



QUARTERLY ANNOUNCEMENT
For the third quarter ended 30 September 2018

Summary

- The Group's revenue increased by 1.2% due to the GST tax-holiday.
- Contribution from our joint venture was lower by 25.7% mainly due to lower demand.
- The associates' results improved by 65.0% due to the GST tax-holiday.
- As a result, profit before tax for the quarter increased by 286.4% to RM45.1 million.

Results

	Quarter ended 30 Sep			Year to date ended 30 Sep		
	2018	2017	Change	2018	2017	Change
	RM mil	RM mil	%	RM mil	RM mil	%
Revenue	472.5	466.8	1.2	1,429.3	1,288.8	10.9
<i>On going business</i>	472.5	463.9	1.8	1,428.0	1,285.9	11.0
<i>One-off property contribution</i>	--	2.9	>100.0	1.3	2.9	>100.0
Profit before tax	45.1	11.7	286.4	127.6	54.1	135.7
<i>On going business</i>	45.1	11.0	311.1	127.5	53.2	139.5
<i>One-off property contribution</i>	--	0.7	(100.0)	0.1	0.9	(88.9)
Profit for the period	43.0	9.2	369.6	120.5	48.3	149.8
Profit attributable to owners of the Company	38.1	7.3	419.6	105.5	42.9	145.8
	Sen	Sen		Sen	Sen	
Basic earnings per share	9.8	1.9	418.6	27.0	11.0	145.7
	As at 30 Sep 2018 RM mil	As at 31 Dec 2017 RM mil				
Equity attributable to owners of the Company	1,518.0	1,449.7	4.7			
	RM	RM				
Net assets per share	3.88	3.71	4.7			
	Interim 2018 Sen	Interim 2017 Sen		YTD 2018 Sen	YTD 2017 Sen	
Dividend per share	--	--	-	3.0	1.5	100.0

Performance of sales by operations

% Changes *	Q3'18	Q3'18	YTD Sep'18
	vs Q2'18	vs Q3'17	vs YTD Sep'17
Total Industry Volume (TIV) **	+ 6.9	+ 17.0	+ 6.9
Total Industry Production (TIP) **	+ 11.9	+ 10.9	+ 10.3
Total Group's Vehicles Sales	- 15.4	- 13.2	+ 7.7
Subsidiaries			
DMSB - Daihatsu & Hino trucks	+ 92.4	+ 74.5	+ 48.4
DMMS Perodua vehicles	- 22.6	- 21.6	+ 4.4
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	+ 11.9	+ 43.5	+ 26.4
HASB	+ 14.6	+ 21.5	+ 12.1
OMI	+ 0.9	+ 0.5	+ 10.7
Service throughputs	+ 4.1	+ 5.5	+ 6.1
Joint Venture			
AHSB	- 8.8	+ 1.9	+ 10.9
Associated companies			
Perodua vehicles	- 10.3	- 0.9	+ 5.0
Hino trucks and buses	+ 63.4	+ 44.9	+ 15.0

Legend

DMSB : Daihatsu (Malaysia) Sdn Bhd
DMMS : DMM Sales Sdn Bhd
HASB : Hirota Acoustics Sdn Bhd
OMI : Oriental Metal Industries (M) Sdn Bhd
AHSB : Autoliv Hirota Sdn Bhd

* All changes based on vehicle unit sales, except for HASB, OMI and AHSB which are based on sales values

** Source : Malaysian Automotive Association (MAA) 2018 and 2017

QUARTERLY ANNOUNCEMENT
For the third quarter ended 30 September 2018

Group Financial Performance

Third quarter ended 30 September 2018 compared with third quarter ended 30 September 2017

	Revenue				Profit Before Tax ("PBT")			
	Quarter ended 30-Sep-18	Quarter ended 30-Sep-17	Change		Quarter ended 30-Sep-18	Quarter ended 30-Sep-17	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Consolidated Total	472,475	466,805	5,670	1.2	45,127	11,678	33,449	286.4
<u>Business segments:</u>								
Motor Trading	417,360	410,449	6,911	1.7	6,552	7,198	(646)	(9.0)
Auto Parts Manufacturing	54,732	53,199	1,533	2.9	(1,287)	(8,402)	7,115	84.7
Share of results of a joint venture					1,948	2,622	(674)	(25.7)
Share of results of associates					39,185	23,752	15,433	65.0
Others	383	3,157	(2,774)	(87.9)	(1,271)	(13,492)	12,221	90.6

