



QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2018

Summary

- The Group's revenue increased by 15.3% due to continuous high demand and increase supply to fulfil back orders received in previous quarters.
- The associates' results also improved by 40.3% due to higher vehicle sales.
- As a result, profit before tax for the quarter increased to RM73.1 million.

Results

	Quarter ended 31 Dec			Year to date ended 31 Dec		
	2018	2017	Change	2018	2017	Change
	RM mil	RM mil	%	RM mil	RM mil	%
Revenue	499.0	432.8	15.3	1,928.2	1,721.6	12.0
On going business	497.0	432.8	14.8	1,924.9	1,718.8	12.0
One-off property contribution	2.0	--	>100.0	3.3	2.8	>100.0
Profit / (Loss) before tax	73.1	(186.9)	>100.0	200.7	(132.7)	>100.0
On going business	74.4	50.3	47.9	202.8	114.3	77.5
Impairments made	(2.0)	(238.3)	99.2	(2.9)	(249.0)	98.8
One-off property contribution	0.7	1.1	(36.4)	0.8	2.0	(60.0)
Profit / (Loss) for the period	68.5	(193.4)	>100.0	189.0	(145.1)	>100.0
Profit / (Loss) attributable to owners of the Company	60.1	(181.6)	>100.0	165.5	(138.7)	>100.0
	Sen	Sen		Sen	Sen	
Basic earnings per share	15.4	(46.5)	>100.0	42.4	(35.5)	>100.0
	As at 31 Dec 2018 RM mil	As at 31 Dec 2017 RM mil				
Equity attributable to owners of the Company	1,578.1	1,449.7	8.9			
	RM	RM				
Net assets per share	4.04	3.71	8.9			
	Interim 2018 Sen	Interim 2017 Sen		YTD 2018 Sen	YTD 2017 Sen	
Dividend per share	3.0	1.5	100.0	6.0	3.0	100.0

Performance of sales by operations

% Changes *	Q4'18 vs Q3'18	Q4'18 vs Q4'17	YTD Dec'18 vs YTD Dec'17
<u>Total Industry Volume (TIV) **</u>	- 13.0	- 4.8	+ 3.8
<u>Total Industry Production (TIP) **</u>	+ 3.5	+ 21.9	+ 13.1
<u>Total Group's Vehicles Sales</u>	+ 13.6	+ 12.3	+ 8.9
<u>Subsidiaries</u>			
DMSB - Daihatsu & Hino trucks	- 21.6	+ 21.9	+ 39.7
DMMS Perodua vehicles	+ 24.3	+ 14.4	+ 6.9
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	- 39.1	- 18.3	+ 14.6
HASB	+ 12.8	+ 12.3	+ 12.1
OMI	+ 5.9	- 9.3	+ 4.9
Service throughputs	+ 2.6	+ 10.5	+ 7.2
<u>Joint Venture</u>			
AHSB	+ 41.8	+ 23.0	+ 14.3
<u>Associated companies</u>			
Perodua vehicles	+ 22.5	+ 29.6	+ 10.6
Hino trucks and buses	- 24.4	+ 6.3	+ 12.8

Legend

DMSB : Daihatsu (Malaysia) Sdn Bhd
DMMS : DMM Sales Sdn Bhd
HASB : Hirotao Acoustics Sdn Bhd
OMI : Oriental Metal Industries (M) Sdn Bhd
AHSB : Autoliv Hirotao 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 fourth quarter ended 31 December 2018

Group Financial Performance

Fourth quarter ended 31 December 2018 compared with fourth quarter ended 31 December 2017

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 31-Dec-18	Quarter ended 31-Dec-17	Change		Quarter ended 31-Dec-18	Quarter ended 31-Dec-17	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Consolidated Total	498,977	432,831	66,146	15.3	73,135	(186,870)	260,005	>100.0
<u>Business segments:</u>								
Motor Trading	438,058	369,813	68,245	18.5	8,335	(5,032)	13,367	>100.0
Auto Parts Manufacturing	58,456	62,690	(4,234)	(6.8)	(3,281)	(59,254)	55,973	94.5
Share of results of a joint venture					4,595	3,627	968	26.7
Share of results of associates					64,629	46,051	18,578	40.3
Others	2,463	328	2,135	>100.0	(1,143)	(172,262)	171,119	99.3

