

Bermaz Auto Berhad

Company Registration No: 201001016854 (900557-M)

Date: 10 December 2020

Subject: **UNAUDITED QUARTERLY (Q2) INTERIM FINANCIAL REPORT FOR
THE PERIOD ENDED 31 OCTOBER 2020**

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BERMAZ AUTO BERHAD**Company Registration No: 201001016854 (900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended		Year to date ended	
	31/10/2020 RM'000	31/10/2019 RM'000	31/10/2020 RM'000	31/10/2019 RM'000
GROUP REVENUE	599,844	457,169	1,048,738	992,213
PROFIT FROM OPERATIONS	33,986	22,833	52,478	78,924
Investment related income	1,393	903	2,026	2,308
Finance costs	(3,230)	(1,095)	(7,295)	(2,200)
Share of results of associates	1,751	6,547	(194)	15,193
PROFIT BEFORE TAX	33,900	29,188	47,015	94,225
INCOME TAX EXPENSE	(9,367)	(7,580)	(13,895)	(21,144)
PROFIT AFTER TAX	24,533	21,608	33,120	73,081
OTHER COMPREHENSIVE ITEM				
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation	(826)	1,466	536	3,375
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	23,707	23,074	33,656	76,456
PROFIT ATTRIBUTABLE TO:				
- Equity holders of the Company	24,790	20,388	34,035	70,903
- Non-controlling interests	(257)	1,220	(915)	2,178
	24,533	21,608	33,120	73,081
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Equity holders of the Company	24,303	21,214	34,363	72,834
- Non-controlling interests	(596)	1,860	(707)	3,622
	23,707	23,074	33,656	76,456
EARNINGS PER SHARE (SEN)				
-Basic, for the period	2.13	1.76	2.93	6.11
-Diluted, for the period	2.13	1.75	2.92	6.08

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

BERMAZ AUTO BERHAD

Company Registration No: 201001016854 (900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31/10/2020 RM'000	Group As at 30/4/2020 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	37,540	38,700
Right-of-use assets	64,966	70,469
Other investment	2,783	2,771
Associated companies	210,193	210,387
Deferred tax assets	65,494	62,847
Goodwill	500	500
	<u>381,476</u>	<u>385,674</u>
Current Assets		
Inventories	298,735	684,644
Trade and other receivables	123,621	107,452
Tax recoverable	5,082	10,397
Deposits with financial institutions	294,834	46,675
Cash and bank balances	60,254	53,545
	<u>782,526</u>	<u>902,713</u>
TOTAL ASSETS	<u><u>1,164,002</u></u>	<u><u>1,288,387</u></u>
EQUITY AND LIABILITIES		
Share capital	608,827	608,823
Reserves	(106,025)	(136,166)
	<u>502,802</u>	<u>472,657</u>
Treasury shares	(3,234)	(2,602)
	<u>499,568</u>	<u>470,055</u>
Non-controlling interests	50,446	51,153
Total Equity	<u><u>550,014</u></u>	<u><u>521,208</u></u>
Non-current Liabilities		
Lease liabilities	61,014	65,067
Contract liability	90,476	85,104
Provisions	33,894	35,582
	<u>185,384</u>	<u>185,753</u>
Current Liabilities		
Lease liabilities	8,623	9,082
Short term borrowings	128,527	137,709
Trade and other payables	190,830	349,500
Contract liability	62,969	49,931
Provisions	37,484	29,789
Tax payable	171	5,415
	<u>428,604</u>	<u>581,426</u>
Total Liabilities	<u><u>613,988</u></u>	<u><u>767,179</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,164,002</u></u>	<u><u>1,288,387</u></u>
Basic net assets per share (sen)	43.01	40.45
Dilutive net assets per share (sen)	43.87	41.34

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 Registration No: 201001016854 (900557-M)
 UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020
 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			
At 1 May 2020	608,823	5,172	1,587	32,981	(424,000)	248,094	(2,602)	470,055	51,153	521,208	
Total comprehensive income	-	-	328	-	-	34,035	-	34,363	(707)	33,656	
Transactions with owners:											
Share-based payment under ESS	-	1,591	-	-	-	-	-	1,591	-	1,591	
Treasury shares acquired	-	-	-	-	-	-	(632)	(632)	-	(632)	
ESS options forfeited	4	(4)	-	-	-	-	-	-	-	-	
Interim dividends#	-	-	-	-	-	(5,809)	-	(5,809)	-	(5,809)	
	4	1,587	-	-	-	(5,809)	(632)	(4,850)	-	(4,850)	
At 31 October 2020	608,827	6,759	1,915	32,981	(424,000)	276,320	(3,234)	499,568	50,446	550,014	