Group

For the current quarter, the Group's revenue improved by RM5.7 million or 1.2% to RM472.4 million against the corresponding quarter. PBT is higher by RM33.4 million or 286.4% to close at RM45.1 million due to improved results from the Auto Parts Manufacturing Division as well as the associates. In the corresponding quarter, the Group also recognised an one-off goodwill impairment of RM10.8 million, whereas no impairment was made in the current quarter.

The Group's share of results in its joint venture reduced by RM0.7 million or 25.7% to close at RM1.9 million mainly due to lower demand.

The Group's share of associates' results increased by RM15.4 million or 65.0% against the corresponding quarter to close at RM39.2 million.

Motor Trading

Revenue for the current quarter increased by RM6.9 million or 1.7% to RM417.4 million against the corresponding period. The improved performance is driven by higher demand for vehicles resulting from the GST-free pricing in July and August 2018. The surge in demand for vehicles was however, dampened by the shortage of vehicles' supply to meet the above normal demand, and further suppressed in September 2018 by supply issue. The re-introduction of SST on 1 September 2018 also affected customers' interest and reduced the sales volume.

As a result, PBT for the quarter closed at RM6.6 million, lower by RM0.6 million or 9.0% as compared to the corresponding quarter.

Auto Parts Manufacturing

Revenue for the quarter increased by RM1.5 million or 2.9% to RM54.7 million against the corresponding quarter mainly due to product mix and higher production demand to meet vehicles supply shortage.

The Division closed at a loss before tax of RM1.3 million, an improvement of RM7.1 million or 84.7% as compared to the corresponding quarter's loss before tax of RM8.4 million. The lower losses was a result of continuous improvements in production efficiency at both the alloy wheel plant as well as the modular assembly plant.

QUARTERLY ANNOUNCEMENT
For the third quarter ended 30 September 2018

Third quarter ended 30 September 2018 against previous quarter ended 30 June 2018

	Revenue				Profit Before Tax ("PBT")			
	Quarter ended 30-Sep-18 RM'000	Quarter ended 30-Jun-18 RM'000	Change		Quarter ended 30-Sep-18 RM'000	Quarter ended 30-Jun-18 RM'000	Change	
			RM'000	%			RM'000	%
Consolidated Total	472,475	493,316	(20,841)	(4.2)	45,127	43,209	1,918	4.4
<u>Business segments:</u>								
Motor Trading	417,360	439,587	(22,227)	(5.1)	6,552	6,511	41	0.6
Auto Parts Manufacturing	54,732	53,390	1,342	2.5	(1,287)	(3,971)	2,684	67.6
Share of results of a joint venture					1,948	4,417	(2,469)	(55.9)
Share of associates' results					39,185	39,213	(28)	(0.1)
Others	383	339	44	13.0	(1,271)	(2,961)	1,690	57.1

Group

Revenue for the Group was lower against the preceding quarter by RM20.9 million or 4.2% due to lower sales from the Motor Trading Division. PBT for the quarter was RM45.1 million, an improvement of RM1.9 million or 4.4% contributed mainly from the Auto Manufacturing Division.

The Group's share of the joint venture's results reduced by RM2.5 million or 55.9% mainly due to lower production demand in September 2018; whereas the share of associates' results maintained at RM39.2 million for the quarter.

Motor Trading

Revenue for the current quarter reduced by RM22.2 million or 5.1% against the preceding quarter mainly due to vehicles shortage in September 2018. The Division's PBT was however marginally higher by 0.6% contributed by a one-off gain on sale of investment properties.

Auto Parts Manufacturing

The Division's revenue was higher by RM1.3 million or 2.5% against the preceding quarter. With the higher revenue, the loss before tax for the Division reduced significantly by RM2.7 million or 67.6%.

The higher revenue was mainly due to product mix and higher production demand to meet vehicles supply shortage. Continuous improvement in production efficiency at the alloy wheel plant further reduced the losses.

