



QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2017

Summary

- The Group's revenue increased slightly by 1.5% due to higher vehicle sales and production volume
- Contribution from our joint venture and associates were lower
- Impairment losses on goodwill and joint venture of RM176.7 million were recognised
- Impairment of RM61.7 million on OMI Alloy's property, plant and equipment was made
- As a result, the loss before tax for the quarter was RM202.6 million
- The Board declared an interim dividend of 1.5 sen per share

Results

	Quarter ended 31 Dec			Year to date ended 31 Dec		
	2017	2016	Change	2017	2016	Change
	RM mil	RM mil	%	RM mil	RM mil	%
Revenue	443.8	437.2	1.5	1,732.6	1,670.2	3.7
On going business	443.8	437.2	1.5	1,729.8	1,670.2	3.6
One-off property contribution	--	--	--	2.8	--	>100.0
(Loss) / Profit before tax	(202.6)	11.1	(1,919.7)	(148.5)	82.8	(279.4)
On going business	(202.6)	11.1	(1,919.7)	(149.3)	83.3	(279.3)
One-off property contribution	--	--	--	0.8	(0.5)	>100.0
(Loss) / Profit for the period	(204.3)	9.4	(2,270.1)	(156.0)	75.9	(305.6)
(Loss) / Profit attributable to owners of the Company	(191.7)	7.6	(2,634.3)	(148.8)	66.1	(325.3)
	Sen	Sen		Sen	Sen	
Basic earnings per share	(49.1)	1.9	(2,628.4)	(38.1)	16.9	(325.2)
	As at 31 Dec 2017 RM mil	As at 31 Dec 2016 RM mil				
Equity attributable to owners of the Company	1,439.6	1,605.8	(10.4)			
	RM	RM				
Net assets per share	3.68	4.11	(10.4)			
	2nd Interim 2017 Sen	2nd Interim 2016 Sen		YTD 2017 Sen	YTD 2016 Sen	
Dividend per share	1.5	3.0	(50.0)	3.0	6.0	(50.0)

Performance of sales by operations

% Changes *	Q4'17	Q4'17	YTD Dec'17
	vs Q3'17	vs Q4'16	vs YTD Dec'16
Total Industry Volume (TIV) **	+ 6.8	- 6.7	- 0.6
Total Industry Production (TIP) **	- 5.9	- 25.1	- 8.4
Total Group's Vehicles Sales	- 12.2	- 3.4	- 2.6
Subsidiaries			
DMSB - Daihatsu & Hino trucks	+ 12.1	+ 33.8	- 11.4
DMMS Perodua vehicles	- 14.7	- 6.3	- 0.9
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	+ 6.9	+ 11.6	- 15.4
HASB	+ 22.0	+ 5.1	- 10.4
OMI	+ 17.3	+ 6.4	+ 10.0
Service throughputs	- 2.0	+ 0.9	+ 1.5
Joint Venture			
AHSB	+ 17.5	- 21.1	- 10.2
Associated companies			
Perodua vehicles	- 6.4	- 11.8	- 1.5
Hino trucks and buses	+ 3.1	- 12.8	+ 9.4

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

QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2017

Group Financial Performance

Fourth quarter ended 31 December 2017 compared with fourth quarter ended 31 Decemebr 2016

	Revenue			(Loss)/Profit Before Tax ("PBT")		
	Quarter ended 31-Dec-17	Quarter ended 31-Dec-16	Change	Quarter ended 31-Dec-17	Quarter ended 31-Dec-16	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Consolidated Total	443,770	437,228	1.5	(202,622)	11,135	(1,919.7)
<u>Business segments:</u>						
Motor Trading	380,751	378,219	0.7	(5,151)	(361)	1,326.9
Auto Parts Manufacturing	62,690	58,971	6.3	(96,250)	(12,253)	(685.5)
Share of results of a joint venture				3,627	5,527	(34.4)
Share of results of associates				37,376	48,846	(23.5)
Others	329	38		(142,224)	(30,624)	(364.4)

