



QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2019

Summary

- The Group's revenue increased marginally by 2.2%.
- Contributions from our joint venture and associates were lower by 28.4% and 40.1% respectively, mainly due to higher production demand in corresponding quarter to fulfil backorders from the GST tax holiday period.
- As a result, profit before tax for the quarter decreased to RM42.2 million.
- The Board declared an interim dividend of 7.0 sen per share.

Results

	Quarter ended 31 Dec			Year to date ended 31 Dec		
	2019	2018 (Restated)	Change	2019	2018 (Restated)	Change
	RM mil	RM mil	%	RM mil	RM mil	%
Revenue	496.1	485.4	2.2	2,088.5	1,882.7	10.9
Profit before tax	42.2	84.0	(49.8)	263.2	228.6	15.1
<i>On going business</i>	42.2	84.0	(49.8)	226.5	228.6	(1.0)
<i>One-off gains from disposals</i>	--	--	--	36.7	--	100.0
Profit / (loss) for the period	43.6	68.4	(36.3)	246.5	188.9	30.5
<i>Continuing operations</i>	42.1	75.9	(44.5)	254.6	213.5	19.2
<i>Discontinued operation</i>	1.4	(7.6)	118.9	(8.2)	(24.6)	66.9
Profit attributable to equity holders of the Company	41.0	61.3	(33.1)	220.5	166.8	32.2
	Sen	Sen		Sen	Sen	
Basic earnings / (loss) per share	10.5	15.7	(33.1)	56.4	42.7	32.2
<i>Continuing operations</i>	10.1	17.6	(42.5)	58.5	48.8	20.0
<i>Discontinued operation</i>	0.4	(1.9)	119.2	(2.1)	(6.1)	65.7
	As at 31 Dec 2019 RM mil	As at 31 Dec 2018 RM mil				
Equity attributable to the equity holders of the Company	1,743.9	1,579.3	10.4			
	RM	RM				
Net assets per share	4.46	4.04	10.4			
	Interim 2019 Sen	Interim 2018 Sen		YTD 2019 Sen	YTD 2018 Sen	
Dividend per share	7.0	3.0	133.3	13.0	6.0	116.7

Performance of sales by operations

% Changes *	Q4'19	Q4'19	YTD Dec'19
	vs Q3'19	vs Q4'18	vs YTD Dec'18
Total Industry Volume (TIV) **	+ 10.0	+ 12.2	+ 0.9
Total Industry Production (TIP) **	+ 3.2	+ 0.8	+ 1.2
Total Group's Vehicles Sales	+ 14.6	+ 6.0	+ 3.9
Subsidiaries			
DMSB - Daihatsu & Hino trucks	- 25.5	- 4.8	+ 9.4
DMMS Perodua vehicles	+ 20.6	+ 5.6	+ 4.9
Federal Auto : Volvo, Volkswagen & Mitsubishi vehicles	- 5.0	+ 24.9	- 11.3
HASB	+ 9.6	+ 9.2	+ 16.1
OMI	+ 26.8	+ 27.9	+ 11.6
Service throughputs	+ 1.0	+ 9.9	+ 7.2
Joint Venture			
AHSB	+ 16.7	- 9.3	+ 2.7
Associated companies			
Perodua vehicles	+ 2.3	+ 0.8	+ 6.0
Hino trucks and buses	- 25.7	- 24.5	- 15.7

Legend

DMSB : Daihatsu (Malaysia) Sdn Bhd
DMMS : DMM Sales Sdn Bhd
HASB : Hirota Acoustics Sdn Bhd
OMI : Oriental Metal Industries (M) Sdn Bhd
AHSB : Autoliv Hirota Sdn Bhd

* All changes based on vehicle unit sales, except for HASB, OMI and AHSB which are based on sales values

** Source : Malaysian Automotive Association (MAA) 2019 and 2018

QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2019

Group Financial Performance

Fourth quarter ended 31 December 2019 compared with fourth quarter ended 31 December 2018

