



QUARTERLY ANNOUNCEMENT
For the second quarter ended 30 June 2017

Summary

- The Group's revenue declined 5.4% due to lower vehicle sales
- The joint venture's results narrowed due to lower demand
- Contribution from associates was lower
- Profit before tax decreased by 16.0%
- The Board declared an interim dividend of 1.5 sen per share

Results

	Quarter ended 30 Jun			Year to date ended 30 Jun		
	2017	2016	Change	2017	2016	Change
	RM mil	RM mil	%	RM mil	RM mil	%
Revenue	403.9	427.1	(5.4)	822.0	801.0	2.6
Profit before tax	<u>19.8</u>	<u>23.6</u>	(16.0)	<u>42.4</u>	<u>45.5</u>	(6.8)
Profit for the period	<u>18.1</u>	<u>21.5</u>	(16.0)	<u>39.1</u>	<u>42.4</u>	(7.8)
Profit attributable to owners of the Company	<u>16.2</u>	<u>18.8</u>	(14.1)	<u>35.6</u>	<u>37.2</u>	(4.4)
Basic earnings per share	<u>Sen</u> 4.1	<u>Sen</u> 4.8	(14.3)	<u>Sen</u> 9.1	<u>Sen</u> 9.5	(4.4)
Equity attributable to owners of the Company	As at 30 Jun 2017 <u>RM mil</u> 1,629.8	As at 31 Dec 2016 <u>RM mil</u> 1,605.8	1.5			
Net assets per share	<u>RM</u> 4.17	<u>RM</u> 4.11	1.4			
Dividend per share	1st Interim 2017 <u>Sen</u> 1.5	1st Interim 2016 <u>Sen</u> 3.0	(50.0)	YTD 2017 <u>Sen</u> 1.5	YTD 2016 <u>Sen</u> 3.0	(50.0)

Performance of sales by operations

% Changes *	Q2'17 vs Q1'17	Q2'17 vs Q2'16	YTD Jun'17 vs YTD Jun'16
Total Industry Volume (TIV) **	+ 2.0	- 0.4	+ 3.3
Total Industry Production (TIP) **	- 15.0	- 12.0	- 2.9
Total Group's Vehicles Sales	- 5.0	- 16.6	- 10.2
Subsidiaries			
DMSB - Daihatsu & Hino trucks	- 16.2	- 55.3	- 42.9
DMMS Perodua vehicles	- 4.4	- 9.8	- 5.6
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	- 6.8	- 43.3	- 30.1
HASB	- 9.3	- 23.7	- 12.2
OMI	+ 12.7	- 4.4	+ 10.1
Service throughputs	- 3.2	+ 2.8	+ 1.2
Joint Venture			
AHSB	- 20.0	- 17.5	- 7.1
Associated companies			
Perodua vehicles	- 12.7	+ 7.4	+ 5.0
Hino trucks and buses	- 16.4	+ 17.6	+ 16.4

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) 2017 and 2016

MBM Resources Berhad and its subsidiaries
For the second quarter ended 30 June 2017
Company No. 284496-V
Dividends paid to minorities of subsidiaries
QUARTERLY ANNOUNCEMENT
For the second quarter ended 30 June 2017

Group Financial Performance

Second quarter ended 30 June 2017 compared with second quarter ended 30 June 2016

	Revenue			Profit Before Tax ("PBT")		
	Quarter ended 30-Jun-17 RM'000	Quarter ended 30-Jun-16 RM'000	Change %	Quarter ended 30-Jun-17 RM'000	Quarter ended 30-Jun-16 RM'000	Change %
Consolidated Total	403,909	427,100	(5.4)	19,821	23,599	(16.0)
<u>Business segments:</u>						
Motor Trading	351,136	370,556	(5.2)	4,301	4,605	(6.6)
Auto Parts Manufacturing	52,519	56,514	(7.1)	(4,510)	(3,567)	(26.4)
Share of results of a joint venture				1,311	2,600	(49.6)
Share of results of associates				23,199	25,826	(10.2)
Others	254	30		(4,480)	(5,865)	23.6

Group

For the current quarter, the Group's revenue declined by 5.4% or RM23.2 million to RM403.9 million against the corresponding quarter. PBT is also lower by 16.0% or RM3.8 million to close at RM19.8 million .

The Group's share of results in its joint venture was reduced by 49.6% or RM1.3 million due to lower demand mainly from its OEM customer.

