

MBM RESOURCES BERHAD
(284496-V)

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the second quarter ended 30/06/2007.
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT (RM '000)

	Current Quarter Ended 30/06/2007	Comparative Quarter Ended 30/06/2006	6 months Cumulative To Date 30/06/2007	Comparative 6 months Cumulative To Date 30/06/2006
Revenue	273,791	317,365	527,206	588,797
Cost of Sales	(246,144)	(292,958)	(478,477)	(540,345)
Gross Profit	<u>27,647</u>	<u>24,407</u>	<u>48,729</u>	<u>48,452</u>
Other Income	5,245	13,450	9,474	17,870
Administrative and other expenses	(11,435)	(19,865)	(22,645)	(31,295)
Selling and marketing expenses	(6,826)	(3,463)	(13,314)	(9,621)
Profit from operations	<u>14,631</u>	<u>14,529</u>	<u>22,244</u>	<u>25,406</u>
Finance costs	(1,001)	(1,026)	(2,025)	(2,330)
Share of results of associates	24,533	23,498	40,923	41,976
Profit before tax	<u>38,163</u>	<u>37,001</u>	<u>61,142</u>	<u>65,052</u>
Income tax expense	(3,142)	(4,002)	(5,164)	(6,799)
Profit for the period	<u><u>35,021</u></u>	<u><u>32,999</u></u>	<u><u>55,978</u></u>	<u><u>58,253</u></u>
Attributable to :				
Equity holders of the Company	30,674	27,990	49,410	49,962
Minority Interests	4,347	5,009	6,568	8,291
	<u><u>35,021</u></u>	<u><u>32,999</u></u>	<u><u>55,978</u></u>	<u><u>58,253</u></u>
Earnings per share attributable to equity holders of the Company :				
	sen	sen	sen	sen
(i) Basic, for the period	12.78	11.88	20.58	21.21
(ii) Diluted, for the period	12.52	11.45	20.17	20.45

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements)

MBM RESOURCES BERHAD
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CONDENSED CONSOLIDATED BALANCE SHEET (RM '000)

	(Unaudited) As at end of Current Quarter 30/06/2007	(Audited) As at preceding Financial Year Ended 31/12/2006
ASSETS		
Non-current Assets		
Property, plant & equipment	102,376	98,402
Investment properties	14,019	16,952
Prepaid land lease payments	33,424	30,070
Associates	439,775	404,064
Other investment	--	--
Hire purchase receivables	5,310	7,474
Goodwill on consolidation	13,546	12,878
	608,450	569,840
Current Assets		
Inventories	127,965	156,158
Trade & other receivables	93,911	100,900
Tax recoverable	5,930	4,294
Due from associate	36	35
Short term investments	251	251
Cash and bank balances	120,728	108,316
	348,821	369,954
Non-current assets classified as held for sale	17,648	14,821
	366,469	384,775
TOTAL ASSETS	974,919	954,615
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	240,634	238,537
Share premium	28,418	25,313
Retained profits	435,856	397,231
	704,908	661,081
Minority Interests	113,656	118,848
Total Equity	818,564	779,929
Non-current Liabilities		
Long term borrowings	9,651	8,346
Deferred tax liabilities	493	680
Provision for retirement benefits	1,343	1,328
	11,487	10,354
Current Liabilities		
Provision for liabilities	5,477	5,502
Short term borrowings	49,880	69,093
Trade & other payables	82,172	87,828
Due to holding company	1,571	1,357
Tax payable	5,768	552
	144,868	164,332
Total Liabilities	156,355	174,686
TOTAL EQUITY AND LIABILITIES	974,919	954,615
Net assets per share (RM)	2.93	2.77

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements)