Group

The Group's revenue for the current quarter increased by 1.5% or RM6.5 million to RM443.8 million against the corresponding quarter. During the quarter, the Group embarked on a series of initiatives to strengthen the financial position, and also reviewed the viability and expected returns on various investments within the Group. The Group impaired RM176.6 million of goodwill and joint venture investment in its subsidiary Hirotako Holdings Berhad Group (HHB Group) based on the financial forecasts of HHB Group. The Group also impaired, among others, RM61.7 million of the property, plant and equipment in its alloy wheel plant. These impairment adjustments totalled to RM242.5 million for the quarter.

The Group's profit before tax (PBT) for the quarter excluding the abovementioned impairment adjustments would have been RM39.9 million, 3.6% or RM1.5 million lower than the adjusted PBT of RM41.4 million in Q4 2016 (after excluding the impairment made in 2016 for comparison purpose) due to lower contribution from the associates. With the impairment adjustments however, the Group's results for the quarter was reduced to a loss before tax (LBT) of RM202.6 million.

The Group's share of associates' results contracted by 23.5% or RM11.5 million to close at RM37.4 million.

The Group's share of results in it's joint venture also reduced by 34.4% or RM1.9 million due to lower demand from a major OEM customer.

Motor Trading

Revenue for the current quarter increased marginally by 0.7% or RM2.5 million to RM380.7million against the corresponding period driven mostly by higher sales volume in the Daihatsu and Volkswagen models. The Division's Perodua models continued to register good sales although volume was temporarily held back by shortage in supply ahead of the new Myvi launch in mid-November. For our Volvo brand, the XC90 maintained its best selling position among the Volvo models.

Despite the higher revenue and lower operating costs, LBT for the Division increased to RM5.1 million principally due to impairment made and write-off.

Auto Parts Manufacturing

Revenue for the quarter increased by 6.3% or RM3.7million to RM62.7 million against the corresponding quarter mainly due to gradual recovery of demand from the Division's major OEM customers as well as increased export of alloy wheels.

Notwithstanding, the Division's alloy wheel plant continued to operate at a loss as it operates below optimal capacity and also due to its inability to transfer certain costs to the customers. The LBT of the Division is inclusive of the aforesaid impairment on property, plant and equipment of RM61.7 million. Excluding this impairment, the Division's actual operating LBT for the quarter would have been RM3.5 million, lower by 49.0% or RM3.4 million as compared to the corresponding quarter's operating LBT before impairment adjustment. The lower loss was mainly a result of the various cost reduction and process enhancement activities taken thus far.

QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2017

Fourth quarter ended 31 December 2017 against previous quarter ended 30 September 2017

	Revenue			(Loss)/Profit Before Tax ("PBT")		
	Quarter ended 31-Dec-17 RM'000	Quarter ended 30-Sep-17 RM'000	Change %	Quarter ended 31-Dec-17 RM'000	Quarter ended 30-Sep-17 RM'000	Change %
Consolidated Total	443,770	466,805	(4.9)	(202,622)	11,678	(1,835.1)
<u>Business segments:</u>						
Motor Trading	380,751	410,449	(7.2)	(5,151)	7,198	(171.6)
Auto Parts Manufacturing	62,690	53,199	17.8	(96,250)	(8,402)	(1,045.6)
Share of results of a joint venture				3,627	2,622	38.3
Share of associates' results				37,376	23,752	57.4
Others	329	3,157		(142,224)	(13,492)	(954.1)

Group

Revenue for the Group was lower against the preceding quarter by 4.9% or RM23.0 million. The operating results of the Group excluding the aforesaid impairments was a profit before tax of RM39.9 million, higher by 77.9% or RM17.5 million than the preceding quarter's adjusted PBT (after excluding goodwill impairment of RM10.8 million). This improved results were contributed mainly by higher share of associates' results of RM13.6 million or 57.4%, as well as lower losses in the Auto Manufacturing Division against the preceding quarter.