PROSPECTS

As anticipated in the earlier quarter, the Group's vehicle sales benefited from the GST tax-holiday period which ended on 31 August 2018. The higher demand was however, suppressed by insufficient stocks to meet market demand, as well as the reintroduction of SST in September which dampened consumers' interest. The unexpected supply disruption further constricted the sales volume in September 2018, although the issue was promptly resolved early into the fourth quarter.

With this backdrop, the Group expects the operating environment for the remainder of the year to be challenging given that most of consumers' buying interest have been fulfilled during the GST tax-holiday period.

Likewise, for the Auto Parts Manufacturing Division, the Group anticipates that the production volume will be in line with vehicle demand. At the alloy wheel plant, the Management is looking at various options in order to improve the performance of the Group.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the nine months ended 30 September 2018 - unaudited

		(Unaudited)		(Unaudited)
	Current	Comparative	9 months	Comparative
	Quarter	Quarter	Cumulative	9 months
	Ended	Ended	To Date	Cumulative
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Note	RM'000	RM'000	RM'000	RM'000
Revenue	14	472,475	466,805	1,429,251
Cost of sales		<u>(438,030)</u>	<u>(441,451)</u>	<u>(1,330,429)</u>
Gross profit		34,445	25,354	98,822
Other income		10,677	10,015	30,032
Administrative and other expenses		(25,960)	(30,589)	(72,228)
Selling and marketing expenses		(13,976)	(16,765)	(43,811)
Finance costs		(2,520)	(3,868)	(11,717)
Interest income		1,328	1,157	3,836
Share of results of a joint venture, net of tax		1,948	2,622	9,732
Share of results of associates, net of tax		<u>39,185</u>	<u>23,752</u>	<u>115,184</u>
Profit before tax	14	45,127	11,678	127,584
Income tax expense	18	<u>(2,159)</u>	<u>(2,528)</u>	<u>(7,053)</u>
Profit for the period		<u>42,968</u>	<u>9,150</u>	<u>120,531</u>
Profit attributable to:				
Owners of the Company		38,105	7,334	105,468
Non-controlling interests		<u>4,863</u>	<u>1,816</u>	<u>15,063</u>
Profit for the period		<u><u>42,968</u></u>	<u><u>9,150</u></u>	<u><u>120,531</u></u>
		<u><u>48,252</u></u>	<u><u>48,252</u></u>	<u><u>1,288,786</u></u>

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)
For the nine months ended 30 September 2018 - unaudited

	Note	Current Quarter Ended 30/09/2018 RM'000	(Unaudited) Comparative Quarter Ended 30/09/2017 RM'000	9 months Cumulative To Date 30/09/2018 RM'000	(Unaudited) Comparative 9 months Cumulative To Date 30/09/2017 RM'000
Profit for the period		42,968	9,150	120,531	48,252
Other comprehensive income/(loss), net of tax					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net gain/(loss) on cash flow hedges and revaluation of an associate		(29)	(4)	(24)	1
Other comprehensive income/(loss) for the period, net of tax		(29)	(4)	(24)	1
Total comprehensive income for the period		<u>42,939</u>	<u>9,146</u>	<u>120,507</u>	<u>48,253</u>
Total comprehensive income attributable to:					
Owners of the Company		38,080	7,331	105,447	42,914
Non-controlling interests		<u>4,859</u>	<u>1,815</u>	<u>15,060</u>	<u>5,339</u>
Total comprehensive income for the period		<u>42,939</u>	<u>9,146</u>	<u>120,507</u>	<u>48,253</u>
Earnings per ordinary share		sen	sen	sen	sen
Basic	23	9.75	1.88	26.98	10.98
Diluted	23	9.74	1.87	26.96	10.97

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 30 September 2018 - unaudited