	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			
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	-	-	1,931	-	-	70,903	-	72,834	3,622	76,456	
Transactions with owners:											
Share-based payment under ESS	-	2,325	-	-	-	-	-	2,325	-	2,325	
ESS options exercised	481	(84)	-	-	-	-	-	397	-	397	
ESS options forfeited	5	(5)	-	-	-	-	-	-	-	-	
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)	
Interim dividend^	-	-	-	-	-	(37,752)	-	(37,752)	-	(37,752)	
	486	2,236	-	-	-	(158,757)	3,144	(152,891)	-	(152,891)	
At 31 October 2019	608,365	4,535	(1,702)	32,981	(424,000)	266,886	(3,342)	483,723	48,201	531,924	

Notes:
 # First interim dividend of 0.50 sen single-tier dividend per share in respect of financial year ended 30 April 2021.
 + Fourth interim dividend of 3.50 sen single-tier dividend per share in respect of financial year ended 30 April 2019.
 ~ Special dividend of 7.00 sen single-tier dividend per share in respect of financial year ended 30 April 2019.
 ^ First interim dividend of 3.25 sen single-tier dividend per share in respect of financial year ended 30 April 2020.

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BERMAZ AUTO BERHAD**Company Registration No: 201001016854 (900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31/10/2020	31/10/2019
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	1,051,476	938,615
Payment to suppliers and operating expenses	(742,970)	(870,552)
Payment of taxes (net)	(16,429)	(46,723)
Net cash flow generated from operating activities	<u>292,077</u>	<u>21,340</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	1
Acquisition of property, plant and equipment	(1,252)	(7,340)
Interest received	2,305	2,346
Net cash flow generated from/(used in) investing activities	<u>1,054</u>	<u>(4,993)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	-	397
Purchase of treasury shares	(460)	-
Sale of treasury shares	-	4,105
Net movement in short term borrowings	(9,182)	45,000
Interest paid	(5,722)	(209)
Dividends paid	(16,852)	(159,718)
Payment of lease liabilities	(6,440)	(6,218)
Net cash flow used in financing activities	<u>(38,656)</u>	<u>(116,643)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	254,475	(100,296)
OPENING CASH AND CASH EQUIVALENTS	100,220	320,166
Effect of exchange rate changes	393	3,085
CLOSING CASH AND CASH EQUIVALENTS	<u>355,088</u>	<u>222,955</u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	294,834	108,185
Cash and bank balances	60,254	114,770
	<u>355,088</u>	<u>222,955</u>

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

BERMAZ AUTO BERHAD**Company Registration No: 201001016854 (900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

NOTES TO THE INTERIM FINANCIAL REPORT

- A1 The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards ("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 2020. 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 2020.

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 2020 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 2020.

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.

- 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 The COVID-19 pandemic had resulted in unprecedented preventive measures of varying degrees of global population lockdown to curb the outbreak. The lockdown has caused the temporary closure of almost all businesses in many countries. Malaysia has eased into the recovery phase of Movement Control Movement ("MCO") which has been extended to 31 December 2020, where most economic sectors are allowed to operate while observing the business standard operating procedures. There are certain states and districts such as Sabah and Selangor which were placed under a CMCO with prohibition of inter-district movement. As for the Philippines, the Philippine government has relaxed its quarantine measure from Enhanced Community Quarantine ("ECQ") to General Community Quarantine ("GCQ") on 1 June 2020 in which selected businesses are allowed to operate at 50% to 100% workforce depending on the industry. As such, volume of business transactions will be impacted going forward.

Other than as disclosed above, there were no unusual items during the financial period under review.

