



QUARTERLY ANNOUNCEMENT
For the second quarter ended 30 June 2019

Summary

- The Group's revenue increased by 15.4% due to continuous vehicle demand.
- The associates' results also improved by 28.7% due to higher vehicle sales.
- One-off gains of RM24.8 million on disposal of 22% stakes in Hino was recognised.
- As a result, profit before tax for the quarter increased to RM89.3 million.
- The Board declared an interim dividend of 6.0 sen per share.

Results

	Quarter ended			Year to date ended		
	30 Jun			30 Jun		
	2019	2018	Change	2019	2018	Change
	RM mil	(Restated) RM mil	%	RM mil	(Restated) RM mil	%
Revenue	558.0	483.5	15.4	1,077.1	935.4	15.1
Profit before tax	89.3	48.7	83.2	153.6	95.1	61.5
<i>On going business</i>	64.5	48.7	32.3	116.9	95.1	22.9
<i>One-off gains from disposals</i>	24.8	--	>100	36.7	--	>100
Profit for the period	81.1	40.5	100.2	139.7	77.6	80.2
<i>Continuing operations</i>	86.1	46.0	87.0	147.6	90.2	63.6
<i>Discontinued operation</i>	(5.0)	(5.5)	9.9	(7.8)	(12.7)	38.1
Profit attributable to equity holders of the Company	74.0	34.5	114.3	123.7	67.4	83.6
	Sen	Sen		Sen	Sen	
Basic earnings / (loss) per share	18.9	8.8	114.5	31.7	17.2	83.6
<i>Continuing operations</i>	20.2	10.3	97.3	33.7	20.3	66.0
<i>Discontinued operation</i>	(1.3)	(1.4)	9.9	(2.0)	(3.0)	34.0
	As at 30 Jun 2019 RM mil	As at 31 Dec 2018 RM mil				
Equity attributable to the equity holders of the Company	1,670.2	1,579.3	5.8			
	RM	RM				
Net assets per share	4.27	4.04	5.8			
	Interim 2019 Sen	Interim 2018 Sen		YTD 2019 Sen	YTD 2018 Sen	
Dividend per share	6.0	3.0	100.0	6.0	3.0	100.0

Performance of sales by operations

% Changes *	Q2'19	Q2'19	YTD Jun'19
	vs Q1'19	vs Q2'18	vs YTD Jun'18
Total Industry Volume (TIV) **	+ 7.1	- 0.8	+ 2.3
Total Industry Production (TIP) **	- 2.6	+ 12.8	+ 1.5
Total Group's Vehicles Sales	+ 10.8	+ 0.2	+ 2.3
<u>Subsidiaries</u>			
DMSB - Daihatsu & Hino trucks	+ 61.3	+ 49.1	+ 30.7
DMMS Perodua vehicles	+ 9.9	+ 0.8	+ 2.9
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	- 8.5	- 31.1	- 19.7
HASB	+ 9.4	+ 32.7	+ 22.5
OMI	- 0.1	+ 19.8	+ 10.1
Service throughputs	+ 2.1	+ 7.9	+ 3.5
<u>Joint Venture</u>			
AHSB	- 9.2	+ 3.0	+ 7.0
<u>Associated companies</u>			
Perodua vehicles	+ 0.9	+ 8.6	+ 2.5
Hino trucks and buses	- 19.8	- 9.2	- 4.9

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 second quarter ended 30 June 2019

Group Financial Performance

Second quarter ended 30 June 2019 compared with second quarter ended 30 June 2018

