

# **Bermaz Auto Berhad**

Company Registration No: 201001016854 (900557-M)

Date: 10 December 2019

Subject: **UNAUDITED QUARTERLY (Q2) INTERIM FINANCIAL REPORT FOR  
THE PERIOD ENDED 31 OCTOBER 2019**

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended		Year to date ended	
	31/10/2019	31/10/2018	31/10/2019	31/10/2018
	RM'000	RM'000	RM'000	RM'000
GROUP REVENUE	457,169	690,318	992,213	1,175,714
PROFIT FROM OPERATIONS	22,833	74,111	78,924	135,364
Investment related income	903	2,253	2,308	3,635
Finance costs	(1,095)	36	(2,200)	(264)
Share of results of associates	6,547	18,184	15,193	23,093
PROFIT BEFORE TAX	29,188	94,584	94,225	161,828
INCOME TAX EXPENSE	(7,580)	(19,965)	(21,144)	(35,616)
PROFIT AFTER TAX	21,608	74,619	73,081	126,212
OTHER COMPREHENSIVE ITEMS				
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation	1,466	2,365	3,375	3,502
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	23,074	76,984	76,456	129,714
PROFIT ATTRIBUTABLE TO:				
- Equity holders of the Company	20,388	73,917	70,903	124,195
- Non-controlling interests	1,220	702	2,178	2,017
	21,608	74,619	73,081	126,212
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Equity holders of the Company	21,214	75,364	72,834	126,339
- Non-controlling interests	1,860	1,620	3,622	3,375
	23,074	76,984	76,456	129,714
-Basic, for the period	1.76	6.36	6.11	10.70
-Diluted, for the period	1.75	6.36	6.08	10.69

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 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31/10/2019 RM'000	Group As at 30/4/2019 RM'000 (Audited)
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	32,756	27,148
Right-of-use assets	71,445	-
Other investment	1,299	1,261
Associated companies	199,031	183,838
Deferred tax assets	55,529	52,345
Goodwill	500	500
	<u>360,560</u>	<u>265,092</u>
<b>Current Assets</b>		
Inventories	380,770	283,976
Trade and other receivables	180,542	98,256
Tax recoverable	9,871	-
Derivative asset	-	138
Deposits with financial institutions	108,185	221,850
Cash and bank balances	114,770	98,316
	<u>794,138</u>	<u>702,536</u>
<b>TOTAL ASSETS</b>	<u>1,154,698</u>	<u>967,628</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	608,365	607,879
Reserves	(121,300)	(36,768)
	<u>487,065</u>	<u>571,111</u>
Treasury shares	(3,342)	(6,486)
	<u>483,723</u>	<u>564,625</u>
Non-controlling interests	48,201	45,218
<b>Total Equity</b>	<u>531,924</u>	<u>609,843</u>
<b>Non-current Liabilities</b>		
Lease liability	65,198	-
Contract liability	97,982	70,840
Provisions	42,227	35,064
	<u>205,407</u>	<u>105,904</u>
<b>Current Liabilities</b>		
Lease liability	9,081	-
Short term borrowings	45,000	-
Trade and other payables	313,950	169,386
Contract liability	26,831	41,617
Provisions	22,044	27,598
Derivative liability	31	-
Taxation	430	13,280
	<u>417,367</u>	<u>251,881</u>
<b>Total Liabilities</b>	<u>622,774</u>	<u>357,785</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,154,698</u>	<u>967,628</u>
Basic net assets per share (sen)	41.64	48.69
Dilutive net assets per share (sen)	42.57	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 Registration No: 201001016854 (900557-M)**
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2019**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to the equity holders of the Company										
	Share capital RM'000	Non-distributable				Distributable			Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Employees' share plan reserves *	Exchange reserve RM'000	Consolidation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Treasury shares 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	-	-	1,931	-	-	70,903	-	72,834	3,622	76,456	
<b>Transactions with owners:</b>											
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 dividends#	-	-	-	-	-	(78,407)	-	(78,407)	-	(78,407)	
Special dividend#	-	-	-	-	-	(81,311)	-	(81,311)	-	(81,311)	
	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	

	Attributable to the equity holders of the Company										
	Share capital RM'000	Non-distributable				Distributable			Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Employees' share plan reserves *	Exchange reserve RM'000	Consolidation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Treasury shares 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	-	-	2,144	-	-	124,195	-	126,339	3,375	129,714	
<b>Transactions with owners:</b>											
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 dividend+	-	-	-	-	-	(26,724)	-	(26,724)	-	(26,724)	
Special dividend~	-	-	-	-	-	(31,371)	-	(31,371)	-	(31,371)	
Interim dividend^	-	-	-	-	-	(29,057)	-	(29,057)	-	(29,057)	
	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	

**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 dividend of 2.70 sen single-tier dividend per share in respect of financial year ended 30 April 2018.
- ^ First interim dividend of 2.50 sen single-tier dividend per share in respect of financial year ended 30 April 2019.

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 2019

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31/10/2019	31/10/2018
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from operations	938,615	1,225,588
Payment to suppliers and operating expenses	(870,552)	(990,326)
Payment of taxes	(46,723)	(5,571)
Net cash flow generated from operating activities	<u>21,340</u>	<u>229,691</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	1	602
Acquisition of property, plant and equipment	(7,340)	(2,098)
Interest received	2,346	3,363
Net cash flow (used in)/generated from investing activities	<u>(4,993)</u>	<u>1,867</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	397	556
Purchase of treasury shares	-	(5,672)
Sale of treasury shares	4,105	5,318
Dividends paid to non-controlling interests	-	(7,435)
Net movement in short term borrowings	45,000	(34,983)
Interest paid	(209)	(348)
Dividends paid	(159,718)	(87,152)
Payment of lease liability	(6,218)	-
Net cash flow used in financing activities	<u>(116,643)</u>	<u>(129,716)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(100,296)</u>	<u>101,842</u>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<u>320,166</u>	<u>306,769</u>
Effect of exchange rate changes	3,085	5,452
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><u>222,955</u></u>	<u><u>414,063</u></u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	108,185	324,027
Cash and bank balances	114,770	90,036
	<u><u>222,955</u></u>	<u><u>414,063</u></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 2019  
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 Standard ("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 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: Leases**

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).

