transaction related contingencies	445,144	222,572	212,000

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

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

	As at 30.06.2021		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Commitments			
Credit extension commitment:			
- Maturity within one year	728,856	145,771	143,979
- Maturity exceeding one year	622,057	311,029	257,897
Other miscellaneous commitments & contingencies	4,615	13	10
Islamic derivative financial Instruments			
Foreign exchange related contracts	2,794,907	57,311	38,538
Profit rate related contracts	1,200,000	59,000	11,800
	6,130,377	1,093,398	934,106

14. LOSS BEFORE TAXATION

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

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Allowance for financing of customers (net of write-back)	18,007	8,623	43,657	34,960
Allowance for expected credit losses (net of write-back)	6,581	16,990	14,570	19,750
Amortisation of intangible assets	48,483	44,053	96,418	87,099
Depreciation of property, plant and equipment	183,130	184,478	376,337	368,794
Finance costs	117,695	121,528	233,880	239,506
Impairment loss of property, plant and equipment (net of reversal)	46,699	54,609	42,696	54,609
Loss on disposal of an associated company	4,549	-	4,549	-

14. LOSS BEFORE TAXATION (Continued)

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

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Marked to market loss/(gain) on derivatives	4,288	29,738	(82,747)	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
Unrealised foreign exchange differences (net)	7,540	(17,034)	56,336	52,317
Write-down of inventories (net)	2,141	7,717	1,876	12,656
(Gain)/loss on fair value adjustment of investment securities (net)	(1,762)	(2,542)	555	39,902
Gain on disposal of:				
- investment securities	(32)	(19,436)	(103)	(37,655)
- property, plant and equipment	(198)	(3,651)	(2,508)	(4,175)
Interest income on short-term deposits	(8,133)	(8,169)	(15,211)	(19,360)

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	Financial Quarter 3 Months Ended			Financial Period 6 Months Ended		
		30.06.2021 RM'000	30.06.2020 RM'000	Variance RM'000	30.06.2021 RM'000	30.06.2020 RM'000	Variance RM'000
(i)	Automotive	1,775,755	1,054,642	721,113	4,353,931	2,867,602	1,486,329
(ii)	Services	791,825	871,413	(79,588)	1,655,489	1,701,898	(46,409)
(iii)	Properties	54,908	78,899	(23,991)	124,567	172,243	(47,676)
	Total	2,622,488	2,004,954	617,534	6,133,987	4,741,743	1,392,244

↑ 29.4%

For the three months ended 30 June 2021, the Group's revenue increased by 30.8% to RM2.62 billion compared with RM2.00 billion in the corresponding quarter ended 30 June 2020. The increase in revenue was contributed by the Automotive sector.

15. REVIEW OF PERFORMANCE (Continued)

15.1 Revenue (Continued)

In respect of the six months ended 30 June 2021, the Group's revenue improved by 29.4% to RM6.13 billion compared with RM4.74 billion in the corresponding period ended 30 June 2020.

(i) Automotive Sector

The increase was largely due to higher sales of vehicles and components by PROTON, automotive distribution companies, and also from manufacturing & engineering companies.

(ii) Services Sector

The Services sector recorded lower revenue, attributable mainly from Pos Malaysia group.

(iii) Properties Sector

The reduction is mainly due to lower revenue recognised from property development projects.

15.2 Loss Before Tax

The Group registered pre-tax losses of RM279.53 million and RM243.22 million for the financial quarter/period ended 30 June 2021 compared with the pre-tax losses of RM365.80 million and RM511.11 million in the corresponding financial quarter/period ended 30 June 2020 respectively. The lower pre-tax loss was mainly attributable to the following:

- (i) better operating results mainly from PROTON, automotive distribution companies and also manufacturing & engineering companies compared to the lower operating results which was adversely impacted by the effect of COVID-19 containment measures during the national lockdown period in prior year;
- (ii) improved marked to market impact from derivative contracts, offset by;
- (iii) lower operating results from services companies.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group suffered a pre-tax loss of RM279.53 million in the current quarter ended 30 June 2021 compared with a pre-tax profit of RM36.31 million in the preceding quarter ended 31 March 2021. This is mainly attributable to the poor performance of the major operating companies which were badly affected by the impact of nationwide Movement Control Order imposed in May and June 2021 and the impairment loss of certain property, plant and equipment.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

The re-imposition of various lockdowns to curb the rise in COVID-19 cases had dampened the growth momentum of the economy. Bank Negara Malaysia has revised the full year 2021 Gross Domestic Product growth forecast to between 3% to 4%. In addition to that, the Malaysian Automotive Association has reduced its 2021 total industry volume forecast to 500,000 units from 570,000 units. However, the various policy support packages introduced by the Government, alongside the rapid progress of the domestic vaccination programme is expected to provide sustenance towards growth recovery in the near future.