	Note	As at end of Current Quarter 30/09/2018 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		265,108	273,087
Investment properties		64,941	65,612
Prepaid land lease payments		35,697	36,111
Investment in a joint venture		77,853	83,420
Investment in associates		1,183,927	1,113,652
Available-for-sale financial asset		1,988	1,988
Deferred tax assets		3,294	3,294
Goodwill on consolidation		1,104	1,104
Total Non-Current Assets		<u>1,633,912</u>	<u>1,578,268</u>
Current Assets			
Inventories		110,306	149,123
Trade & other receivables and prepaid expenses		131,694	147,915
Tax recoverable		13,018	13,677
Cash and bank balances		222,454	201,128
		477,472	511,843
Non-current assets classified as held for sale		<u>1,321</u>	<u>1,321</u>
Total Current Assets		<u>478,793</u>	<u>513,164</u>
TOTAL ASSETS	14	<u>2,112,705</u>	<u>2,091,432</u>

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

As at 30 September 2018 - unaudited

	Note	As at end of Current Quarter 30/09/2018 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2017 RM'000
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share capital		391,651	391,651
Reserves		<u>1,126,319</u>	<u>1,058,059</u>
Equity attributable to owners of the Company		1,517,970	1,449,710
Non-controlling interests		<u>248,749</u>	<u>216,523</u>
Total Equity		<u>1,766,719</u>	<u>1,666,233</u>
Non-Current Liabilities			
Long term borrowings	20	93,158	103,987
Deferred tax liabilities		4,907	4,926
Provision for retirement benefits		2,451	2,866
Finance lease payables - non-current portion		--	1,510
Hire purchase payables - non-current portion		<u>5</u>	<u>15</u>
Total Non-Current Liabilities		<u>100,521</u>	<u>113,304</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	20	98,091	175,644
Trade & other payables and accrued expenses		132,449	132,067
Amount owing to holding company		315	114
Finance lease payables - current portion		2,018	1,964
Hire purchase payables - current portion		14	14
Tax liabilities		583	1,824
Dividend payable		<u>11,727</u>	<u>--</u>
Total Current Liabilities		<u>245,465</u>	<u>311,895</u>
Total Liabilities	14	<u>345,986</u>	<u>425,199</u>
TOTAL EQUITY AND LIABILITIES		<u>2,112,705</u>	<u>2,091,432</u>
Net assets per share (RM)		3.88	3.71

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended 30 September 2018 - unaudited

Note	/----- Non-distributable -----/					Distributable reserve - Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Hedging reserve RM'000	Equity-settled employee benefits reserve RM'000				
9 months ended 30 September 2017									
At 1 January 2017	390,711	500	44,585	(39)	528	1,169,536	1,605,821	266,584	1,872,405
Dividends distributed to owners of the Company	--	--	--	--	--	(17,590)	(17,590)	--	(17,590)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	(38,960)	(38,960)
Profit for the period	--	--	--	--	--	42,913	42,913	5,339	48,252
Other comprehensive income/(loss) for the period	--	--	--	1	--	--	1	--	1
Total comprehensive income	--	--	--	1	--	42,913	42,914	5,339	48,253
Long-Term Incentive Plan ("LTIP"):									
Recognition of share-based payments	--	--	--	--	118	--	118	--	118
Share issued	174	258	--	--	(432)	--	--	--	--
Warrant exercised	8	--	(1)	--	--	--	7	--	7
Warrant expired	--	--	(44,584)	--	--	44,584	--	--	--
Transfer arising from "no par value" regime	758	(758)	--	--	--	--	--	--	--
At 30 September 2017	391,651	--	--	(38)	214	1,239,443	1,631,270	232,963	1,864,233
9 months ended 30 September 2018									
At 1 January 2018	391,651	--	--	(10)	254	1,057,815	1,449,710	216,523	1,666,233
Dividends distributed to owners of the Company	--	--	--	--	--	(17,590)	(17,590)	--	(17,590)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	(764)	(764)
Profit for the period	--	--	--	--	--	105,468	105,468	15,063	120,531
Other comprehensive income/(loss) for the period	--	--	--	(21)	--	--	(21)	(3)	(24)
Total comprehensive income	--	--	--	(21)	--	105,468	105,447	15,060	120,507
Long-Term Incentive Plan ("LTIP"):									
Recognition of share-based payments	--	--	--	--	79	--	79	--	79
Acquisition from non-controlling interests	--	--	--	--	--	(19,676)	(19,676)	17,930	(1,746)
At 30 September 2018	391,651	--	--	(31)	333	1,126,017	1,517,970	248,749	1,766,719

