



**QUARTERLY ANNOUNCEMENT**  
**For the first quarter ended 31 March 2019**

**Summary**

- The Group's revenue increased by 14.9% due to continuous vehicle demand to fulfil back orders received in previous quarters.
- The associates' results also improved by 16.4% due to higher vehicle sales.
- As a result, profit before tax for the quarter increased to RM61.5 million.

**Results**

	Quarter ended 31 Mar			Year to date ended 31 Mar		
	2019	2018	Change	2019	2018	Change
	RM mil	RM mil	%	RM mil	RM mil	%
Revenue	532.5	463.5	14.9	532.5	463.5	14.9
On going business	532.5	462.2	15.2	532.5	462.2	15.2
One-off property contribution	--	1.3	>(100.0)	--	1.3	>(100.0)
Profit before tax	61.5	39.2	56.7	61.5	39.2	56.7
On going business	61.9	39.0	58.5	61.9	39.0	58.5
One-off property contribution	(0.4)	0.2	>(100.0)	(0.4)	0.2	>(100.0)
Profit for the period	58.7	37.1	58.2	58.7	37.1	58.2
Profit attributable to owners of the Company	49.7	32.8	51.3	49.7	32.8	51.3
Basic earnings per share	Sen	Sen		Sen	Sen	
	12.7	8.4	51.2	12.7	8.4	51.2
Equity attributable to owners of the Company	As at 31 Mar 2019 RM mil	As at 31 Dec 2018 RM mil				
	1,619.5	1,579.3	2.5			
Net assets per share	RM	RM				
	4.14	4.04	2.5			
Dividend per share	Interim 2019 Sen	Interim 2018 Sen		YTD 2019 Sen	YTD 2018 Sen	
	--	--	--	--	--	--

**Performance of sales by operations**

% Changes *	Q1'19 vs Q4'18	Q1'19 vs Q1'18	YTD Mar'19 vs YTD Mar'18
<u>Total Industry Volume (TIV) **</u>	- 0.5	+ 5.9	+ 5.9
<u>Total Industry Production (TIP) **</u>	- 0.1	- 7.6	- 7.6
<u>Total Group's Vehicles Sales</u>	- 5.9	+ 4.6	+ 4.6
<u>Subsidiaries</u>			
DMSB - Daihatsu & Hino trucks	- 38.7	+ 8.9	+ 8.9
DMMS Perodua vehicles	- 4.7	+ 5.2	+ 5.2
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	+ 10.4	- 5.2	- 5.2
HASB	- 6.1	+ 13.0	+ 13.0
OMI	+ 12.3	+ 1.9	+ 1.9
Service throughputs	- 5.9	+ 4.6	+ 4.6
<u>Joint Venture</u>			
AHSB	- 12.3	+ 11.0	+ 11.0
<u>Associated companies</u>			
Perodua vehicles	- 2.1	- 3.0	- 3.0
Hino trucks and buses	- 8.4	- 1.1	- 1.1

**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) 2019 and 2018

**QUARTERLY ANNOUNCEMENT**  
**For the first quarter ended 31 March 2019**

**Group Financial Performance**

**First quarter ended 31 March 2019 compared with first quarter ended 31 March 2018**

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 31-Mar-19	Quarter ended 31-Mar-18	Change		Quarter ended 31-Mar-19	Quarter ended 31-Mar-18	Change	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Consolidated Total	532,450	463,460	68,990	14.9	61,492	39,248	22,244	56.7
<b><u>Business segments:</u></b>								
Motor Trading	467,913	399,702	68,211	17.1	17,454	5,233	12,221	233.5
Auto Parts Manufacturing	64,138	62,175	1,963	3.2	(422)	(3,797)	3,375	88.9
Share of results of a joint venture					3,917	3,367	550	16.3
Share of results of associates					42,830	36,786	6,044	16.4
Others	399	1,583	(1,184)	(74.8)	(2,287)	(2,341)	54	2.3

**Group**

For the current quarter, the Group's revenue improved by RM69.0 million or 14.9% to RM532.4 million against the corresponding quarter. PBT for the quarter was RM61.5 million, an increase of RM22.2 million or 56.7% as compared to the corresponding quarter generally due to better performance from both Divisions, as well as better results for both the joint venture and the associates.

The Group's share of results in its joint venture increased by RM0.5 million or 16.3% to close at RM3.9 million mainly due to higher demand.

The Group's share of associates' results increased by RM6.0 million or 16.4% against the corresponding quarter to close at RM42.8 million.