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 31-Dec-19 RM'000	Quarter ended 31-Dec-18 RM'000	Change		Quarter ended 31-Dec-19 RM'000	Quarter ended 31-Dec-18 RM'000	Change	
			RM'000	%			RM'000	%
Total From Continuing Operations	496,063	485,448	10,615	2.2	42,159	83,990	(41,831)	(49.8)
<u>Business segments:</u>								
Motor Trading	438,206	436,673	1,533	0.4	(2,300)	8,169	(10,469)	(128.2)
Auto Parts Manufacturing	57,419	46,106	11,313	24.5	2,479	4,461	(1,982)	(44.4)
Share of results of a joint venture					3,292	4,595	(1,303)	(28.4)
Share of results of associates					40,653	67,907	(27,254)	(40.1)
Others	438	2,669	(2,231)	(83.6)	(1,965)	(1,142)	(823)	(72.1)
Discontinued Operation:								
<u>Business segments:</u>								
Auto Parts Manufacturing	--	12,349	(12,349)	(100.0)	1,432	(7,562)	8,994	118.9

Group

For the current quarter, the Group revenue from its Continuing Operations increased by RM10.6 million or 2.2% to close at RM496.1 million against the corresponding quarter. PBT for the quarter was however lower at RM42.2 million, a decrease of RM41.8 million or 49.8% as compared to the corresponding quarter mainly due to write off of some one-off costs amounting to RM9.5 in the Motor Trading Division as well as lower share of profits from the joint venture entity and associates.

The Group's share of results in its joint venture closed at RM3.3 million, lower than the corresponding quarter by RM1.3 million or 28.4% as there were high production demand in the corresponding quarter from certain carmakers to fulfil backorders received during the GST tax-free period.

The share of associates' results reduced by RM27.2 million or 40.1% against the corresponding quarter to close at RM40.6 million.

The investment holding costs under Others are comparable to the corresponding quarter except for a one-off stamp duty paid in the current quarter.

Since June 2019, the Group's alloy wheel plant has been reclassified as Discontinued Operation.

Motor Trading

The Division's top line performance for the current quarter is comparable to the corresponding quarter to close at RM438.2 million. The order book for the Perodua vehicles remained strong in this quarter. Other brands within the Group also received good response from the year end promotions.

Operating PBT for the quarter was also comparable to the corresponding quarter and in line with the revenue. The shortfall for the current quarter of RM10.5 million or 128.2% was due to write off of some one-off costs amounting to RM9.5 million and additional provisions at year-end.

Auto Parts Manufacturing

Revenue from the Division's Continuing Operations increased by RM11.3 million or 24.5% to RM57.4 million against the corresponding quarter mainly due to increased component purchase request from customers, partially offset by further reduction in steel wheels' production demand.

PBT for the quarter however closed at RM2.5 million, lower than the corresponding quarter by RM2.0 million or 44.4% mainly due to the lower steel wheels volume and additional provisions made at year end.

The PBT of RM1.4 million from the alloy wheel operation arose from the reversal of impairment loss on property, plant and equipment in prior quarter.

QUARTERLY ANNOUNCEMENT
For the fourth quarter ended 31 December 2019

Fourth quarter ended 31 December 2019 against previous quarter ended 30 September 2019

	Revenue				Profit / (Loss) Before Tax ("PBT")			
	Quarter ended 31-Dec-19 RM'000	Quarter ended 30-Sep-19 RM'000	Change		Quarter ended 31-Dec-19 RM'000	Quarter ended 30-Sep-19 RM'000	Change	
			RM'000	%			RM'000	%
Total From Continuing Operations	496,063	515,321	(19,258)	(3.7)	42,159	67,351	(25,192)	(37.4)
Business segments:								
Motor Trading	438,206	468,521	(30,315)	(6.5)	(2,300)	8,795	(11,095)	(126.2)
Auto Parts Manufacturing	57,419	46,412	11,007	23.7	2,479	2,300	179	7.8
Share of results of a joint venture					3,292	2,302	990	43.0
Share of associates' results					40,653	53,828	(13,175)	(24.5)
Others	438	388	50	12.9	(1,965)	126	(2,091)	1,659.5
Discontinued Operation:								
Business segments:								
Auto Parts Manufacturing	--	--	--	N/A	1,432	(1,761)	3,193	181.3

Group

Revenue for the Group's Continuing Operations receded against the preceding quarter by RM19.3 million or 3.7% due to lower revenue from the Motor Trading Division. PBT for the quarter was RM42.2 million, lower than the preceding quarter by RM25.2 million or 37.4% mainly coming from lower share of associates' results and the aforementioned write off of one-off costs.

The Group's share of the joint venture's results was higher than the preceding quarter by RM1.0 million or 43.0% to close at RM3.3 million due to higher production demand from the carmakers.

The Group's share of its associates results closed at RM40.6 million, lower than the preceding quarter by RM13.2 million or 24.5%.