Group

For the current quarter, the Group's revenue improved by RM66.1 million or 15.3% to RM499.0 million against the corresponding quarter. PBT for the quarter was RM73.1 million, an increase of RM260.0 million and more than 100% as compared to the corresponding quarter's loss before tax (LBT) of RM186.9 million due to much improved results from the Motor Trading Division as well as the joint venture and associates. In the corresponding quarter, the Group had recognised one-off adjustments of RM238.3 million, comprised of RM176.6 million of impairment in goodwill and joint venture investment in its subsidiary Hirota Holdings Berhad Group (HHB Group), and RM61.2 million of impairment in the property, plant and equipment of mainly its alloy wheel plant. In the current quarter, only RM2.0 million in property, plant and equipment was impaired.

The Group's share of results in its joint venture increased by RM1.0 million or 26.7% to close at RM4.6 million mainly due to higher demand.

The Group's share of associates' results increased by RM18.6 million or 40.3% against the corresponding quarter to close at RM64.6 million.

Motor Trading

Revenue for the current quarter increased by RM68.2 million or 18.5% to RM438.1 million against the corresponding period. The improved performance was mostly driven by continuous high demand for the Perodua vehicles especially in the Myvi and Axia models, coupled by higher Perodua supply to fulfil back orders received in the previous quarters. For some of the other brands within the Group, the anticipated lower customer demand post GST tax holiday also had a minor dampening effect in the Division's performance.

As a result, PBT for the quarter closed at RM8.3 million, an increase of RM13.4 million and more than 100% as compared to the corresponding quarter. In the corresponding quarter, the reported loss of RM5.0 million was also partly contributed by an impairment made on property, plant and equipment of RM4.7 million.

Auto Parts Manufacturing

Revenue for the quarter reduced by RM4.2 million or 6.8% to RM58.5 million against the corresponding quarter. The shortfall was mainly due to product mix with higher module assembly demand in the corresponding quarter coming from certain customers that had more new launches in the previous year.

The Division closed at a loss before tax of RM3.3 million, an improvement of RM56.0 million or 94.5% as compared to the corresponding quarter's loss before tax of RM59.2 million. As mentioned above, the Division impaired a further RM2.0 million in the alloy plant's property, plant and equipment in the current quarter, while RM56.5 million impairment was made on property, plant and equipment in the corresponding quarter. In addition, the alloy wheel plant also made a provision for a one-off cost of RM 2.7 million. Excluding these impairments and provision, the Division would have a profit before tax of RM1.3 million against the LBT of RM2.7 million in the corresponding quarter. The improvement was a result of increase production efficiency at both the module assembly and alloy wheel plant.

QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2018

Fourth quarter ended 31 December 2018 against previous quarter ended 30 September 2018

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 31-Dec-18 RM'000	Quarter ended 30-Sep-18 RM'000	Change		Quarter ended 31-Dec-18 RM'000	Quarter ended 30-Sep-18 RM'000	Change	
			RM'000	%			RM'000	%
Consolidated Total	498,977	472,475	26,502	5.6	73,135	45,127	28,008	62.1
Business segments:								
Motor Trading	438,058	417,360	20,698	5.0	8,335	6,552	1,783	27.2
Auto Parts Manufacturing	58,456	54,732	3,724	6.8	(3,281)	(1,287)	(1,994)	>(100.0)
Share of results of a joint venture					4,595	1,948	2,647	>100.0
Share of associates' results					64,629	39,185	25,444	64.9
Others	2,463	383	2,080	>100.0	(1,143)	(1,271)	128	10.1

Group

Revenue for the Group was higher against the preceding quarter by RM26.5 million or 5.6% due mostly to increase sales from the Motor Trading Division. Likewise, PBT for the quarter was RM73.1 million, an improvement of RM28.0 million or 62.1% contributed by the Motor Trading Division, the joint venture entity and the associates.