- A4 As at 31 October 2020, the issued and paid up ordinary share capital of the Company was RM608,826,623. 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 2020	1,163,549,188	608,822,913
Transfer of reserve arising from forfeiture of ESS	-	3,710
As at 31 October 2020	<u>1,163,549,188</u>	<u>608,826,623</u>

ESS

As at 31 October 2020, the total number of unexercised ESS options (with exercise price of RM1.85 each) was 8,171,500 and the total number of ESS shares that have not been vested was 3,402,000.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

NOTES TO THE INTERIM FINANCIAL REPORT

A5 The details of the share buyback during the financial period ended 31 October 2020 were as follows:

Month	Price per share (RM)			Number of shares	Total consideration RM'000
	Lowest	Highest	Average		
October 2020	1.13	1.15	1.15	550,000	632

The number of treasury shares held in hand as at 31 October 2020 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Balance as at 30 April 2020	1.90	1,369,200	2,602
Increase in treasury shares	1.15	550,000	632
Total treasury shares as at 31 October 2020	1.69	1,919,200	3,234

As at 31 October 2020, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 1,161,630,000 (31 October 2019: 1,161,610,000) ordinary shares.

The number and carrying amounts of treasury shares subsequent to the current quarter end and up to the date of this announcement:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 October 2020	1.69	1,919,200	3,234
Increase in treasury shares	1.21	580,000	700
Total treasury shares as at 9 December 2020	1.57	2,499,200	3,934

A6 During the financial period ended 31 October 2020, the Company paid the third interim dividend of 1.45 sen single-tier dividend per share amounting to a total of RM16.85 million in respect of the financial year ended 30 April 2020 on 28 May 2020.

A7 Segment information for the financial period ended 31 October 2020:-

REVENUE	Consolidated RM'000
Malaysia	980,098
Philippines	68,640
Total revenue	<u>1,048,738</u>
RESULTS	RM'000
Malaysia	50,489
Philippines	1,936
	<u>52,425</u>
Unallocated corporate items	53
Profit from operations	<u>52,478</u>
Investment related income	2,026
Finance costs	(7,295)
Share of results of associates	(194)
Profit before tax	<u>47,015</u>
Income tax expense	<u>(13,895)</u>
Profit after tax	<u>33,120</u>

BERMAZ AUTO BERHAD**Company Registration No: 201001016854 (900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

NOTES TO THE INTERIM FINANCIAL REPORT

DISAGGREGATION OF REVENUE

	6 months ended	
	31/10/2020	31/10/2019
	RM'000	RM'000
Sale of motor vehicles	958,306	897,754
Sale of spare parts	62,454	66,010
Maintenance and fitting of motor vehicle accessories services	27,978	28,449
Group revenue	<u>1,048,738</u>	<u>992,213</u>
Timing of revenue recognition:		
- at a point in time	1,018,122	967,385
- over time	30,616	24,828
Group revenue	<u>1,048,738</u>	<u>992,213</u>

A8 Save for the event below, there were no other significant events since the end of this current quarter up to the date of this announcement:

On 1 December 2020, Berjaya Auto Alliance Sdn Bhd, a 20%-associated company of Bermaz Auto Berhad was awarded the sole distributorship of new vehicles under the PEUGEOT marque and the rights of aftersales and spare parts distribution for vehicles under the PEUGEOT, CITROEN and DS marque vehicles in Malaysia by Groupe PSA, SA of France.

A9 Capital expenditure of the Group not provided for as at 31 October 2020 in relation to property, plant and equipment were as follows:

RM'000

Approved and contracted for 123

A10 There were no changes in the composition of the Group for the current period ended 31 October 2020 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 2020.

A12 There were no audit qualifications in the annual financial statements for the financial year ended 30 April 2020.

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 October 2020.

BERMAZ AUTO BERHAD**Company Registration No: 201001016854 (900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

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 are affected by, among others, regulations and policies governing the importation of completely built-up ("CBU") vehicles (for the domestic and the Philippine markets), 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.

The COVID-19 pandemic had resulted in unprecedented preventive measures of varying degrees of global population lockdown to curb the outbreak. The lockdown has caused the temporary closure of almost all businesses in many countries. However, some countries are seeing signs of recovery and are gradually opening up their economies and imposing less stringent preventive measures.

As for Malaysia, the Malaysian Government had imposed Movement Control Order ("MCO") from 18 March 2020, which requires temporary closure of almost all businesses except for those involved in the provision of essential services and products. From 4 May 2020, the MCO was then replaced by the Conditional Movement Control Order ("CMCO"), where most economic sectors and activities are allowed to operate while observing the business standard operating procedures. Subsequently, the CMCO was replaced with the Recovery Movement Control Order ("RMCO") phase from 10 June till 31 December 2020 where interstate travel is allowed in certain states. During this period, there are certain states and districts such as Klang Valley which were placed under a CMCO with prohibition of inter-district movement.

