

Bermaz Auto Berhad

Company No: 900557-M

Date: 12 December 2018

Subject: **UNAUDITED QUARTERLY (Q2) INTERIM FINANCIAL REPORT FOR
THE PERIOD ENDED 31 OCTOBER 2018**

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended		Year to date ended	
	31/10/2018	31/10/2017	31/10/2018	31/10/2017
	RM'000	RM'000	RM'000	RM'000
GROUP REVENUE	690,318	471,707	1,175,714	862,935
PROFIT FROM OPERATIONS	74,111	35,466	135,364	67,711
Investment related income	2,253	458	3,635	1,074
Finance costs	36	(1,513)	(264)	(3,303)
Share of results of associates	18,184	193	23,093	845
PROFIT BEFORE TAX	94,584	34,604	161,828	66,327
INCOME TAX EXPENSE	(19,965)	(9,100)	(35,616)	(17,665)
PROFIT AFTER TAX	74,619	25,504	126,212	48,662
OTHER COMPREHENSIVE ITEMS				
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation	2,365	(4,334)	3,502	(7,142)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	76,984	21,170	129,714	41,520
PROFIT ATTRIBUTABLE TO:				
- Equity holders of the Company	73,917	22,201	124,195	42,408
- Non-controlling interests	702	3,303	2,017	6,254
	74,619	25,504	126,212	48,662
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Equity holders of the Company	75,364	19,466	126,339	37,977
- Non-controlling interests	1,620	1,704	3,375	3,543
	76,984	21,170	129,714	41,520
EARNINGS PER SHARE (SEN)				
-Basic, for the period	6.36	1.93	10.70	3.68
-Diluted, for the period	6.36	1.92	10.69	3.66

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 OCTOBER 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31/10/2018 RM'000	Group As at 30/04/2018 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	19,048	19,805
Other investment	708	685
Associated companies	156,741	133,648
Deferred tax assets	49,436	42,180
Goodwill	500	500
	<u>226,433</u>	<u>196,818</u>
Current Assets		
Inventories	340,700	247,382
Trade and other receivables	90,019	100,434
Tax recoverable	-	336
Derivative asset	32	-
Deposits with financial institutions	324,027	154,419
Cash and bank balances	90,036	152,350
	<u>844,814</u>	<u>654,921</u>
TOTAL ASSETS	<u>1,071,247</u>	<u>851,739</u>
EQUITY AND LIABILITIES		
Share capital	604,040	602,957
Reserves	(82,823)	(121,601)
	<u>521,217</u>	<u>481,356</u>
Treasury shares	(6,324)	(4,593)
	<u>514,893</u>	<u>476,763</u>
Non-controlling interests	43,681	47,741
Total Equity	<u>558,574</u>	<u>524,504</u>
Non-current Liabilities		
Deferred revenue	64,146	48,294
Provisions	23,428	16,845
	<u>87,574</u>	<u>65,139</u>
Current Liabilities		
Short term borrowings	11,082	46,065
Trade and other payables	306,411	140,243
Provisions	33,054	28,151
Deferred revenue	35,822	45,029
Derivative liability	-	292
Taxation	38,730	2,316
	<u>425,099</u>	<u>262,096</u>
Total Liabilities	<u>512,673</u>	<u>327,235</u>
TOTAL EQUITY AND LIABILITIES	<u>1,071,247</u>	<u>851,739</u>
Basic net assets per share (sen)	44.42	41.13
Dilutive net assets per share (sen)	44.98	41.71

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 Option Scheme ("ESOS").