The Group's share of the joint venture's results improved by RM2.6 million and more than 100% mainly due to higher production demand from customers to fulfil back orders received in the previous quarters.

The share of associates' results also improved to RM64.6 million, an increase of RM25.4 million or 64.9% as compared to the preceding quarter.

Motor Trading

Revenue for the current quarter increased by RM20.7 million or 5.0% against the preceding quarter due to increased supply during the quarter to compensate for supply shortage in the previous quarters. The Division's PBT likewise increased by RM1.8 million or 27.2%.

Auto Parts Manufacturing

The Division's revenue improved by RM3.7 million or 6.8% against the preceding quarter due to product mix and higher production demand to meet vehicles supply shortage.

With the higher revenue and improved efficiency, the Division's performance would have been an operating PBT of RM1.3 million (excluding the RM2.0 million and RM2.7 million of impairment and provision, respectively).

PROSPECTS

MBMR Group ended the year 2018 with an impressive performance boosted by the GST tax holiday and heightened consumer confidence, coupled by continuous interest in the brands MBMR Group has to offer, especially with the high demands for the Perodua Myvi and Axia, Volvo XC-90, XC-60 and the Volkswagen Tiguan, among others.

Looking forward, 2019's growth is expected to be driven by private sector demand amid continuing fiscal rationalisation while the external sector is likely to soften with moderating global demand (Bank Negara). Lingering global trade tensions and financial market volatility may be some of the main downside risks to the economy.

With this backdrop, MBMR Group anticipates the coming year to be a challenging year given that private consumption in the automotive sector may soften after a year of good performance. The Group remained optimistic on the sales outlook of the car models to which the Group is involved.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the twelve months ended 31 December 2018 - unaudited

		Current Quarter Ended 31/12/2018 RM'000	Comparative Quarter Ended 31/12/2017 RM'000	12 months Cumulative To Date 31/12/2018 RM'000	(Audited) Comparative 12 months Cumulative To Date 31/12/2017 RM'000
	Note				
Revenue	14	498,977	432,831	1,928,228	1,721,617
Cost of sales		<u>(459,632)</u>	<u>(407,205)</u>	<u>(1,790,061)</u>	<u>(1,620,141)</u>
Gross profit		39,345	25,626	138,167	101,476
Other income		10,985	18,830	41,017	42,501
Administrative and other expenses		(30,278)	(264,994)	(101,262)	(337,222)
Selling and marketing expenses		(14,993)	(13,672)	(65,458)	(57,483)
Finance costs		(2,232)	(3,724)	(10,805)	(15,441)
Interest income		1,084	1,386	4,920	4,369
Share of results of a joint venture, net of tax		4,595	3,627	14,327	9,940
Share of results of associates, net of tax		<u>64,629</u>	<u>46,051</u>	<u>179,813</u>	<u>119,111</u>
Profit / (Loss) before tax	14	<u>73,135</u>	<u>(186,870)</u>	<u>200,719</u>	<u>(132,749)</u>
Income tax expense	18	<u>(4,646)</u>	<u>(6,481)</u>	<u>(11,699)</u>	<u>(12,350)</u>
Profit / (Loss) for the period		<u>68,489</u>	<u>(193,351)</u>	<u>189,020</u>	<u>(145,099)</u>
Profit / (Loss) attributable to:					
Owners of the Company		60,080	(181,628)	165,548	(138,715)
Non-controlling interests		<u>8,409</u>	<u>(11,723)</u>	<u>23,472</u>	<u>(6,384)</u>
Profit / (Loss) for the period		<u>68,489</u>	<u>(193,351)</u>	<u>189,020</u>	<u>(145,099)</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 twelve months ended 31 December 2018 - unaudited