Similarly, in the Philippines, the Philippine government had also imposed Enhanced Community Quarantine ("ECQ") from 17 March 2020 where residents are required to stay at home. It was then replaced by the General Community Quarantine ("GCQ") on 1 June 2020, which is generally less stringent than ECQ, where public transportation is allowed at a reduced capacity and selected businesses are allowed to operate at 50% to 100% workforce depending on the industry.

Review of results of current quarter vs preceding year same quarter

	3-Month Ended		
	31/10/2020	31/10/2019	+ / (-)
	RM'000	RM'000	%
Group revenue	<u>599,844</u>	<u>457,169</u>	<u>31.2</u>
Profit from operations	<u>33,986</u>	<u>22,833</u>	<u>48.8</u>
Profit before tax	<u>33,900</u>	<u>29,188</u>	<u>16.1</u>

For the quarter ended 31 October 2020, the Group reported a higher revenue and pre-tax profit of RM599.8 million and RM33.9 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM457.2 million and RM29.2 million respectively.

Group revenue has improved by RM142.6 million or 31.2% largely due to improvement in sales volume from the domestic operations despite the impact of the COVID-19 pandemic, partly offset by lower sales volume from the Philippines operations. The improvement in sales volume for the domestic operations was mainly attributed to the positive impact from the Short-Term Recovery Plan ("Penjana") economic stimulus package introduced by the government in June 2020 which provides 100% sales tax exemption on CKD vehicles and 50% sales tax exemption on CBU vehicles for the period from 15 June 2020 to 31 December 2020. The market has also reacted positively to our aggressive promotional campaign with free 6 years of warranty and 6 years of free maintenance to boost sales. Sales volume in the Philippines continue to be negatively impacted by the COVID-19 pandemic.

In line with the increase in revenue, the Group's pre-tax profit also increased by RM4.7 million or 16.1% largely due to higher profit contribution from the domestic operations, partly offset by lower profit contribution from the Philippines operations and lower share of profit contribution from its associated companies. Higher profit contribution from the domestic operations was mainly attributed to higher unit sales as explained above.

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

The lower profit contribution from the Philippines operations was mainly due to lower sales volume arising from the softened market as a direct impact from the COVID-19 pandemic. The previous year corresponding quarter's sales volume and profit contribution were higher in the Philippines operations as it benefitted from the launch of the Mazda3 back then. The lower profit contribution from its associated companies was mainly due to the drop in unit sales in Mazda Malaysia Sdn. Bhd. ("MMSB") from both the domestic and export markets during the regional lockdown and also the imposition of CMCO in certain states within Malaysia.

The Group has also accounted for the expense relating to the Group's Employees' Share Scheme of about RM0.8 million in the quarter under review as compared to RM1.1 million in the preceding year corresponding quarter.

Review of results for the 6-month period

	6-Month Ended		
	31/10/2020	31/10/2019	+/(-)
	RM'000	RM'000	%
Group revenue	<u>1,048,738</u>	<u>992,213</u>	<u>5.7</u>
Profit from operations	<u>52,478</u>	<u>78,924</u>	<u>(33.5)</u>
Profit before tax	<u>47,015</u>	<u>94,225</u>	<u>(50.1)</u>

For the 6-month period ended 31 October 2020, the Group registered a higher revenue but lower pre-tax profit of RM1.05 billion and RM47.0 million respectively as compared to the preceding year corresponding period which reported a revenue and pre-tax profit of RM0.99 billion and RM94.2 million respectively.

For the same reason as the current quarter under review, the increase in Group revenue of RM56.5 million or 5.7% was primarily due to higher sales volume from the domestic operations, which was partly offset by lower sales volume from the Philippines operations.

The higher domestic sales volume for the cumulative 6-month period was mainly attributed to the improved sales volume in the second quarter as a result of the positive impact from the introduction of economic stimulus package under Penjana as well as from the aggressive promotional campaigns introduced by the Group as explained above. Sales volume for the Philippines operations however, remains low due to the impact of COVID-19 pandemic where consumer sentiment has dampened and stricter financing processing by the local financial institutions.