**Motor Trading**

Revenue for the current quarter increased by RM68.2 million or 17.1% to close at RM467.9 million against the corresponding quarter. The higher performance was contributed by good demand for the Perodua vehicles especially for the Myvi and Axia models, complemented by the addition of the Perodua Aruz which garnered keen interest since its launch in November 2018. Volume for Volvo increased as well with the addition of the XC-40 which catered to wider market segment. As for our Volkswagen however, consumer interest appeared to taper down after the high demand during the GST tax holiday in 2018.

PBT for the quarter closed at RM17.4 million, inclusive of a gain of RM11.9 million from the sale of a property during the quarter. Excluding the gain, the PBT was RM5.5 million, an increase of RM0.3 million or 5.8% as compared to the corresponding quarter.

**Auto Parts Manufacturing**

Revenue for the quarter increased marginally by RM2.0 million or 3.2% to RM64.1 million against the corresponding quarter due to sustained production demand from car makers to fulfil earlier backorders and to replenish depleted stocks.

The Division closed at a loss before tax (LBT) of RM0.4 million, a lower loss of RM3.4 million or 88.9% as compared to the corresponding quarter's LBT of RM3.8 million. The lower losses was a result of further improvement at the alloy wheel plant.

The Group is on track to close the operation of alloy wheel plant by mid-year 2019.

**QUARTERLY ANNOUNCEMENT**  
**For the first quarter ended 31 March 2019**

**First quarter ended 31 March 2019 against previous quarter ended 31 December 2018**

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 31-Mar-19 RM'000	Quarter ended 31-Dec-18 RM'000	Change		Quarter ended 31-Mar-19 RM'000	Quarter ended 31-Dec-18 RM'000	Change	
			RM'000	%			RM'000	%
Consolidated Total	532,450	497,797	34,653	7.0	61,492	76,428	(14,936)	(19.5)
<b><u>Business segments:</u></b>								
Motor Trading	467,913	436,673	31,240	7.2	17,454	8,169	9,285	113.7
Auto Parts Manufacturing	64,138	58,455	5,683	9.7	(422)	(3,101)	2,679	86.4
Share of results of a joint venture					3,917	4,595	(678)	(14.8)
Share of associates' results					42,830	67,907	(25,077)	(36.9)
Others	399	2,669	(2,270)	(85.1)	(2,287)	(1,142)	(1,145)	(100.3)

**Group**

Revenue for the Group was higher against the preceding quarter by RM34.6 million or 7.0% with increase sales coming from both the Motor Trading and Auto Manufacturing Divisions. PBT for the quarter was RM61.5 million, RM14.9 million or 19.5% lower than the preceding quarter's PBT of RM76.4 million due to lower results from the joint venture entity and the associates.

The Group's share of the joint venture's results reduced by RM0.7 million or 14.8% as production demand eased slightly after the high performance in 2018.

The share of associates' results likewise reduced to RM42.8 million, a reduction of RM25.1 million or 36.9% as compared to the preceding quarter.

**Motor Trading**

Revenue for the current quarter increased by RM31.2 million or 7.2% against the preceding quarter due to the aforesaid demand for the Perodua and Volvo models. The Division's PBT closed at RM17.4 million including the gain on sale of property of RM11.9 million. The operating PBT excluding the gain was RM5.5 million, RM2.6 million or 32.3% lower than the PBT for the preceding quarter. The lower PBT is mainly due to reduced margin for certain models.

**Auto Parts Manufacturing**

The Division's revenue also improved by RM5.7 million or 9.7% against the preceding quarter due to the aforesaid sustained production demand.

With the higher revenue, the Division's performance improved by RM2.7 million, or 86.4% to close at an LBT of RM0.4 million.

**PROSPECTS**

The Group performed satisfactorily in the first quarter of 2019. Despite challenging market and economic environment, we remain optimistic moving forward.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the three months ended 31 March 2019 - unaudited**