Motor Trading

Revenue for the current quarter is lower at RM438.2 million, a reduction of RM30.3 million or 6.5% against the preceding quarter mainly due to the closure of a Volvo branch in the preceding quarter.

The operating PBT for the Division excluding the aforementioned write off of one-off costs of RM9.5 million was RM7.2 million lower than the preceding quarter by RM1.6 million, or 18.4% mainly due to the lower volume and higher discounts given to customers at year-end.

Auto Parts Manufacturing

The Division's revenue for Continuing Operations on the other hand increased by RM11.0 million or 23.7% against the preceding quarter due to higher production demand and increased component purchase supply.

The Division's results is likewise higher by RM0.2 million or 7.8% to close at a profit of RM2.5 million coming from the higher production demand, partially offset by the additional provisions made at year end.

PROSPECTS

In 2020, we expect a relatively subdued operating environment, with challenging factors such as intense competition, weakening consumer sentiment, stringent hire-purchase loan requirements to continue. Adding to the uncertainties are the potential impact of the National Automotive Policy ("NAP"), changes in automotive excise duties and the recent evolving domestic political landscape. At the global front, the unabated trade tensions between China and US and the currently raging Covid-19 outbreak will continue to impact global economy and consumer confidence, with spillover effects on Malaysian economy.

With this backdrop, we expect to face a challenging year ahead. The increased competition from other brands and new dealers will certainly put pressure on our margins and volume. At the Manufacturing side, we are also seeing potential temporary manufacturing supply delay from China due to the Covid-19 outbreak. To counter these challenges, the Group has embarked on a Transformation Programme to improve current operations in terms of profitability through cost rationalisation and efficiency improvement, tightening of performance measurements as well as expansion of product and service offerings. The Group is also formulating strategies to drive mid to long-term growth.

Meanwhile, we remain confident of the quality and product mix of the vehicles within the Group, especially with the continuous demand for Perodua has to offer in its unique market segment, the continuing strength of the Volvo brand, the potential new models from Volkswagen, as well the commercial vehicles from Daihatsu and Hino that cater to specific market segments. Moreover, we expect further growth in our Auto Manufacturing Division with the new contracts in 2020 and beyond.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the twelve months ended 31 December 2019 - unaudited

		(Restated)		(Audited) (Restated)
	Current Quarter Ended 31/12/2019 RM'000	Comparative Quarter Ended 31/12/2018 RM'000	12 months Cumulative To Date 31/12/2019 RM'000	Comparative 12 months Cumulative To Date 31/12/2018 RM'000
Note				
Continuing operations				
Revenue	14	496,063	485,448	2,088,495
Cost of sales		<u>(465,120)</u>	<u>(445,941)</u>	<u>(1,936,925)</u>
Gross profit		30,943	39,507	151,570
Other income		15,076	10,572	82,638
Administrative and other expenses		(24,937)	(24,931)	(93,779)
Selling and marketing expenses		(23,910)	(14,218)	(79,448)
Finance costs		(407)	(892)	(2,001)
Interest income		1,449	1,450	4,538
Share of results of a joint venture, net of tax		3,292	4,595	11,875
Share of results of associates, net of tax		<u>40,653</u>	<u>67,907</u>	<u>187,762</u>
Profit before tax	14	42,159	83,990	263,155
Income tax expense	18	<u>(23)</u>	<u>(8,061)</u>	<u>(8,533)</u>
Profit from continuing operations		<u>42,136</u>	<u>75,929</u>	<u>254,622</u>
Discontinued operation				
Results from discontinued operation, net of tax		<u>1,432</u>	<u>(7,562)</u>	<u>(8,160)</u>
Profit for the period		<u>43,568</u>	<u>68,367</u>	<u>246,462</u>
Profit for the period attributable to:				
Equity holders of the Company from:				
- Continuing operations		39,605	68,858	228,654
- Discontinued operation		<u>1,432</u>	<u>(7,562)</u>	<u>(8,160)</u>
		<u>41,037</u>	<u>61,296</u>	<u>220,494</u>
Non-controlling interests from:				
- Continuing operations		2,531	7,071	25,968
- Discontinued operation		<u>--</u>	<u>--</u>	<u>--</u>
		<u>2,531</u>	<u>7,071</u>	<u>25,968</u>
Profit for the period		<u>43,568</u>	<u>68,367</u>	<u>246,462</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 2019 - unaudited