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 OCTOBER 2018

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	ESOS* reserve	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
Adjustment on adoption of MFRS 9 (net of tax)	-	-	-	-	-	(607)	-	(607)	-	(607)
Total comprehensive income	-	-	2,144	-	-	124,195	-	126,339	3,375	129,714
Transactions with owners:										
ESOS options exercised	1,083	(527)	-	-	-	-	-	556	-	556
Treasury shares acquired	-	-	-	-	-	-	(6,324)	(6,324)	-	(6,324)
Sale of treasury shares	-	-	-	-	-	725	4,593	5,318	-	5,318
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(7,435)	(7,435)
Interim dividends #	-	-	-	-	-	(87,152)	-	(87,152)	-	(87,152)
	1,083	(527)	-	-	-	(86,427)	(1,731)	(87,602)	(7,435)	(95,037)
At 31 October 2018	604,040	2,914	(6,129)	32,981	(424,000)	311,411	(6,324)	514,893	43,681	558,574

Attributable to the equity holders of the Company

	Non-distributable					Distributable		Total	Non-controlling interests	Total equity
	Share capital	ESOS* reserve	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 2017	594,747	7,107	3,699	32,981	(424,000)	233,055	(4,173)	443,416	48,981	492,397
Total comprehensive income	-	-	(4,431)	-	-	42,408	-	37,977	3,543	41,520
Transactions with owners:										
Share-based payment under ESOS	-	703	-	-	-	-	-	703	-	703
ESOS options exercised	686	(370)	-	-	-	-	-	316	-	316
ESOS options forfeited	50	(50)	-	-	-	-	-	-	-	-
Interim dividend +	-	-	-	-	-	(36,298)	-	(36,298)	-	(36,298)
Interim dividend ^	-	-	-	-	-	(17,290)	-	(17,290)	-	(17,290)
	736	283	-	-	-	(53,588)	-	(52,569)	-	(52,569)
At 31 October 2017	595,483	7,390	(732)	32,981	(424,000)	221,875	(4,173)	428,824	52,524	481,348

Notes:

* ESOS - Employees' Share Option Scheme.

Refer to Note A6.

+ Fourth interim dividend of 3.15 sen single-tier dividend per share in respect of financial year ended 30 April 2017.

^ First interim dividend of 1.50 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 OCTOBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31/10/2018	31/10/2017
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	1,225,588	839,765
Payment to suppliers and operating expenses	(990,326)	(830,614)
Payment of taxes	(5,571)	(10,601)
Net cash flow generated from/(used in) operating activities	<u>229,691</u>	<u>(1,450)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	602	966
Acquisition of property, plant and equipment	(2,098)	(2,665)
Interest received	3,363	978
Net cash flow generated from/(used in) investing activities	<u>1,867</u>	<u>(721)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	556	316
Purchase of treasury shares	(5,672)	-
Sale of treasury shares	5,318	-
Dividends paid to non-controlling interests	(7,435)	-
Net movement in short term borrowings	(34,983)	41,952
Interest paid	(348)	(3,272)
Dividends paid	(87,152)	(53,588)
Net cash flow used in financing activities	<u>(129,716)</u>	<u>(14,592)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	101,842	(16,763)
OPENING CASH AND CASH EQUIVALENTS	306,769	244,770
Effect of exchange rate changes	5,452	(7,577)
CLOSING CASH AND CASH EQUIVALENTS	<u>414,063</u>	<u>220,430</u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	324,027	100,828
Cash and bank balances	90,036	119,602
	<u>414,063</u>	<u>220,430</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 OCTOBER 2018

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, requirements of the Companies Act 2016 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 2018. 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 2018.

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 2018 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 2018.

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 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

i. Classification and measurements

The Group does not have any significant impact on its statement of financial position or changes in equity on applying the classification and measurement requirements of MFRS 9.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, cash and bank balances, deposits with financial institutions and trade and other receivables that were classified as loans and receivables under MFRS139 are now classified at amortised cost.

ii. Impairment

The Group has applied the simplified approach to calculate expected credit losses which uses a lifetime expected loss allowance on all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics. The impact of the application of the expected credit losses model is indicated in the summary of MFRS 9 adoption impact.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 May 2018 and has elected not to restate comparatives.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2018

NOTES TO THE INTERIM FINANCIAL REPORT

In summary, the impact of MFRS 9 adoption is as follows:

Consolidated Statement of Changes in Equity

	Impact of adopting MFRS 9 on opening balance 1 May 2018 RM'000
<u>Retained earnings</u>	
Recognition of expected credit losses under MFRS 9	(799)
Impact on deferred tax	192
Impact at 1 May 2018	<u>(607)</u>

Consolidated Statement of Financial Position

	Impact of adopting MFRS 9 on opening balance 1 May 2018 RM'000
Assets	
Trade and other receivables	(799)
Deferred tax asset	192
Equity	
Retained earnings	(607)

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 superseded the previous revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has applied MFRS 15 using modified retrospective method with effect of initially applying this standard recognised at the date of initial application (i.e. 1 May 2018). Accordingly, the information presented for the financial year ended 30 April 2018 has not been restated.