		Current Quarter Ended 31/03/2019 RM'000	Comparative Quarter Ended 31/03/2018 RM'000	3 months Cumulative To Date 31/03/2019 RM'000	(Unaudited) Comparative 3 months Cumulative To Date 31/03/2018 RM'000
	Note				
Revenue	14	532,450	463,460	532,450	463,460
Cost of sales		<u>(495,672)</u>	<u>(433,060)</u>	<u>(495,672)</u>	<u>(433,060)</u>
Gross profit		36,778	30,400	36,778	30,400
Other income		21,176	8,235	21,176	8,235
Administrative and other expenses		(24,453)	(22,810)	(24,453)	(22,810)
Selling and marketing expenses		(17,779)	(15,150)	(17,779)	(15,150)
Finance costs		(1,883)	(2,956)	(1,883)	(2,956)
Interest income		906	1,376	906	1,376
Share of results of a joint venture, net of tax		3,917	3,367	3,917	3,367
Share of results of associates, net of tax		<u>42,830</u>	<u>36,786</u>	<u>42,830</u>	<u>36,786</u>
<b>Profit before tax</b>	14	<u>61,492</u>	<u>39,248</u>	<u>61,492</u>	<u>39,248</u>
Income tax expense	18	<u>(2,838)</u>	<u>(2,181)</u>	<u>(2,838)</u>	<u>(2,181)</u>
<b>Profit for the period</b>		<u>58,654</u>	<u>37,067</u>	<u>58,654</u>	<u>37,067</u>
<b>Profit attributable to:</b>					
Owners of the Company		49,655	32,815	49,655	32,815
Non-controlling interests		<u>8,999</u>	<u>4,252</u>	<u>8,999</u>	<u>4,252</u>
<b>Profit for the period</b>		<u><u>58,654</u></u>	<u><u>37,067</u></u>	<u><u>58,654</u></u>	<u><u>37,067</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 three months ended 31 March 2019 - unaudited**

	Note	Current Quarter Ended 31/03/2019 RM'000	Comparative Quarter Ended 31/03/2018 RM'000	3 months Cumulative To Date 31/03/2019 RM'000	(Audited) Comparative 3 months Cumulative To Date 31/03/2018 RM'000
<b>Profit for the period</b>		58,654	37,067	58,654	37,067
<b>Other comprehensive income / (loss), net of tax</b>					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Share of revaluation surplus arising from fair value adjustments of assets in an associate		2,522	--	2,522	--
Net gain / (loss) on cash flow hedges and revaluation of an associate		40	124	40	124
<b>Other comprehensive income / (loss) for the period, net of tax</b>		2,562	124	2,562	124
<b>Total comprehensive income for the period</b>		61,216	37,191	61,216	37,191
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		51,968	32,927	51,968	32,927
Non-controlling interests		9,248	4,264	9,248	4,264
<b>Total comprehensive income for the period</b>		61,216	37,191	61,216	37,191
<b>Earnings per ordinary share</b>		sen	sen	sen	sen
Basic	23	12.70	8.40	12.70	8.40
Diluted	23	12.70	8.39	12.70	8.39

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 March 2019 - unaudited**

	Note	As at end of Current Quarter 31/03/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment		268,807	269,023
Right-of-use assets		3,565	--
Investment properties		58,654	59,082
Prepaid land lease payments		35,458	35,589
Investment in a joint venture		76,165	72,248
Investment in associates		1,253,325	1,207,934
Available-for-sale financial asset		1,936	1,936
Deferred tax assets		2,538	2,538
Goodwill on consolidation		1,104	1,104
Total Non-Current Assets		<u>1,701,552</u>	<u>1,649,454</u>
<b>Current Assets</b>			
Inventories		133,580	104,410
Trade & other receivables and prepaid expenses		166,622	132,148
Amount owing by a joint venture		--	10,200
Tax recoverable		11,130	11,167
Cash and bank balances		152,705	197,373
		464,037	455,298
Assets classified as held for sale		--	1,321
Total Current Assets		<u>464,037</u>	<u>456,619</u>
<b>TOTAL ASSETS</b>	14	<b><u>2,165,589</u></b>	<b><u>2,106,073</u></b>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)**

