



QUARTERLY ANNOUNCEMENT
For the third quarter ended 30 September 2019

Summary

- The Group's revenue increased by 11.6% due to continuous vehicle demand.
- Contribution from our joint venture was higher by 18.2% mainly due to higher demand.
- The associates' results also improved by 37.4% due to higher vehicle sales.
- As a result, profit before tax for the quarter increased to RM67.4 million.

Results

	Quarter ended 30 Sep			Year to date ended 30 Sep		
	2019 RM mil	2018 (Restated) RM mil	Change %	2019 RM mil	2018 (Restated) RM mil	Change %
Revenue	515.3	461.8	11.6	1,592.4	1,397.2	14.0
Profit before tax	67.4	49.5	36.0	221.0	144.6	52.8
<i>On going business</i>	67.4	49.5	36.0	184.3	144.6	27.4
<i>One-off gains from disposals</i>	--	--	--	36.7	--	>100
Profit / (loss) for the period	63.2	43.0	47.0	202.9	120.5	68.3
<i>Continuing operations</i>	64.9	47.4	37.0	212.5	137.6	54.4
<i>Discontinued operation</i>	(1.8)	(4.4)	60.0	(9.6)	(17.1)	43.8
Profit attributable to equity holders of the Company	55.8	38.1	46.3	179.5	105.5	70.2
	Sen	Sen		Sen	Sen	
Basic earnings / (loss) per share	14.3	9.8	46.4	45.9	27.0	70.2
<i>Continuing operations</i>	14.7	10.9	35.3	48.4	31.1	55.3
<i>Discontinued operation</i>	(0.5)	(1.1)	60.2	(2.5)	(4.2)	41.1
	As at 30 Sep 2019 RM mil	As at 31 Dec 2018 RM mil				
Equity attributable to the equity holders of the Company	1,702.7	1,579.3	7.8			
	RM	RM				
Net assets per share	4.36	4.04	7.8			
	Interim 2019 Sen	Interim 2018 Sen		YTD 2019 Sen	YTD 2018 Sen	
Dividend per share	--	--	--	6.0	3.0	100.0

Performance of sales by operations

	Q3'19 vs Q2'19	Q3'19 vs Q3'18	YTD Sep'19 vs YTD Sep'18
Total Industry Volume (TIV) **	- 4.3	- 11.2	- 2.6
Total Industry Production (TIP) **	+ 0.3	+ 1.0	+ 1.3
Total Group's Vehicles Sales	- 11.3	+ 5.1	+ 3.1
<u>Subsidiaries</u>			
DMSB - Daihatsu & Hino trucks	+ 29.3	+ 0.2	+ 15.1
DMMS Perodua vehicles	- 16.5	+ 8.8	+ 4.6
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	+ 30.2	- 19.9	- 19.8
HASB	- 3.0	+ 12.3	+ 18.9
OMI	- 13.4	- 3.8	+ 6.4
Service throughputs	+ 7.8	+ 11.7	+ 6.3
<u>Joint Venture</u>			
AHSB	- 2.4	+ 10.2	+ 8.0
<u>Associated companies</u>			
Perodua vehicles	- 0.3	+ 20.7	+ 7.9
Hino trucks and buses	+ 38.4	- 23.1	- 12.8

Legend

DMSB : Daihatsu (Malaysia) Sdn Bhd
DMMS : DMM Sales Sdn Bhd
HASB : Hirotako Acoustics Sdn Bhd
OMI : Oriental Metal Industries (M) Sdn Bhd
AHSB : Autoliv Hirotako 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 third quarter ended 30 September 2019

Group Financial Performance

Third quarter ended 30 September 2019 compared with third quarter ended 30 September 2018