		Current Quarter Ended 31/12/2018 RM'000	Comparative Quarter Ended 31/12/2017 RM'000	12 months Cumulative To Date 31/12/2018 RM'000	(Audited) Comparative 12 months Cumulative To Date 31/12/2017 RM'000
Note					
	Profit / (Loss) for the period	68,489	(193,351)	189,020	(145,099)
	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	(9)	31	(33)	32
	Other comprehensive income / (loss) for the period, net of tax	(9)	31	(33)	32
	Total comprehensive income / (loss) for the period	<u>68,480</u>	<u>(193,320)</u>	<u>188,987</u>	<u>(145,067)</u>
	Total comprehensive income / (loss) attributable to:				
	Owners of the Company	60,071	(181,600)	165,518	(138,686)
	Non-controlling interests	<u>8,409</u>	<u>(11,720)</u>	<u>23,469</u>	<u>(6,381)</u>
	Total comprehensive income / (loss) for the period	<u>68,480</u>	<u>(193,320)</u>	<u>188,987</u>	<u>(145,067)</u>
	Earnings per ordinary share	sen	sen	sen	sen
	Basic	23 15.37	(46.47)	42.35	(35.49)
	Diluted	23 15.36	(46.41)	42.32	(35.45)

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 31 December 2018 - unaudited

	Note	As at end of Current Quarter 31/12/2018 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		271,289	273,087
Investment properties		56,908	65,612
Prepaid land lease payments		35,550	36,111
Investment in a joint venture		72,247	83,420
Investment in associates		1,204,656	1,113,652
Available-for-sale financial asset		1,936	1,988
Deferred tax assets		1,350	3,294
Goodwill on consolidation		1,104	1,104
Total Non-Current Assets		<u>1,645,040</u>	<u>1,578,268</u>
Current Assets			
Inventories		104,771	149,123
Trade & other receivables and prepaid expenses		138,110	147,915
Amount owing by a joint venture		10,200	--
Tax recoverable		15,206	13,677
Cash and bank balances		194,695	201,128
		<u>462,982</u>	<u>511,843</u>
Non-current assets classified as held for sale		1,321	1,321
Total Current Assets		<u>464,303</u>	<u>513,164</u>
TOTAL ASSETS	14	<u>2,109,343</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 31 December 2018 - unaudited

		As at end of Current Quarter 31/12/2018 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2017 RM'000
	Note		
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share capital		391,651	391,651
Reserves		<u>1,186,404</u>	<u>1,058,059</u>
Equity attributable to owners of the Company		1,578,055	1,449,710
Non-controlling interests		<u>250,577</u>	<u>216,523</u>
Total Equity		<u>1,828,632</u>	<u>1,666,233</u>
Non-Current Liabilities			
Long term borrowings	20	85,452	103,987
Deferred tax liabilities		4,879	4,926
Provision for retirement benefits		2,271	2,866
Finance lease payables - non-current portion		--	1,510
Hire purchase payables - non-current portion		<u>1</u>	<u>15</u>
Total Non-Current Liabilities		<u>92,603</u>	<u>113,304</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	20	58,198	175,644
Trade & other payables and accrued expenses		126,145	132,067
Amount owing to holding company		190	114
Finance lease payables - current portion		1,510	1,964
Hire purchase payables - current portion		14	14
Tax liabilities		<u>1,783</u>	<u>1,824</u>
Total Current Liabilities		<u>188,108</u>	<u>311,895</u>
Total Liabilities	14	<u>280,711</u>	<u>425,199</u>
TOTAL EQUITY AND LIABILITIES		<u>2,109,343</u>	<u>2,091,432</u>
Net assets per share (RM)		4.04	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 twelve months ended 31 December 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				
12 months ended 31 December 2017 - audited									
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	--	--	--	--	--	--	--	(43,661)	(43,661)
Loss for the period	--	--	--	--	--	(138,715)	(138,715)	(6,384)	(145,099)
Other comprehensive income/(loss) for the period	--	--	--	29	--	--	29	3	32
Total comprehensive income/(loss)	--	--	--	29	--	(138,715)	(138,686)	(6,381)	(145,067)
Long-Term Incentive Plan ("LTIP"):									
Recognition of share-based payments	--	--	--	--	158	--	158	--	158
Share issued	174	258	--	--	(432)	--	--	--	--
Warrant exercised	8	--	(1)	--	--	--	7	--	7
Warrant expired	--	--	(44,584)	--	--	44,584	--	--	--
Capital reduction to non-controlling interests of a subsidiary	--	--	--	--	--	--	--	(19)	(19)
Transfer arising from "no par value" regime	758	(758)	--	--	--	--	--	--	--
At 31 December 2017	391,651	--	--	(10)	254	1,057,815	1,449,710	216,523	1,666,233
12 months ended 31 December 2018 - unaudited									
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	--	--	--	--	--	--	--	(7,345)	(7,345)
Profit for the period	--	--	--	--	--	165,548	165,548	23,472	189,020
Other comprehensive income/(loss) for the period	--	--	--	(30)	--	--	(30)	(3)	(33)
Total comprehensive income	--	--	--	(30)	--	165,548	165,518	23,469	188,987
Long-Term Incentive Plan ("LTIP"):									
Recognition of share-based payments	--	--	--	--	93	--	93	--	93
Acquisition from non-controlling interests	--	--	--	--	--	(19,676)	(19,676)	17,930	(1,746)
At 31 December 2018	391,651	--	--	(40)	347	1,186,097	1,578,055	250,577	1,828,632

