

Bermaz Auto Berhad

Company No: 900557-M

Date: 13 September 2019

Subject: **UNAUDITED QUARTERLY (Q1) INTERIM FINANCIAL REPORT FOR
THE PERIOD ENDED 31 JULY 2019**

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BERMAZ AUTO BERHAD**(Company No: 900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended	
	31/7/2019 RM'000	31/7/2018 RM'000
GROUP REVENUE	535,044	485,396
PROFIT FROM OPERATIONS	56,091	61,253
Investment related income	1,405	1,382
Finance costs	(1,105)	(300)
Share of results of associates	8,646	4,909
PROFIT BEFORE TAX	65,037	67,244
INCOME TAX EXPENSE	(13,564)	(15,651)
PROFIT AFTER TAX	51,473	51,593
OTHER COMPREHENSIVE ITEMS		
<u>Item that may be reclassified subsequently to profit or loss</u>		
Foreign currency translation	1,909	1,137
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	53,382	52,730
PROFIT ATTRIBUTABLE TO:		
- Equity holders of the Company	50,515	50,278
- Non-controlling interests	958	1,315
	51,473	51,593
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Equity holders of the Company	51,620	50,975
- Non-controlling interests	1,762	1,755
	53,382	52,730
EARNINGS PER SHARE (SEN)		
-Basic, for the period	4.35	4.33
-Diluted, for the period	4.33	4.33

The annexed notes form an integral part of this interim financial report.

BERMAZ AUTO BERHAD**(Company No: 900557-M)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31/7/2019 RM'000	Group As at 30/4/2019 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	30,444	27,148
Right-of-use assets	73,867	-
Other investment	1,283	1,261
Associated companies	192,484	183,838
Deferred tax assets	55,852	52,345
Goodwill	500	500
	<u>354,430</u>	<u>265,092</u>
Current Assets		
Inventories	257,921	283,976
Trade and other receivables	167,986	98,256
Tax recoverable	30	-
Derivative asset	-	138
Deposits with financial institutions	137,831	221,850
Cash and bank balances	99,756	98,316
	<u>663,524</u>	<u>702,536</u>
TOTAL ASSETS	<u><u>1,017,954</u></u>	<u><u>967,628</u></u>
EQUITY AND LIABILITIES		
Share capital	608,316	607,879
Reserves	(105,897)	(36,768)
	<u>502,419</u>	<u>571,111</u>
Treasury shares	(3,342)	(6,486)
	<u>499,077</u>	<u>564,625</u>
Non-controlling interests	46,341	45,218
Total Equity	<u><u>545,418</u></u>	<u><u>609,843</u></u>
Non-current Liabilities		
Lease liability	66,706	-
Contract liability	85,912	70,840
Provisions	39,509	35,064
	<u>192,127</u>	<u>105,904</u>
Current Liabilities		
Lease liability	9,220	-
Short term borrowings	49,038	-
Trade and other payables	153,697	169,386
Provisions	28,526	27,598
Contract liability	39,041	41,617
Derivative liability	50	-
Taxation	837	13,280
	<u>280,409</u>	<u>251,881</u>
Total Liabilities	<u><u>472,536</u></u>	<u><u>357,785</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,017,954</u></u>	<u><u>967,628</u></u>
Basic net assets per share (sen)	42.96	48.69
Dilutive net assets per share (sen)	43.89	49.57

Note:

The net assets per share is calculated based on the following :

Basic : Total equity less non-controlling interests divided by the number of outstanding shares in issue with voting rights.

Dilutive : Total equity less non-controlling interests divided by the number of outstanding shares in issue with voting rights and the potential issue of new shares pursuant to the exercise of the Company's outstanding unexercised options granted under the Company's Employees' Share Scheme ("ESS").

The annexed notes form an integral part of this interim financial report.