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 30-Sep-19 RM'000	Quarter ended 30-Sep-18 RM'000	Change		Quarter ended 30-Sep-19 RM'000	Quarter ended 30-Sep-18 RM'000	Change	
			RM'000	%			RM'000	%
Total From Continuing Operations	515,321	461,837	53,484	11.6	67,351	49,532	17,819	36.0
<u>Business segments:</u>								
Motor Trading	468,521	417,360	51,161	12.3	8,795	6,552	2,243	34.2
Auto Parts Manufacturing	46,412	44,094	2,318	5.3	2,300	3,118	(818)	(26.2)
One-off gains from disposals					--	--	--	>100.0
Share of results of a joint venture					2,302	1,948	354	18.2
Share of results of associates					53,828	39,185	14,643	37.4
Others	388	383	5	1.3	126	(1,271)	1,397	109.9
Discontinued Operation:								
<u>Business segments:</u>								
Auto Parts Manufacturing	--	10,638	(10,638)	(100.0)	(1,761)	(4,405)	2,644	60.0

Group

For the current quarter, the Group's revenue from Continuing Operations improved by RM53.5 million or 11.6% to close at RM515.3 million against the corresponding quarter. PBT for the quarter was RM67.3 million, an increase of RM17.8 million or 36.0% as compared to the corresponding quarter mainly due to higher vehicle sales and higher share of profits from joint venture entity and associates.

The Group's share of results in its joint venture closed at RM2.3 million, higher than the corresponding quarter by RM0.3 million or 18.2% .

The share of associates' results presented much better performance with an increase of RM14.6 million or 37.4% against the corresponding quarter to close at RM53.8 million.

Included in the Others segment is a gain on disposal of property of RM1.3m. Excluding the said gain, the investment holding costs are comparable to the corresponding quarter.

Since the preceding quarter, the Group's alloy wheel plant has been reclassified as Discontinued Operation.

Motor Trading

Revenue for the current quarter increased by RM51.2 million or 12.3% to close at RM468.5 million against the corresponding quarter with Perodua maintaining its top revenue driver position. Demand for Perodua vehicles remained strong in this quarter especially with the Myvi, Axia and Aruz models, complemented by strong fleet sales volume from Daihatsu.

PBT for the quarter therefore closed at RM8.8 million, an increase of RM2.2 million or 34.2% as compared to the corresponding quarter.

Auto Parts Manufacturing

Revenue from the Division's Continuing Operations increased by RM2.3 million or 5.3% to RM46.4 million against the corresponding quarter in line with consistent market demand.

PBT for the quarter closed at RM2.3 million, marginally lower than the corresponding quarter by RM0.8 million or 26.2% mainly due to customer mix.

For the alloy wheel plant under the Discontinued Operation, the Group incurred additional closure expenses, as well as plant and machinery maintenance costs in the quarter under review.

QUARTERLY ANNOUNCEMENT
For the third quarter ended 30 September 2019

Third quarter ended 30 September 2019 against previous quarter ended 30 June 2019

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 30-Sep-19 RM'000	Quarter ended 30-Jun-19 RM'000	Change		Quarter ended 30-Sep-19 RM'000	Quarter ended 30-Jun-19 RM'000	Change	
			RM'000	%			RM'000	%
Total From Continuing Operations	515,321	558,045	(42,724)	(7.7)	67,351	89,309	(21,958)	(24.6)
<u>Business segments:</u>								
Motor Trading	468,521	505,094	(36,573)	(7.2)	8,795	9,438	(643)	(6.8)
Auto Parts Manufacturing	46,412	52,571	(6,159)	(11.7)	2,300	3,956	(1,656)	(41.9)
One-off gains from disposals					--	24,761	(24,761)	(100.0)
Share of results of a joint venture					2,302	2,364	(62)	(2.6)
Share of associates' results					53,828	50,451	3,377	6.7
Others	388	380	8	2.1	126	(1,661)	1,787	107.6
Discontinued Operation:								
<u>Business segments:</u>								
Auto Parts Manufacturing	--	12,220	(12,220)	(100.0)	(1,761)	(4,987)	3,226	64.7

Group

Revenue for the Group's Continuing Operations receded against the preceding quarter by RM42.7 million or 7.7% due to lower performance from both the Motor Trading and Auto Manufacturing Divisions. PBT for the quarter was RM67.3 million, lower than the preceding quarter by RM22.0 million or 24.6% due to the preceding quarter's recognition of one-off gain of RM24.8 million from disposal of 22% shareholding in its associates, Hino Motors Sales (Malaysia) Ssdn Bhd and Hino Motors Manufacturing (Malaysia) Sdn Bhd. Excluding the gain, the Group's PBT would have been marginally higher by RM2.8 million or 4.3%.