	Current Quarter Ended 31/12/2019 RM'000	(Restated) Comparative Quarter Ended 31/12/2018 RM'000	12 months Cumulative To Date 31/12/2019 RM'000	(Audited) (Restated) Comparative 12 months Cumulative To Date 31/12/2018 RM'000
Profit for the period	43,568	68,367	246,462	188,898
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	204	--	3,024	--
Net gain / (loss) on cash flow hedges and revaluation of an associate	(33)	(9)	1	(33)
Other comprehensive income / (loss) for the period, net of tax	<u>171</u>	<u>(9)</u>	<u>3,025</u>	<u>(33)</u>
Total comprehensive income for the period	<u><u>43,739</u></u>	<u><u>68,358</u></u>	<u><u>249,487</u></u>	<u><u>188,865</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company from:				
- Continuing operations	39,760	68,849	231,386	190,559
- Discontinued operation	1,432	(7,562)	(8,160)	(23,825)
	<u>41,192</u>	<u>61,287</u>	<u>223,226</u>	<u>166,734</u>
Non-controlling interests from:				
- Continuing operations	2,547	7,071	26,261	22,932
- Discontinued operation	--	--	--	(801)
	<u>2,547</u>	<u>7,071</u>	<u>26,261</u>	<u>22,131</u>
Total comprehensive income for the period	<u><u>43,739</u></u>	<u><u>68,358</u></u>	<u><u>249,487</u></u>	<u><u>188,865</u></u>
Earnings per ordinary share	sen	sen	sen	sen
Basic from:				
- Continuing operations	10.13	17.62	58.50	48.76
- Discontinued operation	0.37	(1.93)	(2.09)	(6.10)
23	<u><u>10.50</u></u>	<u><u>15.69</u></u>	<u><u>56.41</u></u>	<u><u>42.66</u></u>
Diluted from:				
- Continuing operations	10.13	17.60	58.50	48.73
- Discontinued operation	0.37	(1.93)	(2.09)	(6.09)
23	<u><u>10.50</u></u>	<u><u>15.67</u></u>	<u><u>56.41</u></u>	<u><u>42.64</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
As at 31 December 2019 - unaudited

	Note	As at end of Current Quarter 31/12/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
ASSETS			
Non-Current Assets			
Property, plant & equipment		231,593	269,023
Right-of-use assets		3,687	--
Investment properties		56,061	59,082
Prepaid land lease payments		31,676	35,589
Investment in a joint venture		68,822	72,248
Investment in associates		1,218,717	1,207,934
Available-for-sale financial asset		1,862	1,936
Deferred tax assets		2,478	2,538
Goodwill on consolidation		1,104	1,104
Total Non-Current Assets		<u>1,616,000</u>	<u>1,649,454</u>
Current Assets			
Inventories		105,202	104,410
Trade & other receivables and prepaid expenses		142,400	132,148
Amount owing by a joint venture		15,300	10,200
Tax recoverable		8,519	11,167
Cash and bank balances		263,662	197,373
		<u>535,083</u>	<u>455,298</u>
Assets classified as held for sale		38,294	1,321
Total Current Assets		<u>573,377</u>	<u>456,619</u>
TOTAL ASSETS	14	<u><u>2,189,377</u></u>	<u><u>2,106,073</u></u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