The Group has assessed the effects of applying the new standard on the financial statements and have identified the following areas that were affected on the Group's interim statement of profit or loss and other comprehensive income for the 6 months then ended.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2018

NOTES TO THE INTERIM FINANCIAL REPORT

Impact on the condensed interim consolidated statement of profit or loss and other comprehensive income

For period ended 31 October 2018	Prior to adoption of MFRS 15 RM'000	Effect of adoption MFRS 15 RM'000	After adoption of MFRS 15 RM'000
Revenue	1,195,137	(19,423)	1,175,714
Selling and distribution expenses	(49,698)	19,423	(30,275)

Note:

Under MFRS 15, variable consideration is the consideration that the Group can recognise as revenue when certain future events occur or do not occur. The Group needs to estimate the expected amount of variable consideration, based on historical trends, to be recognised as revenue. The Group deems that the part of the sales value that the Group need to pay to its customers (dealers) if the customers meet certain purchase targets as the variable consideration. The Group did not recognise the variable consideration as revenue as the Group expects the customers to meet such purchase targets, based on past records.

As required under MFRS 15, the Group has disclosed the disaggregation of revenue in Note A7.

- 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 October 2018, the issued and paid up ordinary share capital of the Company was RM604,040,030. 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 2018	1,161,499,388	602,957,215
ESOS exercised:		
ESOS (1st batch)	840,200	901,921
ESOS (2nd batch)	62,500	180,894
	902,700	1,082,815
As at 31 October 2018	<u>1,162,402,088</u>	<u>604,040,030</u>

ESOS

As at 31 October 2018,

- (a) the total number of unexercised ESOS (1st batch) was 479,000 shares, at the exercise price of RM0.50 each.
- (b) the total number of unexercised ESOS (2nd batch) was 3,691,300 shares, at the exercise price of RM2.18 each.

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NOTES TO THE INTERIM FINANCIAL REPORT

A5 The details of the share buyback during the financial period ended 31 October 2018 were as follows:

Month	Price per share (RM)			Number of shares	Total consideration RM'000
	Lowest	Highest	Average		
October 2018	1.84	2.00	1.90	3,325,600	6,324

The number of treasury shares held in hand as at 31 October 2018 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Balance as at 30 April 2018	2.06	2,235,000	4,593
Resale of treasury shares *	2.06	(2,235,000)	(4,593)
Increase in treasury shares	1.90	3,325,600	6,324
Total treasury shares as at 31 October 2018	1.90	3,325,600	6,324

As at 31 October 2018, the number of outstanding shares in issue and fully paid up with voting rights (rounded to nearest thousand) was 1,159,076,000 (31 October 2017: 1,152,686,000) ordinary shares.

* During the financial period ended 31 October 2018, the Company had sold 2,235,000 treasury shares at the net proceeds of RM5,318,000, realising a gain on disposal of RM725,000.

A6 During the financial period ended 31 October 2018, the Company paid the following dividends:

- i) fourth interim dividend of 2.30 sen single-tier dividend per share and a special dividend of 2.70 sen single-tier dividend per share amounting to a total of RM58.095 million in respect of the financial year ended 30 April 2018 on 26 July 2018; and
- ii) first interim dividend of 2.50 sen single-tier dividend per share amounting to a total of RM29.057 million in respect of the financial year ending 30 April 2019 on 26 October 2018.