The Group's share of the joint venture's results was comparable to the preceding quarter at RM2.3 million.

Likewise for the Group's share of its associates results which closed at RM53.8 million, higher by RM3.4 million or 6.7% as compared to the preceding quarter.

The LBT for the alloy wheel plant under Discontinued Operation was RM1.8 million, lower than the preceding quarter by RM3.2 million or 64.7%.

Motor Trading

Revenue for the current quarter is lower at RM468.5 million, a reduction of RM36.6 million or 7.2% against the preceding quarter mainly due to lower supply of the Perodua models after the festive season. The Division's PBT therefore closed marginally lower at RM8.8 million, a decrease of RM0.6 million or 6.8% as compared to the preceding quarter.

Auto Parts Manufacturing

The Division's revenue for Continuing Operation also reduced by RM6.2 million or 11.7% against the preceding quarter with lower production in line with the aforementioned lower supply.

Consequently, the Division's results receded marginally by RM1.7 million, or 41.9% to close at a profit of RM2.3 million.

PROSPECTS

Despite the challenging economic environment and the continuous uncertainties at the local and global front, the Group's performance to-date outperformed the corresponding period. Towards the financial year ending 2019, the Group anticipate to continue with strong performance, and we remain on track with our plans.

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

				(Unaudited)
		(Restated)		(Restated)
		Comparative	9 months	Comparative
		Quarter	Cumulative	9 months
		Ended	To Date	Cumulative
		30/09/2019	30/09/2019	To Date
Note	RM'000	RM'000	RM'000	30/09/2018
				RM'000
Continuing operations				
Revenue	14	515,321	461,837	1,592,432
Cost of sales		<u>(474,959)</u>	<u>(425,623)</u>	<u>(1,471,805)</u>
Gross profit		40,362	36,214	120,627
Other income		11,444	10,656	67,562
Administrative and other expenses		(23,229)	(24,579)	(68,842)
Selling and marketing expenses		(17,781)	(13,976)	(55,538)
Finance costs		(485)	(1,244)	(1,594)
Interest income		910	1,328	3,089
Share of results of a joint venture, net of tax		2,302	1,948	8,583
Share of results of associates, net of tax		<u>53,828</u>	<u>39,185</u>	<u>147,109</u>
Profit before tax	14	67,351	49,532	220,996
Income tax expense	18	<u>(2,431)</u>	<u>(2,159)</u>	<u>(8,510)</u>
Profit from continuing operations		<u>64,920</u>	<u>47,373</u>	<u>212,486</u>
Discontinued operation				
Results from discontinued operation, net of tax		<u>(1,761)</u>	<u>(4,405)</u>	<u>(9,592)</u>
Profit for the period		<u>63,159</u>	<u>42,968</u>	<u>202,894</u>
Profit for the period attributable to:				
Equity holders of the Company from:				
- Continuing operations		57,525	42,510	189,049
- Discontinued operation		<u>(1,761)</u>	<u>(4,405)</u>	<u>(9,592)</u>
		<u>55,764</u>	<u>38,105</u>	<u>179,457</u>
Non-controlling interests from:				
- Continuing operations		7,395	4,863	23,437
- Discontinued operation		<u>--</u>	<u>--</u>	<u>--</u>
		<u>7,395</u>	<u>4,863</u>	<u>23,437</u>
Profit for the period		<u>63,159</u>	<u>42,968</u>	<u>202,894</u>
		<u>63,159</u>	<u>42,968</u>	<u>120,531</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)
For the nine months ended 30 September 2019 - unaudited