BERMAZ AUTO BERHAD
(Company No: 900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Attributable to the equity holders of the Company

	Non-distributable					Distributable		Total	Non-controlling interests	Total equity
	Share capital	Employees' share plan reserves*	Exchange reserve	Consolidation reserve	Merger deficit	Retained earnings	Treasury shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 May 2019	607,879	2,299	(3,633)	32,981	(424,000)	355,585	(6,486)	564,625	45,218	609,843
Effect on adoption of MFRS 16	-	-	-	-	-	(845)	-	(845)	(639)	(1,484)
Adjusted balance as at 1 May 2019	607,879	2,299	(3,633)	32,981	(424,000)	354,740	(6,486)	563,780	44,579	608,359
Total comprehensive income	-	-	1,105	-	-	50,515	-	51,620	1,762	53,382
Transactions with owners:										
Share-based payment under ESS	-	1,175	-	-	-	-	-	1,175	-	1,175
ESS options exercised	436	(73)	-	-	-	-	-	363	-	363
ESS options forfeited	1	(1)	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	961	3,144	4,105	-	4,105
Interim dividend#	-	-	-	-	-	(40,655)	-	(40,655)	-	(40,655)
Special dividend#	-	-	-	-	-	(81,311)	-	(81,311)	-	(81,311)
	437	1,101	-	-	-	(121,005)	3,144	(116,323)	-	(116,323)
At 31 July 2019	608,316	3,400	(2,528)	32,981	(424,000)	284,250	(3,342)	499,077	46,341	545,418

Attributable to the equity holders of the Company

	Non-distributable					Distributable		Total	Non-controlling interests	Total equity
	Share capital	Employees' share plan reserves*	Exchange reserve	Consolidation reserve	Merger deficit	Retained earnings	Treasury shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 May 2018	602,957	3,441	(8,273)	32,981	(424,000)	274,250	(4,593)	476,763	47,741	524,504
Effect on adoption of MFRS 9	-	-	-	-	-	(607)	-	(607)	-	(607)
Adjusted balance as at 1 May 2018	602,957	3,441	(8,273)	32,981	(424,000)	273,643	(4,593)	476,156	47,741	523,897
Total comprehensive income	-	-	697	-	-	50,278	-	50,975	1,755	52,730
Transactions with owners:										
ESOS options exercised	692	(318)	-	-	-	-	-	374	-	374
Sale of treasury shares	-	-	-	-	-	725	4,593	5,318	-	5,318
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(7,435)	(7,435)
Interim dividend+	-	-	-	-	-	(26,724)	-	(26,724)	-	(26,724)
Special Dividend^	-	-	-	-	-	(31,371)	-	(31,371)	-	(31,371)
	692	(318)	-	-	-	(57,370)	4,593	(52,403)	(7,435)	(59,838)
At 31 July 2018	603,649	3,123	(7,576)	32,981	(424,000)	266,551	-	474,728	42,061	516,789

Notes:

* Employees' share plan reserves relate to reserves of Employees' Share Option Scheme ("ESOS") and Employees' Share Scheme ("ESS").

Refer to Note A6.

+ Fourth interim dividend of 2.30 sen single-tier dividend per share in respect of financial year ended 30 April 2018.

^ Special dividends of 2.70 sen single-tier dividend per share in respect of financial year ended 30 April 2018

The annexed notes form an integral part of this interim financial report.

BERMAZ AUTO BERHAD**(Company No: 900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/7/2019	31/7/2018
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	501,986	486,342
Payment to suppliers and operating expenses	(481,910)	(342,043)
Payment of taxes	(29,710)	(2,982)
Net cash flow (used in)/generated from operating activities	<u>(9,634)</u>	<u>141,317</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	290
Acquisition of property, plant and equipment	(4,107)	(690)
Interest received	1,406	1,220
Net cash flow (used in)/generated from investing activities	<u>(2,700)</u>	<u>820</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	363	374
Sale of treasury shares	4,105	5,318
Dividends paid to non-controlling interests	-	(7,435)
Net movement in short term borrowings	49,038	(46,065)
Interest paid	(96)	(292)
Dividends paid	(121,966)	(58,095)
Payment of lease liability	(3,177)	-
Net cash flow used in financing activities	<u>(71,733)</u>	<u>(106,195)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84,067)	35,942
OPENING CASH AND CASH EQUIVALENTS	320,166	306,769
Effect of exchange rate changes	1,488	2,696
CLOSING CASH AND CASH EQUIVALENTS	<u>237,587</u>	<u>345,407</u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	137,831	235,977
Cash and bank balances	99,756	109,430
	<u>237,587</u>	<u>345,407</u>