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 30-Jun-19 RM'000	Quarter ended 30-Jun-18 RM'000	Change		Quarter ended 30-Jun-19 RM'000	Quarter ended 30-Jun-18 RM'000	Change	
			RM'000	%			RM'000	%
Total From Continuing Operations	558,045	483,482	74,563	15.4	89,309	48,746	40,563	83.2
<u>Business segments:</u>								
Motor Trading	505,094	439,587	65,507	14.9	9,438	6,511	2,927	45.0
Auto Parts Manufacturing	52,571	43,556	9,015	20.7	3,956	1,566	2,390	152.6
One-off gains from disposals					24,761	--	24,761	>100.0
Share of results of a joint venture					2,364	4,417	(2,053)	(46.5)
Share of results of associates					50,451	39,213	11,238	28.7
Others	380	339	41	12.1	(1,661)	(2,961)	1,300	43.9
Discontinued Operation:								
<u>Business segments:</u>								
Auto Parts Manufacturing	12,220	9,834	2,386	24.3	(4,987)	(5,537)	550	9.9

Group

For the current quarter, the Group's revenue from Continuing Operations improved by RM74.6 million or 15.4% to RM558.0 million against the corresponding quarter. PBT for the quarter was RM89.3 million, an increase of RM40.6 million or 83.2% as compared to the corresponding quarter due to better performance on all fronts. The Group also recognised a RM24.8 million gain on disposals of 22% shareholding in its associates, Hino Motors Sales (Malaysia) Sdn Bhd and Hino Motors Manufacturing (Malaysia) Sdn Bhd ("Hino"). After the disposals, Hino remained as associates with a 20% shareholding.

The Group's share of results in its joint venture closed at RM2.4 million, lower than the corresponding quarter by RM2.0 million or 46.5% as the corresponding quarter's result included some foreign currency and development costs recoveries from customer. Excluding the said costs recoveries, current quarter's result was higher by 45.0% due to higher demand and customer mix.

The share of associates' results likewise increased by RM11.2 million or 28.7% against the corresponding quarter to close at RM50.4 million.

During the quarter, the Group's alloy wheel plant ceased operation as planned. Consequently, the results from the alloy wheel plant has been reclassified as Discontinued Operation.

Motor Trading

Revenue for the current quarter increased by RM65.5 million or 14.9% to close at RM505.1 million against the corresponding quarter with Perodua being the main revenue growth driver. Demand for Perodua vehicles remained strong in this quarter especially with the Myvi, Axia and Aruz models. Volume for Volvo also increased further with improved supplies of XC-40.

PBT for the quarter therefore closed at RM9.4 million, an increase of RM2.9 million or 45.0% as compared to the corresponding quarter.

Auto Parts Manufacturing

Revenue from the Division's Continuing Operations increased by RM9.0 million or 20.7% to RM52.6 million against the corresponding quarter in line with higher production demand.

PBT for the quarter was RM3.9 million, higher than the corresponding quarter by RM2.4 million or 152.6% .

For the alloy wheel plant under the Discontinued Operation, the loss before tax (LBT) was RM5.0 million, RM0.5 million lower than the corresponding quarter due to reduced operating costs as compared to last year, partially offset by closure and related costs.

QUARTERLY ANNOUNCEMENT
For the second quarter ended 30 June 2019

Second quarter ended 30 June 2019 against previous quarter ended 31 March 2019

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 30-Jun-19 RM'000	Quarter ended 31-Mar-19 RM'000	Change		Quarter ended 30-Jun-19 RM'000	Quarter ended 31-Mar-19 RM'000	Change	
			RM'000	%			RM'000	%
Total From Continuing Operations	558,045	519,066	38,979	7.5	89,309	64,336	24,973	38.8
<u>Business segments:</u>								
Motor Trading	505,094	467,913	37,181	7.9	9,438	5,526	3,912	70.8
Auto Parts Manufacturing	52,571	50,754	1,817	3.6	3,956	2,422	1,534	63.3
One-off gains from disposals					24,761	11,928	12,833	107.6
Share of results of a joint venture					2,364	3,917	(1,553)	(39.6)
Share of associates' results					50,451	42,830	7,621	17.8
Others	380	399	(19)	(4.8)	(1,661)	(2,287)	626	27.4
Discontinued Operation:								
<u>Business segments:</u>								
Auto Parts Manufacturing	12,220	13,384	(1,164)	(8.7)	(4,987)	(2,844)	(2,143)	(75.4)

Group

Revenue for the Group's Continuing Operations was higher against the preceding quarter by RM39.0 million or 7.5% with increase sales coming from both the Motor Trading and Auto Manufacturing Divisions. PBT for the quarter was RM89.3 million, RM25.0 million or 38.8% higher than the preceding quarter in line with higher sales from both Divisions, and better results from the Associates.