	Current Quarter Ended 30/09/2019 RM'000	(Restated) Comparative Quarter Ended 30/09/2018 RM'000	9 months Cumulative To Date 30/09/2019 RM'000	(Unaudited) (Restated) Comparative 9 months Cumulative To Date 30/09/2018 RM'000
Note				
Profit for the period	63,159	42,968	202,894	120,531
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	141	--	2,820	--
Net gain / (loss) on cash flow hedges and revaluation of an associate	(10)	(29)	34	(24)
Other comprehensive income / (loss) for the period, net of tax	131	(29)	2,854	(24)
Total comprehensive income for the period	<u>63,290</u>	<u>42,939</u>	<u>205,748</u>	<u>120,507</u>
Total comprehensive income attributable to:				
Equity holders of the Company from:				
- Continuing operations	57,643	42,485	191,626	121,710
- Discontinued operation	(1,761)	(4,405)	(9,592)	(16,263)
	<u>55,882</u>	<u>38,080</u>	<u>182,034</u>	<u>105,447</u>
Non-controlling interests from:				
- Continuing operations	7,408	4,859	23,714	15,861
- Discontinued operation	--	--	--	(801)
	<u>7,408</u>	<u>4,859</u>	<u>23,714</u>	<u>15,060</u>
Total comprehensive income for the period	<u>63,290</u>	<u>42,939</u>	<u>205,748</u>	<u>120,507</u>
Earnings per ordinary share	sen	sen	sen	sen
Basic from:				
- Continuing operations	14.72	10.88	48.36	31.14
- Discontinued operation	(0.45)	(1.13)	(2.45)	(4.16)
	<u>14.27</u>	<u>9.75</u>	<u>45.91</u>	<u>26.98</u>
23				
Diluted from:				
- Continuing operations	14.72	10.87	48.36	31.12
- Discontinued operation	(0.45)	(1.13)	(2.45)	(4.16)
	<u>14.27</u>	<u>9.74</u>	<u>45.91</u>	<u>26.96</u>
23				

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2019 - unaudited

	Note	As at end of Current Quarter 30/09/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		258,820	269,023
Right-of-use assets		3,035	--
Investment properties		56,478	59,082
Prepaid land lease payments		35,196	35,589
Investment in a joint venture		80,830	72,248
Investment in associates		1,271,589	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>1,711,526</u>	<u>1,649,454</u>
Current Assets			
Inventories		134,889	104,410
Trade & other receivables and prepaid expenses		136,474	132,148
Amount owing by a joint venture		--	10,200
Tax recoverable		7,085	11,167
Cash and bank balances		153,229	197,373
		<u>431,677</u>	<u>455,298</u>
Assets classified as held for sale		7,279	1,321
Total Current Assets		<u>438,956</u>	<u>456,619</u>
TOTAL ASSETS	14	<u>2,150,482</u>	<u>2,106,073</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

As at 30 September 2019 - unaudited

		As at end of Current Quarter 30/09/2019 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>1,311,021</u>	<u>1,187,620</u>
Equity attributable to the equity holders of the Company		1,702,672	1,579,271
Non-controlling interests		<u>266,499</u>	<u>249,239</u>
Total Equity		<u>1,969,171</u>	<u>1,828,510</u>
Non-Current Liabilities			
Long term borrowings	20	20,834	85,406
Deferred tax liabilities		5,380	5,380
Provision for retirement benefits		2,650	2,878
Hire purchase payables - non-current portion		--	1
Lease liabilities - non-current portion		<u>915</u>	<u>--</u>
Total Non-Current Liabilities		<u>29,779</u>	<u>93,665</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	20	26,896	58,546
Trade & other payables and accrued expenses		120,526	121,540
Amount owing to holding company		75	190
Finance lease payables - current portion		--	1,510
Hire purchase payables - current portion		--	14
Lease liabilities - current portion		2,144	--
Tax liabilities		<u>1,623</u>	<u>1,830</u>
Total Current Liabilities		<u>151,532</u>	<u>183,898</u>
Total Liabilities	14	<u>181,311</u>	<u>277,563</u>
TOTAL EQUITY AND LIABILITIES		<u>2,150,482</u>	<u>2,106,073</u>
Net assets per share (RM)		4.36	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 nine months ended 30 September 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
9 months ended 30 September 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	--	--	--	--	--	--	(764)	(764)
Profit for the period	--	--	--	--	105,468	105,468	15,063	120,531
Other comprehensive income for the period	--	--	(21)	--	--	(21)	(3)	(24)
Total comprehensive income	--	--	(21)	--	105,468	105,447	15,060	120,507
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	79	--	79	--	79
Acquisition from non-controlling interests	--	--	--	--	(19,676)	(19,676)	17,930	(1,746)
At 30 September 2018	<u>391,651</u>	<u>--</u>	<u>(31)</u>	<u>333</u>	<u>1,126,017</u>	<u>1,517,970</u>	<u>248,749</u>	<u>1,766,719</u>
9 months ended 30 September 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	--	--	--	--	(58,633)	(58,633)	--	(58,633)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	(6,454)	(6,454)
Profit for the period	--	--	--	--	179,457	179,457	23,437	202,894
Other comprehensive income for the period	--	2,546	31	--	--	2,577	277	2,854
Total comprehensive income	--	2,546	31	--	179,457	182,034	23,714	205,748
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	(347)	347	--	--	--
At 30 September 2019	<u>391,651</u>	<u>2,546</u>	<u>(9)</u>	<u>--</u>	<u>1,308,484</u>	<u>1,702,672</u>	<u>266,499</u>	<u>1,969,171</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 nine months ended 30 September 2019 - unaudited