**As at 31 March 2019 - unaudited**

		As at end of Current Quarter 31/03/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Capital and Reserves</b>			
Share capital		391,651	391,651
Reserves		<u>1,227,861</u>	<u>1,187,620</u>
Equity attributable to owners of the Company		1,619,512	1,579,271
Non-controlling interests		<u>258,478</u>	<u>249,239</u>
Total Equity		<u>1,877,990</u>	<u>1,828,510</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	20	82,793	85,406
Deferred tax liabilities		5,380	5,380
Provision for retirement benefits		2,696	2,878
Hire purchase payables - non-current portion		--	1
Lease liabilities - non-current portion		<u>1,749</u>	<u>--</u>
Total Non-Current Liabilities		<u>92,618</u>	<u>93,665</u>
<b>Current Liabilities</b>			
Provision for liabilities		268	268
Short term borrowings	20	65,602	58,546
Trade & other payables and accrued expenses		124,683	121,540
Amount owing to holding company		139	190
Finance lease payables - current portion		992	1,510
Hire purchase payables - current portion		13	14
Lease liabilities - current portion		1,835	--
Tax liabilities		<u>1,449</u>	<u>1,830</u>
Total Current Liabilities		<u>194,981</u>	<u>183,898</u>
Total Liabilities	14	<u>287,599</u>	<u>277,563</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,165,589</u></b>	<b><u>2,106,073</u></b>
<b>Net assets per share (RM)</b>		<b>4.14</b>	<b>4.04</b>

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 three months ended 31 March 2019 - unaudited**

Note	Share capital RM'000	Fair value reserve RM'000	/----- Non-distributable -----/ Hedging reserve RM'000	Equity-settled employee benefits reserve RM'000	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
<b>3 months ended 31 March 2018 - unaudited</b>								
<b>At 1 January 2018</b>	391,651	--	(10)	254	1,057,815	1,449,710	216,523	1,666,233
Dividends distributed to owners of the Company	--	--	--	--	(5,863)	(5,863)	--	(5,863)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	--
Profit for the period	--	--	--	--	32,815	32,815	4,252	37,067
Other comprehensive income for the period	--	--	112	--	--	112	12	124
Total comprehensive income	--	--	112	--	32,815	32,927	4,264	37,191
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	40	--	40	--	40
Acquisition from non-controlling interests	--	--	--	--	(19,676)	(19,676)	17,930	(1,746)
<b>At 31 March 2018</b>	<u>391,651</u>	<u>--</u>	<u>102</u>	<u>294</u>	<u>1,065,091</u>	<u>1,457,138</u>	<u>238,717</u>	<u>1,695,855</u>
<b>3 months ended 31 March 2019 - unaudited</b>								
<b>At 1 January 2019</b>	391,651	--	(40)	347	1,187,313	1,579,271	249,239	1,828,510
Dividends distributed to owners of the Company	--	--	--	--	(11,727)	(11,727)	--	(11,727)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	(9)	(9)
Profit for the period	--	--	--	--	49,655	49,655	8,999	58,654
Other comprehensive income for the period	--	2,277	36	--	--	2,313	249	2,562
Total comprehensive income	--	2,277	36	--	49,655	51,968	9,248	61,216
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	--	--	--	--	--
<b>At 31 March 2019</b>	<u>391,651</u>	<u>2,277</u>	<u>(4)</u>	<u>347</u>	<u>1,225,241</u>	<u>1,619,512</u>	<u>258,478</u>	<u>1,877,990</u>

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 three months ended 31 March 2019 - unaudited**

	2019 3 months ended 31/03/2019 RM'000	(Unaudited) 2018 3 months ended 31/03/2018 RM'000
Note	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	61,492	39,248
Adjustments for :		
Share of results of associates	(42,830)	(36,786)
Share of results of a joint venture	(3,917)	(3,367)
Depreciation and amortisation	5,010	5,027
Gain on disposal of assets classified as held for sale	(11,928)	--
Other Non-cash items	<u>1,276</u>	<u>1,531</u>
Operating profit before working capital changes	9,103	5,653
Changes in working capital		
(Increase) / Decrease in trade & other receivables	(34,475)	(7,770)
(Increase) / Decrease in inventories	(29,471)	(12,629)
Increase / (Decrease) in trade & other payables	3,143	32,650
Net changes in other current assets & liabilities	(232)	(100)
Income tax refunded	--	--
Income tax paid	<u>(3,182)</u>	<u>(1,851)</u>
Net cash from / (used in) operating activities	<u><u>(55,114)</u></u>	<u><u>15,953</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from a joint venture	10,200	--
Interest income	906	1,376
Purchase of property, plant & equipment	(3,771)	(1,532)
Proceeds from disposal of property, plant & equipment	135	122
Proceeds from disposal of assets classified as held for sale	13,250	--
Acquisition from non-controlling interests	<u>--</u>	<u>(1,746)</u>
Net cash from / (used in) investing activities	<u><u>20,720</u></u>	<u><u>(1,780)</u></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(11,727)	(5,863)
Dividends paid to non-controlling interests of subsidiaries	(9)	--
Finance costs	(1,883)	(2,956)
Bank borrowings	6,562	(37,127)
Finance lease payables	(518)	(474)
Hire-purchase payables	(2)	(5)
Lease payables	<u>(577)</u>	<u>--</u>
Net cash from / (used in) financing activities	<u><u>(8,154)</u></u>	<u><u>(46,425)</u></u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(42,548)	(32,252)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<u>189,066</u>	<u>188,104</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<u><u>146,518</u></u>	<u><u>155,852</u></u>
Cash and cash equivalents comprise :		
Cash and bank balances	152,705	161,424
Bank overdrafts	<u>(6,187)</u>	<u>(5,572)</u>
	<u><u>146,518</u></u>	<u><u>155,852</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 2018.