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended 30 September 2018 - unaudited

	2018 9 months ended 30/09/2018 RM'000	2017 9 months ended 30/09/2017 RM'000
Note	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	120,531	48,252
Adjustments for :		
Income tax expense	7,053	5,869
Share of results of associates	(115,184)	(73,060)
Share of results of a joint venture	(9,732)	(6,313)
Depreciation and amortisation	14,942	17,428
Other Non-cash items	5,560	12,406
Non-operating items	<u>2,520</u>	<u>8,586</u>
Operating profit before working capital changes	25,690	13,168
Changes in working capital		
(Increase) / Decrease in trade & other receivables	14,517	24,333
(Increase) / Decrease in inventories	32,585	9,800
Increase / (Decrease) in trade & other payables	383	14,770
Net changes in other current assets & liabilities	(215)	(231)
Income tax refunded	1	--
Income tax paid	<u>(7,656)</u>	<u>(7,425)</u>
Net cash from / (used in) operating activities	<u><u>65,305</u></u>	<u><u>54,415</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	44,882	52,524
Dividends received from a joint venture	15,300	15,551
Interest income	3,836	2,983
Purchase of property, plant & equipment	(6,421)	(2,185)
Additions to available-for-sale financial asset	--	(1,100)
Proceeds from disposal of property, plant & equipment	413	900
Proceeds from disposal of investment property	4,806	600
Acquisition from non-controlling interests	<u>(1,746)</u>	<u>--</u>
Net cash from investing activities	<u><u>61,070</u></u>	<u><u>69,273</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(5,863)	(17,590)
Dividends paid to non-controlling interests of subsidiaries	(764)	(38,960)
Finance costs	(8,573)	(11,717)
Bank borrowings	(84,718)	(50,673)
Finance lease payables	(1,456)	(1,324)
Hire-purchase payables	<u>(11)</u>	<u>(19)</u>
Net cash used in financing activities	<u><u>(101,385)</u></u>	<u><u>(120,283)</u></u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	24,990	3,405
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>188,104</u>	<u>172,971</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u><u>213,094</u></u>	<u><u>176,376</u></u>
Cash and cash equivalents comprise :		
Cash and bank balances	222,454	185,662
Bank overdrafts	<u>(9,360)</u>	<u>(9,286)</u>
	<u><u>213,094</u></u>	<u><u>176,376</u></u>

The notes on pages 10 to 16 are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), MFRS134: Interim Financial Reporting and the requirements of the Malaysian Companies Act, 2016 and comply with applicable disclosure provisions under Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad .

They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

2. Significant accounting policies

The accounting policies and method of computation applied by the Group in these unaudited condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations during the current financial period :

Effective for financial periods beginning on or after 1 January 2018

Amendment to MFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendment to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Considerations

The initial adoption of the above MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group saved for the key changes to the Group's accounting policies as summarised in 2.1.

At the date of authorisation of this unaudited interim financial statements, the following MFRSs and IC interpretation have been issued by the MASB but are not yet effective and have not been adopted by the Group :

Effective for financial periods beginning on or after 1 January 2019

Annual Improvements to MFRSs 2015-2017 Cycle	
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits - Plan Amendments, Curtailment or Settlement
MFRS 16	Leases
MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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2.1 Key changes to the Group's accounting policies

The key changes to the Group's accounting policies are summarised below:

MFRS 9: Financial Instruments

Classification and measurement

Investment classified as loans and receivables that's held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding were carried at amortised cost, and will continue to be measured at amortised cost upon the application of MFRS 9;

Other investments being equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured were previously classified as available-for-sale investments carried at cost, less accumulated impairment. Upon the application of MFRS 9, these financial assets are measured at 'fair value through other comprehensive income' (FVTOCI); and

All other financial assets and financial liabilities will continue to be measured on the same bases as was previously adopted under MFRS 139.

Impairment

MFRS 9 requires the Group to record expected credit losses on all of trade and other receivables and amount owing by subsidiaries either on a 12-month or lifetime basis. The Group elected to apply the simplified approach and record lifetime expected losses on all receivables. Upon application of the expected credit loss model, the loss allowance is not significantly different from the loss allowance under the previous basis of impairment.