	2019	(Unaudited) 2018
	9 months ended	9 months ended
	30/09/2019	30/09/2018
Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from :		
- <i>Continuing operations</i>	220,996	144,648
- <i>Discontinued operation</i>	<u>(9,592)</u>	<u>(17,064)</u>
	211,404	127,584
Adjustments for :		
Share of results of associates	(147,109)	(115,184)
Share of results of a joint venture	(8,583)	(9,732)
Depreciation and amortisation	14,665	14,942
Finance costs from :		
- <i>Continuing operations</i>	1,594	4,786
- <i>Discontinued operation</i>	2,674	3,787
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>(2,796)</u>	<u>(493)</u>
Operating profit before working capital changes	35,160	25,690
Changes in working capital		
(Increase) / Decrease in trade & other receivables	(4,326)	14,517
(Increase) / Decrease in inventories	(31,452)	32,585
Increase / (Decrease) in trade & other payables	(1,015)	383
Net changes in other current assets & liabilities	(342)	(215)
Income tax refunded	3,229	1
Income tax paid	<u>(7,864)</u>	<u>(7,656)</u>
Net cash from / (used in) operating activities	<u>(6,610)</u>	<u>65,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	36,695	44,882
Dividends received from a joint venture	10,200	15,300
Interest income	3,157	3,836
Purchase of property, plant & equipment	(9,126)	(6,421)
Proceeds from disposal of property, plant & equipment	251	413
Proceeds from disposal of investment property	2,661	4,806
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>131,463</u>	<u>61,070</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(58,633)	(5,863)
Dividends paid to non-controlling interests of subsidiaries	(6,454)	(764)
Finance costs paid	(4,268)	(8,573)
Bank borrowings	(94,421)	(84,718)
Finance lease payables	(1,510)	(1,456)
Hire-purchase payables	(15)	(11)
Lease payables	<u>(1,894)</u>	<u>--</u>
Net cash from / (used in) financing activities	<u>(167,195)</u>	<u>(101,385)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,342)	24,990
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>189,066</u>	<u>188,104</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>146,724</u>	<u>213,094</u>
Cash and cash equivalents comprise :		
Cash and bank balances	153,229	222,454
Bank overdrafts	<u>(6,505)</u>	<u>(9,360)</u>
	<u>146,724</u>	<u>213,094</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 30/09/2019</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 September 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 first interim single tier dividend of 6.0 sen per share on 390,887,653 ordinary shares amounting to RM23,453,259 in respect of the financial year ending 31 December 2019 was paid on 19 September 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.