For current quarter, the Group's share of results in its joint venture also improved by 38.3% or RM1.0 million as compared to the preceding quarter.

Motor Trading

The revenue for current quarter was lower by 7.2% or RM29.7 million against the preceding quarter. Performance for the Division was also lower against the preceding quarter by 171.6% or RM12.3 million to close at a loss of RM5.1 million.

The lower performance was a result of lower volume mainly due to the temporary shortage of Perodua Myvi stocks ahead of the new Myvi launched in mid-November, and further compounded by the impairment made on property, plant and equipment and recognition of higher costs.

Auto Parts Manufacturing

The Division's revenue increased by 17.8% or RM9.5 million against the preceding quarter.

In tandem with the higher revenue, operating loss before tax for the quarter excluding the impairments on property, plant and equipment of RM61.7 million decreased by 58.4% or RM4.9 million to close at a loss of RM3.5 million. Furthermore, various cost reduction and process enhancement activities in the alloy wheel plant also supported current quarter's results.

PROSPECTS

The proactive actions taken thus far to strengthen the Group's financial position and investments are expected to place the Group in better position to weather the challenges in the coming year.

Total Industry Volume (TIV) for 2017 closed at 576,635 units, 0.6% lower for the second consecutive year against 2016's TIV of 580,124 units. According to MAA, the 2018 TIV is forecasted to grow at a low of 2.3% to 590,000 units. Aside from this expectation on soft consumer demand, other factors such as strict lending guidelines, margin squeeze and uncertainties in the domestic front will also impact the performance in 2018.

With this challenging economic environment in mind, the Management is focused in improving the profitability of the Group's core businesses.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the twelve months ended 31 December 2017 - unaudited

		Current Quarter Ended 31/12/2017 RM'000	Comparative Quarter Ended 31/12/2016 RM'000	12 months Cumulative To Date 31/12/2017 RM'000	(Audited) Comparative 12 months Cumulative To Date 31/12/2016 RM'000
	Note				
Revenue	18	443,770	437,228	1,732,556	1,670,204
Cost of sales		<u>(420,770)</u>	<u>(415,217)</u>	<u>(1,633,706)</u>	<u>(1,561,371)</u>
Gross profit		23,000	22,011	98,850	108,833
Other income		17,937	13,884	41,608	31,308
Administrative and other expenses		(267,457)	(58,039)	(339,685)	(125,329)
Selling and marketing expenses		(14,527)	(18,173)	(58,338)	(62,927)
Finance costs		(3,830)	(4,513)	(15,547)	(18,556)
Interest income		1,252	1,592	4,235	6,535
Share of results of a joint venture, net of tax		3,627	5,527	9,940	11,707
Share of results of associates, net of tax		<u>37,376</u>	<u>48,846</u>	<u>110,436</u>	<u>131,185</u>
(Loss)/Profit before tax	18	<u>(202,622)</u>	<u>11,135</u>	<u>(148,501)</u>	<u>82,756</u>
Income tax expense	20	<u>(1,652)</u>	<u>(1,722)</u>	<u>(7,521)</u>	<u>(6,864)</u>
(Loss)/Profit for the period		<u>(204,274)</u>	<u>9,413</u>	<u>(156,022)</u>	<u>75,892</u>
(Loss)/Profit attributable to:					
Owners of the Company		(191,743)	7,566	(148,830)	66,070
Non-controlling interests		<u>(12,531)</u>	<u>1,847</u>	<u>(7,192)</u>	<u>9,822</u>
(Loss)/Profit for the period		<u>(204,274)</u>	<u>9,413</u>	<u>(156,022)</u>	<u>75,892</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 twelve months ended 31 December 2017 - unaudited