MBM RESOURCES BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2007

	[----- Attributable to equity holders of Company -----]					
	Share Capital RM'000	Non- distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
6 months ended						
30 June 2006						
At 1 January 2006						
As previously stated	234,792	19,887	333,357	588,036	106,418	694,454
Prior year adjustment	--	--	(7,651)	(7,651)	(462)	(8,113)
At 1 January 2006 (restated)	234,792	19,887	325,706	580,385	105,956	686,341
Effect of adopting FRS3	--	--	10,095	10,095	--	10,095
	<u>234,792</u>	<u>19,887</u>	<u>335,801</u>	<u>590,480</u>	<u>105,956</u>	<u>696,436</u>
Issue of ordinary shares pursuant to ESOS	1,880	2,720	--	4,600	--	4,600
Additional purchase of shares in a subsidiary	--	--	--	--	--	--
Profit for the year	--	--	49,962	49,962	8,291	58,253
Dividends distributed to equity holders	--	--	(15,263)	(15,263)	--	(15,263)
Dividends paid by subsidiary	--	--	--	--	(3,267)	(3,267)
As at 30 June 2006	<u><u>236,672</u></u>	<u><u>22,607</u></u>	<u><u>370,500</u></u>	<u><u>629,779</u></u>	<u><u>110,980</u></u>	<u><u>740,759</u></u>
6 months ended						
30 June 2007						
At 1 January 2007	238,537	25,313	397,231	661,081	118,848	779,929
Issue of ordinary shares pursuant to ESOS	2,097	3,105	--	5,202	--	5,202
Additional purchase of shares in a subsidiary	--	--	--	--	(8,685)	(8,685)
Rights issue in a subsidiary	--	--	(259)	(259)	1,327	1,068
Profit for the year	--	--	49,410	49,410	6,568	55,978
Dividends distributed to equity holders	--	--	(10,526)	(10,526)	--	(10,526)
Dividends paid by subsidiary	--	--	--	--	(4,402)	(4,402)
As at 30 June 2007	<u><u>240,634</u></u>	<u><u>28,418</u></u>	<u><u>435,856</u></u>	<u><u>704,908</u></u>	<u><u>113,656</u></u>	<u><u>818,564</u></u>

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements)

MBM RESOURCES BERHAD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007

	2007 6 months ended 30/06/2007 RM'000	2006 6 months ended 30/06/2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	61,142	65,052
Adjustments for :		
Non-cash Items	(34,731)	(37,140)
Non-operating Items	1,090	3,055
Operating profit before working capital changes	<u>27,501</u>	<u>30,967</u>
Changes in working capital		
Net changes in current assets	35,989	49,950
Net changes in current liabilities	(9,483)	(45,436)
Net cash used in operating activities	<u><u>54,007</u></u>	<u><u>35,481</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment	5,212	10,754
Other investment	(10,889)	24,739
Additional purchase of shares in a subsidiary	(9,353)	(6,300)
Acquisition of associates	--	(19,588)
Net cash generated from investing activities	<u><u>(15,030)</u></u>	<u><u>9,605</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,526)	(15,263)
Dividends paid to minorities of a subsidiary	(4,402)	(3,267)
Proceeds from exercise of ESOS	5,202	4,600
Proceeds from rights issue in a subsidiary	1,068	--
Bank borrowings	(11,589)	2,403
Net cash generated from financing activities	<u><u>(20,247)</u></u>	<u><u>(11,527)</u></u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,730	33,559
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>100,051</u>	<u>65,256</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>118,781</u></u>	<u><u>98,815</u></u>
Cash and cash equivalents comprise :		
Cash and bank balances	120,979	105,578
Bank overdrafts	(2,198)	(6,763)
	<u><u>118,781</u></u>	<u><u>98,815</u></u>

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements)

EXPLANATORY NOTES

(1) Accounting policies

The interim financial report is unaudited and has been prepared in accordance with FRS 134₂₀₀₄ : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements for the year ended 31 December 2006.

The accounting policies and method of computation adopted are consistent with those adopted in the most recent audited financial statement for the year ended 31 December 2006.

(2) Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group and of the Company for the year ended 31 December 2006 was not qualified.

(3) Seasonal and Cyclical Factor

The main activity of the Group is in the distributorship of motor vehicles and is therefore dependent on the economy of the country.

(4) Exceptional Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period under review.

(5) Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period

(6) Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the financial period under review except for the following :-

Employee Share Options Scheme ("ESOS")

During the quarter ended 30 June 2007 pursuant to the Company's ESOS, the issued and paid-up capital of the Company was increased from RM240,313,667 to RM240,633,667 as a result of the exercise and allotment of 320,000 option shares of par value RM1.00 each as follows:

Option price per share (RM)	No of shares issued	Cash proceeds (RM)
2.54	137,000	347,980
2.43	183,000	444,690
	320,000	792,670

The number of unexercised share options as at 30 June 2007 was 4,874,000.

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EXPLANATORY NOTES (Contd.)

(7) Dividends Paid

The Company did not pay any dividend during the quarter.

(8) Valuation of Property, Plant & Equipments

The valuation of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2006.