A7 Segment information for the financial period ended 31 October 2018:-

REVENUE	Consolidated RM'000
Malaysia	1,018,774
Philippines	156,940
Total revenue	<u><u>1,175,714</u></u>
RESULTS	RM'000
Malaysia	129,902
Philippines	7,580
	<u>137,482</u>
Unallocated corporate items	<u>(2,118)</u>
Profit from operations	135,364
Investment related income	3,635
Finance costs	(264)
Share of results of associates	<u>23,093</u>
Profit before tax	161,828
Income tax expense	<u>(35,616)</u>
Profit after tax	<u><u>126,212</u></u>

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2018

NOTES TO THE INTERIM FINANCIAL REPORT

DISAGGREGATION OF REVENUE

	6 months ended	
	31/10/2018	31/10/2017
	RM'000	RM'000
Sale of motor vehicles	1,094,546	787,824
Sale of spare parts	60,881	52,495
Maintenance and fitting of motor vehicle accessories services	20,287	22,616
Group revenue	<u>1,175,714</u>	<u>862,935</u>
Timing of revenue recognition:		
- at a point in time	1,158,041	847,425
- over time	17,673	15,510
	<u>1,175,714</u>	<u>862,935</u>

A8 There were no significant events since the end of this current quarter up to the date of this announcement, other than:-

On 19 November 2018, the Company announced that the effective date for the implementation of the Employee's Share Scheme ("ESS") is on 19 November 2018 after obtaining all required approvals and complying with the relevant provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

On 21 November 2018, the Company announced that it has offered ESS Shares and/or Options to its Directors and eligible employees of the Company in the BAuto Group (which are not dormant) in accordance with the By-Laws.

On 28 November 2018, the Company announced that having considered the current challenging automotive market conditions in the Philippines, the Board has decided not to proceed with the Proposed Listing of Bermaz Auto Philippines Inc.

A9 Capital expenditure of the Group not provided for as at 31 October 2018 in relation to property, plant and equipment were as follows:

Approved and contracted for	RM'000
	<u>809</u>

A10 There were no changes in the composition of the Group for the current period ended 31 October 2018 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 2018.

A12 There were no audit qualifications in the annual financial statements for the year ended 30 April 2018.

A13 There were no material changes in estimates reported in the prior financial year that had a material effect in the current period ended 31 October 2018.

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2018

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, unfavourable 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 October 2018, the Group reported a revenue and pre-tax profit of RM690.3 million and RM94.6 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM471.7 million and RM34.6 million respectively.

The significant increase in Group revenue of RM218.6 million or 46.3% was mainly due to a surge in sales volume from the domestic operations as the change in Goods and Services Tax ("GST") from the standard rate of 6% to 0% for June to August this year, and the Group's announcement to absorb the sales tax for bookings received before 1 September 2018 but vehicle delivery during the Sales & Service Tax ("SST") era, has boosted customers demand especially for the new CX-5 model. This was however partly offset by weaker sales from the Philippine operations as the automotive industry is still struggling with the impact of the Tax Reform for Acceleration and Inclusion ("TRAIN") law that was implemented in January this year. The TRAIN law has caused an increase in excise tax and consequently car prices have also increased, thus affecting the demand for motor vehicles in the Philippines.

The Group's pre-tax profit also increased substantially by RM60.0 million or 173.4% largely due to higher revenue and improvement in gross profit margin from the domestic operations, and significantly higher share of profit contribution from its associate company, Mazda Malaysia Sdn Bhd ("MMSB"). The improvement in gross profit margin was mainly attributed to favourable sales mix and a stronger Malaysian Ringgit against Japanese Yen, while the higher share of profit contribution from MMSB arose from the increase in production volume for the new CX-5 model to cater for both the domestic and export markets. However, this was slightly dampened by a lower profit contribution from the Philippine operations, in line with the decrease in their sales volume.

For the 6-month period

For the 6-month period ended 31 October 2018, the Group registered a revenue and pre-tax profit of RM1.18 billion and RM161.8 million respectively as compared to the preceding year corresponding period which reported a revenue and pre-tax profit of RM862.9 million and RM66.3 million respectively.