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 twelve months ended 31 December 2018 - unaudited

	2018	(Audited) 2017
	12 months ended 31/12/2018	12 months ended 31/12/2017
Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the period	189,020	(145,099)
Adjustments for :		
Income tax expense	11,699	12,350
Share of results of associates	(179,813)	(119,111)
Share of results of a joint venture	(14,327)	(9,940)
Depreciation and amortisation	18,123	23,799
Other Non-cash items	9,623	252,862
Non-operating items	<u>3,682</u>	<u>4,003</u>
Operating profit before working capital changes	38,007	18,864
Changes in working capital		
(Increase) / Decrease in trade & other receivables	8,101	32,158
(Increase) / Decrease in inventories	36,097	36,433
Increase / (Decrease) in trade & other payables	(5,920)	5,779
Net changes in other current assets & liabilities	(520)	(651)
Income tax refunded	1	389
Income tax paid	<u>(11,374)</u>	<u>(11,044)</u>
Net cash from / (used in) operating activities	<u><u>64,392</u></u>	<u><u>81,928</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	88,772	65,369
Dividends received from a joint venture	15,300	40,985
Interest income	4,920	4,369
Purchase of property, plant & equipment	(9,714)	(6,294)
Additions to available-for-sale financial asset	--	(1,140)
Proceeds from disposal of property, plant & equipment	536	11,417
Proceeds from disposal of investment property	4,806	--
Acquisition from non-controlling interests	<u>(1,746)</u>	<u>--</u>
Net cash from investing activities	<u><u>102,874</u></u>	<u><u>114,706</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(17,590)	(17,590)
Dividends paid to non-controlling interests of subsidiaries	(7,345)	(43,661)
Proceeds from issuance of shares	--	7
Finance costs	(10,805)	(15,594)
Bank borrowings	(131,264)	(102,717)
Finance lease payables	(1,964)	(1,787)
Hire-purchase payables	<u>(14)</u>	<u>(14)</u>
Net cash used in financing activities	<u><u>(168,982)</u></u>	<u><u>(181,356)</u></u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,716)	15,278
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>188,104</u>	<u>172,826</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>186,388</u></u>	<u><u>188,104</u></u>
Cash and cash equivalents comprise :		
Cash and bank balances	194,695	201,128
Bank overdrafts	<u>(8,307)</u>	<u>(13,024)</u>
	<u><u>186,388</u></u>	<u><u>188,104</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 31/12/2018</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 31 December 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

A first interim single tier dividend of 3.0 sen per share on 390,887,653 ordinary shares amounting to RM11,726,630 in respect of the current financial year ended 31 December 2018 was paid on 5 October 2018.