	Note	Current Quarter Ended 31/12/2017 RM'000	Comparative Quarter Ended 31/12/2016 RM'000	12 months Cumulative To Date 31/12/2017 RM'000	(Audited) Comparative 12 months Cumulative To Date 31/12/2016 RM'000
(Loss)/Profit for the period		(204,274)	9,413	(156,022)	75,892
Other comprehensive income/(loss), 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		31	(34)	32	(1,122)
Other comprehensive income/(loss) for the period, net of tax		31	(34)	32	(1,122)
Total comprehensive (loss)/income for the period		<u>(204,243)</u>	<u>9,379</u>	<u>(155,990)</u>	<u>74,770</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(191,715)	7,540	(148,801)	65,115
Non-controlling interests		<u>(12,528)</u>	<u>1,839</u>	<u>(7,189)</u>	<u>9,655</u>
Total comprehensive (loss)/income for the period		<u>(204,243)</u>	<u>9,379</u>	<u>(155,990)</u>	<u>74,770</u>
Earnings per ordinary share		sen	sen	sen	sen
Basic	21	(49.05)	1.94	(38.08)	16.91
Diluted	21	(49.00)	1.94	(38.03)	16.91

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

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

	Note	As at end of Current Quarter 31/12/2017 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		270,688	353,620
Investment properties		63,977	68,996
Prepaid land lease payments		36,816	37,365
Investment in a joint venture		83,420	145,496
Investment in associates		1,104,978	1,059,889
Available-for-sale financial asset		1,836	--
Deferred tax assets		5,070	5,070
Goodwill on consolidation		1,104	157,508
Total Non-Current Assets		<u>1,567,889</u>	<u>1,827,944</u>
Current Assets			
Inventories		148,160	191,851
Trade & other receivables and prepaid expenses		150,547	177,513
Tax recoverable		14,549	11,149
Cash and bank balances		<u>193,345</u>	<u>172,971</u>
Total Current Assets		<u>506,601</u>	<u>553,484</u>
TOTAL ASSETS	18	<u><u>2,074,490</u></u>	<u><u>2,381,428</u></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 31 December 2017 - unaudited

		As at end of Current Quarter 31/12/2017 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>1,048,703</u>	<u>1,215,110</u>
Equity attributable to owners of the Company		1,439,595	1,605,821
Non-controlling interests		<u>215,715</u>	<u>266,584</u>
Total Equity		<u>1,655,310</u>	<u>1,872,405</u>
Non-Current Liabilities			
Long term borrowings	23	108,211	203,371
Deferred tax liabilities		4,439	4,439
Provision for retirement benefits		2,396	3,055
Finance lease payables - non-current portion		1,510	3,474
Hire purchase payables - non-current portion		<u>14</u>	<u>29</u>
Total Non-Current Liabilities		<u>116,570</u>	<u>214,368</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	23	168,472	166,251
Trade & other payables and accrued expenses		131,646	126,065
Amount owing to holding company		114	55
Finance lease payables - current portion		1,964	1,787
Hire purchase payables - current portion		15	14
Tax liabilities		<u>131</u>	<u>215</u>
Total Current Liabilities		<u>302,610</u>	<u>294,655</u>
Total Liabilities	18	<u>419,180</u>	<u>509,023</u>
TOTAL EQUITY AND LIABILITIES		<u>2,074,490</u>	<u>2,381,428</u>
Net assets per share (RM)		3.68	4.11

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 twelve months ended 31 December 2017 - unaudited