Likewise, the Group's share of associates' results contracted by 10.2% or RM2.6 million to RM23.2 million as a result of lower production volume in current quarter.

Motor Trading

Revenue for the current quarter decreased by 5.2% or RM19.4 million to RM351.1 million primarily due to lower vehicle sales, in tandem with the decline in total sales volume for certain brands against the corresponding period. Strong competition from other comparable brands also contributed significantly to the lower sales volume. The decline is partially mitigated by favorable model mix with continuous interest in the Volvo XC90 as well as volume sales in lower priced segment.

Consequently, PBT was lower by 6.6% or RM0.3 million to RM4.3 million compared to the corresponding quarter.

Auto Parts Manufacturing

Revenue for the quarter reduced by 7.1% or RM4.0 million to RM52.5 million against the corresponding quarter due to overall lower demand for its tyre assembly, steel wheels and acoustics products. The decline is in line with Total Industry Production (TIP) for the quarter against the corresponding quarter.

Given the lower production, the Division incurred marginally higher losses for the quarter by RM0.9 million to close at a loss of RM4.5 million. The higher losses were attributable to lower contributions from the abovementioned products, as well as the losses incurred at the Division's alloy wheel plant.

QUARTERLY ANNOUNCEMENT
For the second quarter ended 30 June 2017

Second quarter ended 30 June 2017 against previous quarter ended 31 March 2017

	Revenue			Profit Before Tax ("PBT")		
	Quarter ended 30-Jun-17 RM'000	Quarter ended 31-Mar-17 RM'000	Change %	Quarter ended 30-Jun-17 RM'000	Quarter ended 31-Mar-17 RM'000	Change %
Consolidated Total	403,909	418,072	(3.4)	19,821	22,622	(12.4)
<u>Business segments:</u>						
Motor Trading	351,136	370,087	(5.1)	4,301	4,457	(3.5)
Auto Parts Manufacturing	52,519	47,884	9.7	(4,510)	(6,284)	(28.2)
Share of results of a joint venture				1,311	2,380	(44.9)
Share of associates' results				23,199	26,109	(11.1)
Others	254	101		(4,480)	(4,040)	(10.9)

Group

Revenue for the Group was lower against the preceding quarter by 3.4% or RM14.2 million.

PBT likewise was lower by 12.4% or RM2.8 million to close at RM19.8 million.

The Group's share of results in its joint venture was lower by 44.9% or RM1.1 million whereas its share of associate's results was also lower by 11.1% or RM2.9 million as compared to the preceding quarter.

Motor Trading

The revenue for current quarter was lower by 5.1% or RM19.0 million against the preceding quarter. The Division's result was also marginally lower by RM0.2 million to close at RM4.3 million.

In view of the challenging market environment, the Division has taken mitigative measures to control its expenses. Consequently, contraction in profit for the quarter under review was minimised.

Auto Parts Manufacturing

The Division's revenue increased by 9.7% or RM4.6 million against the preceding quarter as a result of higher production volume from its alloy wheel plant and improved pricing from the tyre assembly line.

Loss before tax for the quarter under review decreased by 28.2% or RM1.8 million which principally came from lower losses in the alloy wheel plant. Although the Division's alloy wheel plant continued to incur losses in current quarter, its quantum has lessened as various measures taken thus far are showing effect.

PROSPECTS

The market environment is expected to remain challenging in the coming quarters. Among the factors would be intense competition, uncertainties in the industry environment and strict hire-purchase approvals.

The Group will continue to improve the production efficiency at its manufacturing plants and to secure higher volume to achieve more sustainable margin. Cost structure review and new model launches by Perodua and Volvo in the coming quarters are expected to contribute positively to the Group's performance.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017 - unaudited