A second 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 23 January 2019 and paid on 25 February 2019.

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

There were no material changes in the composition of the Group during for the current quarter under review.

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 31 December 2018 is as follows :

	<u>RM'000</u>
Approved and contracted for	516
Approved and not contracted for	<u>4,353</u>

12. Significant related party transactions

During the period ended 31 December 2018, the Group and the Company had the following transactions with related parties :

	Period ended 31/12/2018 <u>RM'000</u>
<u>Group</u>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	962,465
Sales to a subsidiary of Perodua	64
Sales to an associate of Perodua	23,322
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	39,677
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	34,320
- associates	69,471
Management fees from:	
- subsidiaries	100
- associates	<u>120</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 31 December 2018

	Motor Trading	Auto Parts Manufacturing	Property development	All others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	1,694,707	228,753	3,305	1,463	1,928,228
Results for reportable segments	24,094	(6,857)	771	(5,544)	12,464
Share of results of a jointly venture	--	14,327	--	--	14,327
Share of results of associates	172,233	7,580	--	--	179,813
Interest income	2,937	187	--	1,796	4,920
Finance costs	(400)	(5,666)	--	(4,739)	(10,805)
Profit/(loss) before tax for reportable segment	198,864	9,571	771	(8,487)	200,719
Depreciation and amortisation	(8,196)	(7,405)	(16)	(2,506)	(18,123)
Other significant non-cash items					
- Impairment loss on property, plant and equipment	--	(2,813)	--	--	(2,813)
- Property, plant and equipment written off	(211)	(32)	--	--	(243)
- Gain on disposal of investment properties	1,901	--	--	--	1,901
- Allowance for slow moving inventories	(4,812)	--	--	--	(4,812)
- Allowance for doubtful debts	(1,704)	--	--	--	(1,704)
Capital expenditure	5,562	4,152	--	--	9,714
Segment assets	516,797	169,025	6,761	139,857	832,440
Jointly controlled entity	--	49,348	--	22,899	72,247
Investment in associates	1,119,428	85,228	--	--	1,204,656
Segment liabilities	(98,182)	(148,118)	(2,427)	(31,984)	(280,711)

Period ended 31 December 2017

	Motor Trading	Auto Parts Manufacturing	Property development	All others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	1,501,485	216,292	2,851	989	1,721,617
Results for reportable segments	9,714	(73,368)	1,952	(189,026)	(250,728)
Share of results of a joint venture	--	9,940	--	--	9,940
Share of results of associates	108,992	10,119	--	--	119,111
Interest income	2,062	614	--	1,693	4,369
Finance costs	(852)	(5,696)	--	(8,893)	(15,441)
Profit/(loss) before tax for reportable segment	119,916	(58,391)	1,952	(196,226)	(132,749)
Depreciation and amortisation	(7,933)	(13,333)	(27)	(2,506)	(23,799)
Other significant non-cash items					
- Impairment loss on goodwill	--	--	--	(156,404)	(156,404)
- Impairment loss on investment in a joint venture	--	--	--	(31,030)	(31,030)
- Impairment loss on investment in other investments	(352)	--	--	--	(352)
- Impairment loss on property, plant and equipment	(4,774)	(56,466)	--	--	(61,240)
- Inventory written down	(2,162)	(1,373)	--	--	(3,535)
- Allowance for doubtful debts	(475)	(170)	--	--	(645)
- Allowance for doubtful debts no longer required	3,205	--	--	--	3,205
- Allowance for slow moving inventories	(2,760)	--	--	--	(2,760)
Capital expenditure	4,604	1,690	--	--	6,294
Segment assets	540,996	175,054	13,832	164,478	894,360
Jointly controlled entity	--	60,521	--	22,899	83,420
Investment in associates	1,033,119	80,533	--	--	1,113,652
Segment liabilities	(140,880)	(165,887)	(4,018)	(114,414)	(425,199)