The annexed notes form an integral part of this interim financial report.

BERMAZ AUTO BERHAD

(Company No: 900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

- A1 The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Accounting Standards Board ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2019. These explanatory notes, attached to the condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2019.

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 April 2019 except the adoption of the new or revised standards, IC Interpretation and amendments to standards.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning 1 May 2019.

The initial application of the MFRSs, Amendments to MFRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impact to the financial statements of the Group upon their first adoption except for the following:

MFRS 16: Lease

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 May 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application. Accordingly, the comparative information presented for FY2019 has not been restated - i.e. it is presented, as previously reported, under MFRS 117 and related interpretations.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value (below USD5,000).

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

The effect of adoption of MFRS 16 as at 1 May 2019 is as follows:

Consolidated Statement of Financial Position

	Impact of adopting MFRS 16 on opening balance as at 1 May 2019 RM'000
Assets	
Right-of-use assets	75,593
Property, plant and equipment	(57)
Deferred tax assets	(41)
Equity	
Retained earnings	(845)
Non-controlling interests	(639)
Liabilities	
Lease liability	77,028
Provision for restoration cost	(49)

a) Nature of the effect of adoption of MFRS 16

The Group has lease contracts for premises such as showrooms, service centres and warehouses. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of MFRS 16, a lessee is required to recognise an asset representing the right to use the underlying asset and a liability representing future lease payments.

b) Transition

The Group recognised right-of-use assets and lease liability for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were measured at their carrying amount as if MFRS 16 had always been applied, discounted using the lessee's incremental borrowing rate at the date of initial application. Lease liability were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- (a) Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- (c) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- (d) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- (e) Elected not to separate lease and non-lease components for classes of assets.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

c) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-Use asset

The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

d) Significant judgements applied

The Group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Group uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group included the renewal period as part of the lease term for leases of certain premises due to the significance of these assets to its operations.

- A2 The Group's operations are affected by the prevailing cyclical economic conditions and product life cycle of the car models. The Malaysia operations are affected by major festive seasons such as Chinese New Year and Hari Raya. These festive celebrations will normally have a positive impact to the Group's operations.
- A3 There were no unusual items during the financial period under review.
- A4 As at 31 July 2019, the issued and paid up ordinary share capital of the Company was RM608,315,931. The movements during the financial period were as follows:-

<u>Issued and paid up share capital</u>	Number of ordinary shares	RM
As at 1 May 2019	1,163,153,888	607,878,528
ESS exercised during the period	196,000	436,472 *
Transfer of reserve due to forfeiture of ESS	-	931
As at 31 July 2019	<u>1,163,349,888</u>	<u>608,315,931</u>

ESS

On 21 November 2018, a total number of 9,429,000 ESS options (with exercise price of RM1.85 each) and a total number of 4,041,000 ESS shares were granted to the Group's eligible employees.

As at 31 July 2019, the total number of unexercised ESS options (with exercise price of RM1.85 each) was 8,841,200 and the total number of ESS shares that have not been vested was 3,990,000.

* Comprised of RM0.363 million cash subscription of share capital and RM0.073 million transfer from ESS reserves.

BERMAZ AUTO BERHAD**(Company No: 900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

A5 There was no share buyback during the financial period ended 31 July 2019.