For the same reason as the current quarter under review, the increase in Group revenue of RM312.8 million or 36.2% was largely due to significant improvement in sales volume from the domestic operations as the change in GST from the standard rate of 6% to 0% in June this year coupled with, the Group's announcement to absorb the sales tax for bookings received before 1 September 2018 has boosted customers demand. This was however partly offset by the contraction in sales volume from the Philippine operations due to reason mentioned above.

The Group's pre-tax profit also improved by RM95.5 million or 144.0% largely due to higher revenue and improvement in gross profit margin from the domestic operations, and higher share of profit contribution from its associate company, MMSB. The improvement in gross profit margin was mainly due to favourable sales mix and foreign exchange, while the higher share of profit contribution from MMSB arose from the increase in production volume for the new CX-5 model to cater for both the domestic and export markets. However, this was partly offset by a lower profit contribution from the Philippine operations, in line with their decrease in sales volume.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2018

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B2 Current quarter vs preceding quarter

For the quarter ended 31 October 2018, the Group reported higher revenue of RM690.3 million and higher pre-tax profit of RM94.6 million, as compared to the Group revenue of RM485.4 million and Group pre-tax profit of RM67.2 million for the preceding quarter.

The improvement in Group revenue of RM204.9 million or 42.2% was mainly due to higher sales volume from the domestic operations. Sales continues to be strong post GST tax holiday period as the Group are still anchored to meeting unfulfilled customers booking comprising mostly of the CX-5 and CX-3 models as a result of the Group's announcement to absorb sales tax for bookings received before 1 September 2018. The Group projected to fulfil these bookings by early next calendar year as the supply of certain Mazda CBU models were slightly hampered by the recent flood and typhoon in Japan.

The Group's pre-tax profit for the current quarter under review improved by RM27.4 million or 40.8% in line with the increase in the Group's revenue. The impact on gross profit margin as a result of absorption of the sales tax were partly mitigated by the Group's efforts in cutting down operating cost such as advertising and promotional expenses and dealer incentives as there would be less rebates and efforts required to promote the vehicles in securing the bookings. In addition, the Group had a higher share of profit contribution from MMSB as a result of increase in production volume for the new CX-5 model to cater for both the domestic and export markets.

B3 Future prospects

In light of the global headwinds, Malaysia will be revising downwards the GDP growth rate from the previously announced 5.0%-5.5% to 4.8% for 2018. The rising prospect of trade war between USA and China has already triggered massive capital outflows from Emerging Market back into the USA. In Malaysia, as an emerging economy, it inevitably faced the net foreign outflows and hence puts pressure on the Malaysia Ringgit. Nevertheless, the confidence in the Malaysian economy and the current account surplus will provide support to our currency.

Total Industry Volume (TIV) for passenger cars in Malaysia for the first 10 months of calendar year 2018 was 5.7% higher year-on-year. Mazda's sales volume has also improved with a growth of 59% compared to the same period last year. Malaysian Automotive Association (MAA) forecast for year 2018 remains at 585,000 units. The automotive segment market trading conditions is expected to remain challenging following the end of the tax holiday period, with competitive trading environment, weakening of the Ringgit and cautious consumer sentiment as a result of uncertainties in the local and global economy. The sales volume reflected a dip after the implementation of SST on 1 September 2018 and is in line with our expectation as the surge in the demand from June to August 2018 has now been neutralised as most customers have already forward purchased their vehicles during the tax-free holiday period.

Despite the challenging market trading conditions as mentioned above, the Malaysia operation is in a competitive advantage position due to the huge back orders collected during the GST tax holiday as a result of our absorption of SST. The bookings collected since the implementation of the SST on 1 September 2018 remains encouraging due to the upcoming festive seasons.

In the Philippines, although the economy is forecasted to remain vibrant with expected GDP growth rate of 6.7% for 2018 and 6.8% for 2019, the new vehicle market continued to decline in October according to data released jointly by the Chamber of Automotive Manufacturers of the Philippines (CAMPI) and the Truck Manufacturers Association (TMA). BAP seeks to mitigate the downturn impact and sustain its sales volume through more aggressive marketing and support to the dealer network, and growing the number of dealerships from 18 at the beginning of the financial year 2018 to 21 dealerships at the end of financial year 2019.

