

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia) Company No. 379057-V

**INTERIM REPORT FOR THE FINANCIAL QUARTER
ENDED 31ST DECEMBER 2017**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31ST DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31st December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31st December 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, methods of computation and basis of consolidation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31st December 2016 except as follows:

- (a) On 1 January 2017, the Group and the Company adopted the following new Amendments to Financial Reporting Standards (FRS) for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
Amendments to FRS 12: Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014 – 2016 Cycle)	1 January 2017
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (Cond.t)

- (b) The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's interim financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to FRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 128: Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 9: Financial Instruments	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will have no material impact on the interim financial statements in the period of initial application except as discussed below:

FRS 9: Financial Instruments

In November 2014, MASB issued the final version of FRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139: Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 is not expected to have any impact on the classification and measurement of the Group's financial assets and financial liabilities.

Malaysian Financial Reporting Standards (“MFRS Framework”)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (“MFRS 141”) and IC Interpretation 15 Agreements for Construction of Real Estate (“IC 15”), including their parent, significant investor and venturer (herein called “Transitioning Entities”).

Transitioning Entities are allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS Framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2016 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

3. AUDIT REPORT

The audit report of the Group’s annual financial statements for the year ended 31st December 2016 was not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS OF INTERIM OPERATIONS

The Group’s business operations for the period ended 31st December 2017 have not been materially affected by seasonal or cyclical factors, other than the slowdown in property sales. Also, the car brands we distribute had a mixed performance in their market share in the Total Industry Volume (TIV) compared to last year.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial quarter ended 31st December 2017.

6. EFFECTS OF CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the financial quarter ended 31st December 2017.

7. CHANGES IN DEBTS AND EQUITY SECURITIES

During the current quarter ended 31st December 2017, there were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities. The total number of shares bought back and held as treasury shares as at 31st December 2017 was 8,672,500 shares. The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

8. DIVIDEND PAYMENT

There was no dividend paid for the current quarter and financial period ended 31st December 2017.

9. CARRYING AMOUNT OF REVALUED ASSETS

The Group has revalued its leasehold land during the last financial year based on valuations carried out by an independent professional valuer on an open market value basis during that financial year.

10. SUBSEQUENT EVENTS

There were no material events subsequent to the interim financial report under review as at the date of this announcement.

11. OPERATING SEGMENTS

The Group has four reportable segments, namely automotive, timber, property development and others which involved in Group-level corporate services, treasury functions and investments in marketable securities, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately.

(a) Information about reportable segments

	For the period ended 31.12.2017											
	Automotive		Timber		Property Development		Others		Adjustments and elimination		Total	
	31.12.17 RM'000	31.12.16 RM'000	31.12.17 RM'000	31.12.16 RM'000	31.12.17 RM'000	31.12.16 RM'000	31.12.17 RM'000	31.12.16 RM'000	31.12.17 RM'000	31.12.16 RM'000	31.12.17 RM'000	31.12.16 RM'000
External revenue	64,457	68,872	-	-	5,285	5,817	-	-	-	-	69,742	74,689
Inter segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/(loss)	(3,004)	(2,634)	1,264	(476)	(2,805)	(2,991)	(1,802)	(5,719)	(559)	-	(6,906)	(11,820)
Segment assets	15,070	26,960	36,192	62,905	87,188	133,387	106,894	97,797	(34,529)	(94,108)	210,815	226,941

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter ended 31st December 2017.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets of the Group since the last statement of financial position as at 31st December 2016.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. REVIEW OF PERFORMANCE

- a. The Group's revenue for the current quarter increased to RM19.54 million against the corresponding year financial quarter of RM16.01 million. The revenue increase is due to increase in revenue by the Automotive Division by RM3.85 million offset by a decrease in revenue of the Property Development Division by RM 931,000.

The Group registered a pre-tax loss of RM746,000 for the current quarter against the corresponding year financial quarter pre-tax loss of RM8.03 million. The Group's pre-tax loss was mainly attributed to the pre-tax loss from the Property Development Division of RM1.12 million against pre-tax loss of RM656,000 in the corresponding quarter, and pre-tax loss of the Automotive Division of RM517,000 in the current quarter against pre-tax loss of RM2.03 million in the corresponding quarter. The write-back of the impairment of biological assets contributed to the reduced loss before tax.

In the Automotive Division for the current quarter, the vehicle sales increased and had achieved 3 monthly and the quarterly sales targets for one of the brands, which increased the Group's revenue. Also, this enabled the Division to receive the incentives from the principal for the current quarter. However, the Group's performance was affected by the Property Division sales of 1 unit of residential property compared to 2 units in the corresponding year financial quarter.

- b. The Group recorded revenue of RM69.74 million and a pre-tax loss of RM6.91 million for the period ended 31st December 2017 against revenue of RM74.69 million and pre-tax loss of RM11.82 million in the corresponding period ended 31st December 2016. The Group's loss before taxation for the period ended 31st December 2017 of RM7.51 million was mainly attributed to the pre-tax loss of the Property Development Division of RM2.81 million and the Automotive Division pre-tax loss of RM3.00 million. The Company pre-tax loss of RM1.79 million also contributed to the Group loss before taxation for the period ended 31st December 2017. The write-back of the impairment of biological assets contributed to the reduced loss before tax.