11. Capital commitments

The amount of commitments in respect of the acquisition of property, plant and equipments not provided for in the interim financial statements as at 30 September 2019 is as follows :

	<u>RM'000</u>
Approved and contracted for	4,710
Approved and not contracted for	<u>8,526</u>

12. Significant related party transactions

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

	Period ended 30/09/2019 <u>RM'000</u>
<u>Group</u>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	873,393
Sales to a subsidiary of Perodua	57
Sales to an associate of Perodua	21,955
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	<u>25,677</u>
<u>Company</u>	
Gross dividends from:	
- subsidiaries	16,227
- associates	28,239
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 September 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	1,441,528	149,737	25,604	--	1,167	1,618,036
Results for reportable segments	49,609	17,922	(6,986)	(446)	(3,276)	56,823
Share of results of a jointly venture	--	8,583	--	--	--	8,583
Share of results of associates	144,730	2,379	--	--	--	147,109
Interest income	2,008	253	68	1	827	3,157
Finance costs	(288)	(378)	(2,674)	--	(928)	(4,268)
Profit/(loss) before tax for reportable segment	196,059	28,759	(9,592)	(445)	(3,377)	211,404
Depreciation and amortisation	(8,297)	(4,277)	(842)	--	(1,249)	(14,665)
Other significant non-cash items						
- Property, plant and equipment written off	(25)	(12)	(664)	--	--	(701)
- Gain on disposal of investment properties	--	--	--	--	1,320	1,320
- 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	5,784	3,338	--	--	4	9,126
Segment assets	535,486	125,532	27,901	2,580	106,564	798,063
Jointly controlled entity	--	57,931	--	--	22,899	80,830
Investment in associates	1,209,463	62,126	--	--	--	1,271,589
Segment liabilities	(96,589)	(41,253)	(15,015)	(1,280)	(27,174)	(181,311)

Period ended 30 September 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	1,256,649	138,295	32,002	1,276	1,029	1,429,251
Results for reportable segments	16,513	8,392	(13,277)	147	(4,370)	7,405
Share of results of a joint venture	--	9,732	--	--	--	9,732
Share of results of associates	112,566	2,618	--	--	--	115,184
Interest income	2,137	132	--	--	1,567	3,836
Finance costs	(354)	(515)	(3,787)	--	(3,917)	(8,573)
Profit/(loss) before tax for reportable segment	130,862	20,359	(17,064)	147	(6,720)	127,584
Depreciation and amortisation	(6,278)	(4,942)	(2,470)	(16)	(1,236)	(14,942)
Other significant non-cash items						
- Property, plant and equipment written off	--	(227)	(840)	--	--	(1,067)
- Gain on disposal of investment properties	1,901	--	--	--	--	1,901
- Allowance for slow moving inventories	(2,789)	--	--	--	--	(2,789)
- Allowance for doubtful debts	(1,704)	--	--	--	--	(1,704)
Capital expenditure	3,377	1,664	1,380	--	--	6,421
Segment assets	531,837	120,373	43,319	7,269	148,127	850,925
Jointly controlled entity	--	54,954	--	--	22,899	77,853
Investment in associates	1,103,660	80,267	--	--	--	1,183,927
Segment liabilities	(113,444)	(42,604)	(105,954)	(2,271)	(81,713)	(345,986)

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

14. Operating segments (cont'd)

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

	Period ended 30/09/2019 RM'000	Period ended 30/09/2018 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	1,616,869	1,428,222
All others	1,167	1,029
Elimination of discontinued operation	(25,604)	(32,002)
Revenue, as reported	<u>1,592,432</u>	<u>1,397,249</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	59,089	9,388
All others	(3,377)	(6,720)
Share of results of jointly controlled entity	8,583	9,732
Share of results of associates	147,109	115,184
Elimination of discontinued operation	9,592	17,064
Profit before tax, as reported	<u>220,996</u>	<u>144,648</u>
<u>Assets</u>		
Total assets for Group's reportable segments	691,499	702,798
All others	106,564	148,127
Jointly controlled entity	80,830	77,853
Investment in associates	1,271,589	1,183,927
Total assets, as reported	<u>2,150,482</u>	<u>2,112,705</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	154,137	264,273
All others	27,174	81,713
Total liabilities, as reported	<u>181,311</u>	<u>345,986</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" on 30 June 2019 due to the cessation of its alloy wheel plant's operation. 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 9 months ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Revenue	-	10,638	25,604	32,002
Cost of sales	-	(12,407)	(29,323)	(42,608)
Gross loss	-	(1,769)	(3,719)	(10,606)
Other income	91	22	94	98
Administrative and other expenses	(1,493)	(1,382)	(2,838)	(2,769)
Selling and marketing expenses	(109)	-	(455)	-
Finance costs	(250)	(1,276)	(2,674)	(3,787)
Loss before tax	(1,761)	(4,405)	(9,592)	(17,064)
Income tax expense	-	-	-	-
Loss from discontinued operation	<u>(1,761)</u>	<u>(4,405)</u>	<u>(9,592)</u>	<u>(17,064)</u>