In view of the foregoing, the Directors are of the view that the Group's results for the remaining quarters will be positive.

B4 There were no profit forecast or profit guarantee for the financial period ended 31 October 2018.

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B5 The taxation charge for the current quarter/period ended 31 October 2018 are detailed as follows:

	Current Quarter RM'000	Financial Year to date RM'000
Based on the results for the current quarter/period:-		
Current period provision		
- In Malaysia	26,539	40,973
- Outside Malaysia	607	1,348
Deferred tax	(7,181)	(6,705)
	<u>19,965</u>	<u>35,616</u>

The disproportionate tax charge of the Group for the current quarter/period ended 31 October 2018 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	Financial Year to date RM'000
Interest income from financial institutions	(2,232)	(3,614)
Income from unit trusts	(22)	(22)
Loss on disposal of unit trusts	1	1
Gain on disposal of property, plant and equipment	(48)	(88)
Depreciation of property, plant and equipment	1,337	2,468
Amortisation of intangible assets	-	-
Reversal of impairment loss on receivables	(609)	(552)
Provision for and write off of inventories	311	552
Foreign exchange loss/(gain) (net)	283	(27)
(Gain) or loss on derivatives (net)	-	(324)
Interest expense on bankers acceptances and trust receipts	56	348
Reversal of unwinding discount on provision for restoration costs (net) **	<u>(92)</u>	<u>(84)</u>

** Reversal of unwinding discount relates to changes in the estimation for provision for restoration costs, based on quotations from contractors.

B7 The Company announced that having considered the current challenging automotive market conditions in the Philippines, the Board has decided not to proceed with the Proposed Listing of its indirect subsidiary, Bermaz Auto Philippines Inc., on the Main Board of the Philippines Stock Exchange.

B8 Group borrowings and debt securities as at 31 October 2018 were as follows:

	At end of current quarter RM'000
Short term borrowing	
<u>Unsecured</u>	
Denominated in Philippine Peso	<u>11,082</u>

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

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B10 The Board has recommended a second interim dividend of 3.75 sen single-tier dividend per share in respect of financial period ended 31 October 2018 (previous year corresponding quarter ended 31 October 2017: 1.60 sen single-tier dividend per share) to be payable on 25 January 2019. The entitlement date has been fixed on 31 December 2018. The total dividend declared for the financial period ended 31 October 2018 amounted to 6.25 sen single-tier dividend per share (previous financial period ended 31 October 2017: 3.10 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 4.00 p.m. on 31 December 2018 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)			
	31/10/2018	31/10/2017	31/10/2018	31/10/2017
	RM'000		sen	
Net profit for the quarter	<u>73,917</u>	<u>22,201</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,161,668</u>	<u>1,152,566</u>		
Basic earnings per share			<u>6.36</u>	<u>1.93</u>
Net profit for the quarter	<u>73,917</u>	<u>22,201</u>		
Number of shares used in the calculation of basis earning per share ('000)	1,161,668	1,152,566		
Number of shares assuming exercise of employee share options (1st batch) ('000)	349	6,135		
Number of shares assuming exercise of employee share options (2nd batch) ('000)	-	-		
	<u>1,162,017</u>	<u>1,158,701</u>		
Diluted earnings per share			<u>6.36</u>	<u>1.92</u>

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	Group (6-month period)			
	31/10/2018	31/10/2017	31/10/2018	31/10/2017
	RM'000		sen	
Net profit for the period	<u>124,195</u>	<u>42,408</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,161,174</u>	<u>1,152,388</u>		
Basic earnings per share			<u>10.70</u>	<u>3.68</u>
Net profit for the period	<u>124,195</u>	<u>42,408</u>		
Number of shares used in the calculation of basis earning per share ('000)	1,161,174	1,152,388		
Number of shares assuming exercise of employee share options (1st batch) ('000)	349	6,135		
Number of shares assuming exercise of employee share options (2nd batch) ('000)	-	-		
	<u>1,161,523</u>	<u>1,158,523</u>		
Diluted earnings per share			<u>10.69</u>	<u>3.66</u>

c.c. Securities Commission