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 31/12/2018 RM'000	Period ended 31/12/2017 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	1,926,765	1,720,628
All others	1,463	989
	<u>1,928,228</u>	<u>1,721,617</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	15,066	(65,574)
All others	(8,487)	(196,226)
Share of results of jointly controlled entity	14,327	9,940
Share of results of associates	179,813	119,111
	<u>200,719</u>	<u>(132,749)</u>
<u>Assets</u>		
Total assets for Group's reportable segments	692,583	729,882
All others	139,857	164,478
Jointly controlled entity	72,247	83,420
Investment in associates	1,204,656	1,113,652
	<u>2,109,343</u>	<u>2,091,432</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	248,727	310,785
All others	31,984	114,414
	<u>280,711</u>	<u>425,199</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 31/12/2018 RM'000	Year to date 31/12/2018 RM'000
Current year's provision	4,657	11,838
Add :		
Under/(Over) provision in prior years	<u>(1,927)</u>	<u>(2,036)</u>
	2,730	9,802
Deferred taxation	<u>1,916</u>	<u>1,897</u>
Income tax expense	<u><u>4,646</u></u>	<u><u>11,699</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 31/12/2018 %	Year to date 31/12/2018 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results in associates	(21.2)	(21.5)
Adjustment for tax applicable to share of results in jointly controlled entity	(1.5)	(1.7)
Expenses not deductible for tax purpose / (Income not subject to tax)	5.1	5.0
	<u>6.4</u>	<u>5.8</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	59,722	85,453
Unsecured	<u>--</u>	<u>--</u>
Total	<u><u>59,722</u></u>	<u><u>85,453</u></u>

21. Material litigations

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

22. Dividend

The Board did not declare any dividend during the current quarter.

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

23. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 12 months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Basic earnings per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit / (Loss) attributable to owners of the Company	60,080	(181,628)	165,548	(138,715)
	'000	'000	'000	'000
Number of ordinary shares in issue	390,887	390,887	390,887	390,887
Basic earnings per share (sen)	15.37	(46.47)	42.35	(35.49)
Diluted earnings per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit / (Loss) attributable to owners of the Company	60,080	(181,628)	165,548	(138,715)
	'000	'000	'000	'000
Number of ordinary shares in issue	390,887	390,887	390,887	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)	15.36	(46.41)	42.32	(35.45)

24. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 12 months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
a) Interest income	1,084	1,386	4,920	4,369
b) Interest expense	(2,232)	(3,724)	(10,805)	(15,441)
c) Depreciation and amortisation	(3,181)	(6,371)	(18,123)	(23,799)
d) Impairment loss on goodwill	--	(145,637)	--	(156,404)
e) Impairment loss on investment in a joint venture	--	(31,030)	--	(31,030)
f) Impairment loss on other investments	(52)	(352)	(52)	(352)
g) Impairment loss on property, plant and equipment	(1,973)	(61,240)	(2,813)	(61,240)
h) Property, plant and equipment written off	(16)	--	(243)	(101)
i) Gain on disposal of property, plant and equipment	--	6,545	394	6,548
j) Gain on disposal of investment properties	--	--	1,901	--
k) Gain on deemed disposal of an associate	--	1,200	--	1,200
l) Inventories written down	--	(3,535)	--	(3,535)
m) Allowance for slow-moving inventories	(2,023)	(1,260)	(4,812)	(2,760)
n) Allowance for doubtful debts	--	(645)	(1,704)	(645)
o) Allowance for doubtful debts no longer required	--	3,205	--	3,205
p) Realised gain / (loss) on foreign exchange	80	(76)	(523)	60

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 31 December 2018.

25. Authorised for issue

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 27 February 2019.

BY ORDER OF THE BOARD
MBM RESOURCES BERHAD

WONG PEIR CHYUN
COMPANY SECRETARY
KUALA LUMPUR

DATED : 27 FEBRUARY 2019