	Note	Current Quarter Ended 30/6/2017 RM'000	(Unaudited) Comparative Quarter Ended 30/6/2016 RM'000	6 months Cumulative To Date 30/6/2017 RM'000	(Unaudited) Comparative 6 months Cumulative To Date 30/6/2016 RM'000
Revenue	18	403,909	427,100	821,981	801,036
Cost of sales		<u>(378,561)</u>	<u>(397,996)</u>	<u>(771,485)</u>	<u>(746,354)</u>
Gross profit		25,348	29,104	50,496	54,682
Other income		6,795	6,301	13,656	12,493
Administrative and other expenses		(21,570)	(23,237)	(41,639)	(43,764)
Selling and marketing expenses		(12,233)	(13,950)	(27,046)	(29,927)
Finance costs		(3,717)	(4,803)	(7,849)	(9,289)
Interest income		688	1,758	1,826	3,224
Share of results of a joint venture, net of tax		1,311	2,600	3,691	4,802
Share of results of associates, net of tax		<u>23,199</u>	<u>25,826</u>	<u>49,308</u>	<u>53,319</u>
Profit before tax	18	<u>19,821</u>	<u>23,599</u>	<u>42,443</u>	<u>45,540</u>
Income tax expense	19	<u>(1,732)</u>	<u>(2,054)</u>	<u>(3,341)</u>	<u>(3,138)</u>
Profit for the period		<u>18,089</u>	<u>21,545</u>	<u>39,102</u>	<u>42,402</u>
Profit attributable to:					
Owners of the Company		16,154	18,813	35,579	37,210
Non-controlling interests		<u>1,935</u>	<u>2,732</u>	<u>3,523</u>	<u>5,192</u>
Profit for the period		<u>18,089</u>	<u>21,545</u>	<u>39,102</u>	<u>42,402</u>

Dividends paid to minorities of subsidiaries

The notes on pages 10 to 18 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 2017 - unaudited

	Note	Current Quarter Ended 30/6/2017 RM'000	(Unaudited) Comparative Quarter Ended 30/6/2016 RM'000	6 months Cumulative To Date 30/6/2017 RM'000	(Unaudited) Comparative 6 months Cumulative To Date 30/6/2016 RM'000
Profit for the period		18,089	21,545	39,102	42,402
Other comprehensive (loss)/income, net of tax					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net gain/(loss) on cash flow hedges and revaluation of an associate		5	659	5	(1,088)
Other comprehensive income for the period, net of tax		5	659	5	(1,088)
Total comprehensive income for the period		<u>18,094</u>	<u>22,204</u>	<u>39,107</u>	<u>41,314</u>
Total comprehensive income attributable to:					
Owners of the Company		16,158	19,407	35,583	36,281
Non-controlling interests		<u>1,936</u>	<u>2,797</u>	<u>3,524</u>	<u>5,033</u>
Total comprehensive income for the period		<u>18,094</u>	<u>22,204</u>	<u>39,107</u>	<u>41,314</u>
Earnings per ordinary share		sen	sen	sen	sen
Basic	20	4.13	4.82	9.10	9.52
Diluted	20	4.13	4.82	9.09	9.52

The notes on pages 10 to 18 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 March 2017 - unaudited

	Note	As at end of Current Quarter 30/6/2017 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		344,181	353,620
Investment properties		67,680	68,996
Prepaid land lease payments		37,091	37,365
Investment in a joint venture		133,636	145,496
Investment in associates		1,057,075	1,059,889
Deferred tax assets		5,070	5,070
Goodwill on consolidation		157,508	157,508
Total Non-Current Assets		<u>1,802,241</u>	<u>1,827,944</u>
Current Assets			
Inventories		256,876	191,851
Trade & other receivables and prepaid expenses		130,245	177,513
Tax recoverable		12,383	11,149
Cash and bank balances		172,199	172,971
Total Current Assets		<u>571,703</u>	<u>553,484</u>
TOTAL ASSETS	18	<u>2,373,944</u>	<u>2,381,428</u>

The notes on pages 10 to 18 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

As at 31 March 2017 - unaudited

		As at end of Current Quarter 30/6/2017 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2016 RM'000
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share capital		390,892	390,711
Reserves		<u>1,238,871</u>	<u>1,215,110</u>
Equity attributable to owners of the Company		1,629,763	1,605,821
Non-controlling interests		<u>231,148</u>	<u>266,584</u>
Total Equity		<u>1,860,911</u>	<u>1,872,405</u>
Non-Current Liabilities			
Long term borrowings	22	154,795	203,371
Deferred tax liabilities		4,439	4,439
Provision for retirement benefits		2,746	3,055
Finance lease payables - non-current portion		2,514	3,474
Hire purchase payables - non-current portion		<u>12</u>	<u>29</u>
Total Non-Current Liabilities		<u>164,506</u>	<u>214,368</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	22	166,322	166,251
Trade & other payables and accrued expenses		179,829	126,065
Amount owing to holding company		59	55
Finance lease payables - current portion		1,875	1,787
Hire purchase payables - current portion		16	14
Tax liabilities		<u>158</u>	<u>215</u>
Total Current Liabilities		<u>348,527</u>	<u>294,655</u>
Total Liabilities	18	<u>513,033</u>	<u>509,023</u>
TOTAL EQUITY AND LIABILITIES		<u>2,373,944</u>	<u>2,381,428</u>
Net assets per share (RM)		4.17	4.11