The automotive sector remains the backbone of DRB-HICOM's businesses. With the implementation of the Full Movement Control Order that halted vehicle sales, PROTON and other marques within the Group will focus on re-strategising its sales plan. For the remainder of 2021, the Group is taking necessary steps to reshape its business to remain competitive in an unpredictable environment. The extension of sales tax exemption for passenger vehicles until 31 December 2021 is expected to lift overall demand in 2021.

DRB-HICOM's other businesses in the defence, aerospace, banking, services and properties segments will continue to focus on prudent cash management to stay afloat amidst the challenging business landscape arising from the pandemic.

Based on the aforementioned, the Group remains cautious of its financial performance for the year ending 31 December 2021 given the heightened uncertainties over the full economic impact of the prolonged COVID-19 pandemic.

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.

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19. TAXATION

Taxation comprises the following:

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Current taxation	27,780	(12,214)	72,556	26,376
Deferred taxation	(6,535)	23,503	(28,995)	15,374
Total	21,245	11,289	43,561	41,750

For the financial period ended 30 June 2021, the taxation charge arose mainly from certain profit-making subsidiary companies and certain expenses which were not deductible for income tax purposes.

20. STATUS OF CORPORATE PROPOSALS

On 13 February 2020, Pos Aviation Sdn. Bhd. entered into a Share Purchase Agreement (“SPA”) and a Shareholders Agreement with SIA Engineering Company Limited for the proposed divestment of its 49% equity interest in Pos Aviation Engineering Services Sdn. Bhd., for an indicative cash consideration of RM10.09 million. The final consideration will be determined based on the latest available management financial statements prior to the completion date. The completion of the divestment is subject to the fulfilment of the Conditions Precedent in the SPA, which has been extended until 13 November 2021.

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21. BORROWINGS

Total Group borrowings are as follows:

	As at 30.06.2021 RM'000
Short-Term Borrowings	
(a) Bank overdrafts	
- Unsecured	4,122
Total	4,122
(b) Others	
<u>Secured</u>	
Bankers acceptances	692,739
Revolving credits	480,083
Short-term loans under Islamic financing	78,269
Hire purchase - portion repayable within 12 months	29,688
Long-term loans - portion repayable within 12 months	384,189
Long-term loans under Islamic financing - portion repayable within 12 months	357,315
Sub-total	2,022,283
<u>Unsecured</u>	
Bankers acceptances	534,801
Revolving credits	182,900
Short-term loans	16,177
Long-term loans - portion repayable within 12 months	1,173
Long-term loans under Islamic financing - portion repayable within 12 months	503,695
Sub-total	1,238,746
Total	3,261,029
(c) Long-Term Borrowings	
<u>Secured</u>	
Hire purchase	89,026
- portion repayable within 12 months	(29,688)
	59,338
Long-term loans	1,077,775
- portion repayable within 12 months	(384,189)
	693,586
Long-term loans under Islamic financing	4,435,223
- portion repayable within 12 months	(357,315)
	4,077,908

21. BORROWINGS (Continued)

Total Group borrowings are as follows: (Continued)

	As at 30.06.2021 RM'000
(c) Long-Term Borrowings (Continued)	
<u>Unsecured</u>	
Long-term loans	1,320
- portion repayable within 12 months	(1,173)
	147
Long-term loans under Islamic financing	1,002,387
- portion repayable within 12 months	(503,695)
	498,692
Total	5,329,671
Grand Total	8,594,822

(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 2021									
Secured									
Short-term loans under Islamic financing	GBP	3,389	19,490	-	-	-	GBP	3,389	19,490
	USD	14,162	58,779	-	-	-	USD	14,162	58,779
Short-term loans	USD	1,160	4,813	-	-	-	USD	1,160	4,813
Revolving credits	USD	38,000	157,719	-	-	-	USD	38,000	157,719
Term loans under Islamic financing	USD	3,749	15,561	USD	13,867	57,555	USD	17,616	73,116
Term loans	USD	89,250	370,432	USD	96,650	401,146	USD	185,900	771,578
Total			626,794			458,701			1,085,495

22. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 June 2021 consist mainly of currency forward foreign exchange contracts, currency swaps foreign exchange contracts, Islamic profit rate swap and share put option which are measured at their fair values together with their corresponding contract/notional amounts as below:

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Currency forward foreign exchange contracts	1,744,698	18,843	2,429
Currency swaps foreign exchange contracts	2,430,375	10,432	24,398
Islamic profit rate swap	1,200,000	-	79,718
Share put option	1,626	1,626	-
	5,376,699	30,901	106,545

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2020:

- (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/(loss) arising from fair value changes of financial derivatives

During the financial period ended 30 June 2021, the Group recognised a total net gain of RM82.75 million arising from the fair value changes on the currency forward foreign exchange contracts, currency swaps foreign exchange contracts, Islamic profit rate swap and share put option which are marked to market as at 30 June 2021.