As at 31 December 2019 - unaudited

		As at end of Current Quarter 31/12/2019 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>1,352,213</u>	<u>1,187,620</u>
Equity attributable to the equity holders of the Company		1,743,864	1,579,271
Non-controlling interests		<u>264,124</u>	<u>249,239</u>
Total Equity		<u>2,007,988</u>	<u>1,828,510</u>
Non-Current Liabilities			
Long term borrowings	20	19,275	85,406
Deferred tax liabilities		4,944	5,380
Provision for retirement benefits		2,611	2,878
Hire purchase payables - non-current portion		--	1
Lease liabilities - non-current portion		<u>1,812</u>	<u>--</u>
Total Non-Current Liabilities		<u>28,642</u>	<u>93,665</u>
Current Liabilities			
Provision for liabilities		268	268
Short term borrowings	20	16,619	58,546
Trade & other payables and accrued expenses		132,747	121,540
Amount owing to holding company		36	190
Finance lease payables - current portion		--	1,510
Hire purchase payables - current portion		--	14
Lease liabilities - current portion		1,971	--
Tax liabilities		<u>1,106</u>	<u>1,830</u>
Total Current Liabilities		<u>152,747</u>	<u>183,898</u>
Total Liabilities	14	<u>181,389</u>	<u>277,563</u>
TOTAL EQUITY AND LIABILITIES		<u>2,189,377</u>	<u>2,106,073</u>
Net assets per share (RM)		4.46	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 twelve months ended 31 December 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
12 months ended 31 December 2018 - audited								
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	--	--	--	--	--	--	(7,345)	(7,345)
Profit for the period	--	--	--	--	166,764	166,764	22,134	188,898
Other comprehensive income for the period	--	--	(30)	--	--	(30)	(3)	(33)
Total comprehensive income	--	--	(30)	--	166,764	166,734	22,131	188,865
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	93	--	93	--	93
Acquisition from non-controlling interests	--	--	--	--	(19,676)	(19,676)	17,930	(1,746)
At 31 December 2018	391,651	--	(40)	347	1,187,313	1,579,271	249,239	1,828,510
12 months ended 31 December 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	--	--	--	--	--	--	(11,376)	(11,376)
Profit for the period	--	--	--	--	220,494	220,494	25,968	246,462
Other comprehensive income for the period	--	2,731	1	--	--	2,732	293	3,025
Total comprehensive income	--	2,731	1	--	220,494	223,226	26,261	249,487
Long-Term Incentive Plan ("LTIP"): Recognition of share-based payments	--	--	--	(347)	347	--	--	--
At 31 December 2019	391,651	2,731	(39)	--	1,349,521	1,743,864	264,124	2,007,988

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 2019 - unaudited

	2019	(Audited) 2018
	12 months ended	12 months ended
	31/12/2019	31/12/2018
Note	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from :		
- <i>Continuing operations</i>	263,155	228,638
- <i>Discontinued operation</i>	<u>(8,160)</u>	<u>(24,626)</u>
	254,995	204,012
Adjustments for :		
Share of results of associates	(187,762)	(183,091)
Share of results of a joint venture	(11,875)	(14,327)
Depreciation and amortisation	19,289	18,213
Finance costs from :		
- <i>Continuing operations</i>	2,001	5,678
- <i>Discontinued operation</i>	2,849	5,013
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>(4,731)</u>	<u>1,344</u>
Operating profit before working capital changes	38,077	36,842
Changes in working capital		
(Increase) / Decrease in trade & other receivables	(10,680)	13,645
(Increase) / Decrease in inventories	(1,973)	37,260
Increase / (Decrease) in trade & other payables	11,209	(10,527)
Net changes in other current assets & liabilities	(421)	(826)
Income tax refunded	5,586	37
Income tax paid	<u>(12,571)</u>	<u>(11,425)</u>
Net cash from / (used in) operating activities	<u>29,227</u>	<u>65,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associates	130,390	88,776
Dividends received from a joint venture	10,200	15,299
Interest income	4,606	5,286
Purchase of property, plant & equipment	(11,959)	(9,720)
Proceeds from disposal of property, plant & equipment	878	1,821
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>224,401</u>	<u>104,522</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(58,633)	(17,590)
Dividends paid to non-controlling interests of subsidiaries	(11,376)	(7,345)
Finance costs paid	(4,850)	(10,691)
Bank borrowings	(106,497)	(130,962)
Finance lease payables	(1,510)	(1,964)
Hire-purchase payables	(15)	(14)
Lease payables	<u>(2,896)</u>	<u>--</u>
Net cash from / (used in) financing activities	<u>(185,777)</u>	<u>(168,566)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	67,851	962
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>189,066</u>	<u>188,104</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>256,917</u>	<u>189,066</u>
Cash and cash equivalents comprise :		
Cash and bank balances	263,662	197,373
Bank overdrafts	<u>(6,745)</u>	<u>(8,307)</u>
	<u>256,917</u>	<u>189,066</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 RM7,314,000 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	3,698
	<u>7,314</u>
Lease liabilities recognised as at 1 January 2019	<u>7,314</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 31/12/2019</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 31 December 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

No dividends were paid during the financial quarter under review.