The Group's share of the joint venture's results reduced by RM1.5 million or 39.6% due to product mix and moderation of production demand from certain carmakers.

As for the associates' results, the Group's share continued to increase to RM50.4 million, higher by RM7.6 million or 17.8% as compared to the preceding quarter.

The LBT for the alloy wheel plant under Discontinued Operation closed at RM5.0 million, lower than the preceding quarter by RM2.1 million or 75.4%.

Motor Trading

Revenue for the current quarter increased by RM37.2 million or 7.9% against the preceding quarter due to continuous demand mainly for the Perodua and Volvo models. The Division's PBT closed at RM9.4 million, an increase of RM3.9 million or 70.8% as compared to the preceding quarter, in line with the higher vehicle sales.

Auto Parts Manufacturing

The Division's revenue for Continuing Operation also improved by RM1.8 million or 3.6% against the preceding quarter due to product mix and the aforesaid sustained production demand.

With the higher revenue, the Division's performance improved by RM1.5 million, or 63.3% to close at a profit of RM3.9 million.

The LBT for Discontinued Operation was RM5.0 million, higher than the preceding quarter by RM2.1 million due to the recognition of closure costs and further write off of property, plant and equipment.

PROSPECTS

The global market and economic environment for second half of the year are expected to be challenging, which will have an impact on local economy. Notwithstanding, the Group remains on track with its plans and is optimistic with its performance given the strong customer demand for the brands within the Group.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019 - unaudited

		(Restated)		(Unaudited) (Restated)
	Current Quarter Ended 30/06/2019 RM'000	Comparative Quarter Ended 30/06/2018 RM'000	6 months Cumulative To Date 30/06/2019 RM'000	Comparative 6 months Cumulative To Date 30/06/2018 RM'000
Note				
Continuing operations				
Revenue	14	558,045	483,482	1,077,111
Cost of sales		<u>(515,412)</u>	<u>(445,947)</u>	<u>(996,846)</u>
Gross profit		42,633	37,535	80,265
Other income		34,946	11,117	56,118
Administrative and other expenses		(21,740)	(21,544)	(45,613)
Selling and marketing expenses		(20,161)	(21,338)	(37,757)
Finance costs		(457)	(1,786)	(1,109)
Interest income		1,273	1,132	2,179
Share of results of a joint venture, net of tax		2,364	4,417	6,281
Share of results of associates, net of tax		<u>50,451</u>	<u>39,213</u>	<u>93,281</u>
Profit before tax	14	89,309	48,746	153,645
Income tax expense	18	<u>(3,241)</u>	<u>(2,713)</u>	<u>(6,079)</u>
Profit from continuing operations		<u>86,068</u>	<u>46,033</u>	<u>147,566</u>
Discontinued operation				
Results from discontinued operation, net of tax		<u>(4,987)</u>	<u>(5,537)</u>	<u>(7,831)</u>
Profit for the period		<u>81,081</u>	<u>40,496</u>	<u>139,735</u>
Profit for the year attributable to:				
Equity holders of the Company from:				
- Continuing operations		79,025	40,085	131,524
- Discontinued operation		<u>(4,987)</u>	<u>(5,537)</u>	<u>(7,831)</u>
		<u>74,038</u>	<u>34,548</u>	<u>123,693</u>
Non-controlling interests from:				
- Continuing operations		7,043	5,948	16,042
- Discontinued operation		<u>--</u>	<u>--</u>	<u>--</u>
		<u>7,043</u>	<u>5,948</u>	<u>16,042</u>
Profit for the period		<u>81,081</u>	<u>40,496</u>	<u>139,735</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 six months ended 30 June 2019 - unaudited