Net cash flows of discontinued operation:

Net cash from / (used in) operating activities	4,641	(14,320)
Net cash from / (used in) investing activities	25	(540)
Net cash used in financing activities	(91,700)	(8,548)
Net decrease in cash and cash equivalents	<u>(87,034)</u>	<u>(23,408)</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 30/09/2019 RM'000	Year to date 30/09/2019 RM'000
Current year's provision	3,155	8,673
Add : Effect of real property gains tax	--	561
Under/(Over) provision in prior years	<u>(724)</u>	<u>(724)</u>
	2,431	8,510
Deferred taxation	<u>--</u>	<u>--</u>
Income tax expense	<u><u>2,431</u></u>	<u><u>8,510</u></u>

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

	Current Quarter 30/09/2019 %	Year to date 30/09/2019 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results of associates	(19.2)	(16.0)
Adjustment for tax applicable to share of results of a joint venture	(0.8)	(0.9)
Expenses not deductible for tax purpose / (Income not subject to tax)	(0.4)	(3.2)
	<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	26,896	20,834
Unsecured	<u>--</u>	<u>--</u>
Total	<u><u>26,896</u></u>	<u><u>20,834</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.

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

23. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Basic earnings / (loss) per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company:				
- Continuing operations	57,525	42,510	189,049	121,731
- Discontinued operation	(1,761)	(4,405)	(9,592)	(16,263)
	55,764	38,105	179,457	105,468
Number of ordinary shares in issue	'000	'000	'000	'000
	390,887	390,887	390,887	390,887
Basic earnings per share (sen):				
- Continuing operations	14.72	10.88	48.36	31.14
- Discontinued operation	(0.45)	(1.13)	(2.45)	(4.16)
	14.27	9.75	45.91	26.98
Diluted earnings / (loss) per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company:				
- Continuing operations	57,525	42,510	189,049	121,731
- Discontinued operation	(1,761)	(4,405)	(9,592)	(16,263)
	55,764	38,105	179,457	105,468
Number of ordinary shares in issue	'000	'000	'000	'000
	390,887	390,887	390,887	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	14.72	10.87	48.36	31.12
- Discontinued operation	(0.45)	(1.13)	(2.45)	(4.16)
	14.27	9.74	45.91	26.96

24. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
a) Interest income	910	1,328	3,089	3,836
b) Interest expense	(485)	(1,244)	(1,594)	(4,786)
c) Depreciation and amortisation	(4,769)	(4,852)	(14,665)	(14,942)
d) Allowance for slow-moving inventories	--	(1,989)	(973)	(2,789)
e) Allowance for doubtful debts	--	(904)	--	(1,704)
f) Property, plant and equipment written off	(30)	(1,051)	(701)	(1,067)
g) (Loss) / Gain on disposal of property, plant and equipment	15	145	(7)	394
h) Gain on disposal of investment properties	1,320	1,901	1,320	1,901
i) Gain on disposal of investment in associates	--	--	24,761	--
j) Gain on disposal of assets classified as held for sale	--	--	11,928	--
k) Realised loss on foreign exchange	(24)	(21)	(111)	(603)

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment of assets, provisions for and write off of receivable and inventories, gain or loss on derivatives, disposal of quoted or unquoted investments or properties, and other exceptional items for the current financial period ended 30 September 2019.

25. Authorised for issue

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 21 November 2019.

BY ORDER OF THE BOARD
MBM RESOURCES BERHAD

WONG PEIR CHYUN
COMPANY SECRETARY
KUALA LUMPUR

DATED : 21 NOVEMBER 2019