### 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 2018, 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 2019

Annual Improvements to MFRSs 2015-2017 Cycle

Amendments to MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

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 2020

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material

#### 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 16: Leases

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as operating and financing cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117.

The Group adopted MFRS 16 using modified retrospective method and measured the right-of-use assets equals to lease liabilities at 1 January 2019 with no restatement of comparatives.

On transition to MFRS 16, the Group recognised an amount of RM4,162,000 of right-of-use assets and lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

*(Continued next page)*

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

**2.1 Key changes to the Group's accounting policies (cont'd)**

	RM'000
Operating lease commitments as at 31 December 2018 as disclosed in the Group's consolidated financial statements	<u>4,396</u>
Discounted using the incremental borrowing rate at 1 January 2019	3,616
Extension options reasonably certain to be exercised	546
	<u>4,162</u>
Lease liabilities recognised as at 1 January 2019	<u>4,162</u>

**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 2018 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 2018.

**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 31/03/2019</u>	
	Number of shares '000	Share Capital RM'000
Ordinary shares		
As at 1 January 2019	390,887	391,651
Share-based payments	-	-
As at 31 March 2019	<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 expired on 30 April 2019. There are no outstanding shares under the RSP during the financial period.

**8. Dividends paid**

A second interim single tier dividend of 3.0 sen per ordinary share amounting to approximately RM11,726,630 for the financial year ended 31 December 2018 was declared on 23 January 2019 and paid on 25 February 2019.

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

**9. Subsequent material events**

There were no material subsequent events to be disclosed at the date of this report except for the following:

On 23 May 2019, the Company has entered into sell-and-purchase agreements ("SPAs") with Hino Motors, Ltd ("HML") to dispose off 22% each of the Company's equity interest in its associated companies, Hino Motors Sales (Malaysia) Sdn. Bhd. ("HMSM") and Hino Motors Manufacturing (Malaysia) Sdn. Bhd. ("HMMM"), to HML for cash considerations of RM43,009,518 and RM31,365,218 respectively ("Proposed Disposal"). The Proposed Disposal is subjected to fulfilment of the conditions precedent as stipulated in the SPAs.

Upon completion of the Proposed Disposal, the Company's equity interest in HMSM and HMMM will be reduced from 42% to 20%, respectively.

**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.

**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 March 2019 is as follows :

	<u>RM'000</u>
Approved and contracted for	3,458
Approved and not contracted for	<u>12,972</u>

**12. Significant related party transactions**

During the period ended 31 March 2019, the Group and the Company had the following transactions with related parties:

	Period ended 31/03/2019 <u>RM'000</u>
<b><u>Group</u></b>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	292,008
Sales to a subsidiary of Perodua	36
Sales to an associate of Perodua	6,465
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	<u>11,283</u>
<b><u>Company</u></b>	
Gross dividends from:	
- subsidiaries	8,391
- associates	--
Management fees from:	
- associates	<u>30</u>

**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 March 2019

	Motor Trading	Auto Parts Manufacturing	Property development	All others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	467,913	64,138	--	399	532,450
Results for reportable segments	17,039	901	(436)	(1,782)	15,722
Share of results of a jointly venture	--	3,917	--	--	3,917
Share of results of associates	41,444	1,386	--	--	42,830
Interest income	605	41	1	259	906
Finance costs	(190)	(1,364)	--	(329)	(1,883)
Profit/(loss) before tax for reportable segment	58,898	4,881	(435)	(1,852)	61,492
Depreciation and amortisation	(2,722)	(1,860)	--	(428)	(5,010)
Other significant non-cash items					
- Gain on disposal of assets classified held for sale	11,928	--	--	--	11,928
- Allowance for slow moving inventories	--	(300)	--	--	(300)
Capital expenditure	3,219	552	--	--	3,771
Segment assets	534,219	167,492	5,643	128,745	836,099
Jointly controlled entity	--	53,266	--	22,899	76,165
Investment in associates	1,166,710	86,615	--	--	1,253,325
Segment liabilities	(103,674)	(151,889)	(1,463)	(30,573)	(287,599)