	Current Quarter Ended 30/06/2019 RM'000	(Restated) Comparative Quarter Ended 30/06/2018 RM'000	6 months Cumulative To Date 30/06/2019 RM'000	(Unaudited) (Restated) Comparative 6 months Cumulative To Date 30/06/2018 RM'000
Profit for the period	81,081	40,496	139,735	77,563
Other comprehensive income / (loss), net of tax <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	157	--	2,679	--
Net gain / (loss) on cash flow hedges and revaluation of an associate	4	(119)	44	5
Other comprehensive income / (loss) for the period, net of tax	161	(119)	2,723	5
Total comprehensive income for the period	<u>81,242</u>	<u>40,377</u>	<u>142,458</u>	<u>77,568</u>
Total comprehensive income attributable to:				
Equity holders of the Company from:				
- Continuing operations	79,171	39,977	133,983	79,225
- Discontinued operation	(4,987)	(5,537)	(7,831)	(11,858)
	<u>74,184</u>	<u>34,440</u>	<u>126,152</u>	<u>67,367</u>
Non-controlling interests from:				
- Continuing operations	7,058	5,937	16,306	11,002
- Discontinued operation	--	--	--	(801)
	<u>7,058</u>	<u>5,937</u>	<u>16,306</u>	<u>10,201</u>
Total comprehensive income for the period	<u>81,242</u>	<u>40,377</u>	<u>142,458</u>	<u>77,568</u>
Earnings per ordinary share	sen	sen	sen	sen
Basic from:				
- Continuing operations	20.22	10.25	33.65	20.27
- Discontinued operation	(1.28)	(1.42)	(2.00)	(3.03)
	<u>18.94</u>	<u>8.83</u>	<u>31.65</u>	<u>17.24</u>
23	<u>18.94</u>	<u>8.83</u>	<u>31.65</u>	<u>17.24</u>
Diluted from:				
- Continuing operations	20.22	10.25	33.65	20.25
- Discontinued operation	(1.28)	(1.42)	(2.00)	(3.03)
	<u>18.94</u>	<u>8.83</u>	<u>31.65</u>	<u>17.22</u>
23	<u>18.94</u>	<u>8.83</u>	<u>31.65</u>	<u>17.22</u>

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 June 2019 - unaudited

	Note	As at end of Current Quarter 30/06/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		257,949	269,023
Right-of-use assets		3,742	--
Investment properties		58,226	59,082
Prepaid land lease payments		35,327	35,589
Investment in a joint venture		78,528	72,248
Investment in associates		1,223,103	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>1,662,453</u>	<u>1,649,454</u>
Current Assets			
Inventories		128,778	104,410
Trade & other receivables and prepaid expenses		184,450	132,148
Amount owing by a joint venture		--	10,200
Tax recoverable		10,710	11,167
Cash and bank balances		239,794	197,373
		<u>563,732</u>	<u>455,298</u>
Assets classified as held for sale		7,279	1,321
Total Current Assets		<u>571,011</u>	<u>456,619</u>
TOTAL ASSETS	14	<u><u>2,233,464</u></u>	<u><u>2,106,073</u></u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