The notes on pages 10 to 18 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended 30 June 2017 - unaudited

Note	/----- Non-distributable -----/						Distributable reserve - Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Revaluation reserve RM'000	Hedging reserve RM'000	Equity-settled employee benefits reserve RM'000				
6 months ended 30 June 2016										
At 1 January 2016	390,711	500	44,585	978	(62)	--	1,126,910	1,563,622	265,663	1,829,285
Dividends distributed to owners of the Company	--	--	--	--	--	--	(11,721)	(11,721)	--	(11,721)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	--	(4,074)	(4,074)
Profit for the period	--	--	--	--	--	--	37,210	37,210	5,192	42,402
Other comprehensive income for the period	--	--	--	(978)	49	--	--	(929)	(159)	(1,088)
Total comprehensive income	--	--	--	(978)	49	--	37,210	36,281	5,033	41,314
Warrants exercised in a subsidiary	--	--	--	--	--	--	--	--	340	340
At 30 June 2016	<u>390,711</u>	<u>500</u>	<u>44,585</u>	<u>--</u>	<u>(13)</u>	<u>--</u>	<u>1,152,399</u>	<u>1,588,182</u>	<u>266,962</u>	<u>1,855,144</u>
6 months ended 30 June 2017										
At 1 January 2017	390,711	500	44,585	--	(39)	528	1,169,536	1,605,821	266,584	1,872,405
Recognition of share-based payments	174	258	--	--	--	(353)	--	79	--	79
Dividends distributed to owners of the Company	--	--	--	--	--	--	(11,727)	(11,727)	--	(11,727)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	--	(38,960)	(38,960)
Profit for the period	--	--	--	--	--	--	35,579	35,579	3,523	39,102
Other comprehensive income/(loss) for the period	--	--	--	--	4	--	--	4	1	5
Total comprehensive income	--	--	--	--	4	--	35,579	35,583	3,524	39,107
Exercise of warrants	7	1	(1)	--	--	--	--	7	--	7
Warrants expired on 14 June 2017	--	--	(44,584)	--	--	--	44,584	--	--	--
At 30 June 2017	<u>390,892</u>	<u>759</u>	<u>--</u>	<u>--</u>	<u>(35)</u>	<u>175</u>	<u>1,237,972</u>	<u>1,629,763</u>	<u>231,148</u>	<u>1,860,911</u>

The notes on pages 10 to 18 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended 30 June 2017 - unaudited

	2017 6 months ended 30/6/2017 RM'000	2016 6 months ended 30/6/2016 RM'000
Note	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	39,102	42,402
Adjustments for :		
Income tax expense	3,341	3,138
Share of results of associates	(49,308)	(53,319)
Share of results of jointly controlled entity	(3,691)	(4,802)
Depreciation and amortisation	11,859	12,827
Other Non-cash items	1	2,797
Non-operating items	<u>5,834</u>	<u>6,093</u>
Operating profit before working capital changes	7,138	9,136
Changes in working capital		
(Increase) / Decrease in trade & other receivables	47,635	(17,194)
(Increase) / Decrease in inventories	(65,025)	(2,028)
Increase / (Decrease) in trade & other payables	53,025	36,302
Net changes in other current assets & liabilities	(305)	(223)
Income tax refunded	--	645
Income tax paid	<u>(4,632)</u>	<u>(5,289)</u>
Net cash from operating activities	<u><u>37,836</u></u>	<u><u>21,349</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	52,117	38,535
Dividends received from jointly controlled entity	15,551	15,300
Interest income	1,826	3,224
Purchase of property, plant & equipment	(1,540)	(11,530)
Additions to investment property	--	(400)
Proceeds from disposal of property, plant & equipment	392	42
Proceeds from disposal of investment property	<u>600</u>	<u>--</u>
Net cash from investing activities	<u><u>68,946</u></u>	<u><u>45,171</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(11,727)	(11,721)
Dividends paid to minorities of subsidiaries	(38,960)	(4,074)
Proceeds from issue of shares in a subsidiary to minorities	--	340
Finance costs	(7,849)	(9,289)
Bank borrowings	(48,359)	(21,771)
Finance lease payables	(872)	6,088
Hire-purchase payables	<u>(16)</u>	<u>(7)</u>
Net cash used in financing activities	<u><u>(107,783)</u></u>	<u><u>(40,434)</u></u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,001)	26,086
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>172,971</u>	<u>211,518</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>171,970</u></u>	<u><u>237,604</u></u>
Cash and cash equivalents comprise :		
Cash and bank balances	23 172,199	239,462
Bank overdrafts	<u>(229)</u>	<u>(1,858)</u>
	<u><u>171,970</u></u>	<u><u>237,604</u></u>