During the financial period ended 31 July 2019, the Company had sold 1,654,100 treasury shares at the net proceeds of about RM4,105,000, realising a gain on disposal of about RM961,000, details of which are as follows:-

	Average resale price per share RM	Number of shares	Total Consideration RM'000
Total treasury shares disposed on 13 June 2019	2.48	1,654,100	4,105

The number of treasury shares held in hand as at 31 July 2019 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Balance as at 30 April 2019	1.90	3,412,700	6,486
Resale of treasury shares	1.90	(1,654,100)	(3,144)
Total treasury shares as at 31 July 2019	1.90	1,758,600	3,342

As at 31 July 2019, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 1,161,591,000 (31 July 2018: 1,162,037,000) ordinary shares.

A6 During the financial period ended 31 July 2019, the Company paid a fourth interim dividend of 3.50 sen single-tier dividend per share and a special dividend of 7.00 sen single-tier dividend per share amounting to a total of RM121.97 million in respect of the financial year ended 30 April 2019 on 25 July 2019.

A7 Segment information for the financial period ended 31 July 2019:-

REVENUE	Consolidated RM'000
Malaysia	467,393
Philippines	67,651
Total revenue	<u>535,044</u>

RESULTS	RM'000
Malaysia	52,568
Philippines	3,813
	<u>56,381</u>
Unallocated corporate items	(290)
Profit from operations	56,091
Investment related income	1,405
Finance costs	(1,105)
Share of results of associates	8,646
Profit before tax	<u>65,037</u>
Income tax expense	(13,564)
Profit after tax	<u>51,473</u>

BERMAZ AUTO BERHAD**(Company No: 900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

DISAGGREGATION OF REVENUE

	3 months ended	
	31/7/2019	31/7/2018
	RM'000	RM'000
Sale of motor vehicles	489,434	445,536
Sale of spare parts	32,417	29,696
Maintenance and fitting of motor vehicle accessories services	13,193	10,164
Group revenue	<u>535,044</u>	<u>485,396</u>
Timing of revenue recognition:		
- at a point in time	525,539	478,808
- over time	9,505	6,588
	<u>535,044</u>	<u>485,396</u>

A8 There were no significant events since the end of this current quarter up to the date of this announcement.

A9 Capital expenditure of the Group not provided for as at 31 July 2019 in relation to property, plant and equipment were as follows:

	RM'000
Approved and contracted for	<u>7,416</u>

A10 There were no changes in the composition of the Group for the current period ended 31 July 2019 including business combinations, acquisition or disposal of subsidiary companies and long term investments, restructuring and discontinuing operation.

A11 There were no material changes in the contingent liabilities or contingent assets since the last audited statement of financial position as at 30 April 2019.

A12 There were no audit qualifications in the annual financial statements for the year ended 30 April 2019.

A13 There were no material changes in estimates reported in the prior financial year that had a material effect in the current quarter ended 31 July 2019.

BERMAZ AUTO BERHAD

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B1 The Group is primarily engaged in the distribution of Mazda vehicles in Malaysia and the Philippines, and retailing of Mazda vehicles and provision of after sales services for Mazda vehicles in Malaysia. The performance of the Group may be affected by regulations and policies governing the importation of completely built-up ("CBU") vehicles and completely knocked-down ("CKD") parts into Malaysia, foreign exchange fluctuations, changes in consumer preferences and spending trend, economic, social and political conditions in countries where the Group operates or obtains its supplies of vehicles and global market and credit market volatility.

Current quarter vs preceding year same quarter

For the quarter ended 31 July 2019, the Group reported a revenue and pre-tax profit of RM535.0 million and RM65.0 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM485.4 million and RM67.2 million respectively.