As at 30 June 2019 - unaudited

		As at end of Current Quarter 30/06/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
	Note		
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share capital		391,651	391,651
Reserves		<u>1,278,592</u>	<u>1,187,620</u>
Equity attributable to the equity holders of the Company		1,670,243	1,579,271
Non-controlling interests		<u>259,871</u>	<u>249,239</u>
Total Equity		<u>1,930,114</u>	<u>1,828,510</u>
Non-Current Liabilities			
Long term borrowings	20	22,431	85,406
Deferred tax liabilities		5,380	5,380
Provision for retirement benefits		2,625	2,878
Hire purchase payables - non-current portion		--	1
Lease liabilities - non-current portion		<u>1,248</u>	<u>--</u>
Total Non-Current Liabilities		<u>31,684</u>	<u>93,665</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	20	128,692	58,546
Trade & other payables and accrued expenses		138,220	121,540
Amount owing to holding company		108	190
Finance lease payables - current portion		--	1,510
Hire purchase payables - current portion		--	14
Lease liabilities - current portion		2,526	--
Tax liabilities		<u>1,852</u>	<u>1,830</u>
Total Current Liabilities		<u>271,666</u>	<u>183,898</u>
Total Liabilities	14	<u>303,350</u>	<u>277,563</u>
TOTAL EQUITY AND LIABILITIES		<u>2,233,464</u>	<u>2,106,073</u>
Net assets per share (RM)		4.27	4.04

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 six months ended 30 June 2019 - unaudited

Note	Share capital RM'000	Fair value reserve RM'000	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
6 months ended 30 June 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	--	--	--	--	(5,863)	(5,863)	--	(5,863)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	(764)	(764)
Profit for the period	--	--	--	--	67,363	67,363	10,200	77,563
Other comprehensive income for the period	--	--	4	--	--	4	1	5
Total comprehensive income	--	--	4	--	67,363	67,367	10,201	77,568
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 June 2018	<u>391,651</u>	<u>--</u>	<u>(6)</u>	<u>333</u>	<u>1,099,639</u>	<u>1,491,617</u>	<u>243,890</u>	<u>1,735,507</u>
6 months ended 30 June 2019 - unaudited								
At 1 January 2019	391,651	--	(40)	347	1,187,313	1,579,271	249,239	1,828,510
Dividends distributed to owners of the Company	--	--	--	--	(35,180)	(35,180)	--	(35,180)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	(5,674)	(5,674)
Profit for the period	--	--	--	--	123,693	123,693	16,042	139,735
Other comprehensive income for the period	--	2,420	39	--	--	2,459	264	2,723
Total comprehensive income	--	2,420	39	--	123,693	126,152	16,306	142,458
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	--	--	--	--	--
At 30 June 2019	<u>391,651</u>	<u>2,420</u>	<u>(1)</u>	<u>347</u>	<u>1,275,826</u>	<u>1,670,243</u>	<u>259,871</u>	<u>1,930,114</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 six months ended 30 June 2019 - unaudited