Notes to the condensed consolidated interim financial statements (cont'd)

3. Independent Auditors' Report of Preceding Annual Financial Statements

The independent auditors' report on the financial statements of the Group and of the Company as at and for the year ended 31 December 2017 was not qualified.

4. Seasonal and cyclical factors

The main activities of the Group are in motor trading and manufacturing of automotive components and are therefore dependent on the economy of the country.

5. Exceptional items

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

6. Estimates

In preparing the condensed interim financial statements, the critical judgements made by management in applying the Group's accounting policies and the key estimation made were consistent with those applied in the financial statements of the Group for the year ended 31 December 2017.

7. 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.

The movements in the issued share capital of the Company arising from the share-based payments during the period was as follows:

	<u>Period ended 30/09/2018</u>	
	Number of shares '000	Share Capital RM'000
Ordinary shares		
As at 1 January 2018	390,887	391,651
Share-based payments	-	-
As at 30 September 2018	<u>390,887</u>	<u>391,651</u>

The Long-Term Incentive Plan ("LTIP") of the Company is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 19 November 2014. The LTIP was implemented on 26 September 2016 and will be in force for a period of 10 years from the effective date.

The LTIP comprises of two schemes, namely, the Performance Share Plan ("PSP") and Restricted Share Plan ("RSP").

The outstanding number of shares under the PSP during the financial period are 262,400 shares and will expire on 30 April 2019. There are no outstanding shares under the RSP during the financial period

8. Dividends paid

No dividends were paid during the financial quarter under review.

9. Subsequent material events

There were no material subsequent events to be disclosed at the date of this report.

10. Changes in composition of the Group

On 12 February 2018, the Group increased its stake in Oriental Metal Industries Sdn Bhd ("OMI") by way of acquisition of the remaining non-controlling interests comprise of 2,310,000 ordinary shares representing 22.00% of the ordinary share capital of OMI for a cash consideration of RM1,746,360. The acquisition was completed on 12 March 2018 and OMI became a wholly-owned subsidiary of the Group.

Notes to the condensed consolidated interim financial statements (cont'd)

11. Capital commitments

The amount of commitments in respect of the acquisition of property, plant and equipments not provided for in the interim financial statements as at 30 September 2018 is as follows :

	<u>RM'000</u>
Approved and contracted for	3,099
Approved and not contracted for	<u>7,816</u>

12. Significant related party transactions

During the period ended 30 September 2018, the Group and the Company had the following transactions with related parties :

	Period ended 30/09/2018 <u>RM'000</u>
<u>Group</u>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	688,267
Sales to a subsidiary of Perodua	40
Sales to an associate of Perodua	16,378
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	26,304
Purchases from Toyota Tsusho Corporation, its subsidiaries and associates	3,343
Purchases from Toyota Tsusho (Malaysia) Sdn. Bhd., its subsidiaries and associates	<u>175</u>
<u>Company</u>	
Gross dividends from:	
- subsidiaries	21,767
- associates	34,359
Management fees from:	
- subsidiaries	85
- associates	<u>90</u>

Toyota Tsusho Corporation ("TT") ceased to be a corporate shareholder of Oriental Metal Industries (M) Sdn Bhd ("OMI"), a subsidiary of the Group due to the change in the composition of the Group on 13 March 2018. Therefore, TT and Toyota Tsusho (Malaysia) Sdn Bhd ("TTM"), a subsidiary of TT ceased to be related parties of the Group.

13. Contingent liabilities or assets

The Group does not have any significant contingent liabilities or assets which upon due or enforceable, may have a material impact on the results of the Group.

14. Operating segments

The Group's reportable segments offer different products and services and are managed separately due to different trading nature and marketing strategies. Most of the businesses were acquired as individual units and the management at the time of acquisition remained.

Information reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance is more specifically focused on the business segments as follows:

- (i) Motor Trading : Marketing and distribution of motor vehicles, spare parts and provision of related services.
- (ii) Auto Parts Manufacturing : Manufacturing of automotive parts and components, steel and alloy wheels and discs, noise, vibration and harshness ("NVH") products and provision of tyre assembly services
- (iii) Property development (non-core) : Development of Menara MBMR
- (iv) All others : Investment holding, corporate headquarters and other dormant companies.