23. MATERIAL LITIGATION

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

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

Goldstar is claiming, inter alia, the sum of Renminbi (“RMB”) 860,613,418 (equivalent to RM522,908,713 based on Bank Negara Exchange Rate as at 17 January 2019 of RMB1: RM0.6076). The claims arose as a result of the Equity Joint Venture Contract (“EJVC”) dated 17 April 2015, entered into between PHB, Lotus Group International Limited (“LGIL”) and Goldstar on the establishment of a joint venture company named as Goldstar Lotus Automobile Co., Ltd. (“GLAC”); and its termination on 22 January 2018, amongst others. The said termination had been announced to Bursa Malaysia Securities Berhad on 23 January 2018.

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

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

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

On 27 August 2019, GHC issued a ruling which held that it had jurisdiction over Goldstar’s claims (“Ruling”) and PONSB’s jurisdictional challenge was dismissed. On 26 September 2019, PONSB filed an appeal against the Ruling to the Supreme People’s Court in Beijing (“SPC”). The Hearing of the appeal was heard online on 7

23. MATERIAL LITIGATION (Continued)

(a) (Continued)

July 2020 and both parties submitted their written submissions on 17 July 2020. On 5 November 2020, the Company had been notified by its appointed lawyers that the SPC had allowed PONS B's appeal, upheld PONS B's jurisdictional challenge and dismissed the earlier Ruling made by the GHC in favour of Goldstar. The SPC is of the view that the GHC has no jurisdiction to hear the case filed at the GHC. The proceedings at the GHC with respect to Goldstar's claims against PACL and PONS B for, inter alia, the sum of Renminbi (RMB) 860,613,418 (equivalent to RM522,908,713 based on Bank Negara Exchange Rate as at 17 January 2019 of RMB1: RM0.6076) will cease. As the matter has been decided by the SPC, the GHC legal suit is therefore dismissed with immediate effect.

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

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

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

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

The 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 have been duly completed. On 11 August 2021, the Tribunal of the Arbitration Proceedings made its decision and granted an Award in favour of PONS B and PACL. The said Tribunal had granted the Award, consisting of inter alia, the following declarations:

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

23. MATERIAL LITIGATION (Continued)

(a) (Continued)

(ii) Arbitration Proceedings under the EJVC at the HKIAC

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

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

The hearings fixed on 3 March 2021 until 12 March 2021 in relation to the above Arbitration Proceedings before three arbitrators have proceeded as scheduled and have been duly completed. No date has been fixed for decision as of to date.

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

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

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

23. MATERIAL LITIGATION (Continued)

(b) (Continued)

With regards to the Stay application of the Adjudication Award, CSCE's solicitors had on 9 July 2020 served a Notice of Application to strike out the amended originating summons of the Stay application filed by MCDSB. On 5 October 2020, the High Court heard both parties' submissions in relation to the Notice of Application. On 11 December 2020, the High Court made the decision to allow CSCE's application to strike out MCDSB's 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.

In respect of the Arbitration Proceedings, the Arbitrator has vacated the hearing dates for the Arbitration Proceedings fixed between 16 August 2021 to 20 August 2021, 23 August 2021 to 27 August 2021 and 6 September 2021 to 10 September 2021. In relation thereto, the Arbitrator has fixed new hearing dates for the Arbitration Proceedings between 18 April 2022 to 22 April 2022, 25 April 2022 to 29 April 2022 and 30 May 2022 to 3 June 2022.

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

Gading Sari is a wholly-owned subsidiary company of World Cargo Airline, and World Cargo Airline is an associate company of Pos Aviation Sdn. Bhd., which in turn is an indirect associate company of the Group.

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

The Defendants and its legal advisors have reviewed the aforesaid claims; and will take all the necessary steps to defend against the claims and ensure the rights of the Defendants are protected. The Defendants have filed their Statement of Defence and Counterclaim on 25 November 2020.

The matter is set for case management on 16 August 2021 for parties to update the status of filing of the relevant documents in relation to their respective interlocutory applications. The trial dates have been fixed on 26 July 2022 until 29 July 2022.

24. DIVIDEND

No interim dividend has been declared in the financial quarter ended 30 June 2021.

25. LOSS PER SHARE

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

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Net loss attributable to Owners of the Company (RM'000)	(217,496)	(306,083)	(234,456)	(479,355)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237	1,933,237	1,933,237
Basic and diluted loss per share (sen)	(11.25)	(15.83)	(12.13)	(24.80)

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
17 August 2021