	2019 6 months ended 30/06/2019 RM'000	(Unaudited) 2018 6 months ended 30/06/2018 RM'000
Note	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from :		
- <i>Continuing operations</i>	153,645	95,116
- <i>Discontinued operation</i>	<u>(7,831)</u>	<u>(12,659)</u>
	145,814	82,457
Adjustments for :		
Share of results of associates	(93,281)	(75,999)
Share of results of a joint venture	(6,281)	(7,784)
Depreciation and amortisation	9,896	10,090
Finance costs from :		
- <i>Continuing operations</i>	1,109	3,542
- <i>Discontinued operation</i>	2,424	2,511
Gain on disposal of investment in associates	(24,761)	--
Gain on disposal of assets classified as held for sale	(11,928)	--
Other non-cash items	<u>(513)</u>	<u>(1,062)</u>
Operating profit before working capital changes	22,479	13,755
Changes in working capital		
(Increase) / Decrease in trade & other receivables	(52,303)	(14,894)
(Increase) / Decrease in inventories	(25,341)	23,569
Increase / (Decrease) in trade & other payables	16,679	(17,595)
Net changes in other current assets & liabilities	(335)	(233)
Income tax refunded	21	1
Income tax paid	<u>(5,620)</u>	<u>(4,779)</u>
Net cash from / (used in) operating activities	<u>(44,420)</u>	<u>(176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	31,220	41,580
Dividends received from a joint venture	10,200	15,300
Interest income	2,179	2,508
Purchase of property, plant & equipment	(4,712)	(3,013)
Additions to investment property	--	(741)
Proceeds from disposal of property, plant & equipment	248	249
Proceeds from disposal of investment in associates	74,375	--
Proceeds from disposal of assets classified as held for sale	13,250	--
Acquisition from non-controlling interests	--	(1,746)
Net cash from / (used in) investing activities	<u>126,760</u>	<u>54,137</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(35,180)	(5,863)
Dividends paid to non-controlling interests of subsidiaries	(5,674)	(764)
Finance costs paid	(3,533)	(6,053)
Bank borrowings	9,321	(58,991)
Finance lease payables	(1,510)	(960)
Hire-purchase payables	(15)	(7)
Lease payables	<u>(1,178)</u>	<u>--</u>
Net cash from / (used in) financing activities	<u>(37,769)</u>	<u>(72,638)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	44,571	(18,677)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>189,066</u>	<u>188,104</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>233,637</u>	<u>169,427</u>
Cash and cash equivalents comprise :		
Cash and bank balances	239,794	179,463
Bank overdrafts	<u>(6,157)</u>	<u>(10,036)</u>
	<u>233,637</u>	<u>169,427</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 30/06/2019</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 30 June 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 final single tier dividend of 6.0 sen per ordinary share amounting to approximately RM23,453,259 for the financial year ended 31 December 2018 was approved by the shareholders of the Company at the 25th Annual General Meeting held on 29 May 2019 and paid on 28 June 2019.

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

9. Subsequent material events

There were no material subsequent events to be disclosed as 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 except for the followings:

On 23 May 2019, the Company has entered into sell-and-purchase agreements 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 was completed on 20 June 2019 and the Company's equity interest in HMSM and HMMM has reduced from 42% to 20%, respectively.

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 June 2019 is as follows :

	<u>RM'000</u>
Approved and contracted for	4,952
Approved and not contracted for	<u>9,360</u>

12. Significant related party transactions

During the period ended 30 June 2019, the Group and the Company had the following transactions with related parties:

	Period ended 30/06/2019 <u>RM'000</u>
<u>Group</u>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	590,047
Sales to a subsidiary of Perodua	54
Sales to an associate of Perodua	13,660
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	<u>16,844</u>
<u>Company</u>	
Gross dividends from:	
- subsidiaries	14,407
- associates	24,976
Management fees from:	
- associates	<u>60</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 30 June 2019

	Motor Trading	Auto Parts Manufacturing		Property Development	All others	Group
	RM'000	Continuing RM'000	Discontinued RM'000	RM'000	RM'000	RM'000
Revenues from external customers	973,007	103,325	25,604	--	779	1,102,715
Intersegment revenue	--	--	--	--	--	--
Results for reportable segments	41,274	15,617	(5,407)	(443)	(3,435)	47,606
Share of results of a jointly venture	--	6,281	--	--	--	6,281
Share of results of associates	91,125	2,156	--	--	--	93,281
Interest income	1,465	144	--	1	569	2,179
Finance costs	(205)	(264)	(2,424)	--	(640)	(3,533)
Profit/(loss) before tax for reportable segment	133,659	23,934	(7,831)	(442)	(3,506)	145,814
Depreciation and amortisation	(5,452)	(2,851)	(742)	--	(851)	(9,896)
Other significant non-cash items						
- Property, plant and equipment written off	--	(10)	(661)	--	--	(671)
- Gain on disposal of investment in associates	15,642	9,119	--	--	--	24,761
- Gain on disposal of assets classified as held for sale	11,928	--	--	--	--	11,928
- Allowance for slow moving inventories	(283)	--	(690)	--	--	(973)
Capital expenditure	3,936	776	--	--	--	4,712
Segment assets	565,101	122,739	111,004	5,765	127,224	931,833
Jointly controlled entity	--	55,629	--	--	22,899	78,528
Investment in associates	1,157,966	65,137	--	--	--	1,223,103
Segment liabilities	(132,667)	(42,488)	(98,209)	(1,593)	(28,393)	(303,350)