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 31 December 2019 is as follows :

	<u>RM'000</u>
Approved and contracted for	6,011
Approved and not contracted for	<u>5,575</u>

12. Significant related party transactions

During the period ended 31 December 2019, the Group and the Company had the following transactions with related parties:

	Period ended 31/12/2019 <u>RM'000</u>
<u>Group</u>	
Purchases from a subsidiary of Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	1,166,567
Sales to a subsidiary of Perodua	77
Sales to an associate of Perodua	29,199
Purchases from Hino Motors Sales (Malaysia) Sdn. Bhd.	<u>32,774</u>
<u>Company</u>	
Gross dividends from:	
- subsidiaries	25,645
- associates	103,195
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 31 December 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	1,879,734	207,156	25,604	--	1,605	2,114,099
Results for reportable segments	46,500	20,338	(5,379)	(124)	(5,733)	55,602
Share of results of a jointly venture	--	11,875	--	--	--	11,875
Share of results of associates	184,016	3,746	--	--	--	187,762
Interest income	2,901	340	68	1	1,296	4,606
Finance costs	(372)	(402)	(2,849)	--	(1,227)	(4,850)
Profit/(loss) before tax for reportable segment	233,045	35,897	(8,160)	(123)	(5,664)	254,995
Depreciation and amortisation	(11,250)	(5,653)	(729)	(1)	(1,656)	(19,289)
Other significant non-cash items						
- Reversal of / (impairment loss) on property, plant and equipment	(50)	--	515	--	--	465
- 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	(491)	--	(690)	--	--	(1,181)
- Allowance for doubtful debts	(429)	--	--	--	--	(429)
Capital expenditure	6,651	5,301	--	--	7	11,959
Segment assets	544,390	144,947	26,298	2,727	183,476	901,838
Jointly controlled entity	--	45,923	--	--	22,899	68,822
Investment in associates	1,155,224	63,493	--	--	--	1,218,717
Segment liabilities	(108,698)	(44,084)	(307)	(1,105)	(27,195)	(181,389)

Period ended 31 December 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	1,693,322	184,401	44,351	3,295	1,679	1,927,048
Results for reportable segments	23,505	12,862	(19,613)	771	(5,526)	11,999
Share of results of a joint venture	--	14,327	--	--	--	14,327
Share of results of associates	175,511	7,580	--	--	--	183,091
Interest income	3,320	187	--	--	1,779	5,286
Finance costs	(360)	(579)	(5,013)	--	(4,739)	(10,691)
Profit/(loss) before tax for reportable segment	201,976	34,377	(24,626)	771	(8,486)	204,012
Depreciation and amortisation	(8,283)	(5,678)	(1,732)	(16)	(2,504)	(18,213)
Other significant non-cash items						
- Impairment loss on property, plant and equipment	--	--	(1,972)	--	--	(1,972)
- Gain on disposal of investment properties	--	--	--	--	1,901	1,901
- Allowance for slow moving inventories	(3,937)	--	--	--	--	(3,937)
- Allowance for doubtful debts	(1,990)	(132)	--	--	--	(2,122)
Capital expenditure	5,570	1,576	2,574	--	--	9,720
Segment assets	510,388	126,317	42,567	6,761	139,858	825,891
Jointly controlled entity	--	49,349	--	--	22,899	72,248
Investment in associates	1,122,706	85,228	--	--	--	1,207,934
Segment liabilities	(94,906)	(40,807)	(107,005)	(2,427)	(32,418)	(277,563)

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 31/12/2019 RM'000	Period ended 31/12/2018 RM'000
<u>Revenues</u>		
Total revenues for Group's reportable segments	2,112,494	1,925,369
All others	1,605	1,679
Elimination of discontinued operation	(25,604)	(44,351)
Revenue, as reported	<u>2,088,495</u>	<u>1,882,697</u>
<u>Profit or loss</u>		
Total profit / (loss) for Group's reportable segments, including finance costs and interest income	61,022	15,080
All others	(5,664)	(8,486)
Share of results of jointly controlled entity	11,875	14,327
Share of results of associates	187,762	183,091
Elimination of discontinued operation	8,160	24,626
Profit before tax, as reported	<u>263,155</u>	<u>228,638</u>
<u>Assets</u>		
Total assets for Group's reportable segments	718,362	686,033
All others	183,476	139,858
Jointly controlled entity	68,822	72,248
Investment in associates	1,218,717	1,207,934
Total assets, as reported	<u>2,189,377</u>	<u>2,106,073</u>
<u>Liabilities</u>		
Total liabilities for Group's reportable segments	154,194	245,145
All others	27,195	32,418
Total liabilities, as reported	<u>181,389</u>	<u>277,563</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, OMI 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 property, plant and equipment of OMIA has also been presented as "Assets classified as held for sale".