Note	/----- Non-distributable -----/					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
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Revaluation reserve RM'000	Hedging reserve RM'000					
12 months ended 31 December 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	--	--	--	--	--	--	(23,444)	(23,444)	--	(23,444)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	--	(8,734)	(8,734)
Profit for the period	--	--	--	--	--	--	66,070	66,070	9,822	75,892
Other comprehensive income/(loss) for the period	--	--	--	(978)	23	--	--	(955)	(167)	(1,122)
Total comprehensive income	--	--	--	(978)	23	--	66,070	65,115	9,655	74,770
Recognition of share-based payments	--	--	--	--	--	528	--	528	--	528
At 31 December 2016 (Audited)	390,711	500	44,585	--	(39)	528	1,169,536	1,605,821	266,584	1,872,405
12 months ended 31 December 2017										
At 1 January 2017	390,711	500	44,585	--	(39)	528	1,169,536	1,605,821	266,584	1,872,405
Dividends distributed to owners of the Company	--	--	--	--	--	--	(17,590)	(17,590)	--	(17,590)
Dividends paid to non-controlling interests of subsidiaries	--	--	--	--	--	--	--	--	(43,661)	(43,661)
Loss for the period	--	--	--	--	--	--	(148,830)	(148,830)	(7,192)	(156,022)
Other comprehensive income/(loss) for the period	--	--	--	--	29	--	--	29	3	32
Total comprehensive income/(loss)	--	--	--	--	29	--	(148,830)	(148,801)	(7,189)	(155,990)
Recognition of share-based payments	174	258	--	--	--	(274)	--	158	--	158
Exercise of warrants	7	1	(1)	--	--	--	--	7	--	7
Warrants expired on 14 June 2017	--	--	(44,584)	--	--	--	44,584	--	--	--
Capital reduction in a subsidiary to minorities	--	--	--	--	--	--	--	--	(19)	(19)
At 31 December 2017	390,892	759	--	--	(10)	254	1,047,700	1,439,595	215,715	1,655,310

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 twelve months ended 31 December 2017 - unaudited

	2017	(Audited) 2016
	12 months ended 31/12/2017	12 months ended 31/12/2016
Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit for the period	(156,022)	75,892
Adjustments for :		
Income tax expense	7,521	6,864
Share of results of associates	(110,436)	(131,185)
Share of results of a joint venture	(9,940)	(11,707)
Depreciation and amortisation	22,786	25,666
Other Non-cash items	255,163	40,547
Non-operating items	4,586	13,050
Operating profit before working capital changes	13,658	19,127
Changes in working capital		
(Increase) / Decrease in trade & other receivables	27,332	(10,939)
(Increase) / Decrease in inventories	41,992	(31,763)
Increase / (Decrease) in trade & other payables	4,145	(607)
Net changes in other current assets & liabilities	(600)	(576)
Income tax refunded	--	541
Income tax paid	(10,695)	(12,793)
Net cash from / (used in) operating activities	<u>75,832</u>	<u>(37,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	65,369	55,090
Dividends received from a joint venture	40,985	15,300
Interest income	4,235	6,535
Purchase of property, plant & equipment	(6,106)	(24,542)
Additions to available-for-sale financial asset	(1,100)	--
Proceeds from disposal of property, plant & equipment	11,353	372
Proceeds from disposal of investment property	600	--
Net cash from investing activities	<u>115,336</u>	<u>52,755</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(17,590)	(23,444)
Dividends paid to minorities of subsidiaries	(43,661)	(8,734)
Proceeds from exercise of warrants	7	--
Capital reduction in a subsidiary to minorities	(19)	--
Finance costs	(15,547)	(17,388)
Bank borrowings	(102,080)	(3,763)
Finance lease payables	(1,787)	(1,094)
Hire-purchase payables	(14)	(14)
Net cash used in financing activities	<u>(180,691)</u>	<u>(54,437)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	10,477	(38,692)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>172,826</u>	<u>211,518</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>183,303</u>	<u>172,826</u>
Cash and cash equivalents comprise :		
Cash and bank balances	193,345	172,971
Bank overdrafts	(10,042)	(145)
	<u>183,303</u>	<u>172,826</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

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 twelve months ended 31 December 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 22 February 2018.

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.

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
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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 financial statements as at and for the year ended 31 December 2016.

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.