The Group's pre-tax profit has however dropped by RM47.2 million or 50.1%, despite recording higher revenue, largely due to lower profit contribution from the domestic operations and share of loss contribution from MMSB. Profit contribution from the domestic operations was lower mainly attributed to lower gross profit margin arising from change in sales mix and more aggressive promotional activities especially in the first quarter of the financial year before the introduction of the Penjana economic stimulus packages by the government. Loss contribution from MMSB was mainly due to significant drop in unit sales from both the domestic and export markets during the MCO and CMCO period in certain states of Malaysia as well as the regional lockdown.

The Group has also accounted for the expense relating to the Group's Employees' Share Scheme of about RM1.6 million in the period under review as compared to RM2.3 million in the corresponding period.

B2 Review of results of current quarter vs preceding quarter

	3-Month Ended		
	31/10/2020	31/07/2020	+/(-)
	RM'000	RM'000	%
Group revenue	<u>599,844</u>	<u>448,894</u>	<u>33.6</u>
Profit from operations	<u>33,986</u>	<u>18,492</u>	<u>83.8</u>
Profit before tax	<u>33,900</u>	<u>13,115</u>	<u>158.5</u>

For the quarter ended 31 October 2020, the Group reported higher revenue of RM599.8 million and pre-tax profit of RM33.9 million as compared to the Group revenue of RM448.9 million and pre-tax profit of RM13.1 million for the preceding quarter.

BERMAZ AUTO BERHAD

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

The improvement in Group revenue of RM150.9 million or 33.6% was mainly attributed to improved unit sales in Malaysia. Higher sales were recorded in the domestic market due to the Penjana economic stimulus package during the RMCO period which included initiatives to help kick-start the automotive industry and gradually drive market demand as explained above.

The Group pre-tax profit for the current quarter under review has increased by RM20.8 million or 158.8% mainly attributed to improvement in the profit contributions from the domestic operations and lower share of loss contribution from MMSB, arising from the improved sales volume.

B3 Future prospects

Following stringent measures introduced to curb the COVID-19 pandemic, the global economy is showing signs of recovery as reflected by the increase in manufacturing and export activities. In Bank Negara Malaysia ("BNM")'s recent Monetary Policy Statement Press Release in November 2020 ("BNM November Press Release"), it was reported that economic activity picked up in most of the advanced and regional economies such as in China. However, the recent resurgence of COVID-19 cases had caused the re-introduction of containment measures by some major economies, although generally less restrictive than earlier measures. The global economy recovery is likely to remain sluggish and any further resurgence of COVID-19 cases could lead to weaker business, employment and income conditions.

For Malaysia, the BNM November Press Release reported that although there is significant economic activity in the 3rd quarter, the introduction of targeted measures to contain the resurgence of COVID-19 outbreak in several states could affect the momentum of recovery in the 4th quarter of the calendar year 2020. Nonetheless, economic contraction is expected to be within its earlier forecasted range of 3.5% to 5.5% for year 2020, before staging a rebound in year 2021, which will be underpinned by the recovery in global demand, turnaround in public and private sectors expenditure with continued support from policy measures, and higher production from existing and new facilities. The recovery pace is expected to be uneven across sectors, with some industries remaining below pre-pandemic levels, and a slower improvement in the labour market.

The Malaysian Automotive Association ("MAA") had, in its press release in November 2020, reported that the total year-to-date sales figures showed that 398,159 units of vehicles were sold by end October 2020 compared to 496,855 units in the corresponding period last year, a decline of 98,696 units or 20%. These numbers would be much lower if not for the introduction of the 100% sales tax exemption on CKD vehicles and 50% sales tax exemption on CBU vehicles by the Government (which is valid from mid-June 2020 till end of December 2020) and aggressive promotional campaigns from automobile players. MAA shares BNM's view that the resurgence of COVID-19 cases and re-imposition of CMCO may affect the car sales figures in the last quarter of year 2020. Although MAA still maintain its forecast for Total Industry Volume ("TIV") at 470,000 units for year 2020, cautious consumer sentiment would continue to weigh on car sales.

According to International Monetary Fund ("IMF")'s Regional Economic Outlook: Asia and Pacific June 2020 report released in October 2020, the Philippines' GDP growth forecast for year 2020 was further revised downwards from a contraction of 3.6% in June 2020 to a contraction of 8.3% mainly due to continued rise in COVID-19 cases and extended lockdowns. Nevertheless, the IMF projected that the Philippine economy will recover and grow by 7.4% in 2021.