(Continued next page)

Notes to the condensed consolidated interim financial statements (cont'd)

14. Operating segments (cont'd)

Period ended 30 September 2018

	Motor Trading RM'000	Auto Parts Manufacturing RM'000	Property development RM'000	All others RM'000	Group RM'000
Revenues from external customers	1,256,649	170,297	1,276	1,029	1,429,251
Results for reportable segments	16,513	(4,885)	147	(4,370)	7,405
Share of results of a jointly venture	--	9,732	--	--	9,732
Share of results of associates	112,566	2,618	--	--	115,184
Interest income	2,137	132	--	1,567	3,836
Finance costs	(354)	(4,302)	--	(3,917)	(8,573)
Profit/(loss) before tax for reportable segment	130,862	3,295	147	(6,720)	127,584
Depreciation and amortisation	(6,278)	(7,412)	(16)	(1,236)	(14,942)
Other significant non-cash items					
- Property, plant and equipment written off	(211)	(856)	--	--	(1,067)
- Gain on disposal of investment properties	1,901	--	--	--	1,901
- Allowance for slow moving inventories	(2,789)	--	--	--	(2,789)
- Allowance for doubtful debts	(1,704)	--	--	--	(1,704)
Capital expenditure	3,377	3,044	--	--	6,421
Segment assets	531,837	163,692	7,269	148,127	850,925
Jointly controlled entity	--	54,954	--	22,899	77,853
Investment in associates	1,103,660	80,267	--	--	1,183,927
Segment liabilities	(113,444)	(148,558)	(2,271)	(81,713)	(345,986)

Period ended 30 September 2017

	Motor Trading RM'000	Auto Parts Manufacturing RM'000	Property development RM'000	All others RM'000	Group RM'000
Revenues from external customers	1,131,672	153,602	2,851	661	1,288,786
Results for reportable segments	15,174	(15,362)	915	(17,245)	(16,518)
Share of results of a joint venture	--	6,313	--	--	6,313
Share of results of associates	68,772	4,288	--	--	73,060
Interest income	1,412	416	--	1,155	2,983
Finance costs	(630)	(4,250)	--	(6,837)	(11,717)
Profit/(loss) before tax for reportable segment	84,728	(8,595)	915	(22,927)	54,121
Depreciation and amortisation	(6,644)	(9,496)	(21)	(1,267)	(17,428)
Other significant non-cash items					
- Impairment loss on goodwill	--	--	--	(10,767)	(10,767)
- Allowance for slow moving inventories	--	(1,500)	--	--	(1,500)
Capital expenditure	744	1,441	--	--	2,185
Segment assets	572,867	237,021	15,817	302,846	1,128,551
Jointly controlled entity	--	82,328	--	53,930	136,258
Investment in associates	1,005,714	74,702	--	--	1,080,416
Segment liabilities	(157,232)	(159,238)	(6,959)	(157,563)	(480,992)

Notes to the condensed consolidated interim financial statements (cont'd)

14. Operating segments (cont'd)

Reconciliations of reportable operating segment revenues,
profit or loss, assets and liabilities

	Period ended 30/09/2018 RM'000	Period ended 30/09/2017 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	1,428,222	1,288,125
All others	1,029	661
	<u>1,429,251</u>	<u>1,288,786</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	9,388	(2,325)
All others	(6,720)	(22,927)
Share of results of jointly controlled entity	9,732	6,313
Share of results of associates	115,184	73,060
	<u>127,584</u>	<u>54,121</u>
<u>Assets</u>		
Total assets for Group's reportable segments	702,798	825,705
All others	148,127	302,846
Jointly controlled entity	77,853	136,258
Investment in associates	1,183,927	1,080,416
	<u>2,112,705</u>	<u>2,345,225</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	264,273	323,429
All others	81,713	157,563
	<u>345,986</u>	<u>480,992</u>

The accounting policies and method of computation of the operating segments are consistent with those described in the summary of significant accounting policies in the recent audited financial statement for the year ended 31 December 2017. The Group evaluates performance of these operating segments based on their respective profit or loss.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at arm's length transactions.