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

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:

	Period ended 31/12/2017	
	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 31 December 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 subsequent to the current quarter under review to 15 February 2018, being a date not earlier than 7 days from the date of issue of the quarterly report except:

On 12 February 2018, the Group via its subsidiary, Oriental Extrusions Sdn Bhd ("OESB"), had entered into an agreements with Central Motor Wheel Co., Ltd ("CMW") and Toyota Tsusho Corporation of Japan ("TTC") to purchase the remaining shares in Oriental Metal Industries Sdn Bhd ("OMI"), a 78% owned subsidiary of OESB, held by CMW and TTC for a total purchase consideration of RM1,746,360.

At the date of this report, the proposed acquisition is subject to the approval of the relevant authorities and is expected to complete in subsequent quarter, barring unforeseen circumstances. Upon completion, OMI will become a wholly owned subsidiary of the Group.

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 31 December 2017, the Group and the Company had the following transactions with related parties :

	Period ended 31/12/2017 RM'000
Group	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	897,245
Sales to a subsidiary of Perodua	54
Sales to an associate of Perodua	18,825
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	26,973
Purchases from Toyota Tsusho Corporation, its subsidiaries and associates	9,693
Purchases from Toyota Tsusho (Malaysia) Sdn. Bhd., its subsidiaries and associates	1,070
Sales to Toyota Tsusho Corporation, its subsidiaries and associates	9
	<hr/>
Company	
Gross dividends from:	
- subsidiaries	107,701
- associates	48,847
Management fees from:	
- subsidiaries	36
- associates	120
	<hr/>

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 31 December 2017 is as follows :

	<u>RM'000</u>
Approved and contracted for	189
Approved and not contracted for	1,931
	<hr/>

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 31 December 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	1,512,423	216,292	2,851	990	1,732,556
Results for reportable segments	9,664	(110,193)	807	(157,843)	(257,565)
Share of results of a jointly venture	--	9,940	--	--	9,940
Share of results of associates	101,997	8,439	--	--	110,436
Interest income	2,061	481	--	1,693	4,235
Finance costs	(920)	(5,734)	--	(8,893)	(15,547)
Profit/(loss) before tax for reportable segment	112,802	(97,067)	807	(165,043)	(148,501)
Depreciation and amortisation	(7,931)	(12,313)	(27)	(2,515)	(22,786)
Other significant non-cash items					
- Impairment loss of goodwill	--	--	--	(156,404)	(156,404)
- Impairment loss on investment in a joint venture	--	(31,030)	--	--	(31,030)
- Impairment loss on property, plant and equipment	(4,162)	(61,729)	--	--	(65,891)
- Allowance for slow moving inventories	(3,100)	(2,100)	--	--	(5,200)
Capital expenditure	4,388	1,718	--	--	6,106
Segment assets	538,847	168,298	14,669	164,278	886,092
Jointly controlled entity	--	83,420	--	--	83,420
Investment in associates	1,026,124	78,854	--	--	1,104,978
Segment liabilities	(136,217)	(161,782)	(5,725)	(115,456)	(419,180)

Period ended 31 December 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	1,468,144	201,928	--	132	1,670,204
Results for reportable segments	10,108	(21,363)	(531)	(36,329)	(48,115)
Share of results of a joint venture	--	11,707	--	--	11,707
Share of results of associates	120,213	10,972	--	--	131,185
Interest income	4,007	558	--	1,970	6,535
Finance costs	(1,745)	(4,914)	--	(11,897)	(18,556)
Profit/(loss) before tax for reportable segment	132,583	(3,040)	(531)	(46,256)	82,756
Depreciation and amortisation	(9,951)	(13,127)	(31)	(2,557)	(25,666)
Other significant non-cash items					
- Impairment loss on goodwill	--	--	--	(24,850)	(24,850)
- Impairment loss on property, plant and equipment	--	(5,400)	--	--	(5,400)
- Inventory written down	(4,025)	--	--	--	(4,025)
- Allowance for doubtful debts	(3,327)	--	--	--	(3,327)
- Allowance for slow moving inventories	(1,501)	--	--	--	(1,501)
- Property, plant and equipment written off	(1,444)	--	--	--	(1,444)
Capital expenditure	6,790	23,778	--	329	30,897
Segment assets	619,874	397,539	19,699	138,931	1,176,043
Jointly controlled entity	--	145,496	--	--	145,496
Investment in associates	985,052	74,837	--	--	1,059,889
Segment liabilities	(168,480)	(158,485)	(4,781)	(177,277)	(509,023)