Results of discontinued operation:

	Quarter ended		Year to date 12 months ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Revenue	-	12,348	25,604	44,351
Cost of sales	-	(13,441)	(29,323)	(56,050)
Gross loss	-	(1,093)	(3,719)	(11,699)
Other income	516	81	611	180
Administrative and other expenses	1,090	(5,324)	(2,203)	(8,094)
Finance costs	(174)	(1,226)	(2,849)	(5,013)
Loss before tax	1,432	(7,562)	(8,160)	(24,626)
Income tax expense	-	-	-	-
Loss from discontinued operation	<u>1,432</u>	<u>(7,562)</u>	<u>(8,160)</u>	<u>(24,626)</u>

Net cash flows of discontinued operation:

Net cash from / (used in) operating activities	5,697	(9,151)
Net cash from / (used in) investing activities	25	(2,549)
Net cash used in financing activities	(104,779)	(11,818)
Net decrease in cash and cash equivalents	<u>(99,057)</u>	<u>(23,518)</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 31/12/2019 RM'000	Year to date 31/12/2019 RM'000
Current year's provision	2,644	10,593
Add : Effect of real property gains tax	--	561
Under/(Over) provision in prior years	<u>(2,997)</u>	<u>(2,997)</u>
	(353)	8,157
Deferred taxation	<u>376</u>	<u>376</u>
Income tax expense	<u><u>23</u></u>	<u><u>8,533</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 31/12/2019 %	Year to date 31/12/2019 %
Statutory income tax rate in Malaysia	24.0	24.0
Adjustment for tax applicable to share of results of associates	(23.1)	(17.1)
Adjustment for tax applicable to share of results of a joint venture	(1.9)	(1.1)
Expenses not deductible for tax purpose / (Income not subject to tax)	1.1	(2.6)
	<u>0.1</u>	<u>3.2</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	16,619	19,275
Unsecured	--	--
Total	<u><u>16,619</u></u>	<u><u>19,275</u></u>

21. Material litigations

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

22. Dividend

The Board is pleased to declare a second interim single tier dividend of 7.0 sen per ordinary share amounting to approximately RM27,362,136 for the current financial year ended 31 December 2019.

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

23. Earnings per ordinary share (EPS)

	Quarter ended		Year to date 12 months ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Basic earnings / (loss) per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company:				
- Continuing operations	39,605	68,858	228,654	190,589
- Discontinued operation	1,432	(7,562)	(8,160)	(23,825)
	41,037	61,296	220,494	166,764
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	10.13	17.62	58.50	48.76
- Discontinued operation	0.37	(1.93)	(2.09)	(6.10)
	10.50	15.69	56.41	42.66
Diluted earnings / (loss) per ordinary share	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company:				
- Continuing operations	39,605	68,858	228,654	190,589
- Discontinued operation	1,432	(7,562)	(8,160)	(23,825)
	41,037	61,296	220,494	166,764
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	10.13	17.60	58.50	48.73
- Discontinued operation	0.37	(1.93)	(2.09)	(6.09)
	10.50	15.67	56.41	42.64

24. Items to disclose in the Statement of Comprehensive Income

	Quarter ended		Year to date 12 months ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
a) Interest income	1,449	1,450	4,538	5,286
b) Interest expense	(407)	(892)	(2,001)	(5,678)
c) Depreciation and amortisation	(4,624)	(3,271)	(19,289)	(18,213)
d) Allowance for slow-moving inventories	(208)	(1,148)	(1,181)	(3,937)
e) Allowance for doubtful debts	(429)	(418)	(429)	(2,122)
f) Reversal of / (Impairment Loss) on property, plant and equipment	1,176	(905)	465	(1,972)
g) (Loss) / Gain on disposal of property, plant and equipment	124	337	117	731
h) Gain on disposal of investment properties	--	--	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	(11)	78	(122)	(525)

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 31 December 2019.

25. Authorised for issue

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 26 February 2020.

BY ORDER OF THE BOARD
MBM RESOURCES BERHAD

WONG PEIR CHYUN
COMPANY SECRETARY
KUALA LUMPUR

DATED : 26 FEBRUARY 2020

For further information, please contact Ms Annie Chin, Group Chief Financial Officer at Tel : +603-2273 8803
Our Quarterly Announcement for the fourth quarter ended 31 December 2019 can be downloaded from the internet at www.bursamalaysia.com or www.mbmr.com.my