Although the financial results for this second quarter under review have been encouraging, the Group is nevertheless cautious of the resurgence of the COVID-19 cases and its impact on the overall economy and expects the automotive sector to remain challenging in 2020/2021. Hence, any launch of new and/or new facelifts Mazda models will be dependent on the market sentiments and economic conditions then.

Premised on the foregoing, the Directors anticipate that the performance of the Group for the remaining quarters of the financial year ending 30 April 2021 to remain challenging.

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B4 There were no profit forecast or profit guarantee for the financial period ended 31 October 2020.

B5 The taxation charge for the current quarter/period ended 31 October 2020 are detailed as follows:

	Current Quarter RM'000	Financial Period to date RM'000
Based on the results for the current quarter/period:-		
Current period provision		
- In Malaysia	11,866	16,111
- Outside Malaysia	210	387
Deferred tax	(2,709)	(2,603)
	<u>9,367</u>	<u>13,895</u>

The disproportionate tax charge of the Group for the current quarter and period ended 31 October 2020 was mainly due to certain expenses or losses being disallowed for tax purposes, different foreign tax rate and the inclusion of the share of results of associates which is presented net of tax.

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

	Current Quarter RM'000	Financial Period to date RM'000
Interest income from financial institutions	(1,393)	(2,026)
Loss on disposal of property, plant and equipment	3	3
Depreciation of property, plant and equipment	1,225	2,496
Depreciation of right-of-use assets	2,740	5,631
Reversal of impairment loss on receivables	(460)	(1,880)
Interest expense on bankers acceptances and trust receipts	2,307	5,415
Interest expense on lease liabilities	880	1,789
Unwinding discount on provision for restoration costs (net)	43	91
Provision for and write off of inventories	713	1,760
Foreign exchange loss/(gain) (net)	<u>207</u>	<u>(1,106)</u>

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 October 2020 were as follows:

		At end of current period RM'000
Short term borrowings		
<u>Unsecured</u>	Foreign currency amount	
Denominated in:	'000	
Ringgit Malaysia		96,617
Philippine Peso	371,729 *	31,910
		<u>128,527</u>

* Converted at the exchange rate prevailing as at 31 October 2020.

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

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B10 The Board has approved and declared a second interim dividend of 1.25 sen single-tier dividend per share in respect of financial year ending 30 April 2021 (previous year corresponding quarter ended 31 October 2019: 2.75 sen single-tier dividend per share) to be payable on 5 February 2021. The entitlement date has been fixed on 18 January 2021. The first interim dividend of 0.5 sen per share was paid on 18 November 2020. This will bring the total dividend declared for the financial period ended 31 October 2020 amounting to 1.75 sen single-tier dividend per share (previous financial period ended 31 October 2019: 6.00 sen single-tier dividend per share).

- (a) Shares transferred to the Depositor's Securities Account before 4.30 p.m. on 18 January 2021 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)			
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
	RM'000		sen	
Net profit for the quarter	<u>24,790</u>	<u>20,388</u>		
Weighted average number of ordinary shares in issue ('000)	1,162,133	1,161,607		
Basic earnings per share			<u>2.13</u>	<u>1.76</u>
Net profit for the quarter	<u>24,790</u>	<u>20,388</u>		
Number of shares used in the calculation of ESOS (1st batch) ('000)	-	-		
Number of shares assuming vesting of ESS ('000)	<u>3,402</u>	<u>5,611</u>		
	<u>1,165,535</u>	<u>1,167,218</u>		
Diluted earnings per share			<u>2.13</u>	<u>1.75</u>
	Group (6-month period)			
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
	RM'000		sen	
Net profit for the period	<u>34,035</u>	<u>70,903</u>		
Weighted average number of ordinary shares in issue ('000)	1,162,157	1,161,166		
Basic earnings per share			<u>2.93</u>	<u>6.11</u>
Net profit for the period	34,035	70,903		
Number of shares used in the calculation of ESOS (1st batch) ('000)	-	-		
Number of shares assuming vesting of ESS ('000)	<u>3,402</u>	<u>5,611</u>		
	<u>1,165,559</u>	<u>1,166,777</u>		
Diluted earnings per share			<u>2.92</u>	<u>6.08</u>

c.c. Securities Commission