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 31/12/2017 RM'000	Period ended 31/12/2016 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	1,731,566	1,670,072
All others	990	132
Revenue, as reported	<u>1,732,556</u>	<u>1,670,204</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	(103,834)	(13,880)
All others	(165,043)	(46,256)
Share of results of jointly controlled entity	9,940	11,707
Share of results of associates	110,436	131,185
Profit before tax, as reported	<u>(148,501)</u>	<u>82,756</u>
<u>Assets</u>		
Total assets for Group's reportable segments	721,814	1,037,112
All others	164,278	138,931
Jointly controlled entity	83,420	145,496
Investment in associates	1,104,978	1,059,889
Total assets, as reported	<u>2,074,490</u>	<u>2,381,428</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	303,724	331,746
All others	115,456	177,277
Total liabilities, as reported	<u>419,180</u>	<u>509,023</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.

19. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 12 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
a) Interest income	1,252	1,592	4,235	6,535
b) Interest expense	(3,830)	(4,513)	(15,547)	(18,556)
c) Depreciation and amortisation	(5,358)	(5,891)	(22,786)	(25,666)
d) Impairment loss on goodwill	(145,637)	(24,850)	(156,404)	(24,850)
e) Impairment loss on investment in a joint venture	(31,030)	--	(31,030)	--
f) Impairment loss on property, plant and equipment	(65,891)	(5,400)	(65,891)	(5,400)
g) Property, plant and equipment written off	--	(1,444)	--	(1,444)
h) Allowance for slow-moving inventories	(2,700)	(1,501)	(4,200)	(1,501)
i) Inventories written down	--	(1,229)	--	(4,025)

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

20. Income tax expense

	Current Quarter 31/12/2017 RM'000	Year to date 31/12/2017 RM'000
Current year's provision	917	6,786
Add :		
Under/(Over) provision in prior years	735	735
	1,652	7,521
Deferred taxation	--	--
Income tax expense	<u>1,652</u>	<u>7,521</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 31/12/2017 %	Year to date 31/12/2017 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results in associates	4.4	17.8
Adjustment for tax applicable to share of results in jointly controlled entity	0.4	1.6
Expenses not deductible for tax purpose / (Income not subject to tax)	(29.7)	(48.5)
	<u>(0.9)</u>	<u>(5.1)</u>

21. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 12 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Basic earnings per ordinary share				
(Loss) / Profit attributable to ordinary shareholders (RM'000)	(191,743)	7,566	(148,830)	66,070
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)	(49.05)	1.94	(38.08)	16.91
Diluted earnings per ordinary share				
(Loss) / Profit attributable to ordinary shareholders (RM'000)	(191,743)	7,566	(148,830)	66,070
Adjusted weighted average number of ordinary shares in issue and issuable	391,329	390,711	391,329	390,711
Diluted earnings per share (sen)	(49.00)	1.94	(38.03)	16.91

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

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

	No of ordinary shares of RM1.00 each	
	31/12/2017	31/12/2016
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

22. Corporate proposals

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

23. Loans and Borrowings

	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Denominated in Malaysian Currency (RM)		
Secured	168,487	108,225
Unsecured	--	--
Total	<u>168,487</u>	<u>108,225</u>

24. Material litigations

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

25. Contingent liabilities

As at the date of issue of this quarterly report, the Company 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 RM145,108,000. Save for the foregoing, the Group does not have other significant contingent liabilities which upon becoming due or becoming enforceable, may have a material impact on the results on our Group's financial position.

26. Dividend

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

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

**WONG PEIR CHYUN
 COMPANY SECRETARY
 KUALA LUMPUR
 DATED : 22 FEBRUARY 2018**