Period ended 31 March 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	399,702	62,175	1,261	322	463,460
Results for reportable segments	4,548	(2,483)	233	(1,623)	675
Share of results of a joint venture	--	3,367	--	--	3,367
Share of results of associates	36,934	(148)	--	--	36,786
Interest income	809	43	--	524	1,376
Finance costs	(124)	(1,357)	--	(1,475)	(2,956)
Profit/(loss) before tax for reportable segment	42,167	(578)	233	(2,574)	39,248
Depreciation and amortisation	(2,228)	(2,377)	(6)	(416)	(5,027)
Capital expenditure	818	714	--	--	1,532
Segment assets	545,387	166,320	12,760	146,999	871,466
Jointly controlled entity	--	63,888	--	22,899	86,787
Investment in associates	1,070,178	80,384	--	--	1,150,562
Segment liabilities	(141,279)	(156,602)	(2,768)	(112,311)	(412,960)

**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 31/03/2019 RM'000	Period ended 31/03/2018 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	532,051	463,138
All others	399	322
	<u>532,450</u>	<u>463,460</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	16,597	1,669
All others	(1,852)	(2,574)
Share of results of jointly controlled entity	3,917	3,367
Share of results of associates	42,830	36,786
	<u>61,492</u>	<u>39,248</u>
<u>Assets</u>		
Total assets for Group's reportable segments	707,354	724,467
All others	128,745	146,999
Jointly controlled entity	76,165	86,787
Investment in associates	1,253,325	1,150,562
	<u>2,165,589</u>	<u>2,108,815</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	257,026	300,649
All others	30,573	112,311
	<u>287,599</u>	<u>412,960</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 2018. 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 31/03/2019 RM'000	Year to date 31/03/2019 RM'000
Current year's provision	2,277	2,277
Add :		
Effect of real property gains tax	561	561
Under/(Over) provision in prior years	--	--
	<u>2,838</u>	<u>2,838</u>
Deferred taxation	--	--
Income tax expense	<u><u>2,838</u></u>	<u><u>2,838</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 31/03/2019 %	Year to date 31/03/2019 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results in associates	(16.7)	(16.7)
Adjustment for tax applicable to share of results in jointly controlled entity	(1.5)	(1.5)
Expenses not deductible for tax purpose / (Income not subject to tax)	(1.1)	(1.1)
	<u>4.7</u>	<u>4.7</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	66,607	84,542
Unsecured	--	--
Total	<u><u>66,607</u></u>	<u><u>84,542</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 for the current quarter.

A final single tier dividend of 6.0 sen per ordinary share amounting to approximately RM23,453,259 in respect of the financial year ended 31 December 2018, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 29 May 2019, will be paid on 28 June 2019 to shareholders whose names appear in the Record of Depositors of the Company on 14 June 2019.

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

23. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 3 months ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
<b>Basic earnings per ordinary share</b>	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	49,655	32,815	49,655	32,815
	'000	'000	'000	'000
Number of ordinary shares in issue	390,887	390,887	390,887	390,887
Basic earnings per share (sen)	12.70	8.40	12.70	8.40
<b>Diluted earnings per ordinary share</b>	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	49,655	32,815	49,655	32,815
	'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	-	444	-	444
Number of ordinary shares used in the calculation of diluted earnings per share	390,887	391,331	390,887	391,331
Diluted earnings per share (sen)	12.70	8.39	12.70	8.39

24. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 3 months ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
a) Interest income	906	1,376	906	1,376
b) Interest expense	(1,883)	(2,956)	(1,883)	(2,956)
c) Depreciation and amortisation	(5,010)	(5,027)	(5,010)	(5,027)
d) Allowance for slow-moving inventories	(300)	--	(300)	--
e) Gain on disposal of assets classified held for sale	11,928	--	11,928	--
f) Realised gain / (loss) on foreign exchange	(58)	(319)	(58)	(319)

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 March 2019.

25. Authorised for issue

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 23 May 2019.

BY ORDER OF THE BOARD  
MBM RESOURCES BERHAD

WONG PEIR CHYUN  
COMPANY SECRETARY  
KUALA LUMPUR  
DATED : 23 MAY 2019