The notes on pages 10 to 18 are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated interim financial statements

MBM Resources Berhad ("MBMR") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2017 consist of the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in jointly venture and associates.

These condensed consolidated interim financial statements were approved by the Board of Directors on 23 August 2017.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia and comply with applicable disclosure provisions under Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS134: Interim Financial Reporting.

The supplementary information set out in Note 25, which is not part of the financial statements, is disclosed in accordance to Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of 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 2016.

2. Significant accounting policies

The basis of accounting, basis of consolidation, the accounting policies and method of computation applied by the Group in these 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 2016, except for the adoption of the following MFRSs and amendments to MFRSs during the current financial period :

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107	Disclosures Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014-2016 Cycle (Amendments to MFRS 12)	

The adoption of the above amendments to FRSS does not have any significant impact on the financial statements of the Group.

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 2018

Annual Improvements to MFRSs 2014-2016 Cycle (Amendments to MFRS 1 and MFRS 128)	
Amendment to MFRS 2	Classification and Measurement of Share-Based Payment Transactions
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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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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3. Estimates

In preparing the condensed interim financial statements, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the

Dividends paid to minorities of subsidiaries

For the second quarter ended 30 June 2017

Company No. 284496-V

Notes to the condensed consolidated interim financial statements (cont'd)**4. 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 2016 was not qualified.

5. 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.

6. Exceptional items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period under review.

7. Dividends paid

No dividends were paid during the financial quarter under review.

8. 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 conversion of warrants into ordinary shares and share-based payments during the period were as follows:

	<u>Period ended 30/6/2017</u>	
	Number of shares '000	Share Capital RM'000
Ordinary shares		
As at 1 January 2017	390,711	390,711
Conversion of warrants	2	7
Share-based payments	174	174
As at 30 June 2017	<u>390,887</u>	<u>390,892</u>

a) Warrants

The warrants were listed on the Main Market of Bursa Malaysia Securities Berhad and were exercisable at any time within a period of five years to 14 June 2017. The warrants have since expired and been delisted.

Total issued	:	73,165,836
Exercised during the period	:	2,200
Exercise price	:	RM3.20 per warrant

b) Long-Term Incentive Plan

During the current financial year to-date, 174,700 ordinary shares were issued pursuant to the Restricted Shares Plan that was vested on 31 December 2016.

9. Subsequent material events

There were no material events or transaction during the period from 30 June 2017 to the date of this announcement which affects substantially the results of the operations of the Group and of the Company for the quarter ended 30 June 2017 in respect of which this announcement is made.

10. Changes in composition of the Group

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

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

11. Significant related party transactions

During the period ended 30 June 2017, the Group and the Company had the following transactions with related parties :

	Period ended 30/6/2017 <u>RM'000</u>
<u>Group</u>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	503,335
Sales to a subsidiary of Perodua	23
Sales to an associate of Perodua	9,591
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	12,346
Purchases from Toyota Tsusho Corporation, its subsidiaries and associates	4,193
Purchases from Toyota Tsusho (Malaysia) Sdn. Bhd., its subsidiaries and associates	423
Sales to Toyota Tsusho Corporation, its subsidiaries and associates	9
Royalty fee payable to Central Motor Wheels Co. Ltd., a minority shareholder	<u>--</u>
<u>Company</u>	
Gross dividends from:	
- subsidiaries	74,767
- associates	38,164
Management fees from:	
- subsidiaries	36
- associates	<u>60</u>

12. 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 2017 is as follows :

	<u>RM'000</u>
Approved and contracted for	2,198
Approved and not contracted for	<u>6,867</u>

13. Review of Group performance

The review of performance by operations is furnished in the Main Section on pages 1 to 3 of the announcement.