The Group's revenue for the period was affected by the aftersales revenue for one of the vehicle brands due to issues with the warranty claims and remedial actions have been addressed with the principal. In addition, there were warranty charge back and rejections which deteriorated the performance of the Automotive Division. Also, during the corresponding year period, the automotive sales was higher due to one of the brands clearing their old stock. In addition, the lower revenue was due the Property Division sales of lower priced units compared to units in the corresponding year financial period, although 8 units were sold in both years.

15. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's current quarter revenue of RM19.54 million against the preceding quarter revenue of RM18.49 million, was mainly due to higher automotive sales offset by decrease in property sales. The Group's loss before taxation for the current quarter of RM746,000 was mainly attributed to the loss before taxation of Automobile Division of RM517,000 and loss before taxation of Property Development Division of RM1.12 million which were off-set by the profit before taxation of Timber Division of RM1.2 million. The Company's loss of RM 434,000 also contributed to the loss for the current quarter. However, the write-back of the impairment of biological assets contributed to the reduced loss before tax. Comparatively, in the preceding quarter the loss before taxation of RM2.30 million was mainly attributed to the loss before taxation of Automobile Division of RM1.0 million and loss before taxation of Property Development Division of RM745,000

In the Automotive Division for the current quarter, the vehicle sales increased and had achieved 3 monthly and the quarterly sales targets for one of the brands, thus receiving the incentives from the principal. However, the Property Division sold 1 unit of residential property that was lower priced compared to 1 unit sold in the preceding quarter. In addition, the Timber Division had disposed their investment property.

16. BUSINESS PROSPECTS

The general market condition presently in the country has not improved compared to prior years. And this is not expected to improve in the near term. These conditions will affect our future business prospects both in the automobile and property business.

17. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable to the financial quarter under review.

18. INCOME TAX BENEFIT

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Income tax	(274)	446	(274)	446
Under/(Over) provision in previous year	-	(19)	-	(24)
Deferred tax	(19)	(1,270)	(78)	(1,270)
	<u>(293)</u>	<u>(843)</u>	<u>(352)</u>	<u>(848)</u>

19. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging/(crediting):

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Interest income	-	(111)	(227)	(272)
Other income including investment income	-	-	-	-
Finance costs	327	784	1,720	2,391
Depreciation and amortization	(13)	4,068	1,335	5,772
Impairment for and write off of Receivables	4	1,868	4	1,868
Impairment for and write off of Inventories	438	151	438	151
(Gain)/Loss from disposal of investment securities	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(137)	(83)	(265)	(96)
Fair value (gain)/loss on investment securities	-	-	-	-
Unrealised foreign exchange (gain)/loss	-	-	-	-
Exceptional items	-	-	-	-

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and properties for the financial quarter under review.

21. CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this announcement.

22. LOANS AND BORROWINGS

	As at 31.12.17 RM'000	As at 31.12.16 RM'000
Current		
- Bank overdrafts	2,380	13,093
- Obligation under finance leases	298	248
- Bank loans	-	5,828
	<u>2,678</u>	<u>19,169</u>
Non-current		
- Obligation under finance leases	124	429
- Bank loans	11,744	10,250
	<u>11,868</u>	<u>10,679</u>

The borrowings are secured.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at the date of this announcement.

24. CHANGES IN MATERIAL LITIGATION

There were no material changes in litigations which would have a material adverse effect on the financial results for the financial quarter under review.

25. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 31st December 2017 (31st December 2016: Nil)

26. LOSS PER ORDINARY SHARE

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period.

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net loss for the period (RM'000)	(277)	(7,047)	(5,761)	(10,245)
Weighted average number of ordinary shares in issue ('000)	187,262	187,262	187,262	187,262
Basic earnings/(loss) per share (sen)	<u>(0.15)</u>	<u>(3.76)</u>	<u>(3.07)</u>	<u>(5.47)</u>

The basic loss per share is not subject to dilution as there is no dilutive effect of any potential ordinary shares.

27. REALISED AND UNREALISED LOSSES DISCLOSURE

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits / (accumulated losses) of Permaisuri Industries Berhad and its subsidiaries :		
- Realised	(96,914)	(91,153)
- Unrealised	<u>(7,026)</u>	<u>(7,026)</u>
	(103,940)	(98,179)
Total share of retained profits / (accumulated losses) from associated companies :		
- Realised	-	-
- Unrealised	-	-
Total share of retained profits / (accumulated losses) from jointly controlled entities :		
- Realised	-	-
- Unrealised	<u>-</u>	<u>-</u>
Total group accumulated losses as per consolidated accounts	<u>(103,940)</u>	<u>(98,179)</u>

28. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28th February 2018.