Group revenue has increased by RM49.6 million or 10.2% largely due to higher sales volume and better sales mix from the domestic operations. The improvement in domestic sales volume was mainly driven by the Group's run-out promotion to clear existing Mazda CX-5 inventories in preparation for the upcoming facelift model which is expected to be launched in September. Revenue contribution from the Philippine operations was lower as its sales continued to be impacted by the rising cost of vehicle and intense competition following the implementation of the Tax Reform for Acceleration and Inclusion ("TRAIN") law in January 2018. No unit sales were recorded for Mazda3 and Mazda CX-3 models during the quarter under review due to supply constraint from Mazda Japan for the new Mazda3 and the facelift model Mazda CX-3 during the current quarter but are expected to be launched in the following quarter.

Despite recording a higher Group revenue and having a higher share of profit contribution from its associate company, Mazda Malaysia Sdn Bhd ("MMSB"), Group pre-tax profit has decreased marginally by RM2.2 million or 3.3%. This was mainly attributed to reduction in gross profit margin following the Mazda CX-5 run-out promotion as more sales incentives were given to clear inventories of this model. The strengthening of the Japanese Yen against Malaysian Ringgit and Philippine Peso has also affected the Group's gross profit margin. The higher share of profit contribution from MMSB was mainly due to the increase in Mazda CX-5 production volume for the local market. The Group has also accounted for the expenses related to the Group's Employees' Share Scheme which was established in November 2018, amounting to RM1.2 million in the quarter under review. There was no such expense in the previous year's corresponding period.

B2 Current quarter vs preceding quarter

For the quarter ended 31 July 2019, the Group reported lower revenue of RM535.0 million and pre-tax profit of RM65.0 million, as compared to the revenue of RM538.3 million and pre-tax profit of RM77.6 million for the preceding quarter.

The marginal drop in Group revenue of RM3.3 million or 0.6% was mainly attributed to lower sales volume recorded from the Philippine operations because of supply constraint from Mazda Japan for the new Mazda3 and the facelift Mazda CX-3 which are expected to be launched in the next quarter. Revenue growth from the domestic operations was flattish as its sales volume was comparable to the preceding quarter.

The Group pre-tax profit for the current quarter under review has reduced by RM12.6 million or 16.2% mainly due to compressed gross profit margin from the domestic operations following the Mazda CX-5 run-out promotion where more sales incentives were given to hasten the sale of this model to clear the inventories as the upcoming launch date of the facelift model draws closer.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B3 Future prospects

Bank Negara Malaysia maintained its GDP growth projections at between 4.3% and 4.8% for the calendar year 2019, in line with its first and second quarter GDP growth of 4.5% and 4.9% respectively. The global headwinds, such as the escalating trade war between the US and China and the rising fears of global recession, have put pressure on the local currency as well as dampened consumer sentiments.

For calendar year 2019, Malaysian Automotive Association ("MAA") is maintaining its Total Industry Volume ("TIV") of 600,000 units as the consumers and businesses are expected to remain cautious in light of the current economic environment. TIV for passenger cars ("PC") in Malaysia for the 7 months of calendar year 2019 was marginally down by 2% to 317,064 units from 322,135 units in the corresponding period of the previous year due to higher base last year arising from the zero-rated GST tax holiday from June to August 2018.

Notwithstanding the above, the Group is optimistic that the expected launch of the all new Mazda CX-8 and Mazda CX-30 models and the new facelift of the ever popular Mazda CX-5 model which includes the 2.5L Turbo variant in Malaysia in the second half of calendar year 2019 may overcome some of these challenges.

In the Philippines, the World Bank is still projecting the country's GDP for 2019 and 2020 at 6.4% and 6.5% respectively despite a lower GDP recorded for the first and second quarter of calendar year 2019 at 5.6% and 5.5% respectively.

Based on a joint report of the Chamber of Automotive Manufacturers of the Philippines Inc ("CAMPI") and Truck Manufacturers Associations ("TMA"), the total sales for the 7 months of calendar year 2019 increased by 3.2% to 205,945 units from 199,628 units in the previous year's corresponding period. While total sales went up, sales of PC were still down by 1.8% to 61,815 units as of end July from 62,959 units a year ago.