(9) Segment Reporting

The Group's operating businesses are organised into three major business segments :

	Period ended 30/06/2007	
	Segment Revenue RM'000	Segment Results RM'000
Marketing and distribution of motor vehicles, and other related activities	487,750	21,700
Manufacturing of automotive parts, trucks, and vehicles body building and other related activities	39,977	1,464
Investment holding	22,066	20,389
	549,793	43,553
Eliminations	(22,587)	(23,334)
	527,206	20,219
Share of results of associates	--	40,923
	527,206	61,142
Revenue / Profit before tax	527,206	61,142

(10) Subsequent Material Events

There were no material event or transaction during the period from 30 June 2007 to the date of this announcement, which affects substantially the results of the operations of the Group for the period ended 30 June 2007 in respect of which this announcement is made other than the following :

Issue of shares

Subsequent to 30 June 2007, the company issued 403,000 and 571,000 ordinary shares of RM1.00 for cash pursuant to the Company's ESOS at exercise prices of RM2.54 and RM2.43 per ordinary share respectively.

After taking into account these new shares, the paid-up capital of the company was increased to RM241,607,667 as of 27 July 2007.

EXPLANATORY NOTES (Contd.)

(11) Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter.

(12) Changes in Contingent Liabilities and Contingent Assets

As at the date of this report, the Company or the Group does not have any contingent liabilities or contingent assets and none has arisen since the last annual balance sheet date.

(13) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2007 is as follows :

	<u>RM'000</u>
Approved and contracted for	17,380

(14) Review of Performance

Current quarter

For the 3 months ended 30 June 2007, the Group recorded a 13.7% lower revenue of RM273.8 million, while the Group's operating profit before tax was better by 3.1% to RM38.2 million as compared to the second quarter 2006.

Compared to the same quarter of 2006, unit sales declined, including Perodua vehicle sales by subsidiary, DMM Sales, by 24.3%, Volvo car sales of subsidiary Federal Auto by 13.9% and Daihatsu trucks sales by 12.8%. These were partially offset by revenue from steel wheel manufacturer, Oriental Metal Industries, which was better by 19.7%.

Despite the lower sales, favourable Ringgit strength against the weaker Yen helped to achieve a better margin. The higher contribution from associate company was from Hino with trucks unit sales better by 34.4%. Contribution from associate company Perodua was flat as compared to second quarter 2006.

Year-to-date

For the 6 months ended 30 June 2007, the Group recorded a 10.5% lower revenue of RM527.2 million and the Group's operating profit before tax was lower by 6.0% to RM61.1 million as compared to first half of 2006.

Compared to the same period of 2006, unit sales declined for all divisions including, Perodua vehicle sales by DMM Sales by 17.5%, Daihatsu trucks sales by 11.7%, Volvo car sales fell marginally by 3%, whereas Oriental Metal Industries recorded lower revenue by 8.2%. Contribution from associate company Perodua was lower due to decline in Perodua vehicle unit sales by 5.2%.

The lower performance was in tandem with the weak market condition. TIV for the first 6 months of 2007 fell 12.2% to 220,739 from 251,340 recorded in 2006 of the same period.

As disclosed in the Audited Financial Statements for the year ended 31 December 2006, the acquisition of Inai Benua Sdn Bhd and Hino Motors (Malaysia) Sdn Bhd in the second quarter of 2006 have given rise to excess of fair value of net assets acquired over the acquisition cost of RM2.8 million. This amount was included in the Group's operating profit before tax for second quarter and for period ended 30 June 2006. Excluding this amount, the second quarter 2007 Group's operating profit before tax was better by 11.7%, while the year-to-date 30 June 2007 was marginally lower by 1.7%.

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EXPLANATORY NOTES (Contd.)

(15) Comparison against preceding quarter's results

The Group's revenue improved by 8% to RM273.8 million from RM253.4 mil in the first quarter 2007. The Group's operating profit before tax improved 66.1% to RM38.2 million from RM23.0 million in the first quarter 2007.

As reported by the Malaysian Automotive Association ("MAA"), the TIV for the second quarter 2007 improved 10.3% to 115,789 units from 104,950 units in the first quarter. This benefited the auto parts suppliers and was reflected in the higher revenue of the manufacturing division of the Group by 51.2%. On vehicle sales, Daihatsu trucks unit sales improved from the first quarter by 18.2%, while Perodua vehicle unit sales by DMM Sales was marginally better by 2.2%.

Better contributions from associate company helped improve the Group's operating profit before tax. This was contributed by higher sales of Perodua vehicles and Hino trucks as compared to the first quarter 2007.

(16) Current Year Prospect

Based on the latest revised TIV forecast by MAA, the second half of the year is expected to be stronger which will benefit the MBMR Group.