14. Current year prospects

The overview of current year prospects is furnished in the Main Section on pages 1 to 3 of the announcement.

15. Variance from profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the year.

16. Unquoted investments and properties

There was no sale of unquoted investments and /or properties for the current quarter under review and financial period to date.

17. Quoted investments

There was no sale of quoted investments for the current quarter under review.

18. 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)

18. Operating segments (cont'd)

Period ended 30 June 2017

	Motor Trading	Auto Parts Manufacturing	Property development	All others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	721,223	100,403	--	355	821,981
Results for reportable segments	8,097	(8,229)	234	(4,635)	(4,533)
Share of results of a jointly venture	--	3,691	--	--	3,691
Share of results of associates	46,087	3,221	--	--	49,308
Interest income	958	257	--	611	1,826
Finance costs	(297)	(2,822)	--	(4,730)	(7,849)
Profit/(loss) before tax for reportable segment	54,845	(3,882)	234	(8,754)	42,443
Depreciation and amortisation	(4,305)	(6,689)	(14)	(851)	(11,859)
Capital expenditure	541	1,000	--	--	1,541
Segment assets	603,859	393,997	16,125	169,252	1,183,233
Jointly controlled entity	--	133,636	--	--	133,636
Investment in associates	983,440	73,635	--	--	1,057,075
Segment liabilities	(194,771)	(151,544)	(7,785)	(158,933)	(513,033)

Period ended 30 June 2016

	Motor Trading	Auto Parts Manufacturing	Property development	All others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	706,905	94,071	--	60	801,036
Results for reportable segments	6,090	(6,130)	--	(6,476)	(6,516)
Share of results of a joint venture	--	4,802	--	--	4,802
Share of results of associates	47,551	5,768	--	--	53,319
Interest income	1,980	318	--	926	3,224
Finance costs	(689)	(2,242)	--	(6,358)	(9,289)
Profit/(loss) before tax for reportable segment	54,932	2,516	--	(11,908)	45,540
Depreciation and amortisation	(5,400)	(6,532)	--	(895)	(12,827)
Capital expenditure	2,813	8,768	--	349	11,930
Segment assets	622,821	436,545	19,097	169,979	1,248,442
Jointly controlled entity	--	138,591	--	--	138,591
Investment in associates	951,451	47,163	--	--	998,614
Segment liabilities	(167,090)	(158,788)	(4,616)	(200,009)	(530,503)

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

18. Operating segments (cont'd)

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

	Period ended 30/6/2017 RM'000	Period ended 30/6/2016 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	821,626	800,976
All others	355	60
Revenue, as reported	<u>821,981</u>	<u>801,036</u>
<u>Profit or loss</u>		
Total profit for Group's reportable segments, including finance costs and interest income	(1,802)	(673)
All others	(8,754)	(11,908)
Share of results of jointly controlled entity	3,691	4,802
Share of results of associates	49,308	53,319
Profit before tax, as reported	<u>42,443</u>	<u>45,540</u>
<u>Assets</u>		
Total assets for Group's reportable segments	1,013,981	1,078,463
All others	169,252	169,979
Jointly controlled entity	133,636	138,591
Investment in associates	1,057,075	998,614
Total assets, as reported	<u>2,373,944</u>	<u>2,385,647</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	354,100	330,494
All others	158,933	200,009
Total liabilities, as reported	<u>513,033</u>	<u>530,503</u>

The accounting policies and method of computation of the operating segments are consistent with those described in the summary of significant accounting policies in the recent audited financial statement for the year ended 31 December 2016. 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.

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

19. Income tax expense

	Current Quarter 30/6/2017 RM'000	Year to date 30/6/2017 RM'000
Current year's provision	1,732	3,341
Add :		
Under/(Over) provision in prior years	--	--
	1,732	3,341
Deferred taxation	--	--
Income tax expense	<u>1,732</u>	<u>3,341</u>

A reconciliation of the statutory income tax rate at 24% to the effective income tax rate of the Group for the current quarter and for the year-to-date are as follows :

	Current Quarter 30/6/2017 %	Year to date 30/6/2017 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results in associates	(28.1)	(27.9)
Adjustment for tax applicable to share of results in jointly controlled entity	(1.6)	(2.1)
Expenses not deductible for tax purpose / (Income not subject to tax)	14.4	13.8
	<u>8.7</u>	<u>7.8</u>

20. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Basic earnings per ordinary share				
Profit attributable to ordinary shareholders (RM'000)	16,154	18,813	35,579	37,210
Weighted average number of ordinary shares ('000)	390,711	390,711	390,711	390,711
Share-based payments	174	-	174	--
	<u>390,885</u>	<u>390,711</u>	<u>390,885</u>	<u>390,711</u>
Basic earnings per share (sen)	4.13	4.82	9.10	9.52

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

20. Earnings per ordinary share (EPS) (cont'd)

	Quarter ended		Year to date 6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Diluted earnings per ordinary share				
Profit attributable to ordinary shareholders (RM'000)	16,154	18,813	35,579	37,210
Adjusted weighted average number of ordinary shares in issue and issuable	391,329	390,711	391,329	390,711
Diluted earnings per share (sen)	4.13	4.82	9.09	9.52

	No of ordinary shares of RM1.00 each	
	30/6/2017	30/6/2016
Weighted average number of ordinary shares	390,710,753	390,710,753
Share-based payments	174,700	--
Adjustment for assumed share-based payment	443,500	--
Adjusted weighted average number of ordinary shares in issue and issuable	391,328,953	390,710,753

21. Corporate proposals

There were no corporate proposals made or undertaken by the Group and the Company during the current quarter.

22. Loans and Borrowings

	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Denominated in Malaysian Currency (RM)		
Secured	166,338	154,807
Unsecured	--	--
Total	166,338	154,807

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

23. Cash and Cash Equivalents

	The Group As at	
	30/6/2017 RM'000	30/6/2016 RM'000
Cash on hand and at at banks	81,017	86,350
Deposits with licensed banks	91,182	153,112
Cash and bank balances	172,199	239,462
Less : Bank overdrafts	(229)	(1,858)
Cash and cash equivalents	<u>171,970</u>	<u>237,604</u>
Cash and bank balances	172,199	239,462
Less :		
Total borrowings*	(325,562)	(356,724)
Net cash position (after total borrowings)	<u>(153,363)</u>	<u>(117,262)</u>

(Note * Total borrowings include finance lease payables and hire-purchase payables)

24. Off balance sheet financial instruments

The Group does not have any other financial instruments which are not within the scope of MFRS 139 with off balance sheet risk as at 16 August 2017, the latest practicable date which is not earlier than 7 days from the date of this quarterly report.

25. Supplementary information

The following information are provided pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Securities Berhad Listing Requirements to disclose the breakdown of the unappropriated profits or accumulated losses of the Group and of the Company as of 30 June 2017 into realised and unrealised profits or losses.

	30/6/2017	
	The Group RM'000	The Company RM'000
Total retained earnings of the Company and its subsidiaries		
Realised	577,032	331,564
Unrealised	(2,692)	(1,400)
Total retained earnings from the jointly controlled entity		
Realised	81,977	--
Unrealised	--	--
Total retained earnings from the associates		
Realised	880,394	--
Unrealised	13,979	--
Less : Consolidation adjustments	<u>(357,302)</u>	<u>--</u>
Total retained earnings as per statement of financial position	<u>1,193,388</u>	<u>330,164</u>

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

26. Material litigations

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

27. Contingent liabilities

As at the date of issue of this quarterly report, the Group is contingently liable to financial institutions on corporate guarantees given to financial institutions for credit facilities granted to certain subsidiaries. The credit facilities utilised by the subsidiaries, which are secured by such guarantees, amount to RM155,474,000. Save for the foregoing, the Group does not have other contingent liabilities which upon becoming due or becoming enforceable, may have a material impact on the results on our Group's financial position.

28. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	RM'000	RM'000	RM'000	RM'000
a) Interest income	688	1,758	1,826	3,224
b) Interest expense	(3,717)	(4,803)	(7,849)	(9,289)
c) Depreciation and amortisation	(5,842)	(6,923)	(11,859)	(12,827)

29. Dividend

The Board is pleased to declare a first interim dividend of 1.5 sen per share tax exempted (single tier dividend) amounting to approximately RM5,863,315 for the year ending 31 December 2017.

**BY ORDER OF THE BOARD
MBM RESOURCES BERHAD**

**WONG PEIR CHYUN
COMPANY SECRETARY
KUALA LUMPUR
DATED : 23 AUGUST 2017**