The TRAIN law that was implemented in January 2018 encouraged the commercial vehicle segment where the pick-up truck attracts zero excise duty. Bermaz Auto Philippines Inc. ("BAP") has yet to take advantage of this as its existing Mazda BT-50 is an ageing model. However, plans are in place to bring in a new Mazda BT-50 model in the next calendar year. BAP seeks to improve its revenue and profitability by further strengthening its brand equity in tandem with sustainable dealers support and the forthcoming launch of the new and facelift models.

In view of the foregoing, the Directors anticipate the performance of the Group for the financial year ending 30 April 2020 to remain satisfactory.

B4 There were no profit forecast or profit guarantee for the financial period ended 31 July 2019.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B5 The taxation charge for the current quarter/period ended 31 July 2019 are detailed as follows:

	Current Quarter RM'000
Based on the results for the current quarter/period:-	
Current period provision	
- In Malaysia	16,457
- Outside Malaysia	780
Deferred tax	(3,673)
	<u>13,564</u>

The disproportionate tax charge of the Group for the current quarter ended 31 July 2019 was mainly due to certain expenses or losses being disallowed for tax purposes, inclusion of the share of results of associates which is presented net of tax and different foreign tax rate.

B6 Profit before tax is stated after charging/(crediting):

	Current Quarter RM'000
Interest income from financial institutions	(1,405)
Gain on disposal of property, plant and equipment	(1)
Depreciation of property, plant and equipment	988
Depreciation of right-of-use assets *	2,810
Impairment loss on receivables	245
Interest expense on bankers acceptances	96
Interest expense on lease liability *	959
Unwinding discount on provision for restoration costs (net)	50
Provision for and write off of inventories	157
Foreign exchange loss (net)	1,299
Fair value adjustment on derivatives	<u>188</u>

* As a result of applying MFRS 16, the Group has recognised RM2.81 million of depreciation charges for right-of-use assets and RM0.96 million of interest cost for the lease liability instead of RM3.18 million as rental expenses.

B7 There were no corporate proposals undertaken or announced but not completed at the date of this quarterly report.

B8 Group borrowings and debt securities as at 31 July 2019 were as follows:

	At end of current quarter RM'000
Short term borrowings	
<u>Unsecured</u>	
Denominated in Ringgit Malaysia	<u>49,038</u>

B9 There were no material litigation for the current financial period.

BERMAZ AUTO BERHAD**(Company No: 900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2019

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B10 The Board has recommended a first interim dividend of 3.25 sen single-tier dividend per share in respect of financial year ending 30 April 2020 to be payable on 25 October 2019. The entitlement date has been fixed on 10 October 2019. The total dividend declared for the financial period ended 31 July 2019 amounted to 3.25 sen single-tier dividend per share (previous financial period ended 31 July 2018: 2.50 sen single-tier dividend per share).

A Depositor shall qualify for the entitlement only in respect of:

- (a) Shares transferred to the Depositor's Securities Account before 4.30 p.m. on 10 October 2019 in respect of ordinary transfers.
- (b) Shares bought on the Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

B11 The basic and diluted earnings per share are calculated as follows:

	Group (3-month period)			
	31/7/2019	31/7/2018	31/7/2019	31/7/2018
	RM'000		sen	
Net profit for the quarter	<u>50,515</u>	<u>50,278</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,160,725</u>	<u>1,160,680</u>		
Basic earnings per share			<u>4.35</u>	<u>4.33</u>
Net profit for the quarter	<u>50,515</u>	<u>50,278</u>		
Number of shares used in the calculation of basic earning per share ('000)	1,160,725	1,160,680		
Number of shares assuming exercise of ESOS (1st batch) ('000)	-	647		
Number of shares assuming exercise of ESS ('000)	<u>6,366</u>	<u>-</u>		
	<u>1,167,091</u>	<u>1,161,327</u>		
Diluted earnings per share			<u>4.33</u>	<u>4.33</u>

c.c. Securities Commission