(17) Variance from Profit Forecast and Profit Guarantee

The Group and the Company did not issue any profit forecast or profit guarantee for the year.

(18) Taxation

	Current Quarter 30/06/2007 RM'000	Year to date 30/06/2007 RM'000
Current year's provision		
Add/(Less) :	3,329	5,351
Under/(Over) provision in prior years	--	--
	3,329	5,351
Deferred taxation	(187)	(187)
	3,142	5,164
Income tax expense		
Effective tax rate	23.1%	25.5%

The effective rate of taxation of the Group for the current quarter and year to date is lower than the statutory rate of taxation at 27%, is due to utilisation of capital allowances, reinvestment allowances and tax losses of certain subsidiaries brought forward from previous year.

(19) Profit or Loss on Sales of Unquoted Investments and/or Properties

There were no sales of unquoted investments or properties for the current quarter.

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EXPLANATORY NOTES (Contd.)

(20) Quoted Investments

There are no sales or purchases of quoted securities for the current quarter.

(21) Corporate Proposals

Subsequent to the first quarter 2007 announcement made on 24 May 2007, there were no further corporate proposals being made or undertaken by the Group and the Company.

(22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at the end of the reporting period :-

	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Denominated in Malaysian Currency (RM)		
Secured	9,386	9,651
Unsecured	40,494	--
Total	<u>49,880</u>	<u>9,651</u>

(23) Financial Instruments with Off Balance Sheet Risk

As at the date of this announcement, the Group has the following foreign currency contract outstanding:

Currency	Contracted Amounts	Equivalent in RM	Expiry Date
Yen	702,946,480	20,277,533	2 Aug 2007 - 10 Sep 2007

- (i) The foreign currency contract is a forward contract of short term nature. There is no financial instruments with off balance sheet risk, and the Group does not calculate the difference between the contracted rates and the spot rates and therefore does not take up the difference in the income statement.
- (ii) The foreign currency contracts are entered into to hedge the Group's purchases denominated in foreign currency. The contracted rates will be used to convert the Malaysian Ringgit to foreign currency.
- (iii) Forward foreign exchange contracts are used to firm the exchange rate for payments in foreign currency. The maturity period for each contract depends on the payments date agreed with the suppliers. The hedging immunises the Group from market or other risks such that the values of the underlying liabilities are fixed. Besides a small fee, there are no other cash requirements for these contracts.

(The accounting policies adopted are consistent with those adopted in the audited financial statements for the year ended 31 December 2006)

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EXPLANATORY NOTES (Contd.)

(24) Material Litigations

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

(25) Dividend

The Board is pleased to declare a first interim gross dividend of 6.0 sen per share less taxation 27% amounting to approximately RM10,582,416 for the year ending 31 December 2007 (2nd Qtr 2006 - Interim gross dividend of 9.0 sen per share less taxation 28% for the year ending 31 December 2006).

(26) Earnings Per Share

Basic earnings per share for the second quarter of 2007 and period ended 30 June 2007 is calculated by dividing the net profit attributable to the shareholders of RM30,674,000 and RM49,410,000 by the weighted average number of 240,065,905 ordinary shares in issue as at 30 June 2007.

(Comparative basic earnings per share for the second quarter of 2006 and period ended 30 June 2006 was calculated by dividing the net profit attributable to the shareholders of RM27,990,000 and RM49,962,000 by the weighted average number of 235,534,236 ordinary shares as at 30 June 2006)

Diluted earnings per share for the second quarter of 2007 and period ended 30 June 2007 is calculated by dividing the net profit attributable to the shareholders of RM30,674,000 and RM49,410,000 by the weighted average number of ordinary shares in issue and issuable of 244,939,905 as at 30 June 2007.

(Comparative diluted earnings per share for the second quarter of 2006 and period ended 30 June 2006 was calculated by dividing the net profit attributable to the shareholders of RM27,990,000 and RM49,962,000 by the weighted average number of ordinary shares in issue and issuable of 244,371,236 ordinary shares as at 30 June 2006)

	No of Ordinary Shares of RM 1.00 each	
	30 June 2007	30 June 2006
Weighted average number of ordinary shares as at	240,065,905	235,534,236
Adjustment for assumed exercise of ESOS	4,874,000	8,837,000
Adjusted weighted average number of ordinary shares in issue and issuable	244,939,905	244,371,236

BY ORDER OF THE BOARD
MBM RESOURCES BERHAD

SHAHRIZAT OTHMAN
COMPANY SECRETARY
KUALA LUMPUR
DATED : 9 AUGUST 2007