The commentary on segment results is furnished in the Main Section on pages 2 of the announcement.

15. Review of Group performance

The review of performance by operations is furnished in the Main Section on pages 1 to 3 of the announcement.

16. Current year prospects

The overview of current year prospects is furnished in the Main Section on pages 1 to 3 of the announcement.

17. Variance from profit forecast or profit guarantee

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

Notes to the condensed consolidated interim financial statements (cont'd)

18. Income tax expense

	Current Quarter 30/09/2018 RM'000	Year to date 30/09/2018 RM'000
Current year's provision	2,287	7,181
Add :		
Under/(Over) provision in prior years	<u>(109)</u>	<u>(109)</u>
	2,178	7,072
Deferred taxation	<u>(19)</u>	<u>(19)</u>
Income tax expense	<u><u>2,159</u></u>	<u><u>7,053</u></u>

A reconciliation of the statutory income tax rate at 24% to the effective income tax rate of the Group for the

	Current Quarter 30/09/2018 %	Year to date 30/09/2018 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results in associates	(20.8)	(21.7)
Adjustment for tax applicable to share of results in jointly controlled entity	(1.0)	(1.8)
Expenses not deductible for tax purpose / (Income not subject to tax)	2.7	5.0
	<u>4.9</u>	<u>5.5</u>

19. Corporate proposals

There were no corporate proposals made or undertaken by the Group and the Company during the current quarter.

20. Group borrowings and debt securities

	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Denominated in Malaysian Currency (RM)		
Secured	100,123	93,163
Unsecured	<u>--</u>	<u>--</u>
Total	<u><u>100,123</u></u>	<u><u>93,163</u></u>

21. Material litigations

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

22. Dividend

A first interim single tier dividend of 3.0 sen per ordinary share amounting to approximately RM11,726,630 for the current financial year ending 31 December 2018 was declared on 28 August 2018 and paid on 5 October 2018.

Notes to the condensed consolidated interim financial statements (cont'd)

23. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 9 months ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Basic earnings per ordinary share				
Profit attributable to owners of the Company	RM'000 38,105	RM'000 7,334	RM'000 105,468	RM'000 42,913
Number of ordinary shares in issue	'000 390,887	'000 390,887	'000 390,887	'000 390,887
Basic earnings per share (sen)	9.75	1.88	26.98	10.98
Diluted earnings per ordinary share				
Profit attributable to owners of the Company	RM'000 38,105	RM'000 7,334	RM'000 105,468	RM'000 42,913
Number of ordinary shares in issue	'000 390,887	'000 390,887	'000 390,887	'000 390,887
Adjustments for assumed full exercise of LTIP	262	444	262	444
Number of ordinary shares used in the calculation of diluted earnings per share	391,149	391,331	391,149	391,331
Diluted earnings per share (sen)	9.74	1.87	26.96	10.97

24. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 9 months ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
a) Interest income	1,328	1,157	3,836	2,983
b) Interest expense	(2,520)	(3,868)	(8,573)	(11,717)
c) Depreciation and amortisation	(4,852)	(5,569)	(14,942)	(17,428)
d) Impairment loss on goodwill	--	(10,767)	--	(10,767)
e) Gain on disposal of property, plant and equipment	145	1	394	32
f) Property, plant and equipment written off	(1,051)	(138)	(1,067)	(139)
g) Gain on disposal of investment properties	1,901	235	1,901	235
h) Allowance for slow-moving inventories	(1,989)	(1,500)	(2,789)	(1,500)
i) Allowance for doubtful debts	(904)	--	(1,704)	--
j) Realised gain / (loss) on foreign exchange	(21)	10	(603)	136

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment of assets, provisions for and write off of receivable and inventories, gain or loss on derivatives, disposal of quoted or unquoted investments or properties, and other exceptional items for the current financial period ended 30 September 2018.

25. Authorised for issue

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 22 November 2018.

BY ORDER OF THE BOARD
MBM RESOURCES BERHAD

WONG PEIR CHYUN
COMPANY SECRETARY
KUALA LUMPUR
DATED : 22 NOVEMBER 2018