Period ended 30 June 2018 (restated)

	Motor Trading	Auto Parts Manufacturing		Property Development	All others	Group
	RM'000	Continuing RM'000	Discontinued RM'000	RM'000	RM'000	RM'000
Revenues from external customers	839,289	94,201	21,364	1,261	661	956,776
Intersegment revenue	--	--	--	--	--	--
Results for reportable segments	10,555	5,133	(10,148)	118	(3,439)	2,219
Share of results of a joint venture	--	7,784	--	--	--	7,784
Share of results of associates	73,459	2,540	--	--	--	75,999
Interest income	1,411	85	--	--	1,012	2,508
Finance costs	(222)	(327)	(2,511)	--	(2,993)	(6,053)
Profit/(loss) before tax for reportable segment	85,203	15,215	(12,659)	118	(5,420)	82,457
Depreciation and amortisation	(4,428)	(3,093)	(1,730)	(12)	(827)	(10,090)
Other significant non-cash items						
- Allowance for doubtful debts	(800)	--	--	--	--	(800)
- Allowance for slow moving inventories	(800)	--	--	--	--	(800)
Capital expenditure	2,355	1,149	250	--	--	3,754
Segment assets	534,972	117,573	41,079	11,226	151,437	856,287
Jointly controlled entity	--	53,005	--	--	22,899	75,904
Investment in associates	1,065,004	83,073	--	--	--	1,148,077
Segment liabilities	(119,489)	(44,618)	(107,794)	(2,768)	(70,092)	(344,761)

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 30/06/2019 RM'000	Period ended 30/06/2018 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	1,101,936	956,115
All others	779	661
Elimination of discontinued operation	(25,604)	(21,364)
Revenue, as reported	<u>1,077,111</u>	<u>935,412</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	49,758	4,094
All others	(3,506)	(5,420)
Share of results of jointly controlled entity	6,281	7,784
Share of results of associates	93,281	75,999
Elimination of discontinued operation	7,831	12,659
Profit before tax, as reported	<u>153,645</u>	<u>95,116</u>
<u>Assets</u>		
Total assets for Group's reportable segments	804,609	704,850
All others	127,224	151,437
Jointly controlled entity	78,528	75,904
Investment in associates	1,223,103	1,148,077
Total assets, as reported	<u>2,233,464</u>	<u>2,080,268</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	274,957	274,669
All others	28,393	70,092
Total liabilities, as reported	<u>303,350</u>	<u>344,761</u>

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.

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 except for:

The results of the Group's indirect wholly owned subsidiary, OM Alloy (M) Sdn Bhd ("OMIA"), has been classified as "Discontinued Operation" due to the cessation of its alloy wheel plant's operation during the quarter under review. The comparative condensed consolidated statement of comprehensive income has been re-presented to show OMIA as Discontinued Operation separately from the Continuing Operations. The plant and machinery of OMIA has also been presented as "Assets classified as held for sale".

Results of discontinued operation:

	Quarter ended		Year to date 6 months ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Revenue	12,221	9,834	25,604	21,364
Cost of sales	(14,602)	(13,392)	(28,841)	(30,201)
Gross loss	(2,381)	(3,558)	(3,237)	(8,837)
Other income	-	2	4	77
Administrative and other expenses	(1,249)	(670)	(1,828)	(1,388)
Selling and marketing expenses	(164)	-	(346)	-
Finance costs	(1,193)	(1,311)	(2,424)	(2,511)
Loss before tax	(4,987)	(5,537)	(7,831)	(12,659)
Income tax expense	-	-	-	-
Loss from discontinued operation	<u>(4,987)</u>	<u>(5,537)</u>	<u>(7,831)</u>	<u>(12,659)</u>

Net cash flows of discontinued operation:

Net cash from / (used in) operating activities	231	(9,576)
Net cash from / (used in) investing activities	25	(250)
Net cash used in financing activities	(6,008)	(5,458)
Net decrease in cash and cash equivalents	<u>(5,752)</u>	<u>(15,284)</u>

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

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.

18. Income tax expense

	Current Quarter 30/06/2019 RM'000	Year to date 30/06/2019 RM'000
Current year's provision	3,241	5,518
Add : Effect of real property gains tax	--	561
Under/(Over) provision in prior years	--	--
	<u>3,241</u>	<u>6,079</u>
Deferred taxation	--	--
Income tax expense	<u><u>3,241</u></u>	<u><u>6,079</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 30/06/2019 %	Year to date 30/06/2019 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results of associates	(13.6)	(14.6)
Adjustment for tax applicable to share of results of a joint venture	(0.6)	(1.0)
Expenses not deductible for tax purpose / (Income not subject to tax)	(6.2)	(4.5)
	<u>3.6</u>	<u>3.9</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	128,692	22,431
Unsecured	--	--
Total	<u><u>128,692</u></u>	<u><u>22,431</u></u>

21. Material litigations

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

22. Dividend

The Board is pleased to declare a first interim single tier dividend of 6.0 sen per ordinary share amounting to approximately RM23,453,259 for the current financial year ending 31 December 2019.

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

23. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 6 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Basic earnings / (loss) per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company:				
- Continuing operations	79,025	40,085	131,524	79,221
- Discontinued operation	(4,987)	(5,537)	(7,831)	(11,858)
	74,038	34,548	123,693	67,363
Number of ordinary shares in issue	'000 390,887	'000 390,887	'000 390,887	'000 390,887
Basic earnings per share (sen):				
- Continuing operations	20.22	10.25	33.65	20.27
- Discontinued operation	(1.28)	(1.42)	(2.00)	(3.03)
	18.94	8.83	31.65	17.24
Diluted earnings / (loss) per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company:				
- Continuing operations	79,025	40,085	131,524	79,221
- Discontinued operation	(4,987)	(5,537)	(7,831)	(11,858)
	74,038	34,548	123,693	67,363
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	-	262
Number of ordinary shares used in the calculation of diluted earnings per share	390,887	391,149	390,887	391,149
Diluted earnings per share (sen):				
- Continuing operations	20.22	10.25	33.65	20.25
- Discontinued operation	(1.28)	(1.42)	(2.00)	(3.03)
	18.94	8.83	31.65	17.22

24. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 6 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
a) Interest income	1,273	1,132	2,179	2,508
b) Interest expense	(457)	(1,786)	(1,109)	(3,542)
c) Depreciation and amortisation	(4,886)	(5,063)	(9,896)	(10,090)
d) Allowance for slow-moving inventories	(673)	(800)	(973)	(800)
e) Allowance for doubtful debts	--	(800)	--	(800)
f) Property, plant and equipment written off	(671)	--	(671)	(16)
g) (Loss) / Gain on disposal of property, plant and equipment	(22)	144	(22)	249
h) Gain on disposal of investment in associates	24,761	--	24,761	--
i) Gain on disposal of assets classified as held for sale	--	--	11,928	--
j) Realised loss on foreign exchange	(29)	(255)	(87)	(582)

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 June 2019.

25. Authorised for issue

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 20 August 2019.

BY ORDER OF THE BOARD
MBM RESOURCES BERHAD

WONG PEIR CHYUN
COMPANY SECRETARY
KUALA LUMPUR
DATED : 20 AUGUST 2019

For further information, please contact Ms Annie Chin, Group Financial Controller at Tel : +603-2273 8803
Our Quarterly Announcement for the second quarter ended 30 June 2019 can be downloaded from the internet at
www.bursamalaysia.com or www.mbmr.com.my