**BERMAZ AUTO BERHAD**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 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**

	<b>Impact of adopting MFRS 16 on opening balance as at 1 May 2019 RM'000</b>
<b>Assets</b>	
Right-of-use assets	75,593
Property, plant and equipment	(57)
Deferred tax assets	(41)
<b>Equity</b>	
Retained earnings	(845)
Non-controlling interests	(639)
<b>Liabilities</b>	
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.

**BERMAZ AUTO BERHAD**

Company Registration No: 201001016854 (900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 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 October 2019, the issued and paid up ordinary share capital of the Company was RM608,364,623. The movements during the financial period were as follows:-

<b><u>Issued and paid up share capital</u></b>	<b>Number of ordinary shares</b>	<b>RM</b>
As at 1 May 2019	1,163,153,888	607,878,528
ESS exercised during the period	214,900	481,454 *
Transfer of reserve due to forfeiture of ESS	-	4,641
As at 31 October 2019	<u>1,163,368,788</u>	<u>608,364,623</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 October 2019, the total number of unexercised ESS options (with exercise price of RM1.85 each) was 8,752,300 and the total number of ESS shares that have not been vested was 3,960,000.

\* Comprised of RM0.397 million cash subscription of share capital and RM0.084 million transfer from ESS reserves.



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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2019

NOTES TO THE INTERIM FINANCIAL REPORT

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

During the financial period ended 31 October 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 October 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 October 2019	1.90	1,758,600	3,342

As at 31 October 2019, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 1,161,610,000 (31 October 2018: 1,159,076,000) ordinary shares.

A6 During the financial period ended 31 October 2019, the Company paid the following dividends:

- i) 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 RM121.966 million in respect of the financial year ended 30 April 2019 on 25 July 2019; and
- ii) first interim dividend of 3.25 sen single-tier dividend per share amounting to a total of RM37.752 million in respect of the financial year ending 30 April 2020 on 25 October 2019.

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

<b>REVENUE</b>	<b>Consolidated RM'000</b>
Malaysia	840,269
Philippines	151,944
Total revenue	<u><u>992,213</u></u>
<b>RESULTS</b>	<b>RM'000</b>
Malaysia	70,635
Philippines	9,068
	<u>79,703</u>
Unallocated corporate items	(779)
Profit from operations	<u>78,924</u>
Investment related income	2,308
Finance costs	(2,200)
Share of results of associates	<u>15,193</u>
Profit before tax	94,225
Income tax expense	<u>(21,144)</u>
Profit after tax	<u><u>73,081</u></u>

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2019

NOTES TO THE INTERIM FINANCIAL REPORT

**DISAGGREGATION OF REVENUE**

	6 months ended	
	31/10/2019 RM'000	31/10/2018 RM'000
Sale of motor vehicles	897,754	1,094,546
Sale of spare parts	66,010	60,881
Maintenance and fitting of motor vehicle accessories services	28,449	20,287
Group revenue	<u>992,213</u>	<u>1,175,714</u>
Timing of revenue recognition:		
- at a point in time	967,385	1,158,041
- over time	24,828	17,673
	<u>992,213</u>	<u>1,175,714</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 October 2019 in relation to property, plant and equipment were as follows:
- |                             |                               |
|-----------------------------|-------------------------------|
| Approved and contracted for | <b>RM'000</b><br><u>4,292</u> |
|-----------------------------|-------------------------------|
- A10 There were no changes in the composition of the Group for the current period ended 31 October 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 period ended 31 October 2019.

## **BERMAZ AUTO BERHAD**

**Company Registration No: 201001016854 (900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 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 will 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 October 2019, the Group reported a lower revenue and pre-tax profit of RM457.2 million and RM29.2 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM690.3 million and RM94.6 million respectively.

Group revenue declined by RM233.1 million or 33.8% largely due to lower sales volume from the domestic operations, partially offset by higher revenue recorded by the Philippine operations. The lower sales volume for the period was mainly attributed to the expected reduction in demand for the phased out CX-5 model in favour of the new facelift CX-5 model that was launched on 30 September 2019. Although the new facelift CX-5 and the all new CX-8 models were launched at the end of September 2019 and at the beginning of October 2019 respectively, delivery of some of the vehicles was delayed by the resolution of certain pricing issues. As such, there was no sale of CX-8 vehicles during the quarter. This has affected the anticipated recovery from the lower unit sales recorded in August and September 2019.

The Group recorded substantially higher unit sales for the Malaysian market in the corresponding period in the previous financial year as it benefited from the three-month "tax holiday" period from June to August 2018. In addition, the Group's promotional campaign to absorb the sales tax for bookings received before 1 September 2018 had boosted the demand post Goods and Services Tax ("GST") period. Revenue contribution from the Philippine operations was higher despite marginal change in sales volume due to shift in the sales mix from lower range model such as Mazda2 to the all new Mazda3 model that was launched during the current quarter.

The Group's pre-tax profit also decreased by RM65.4 million or 69.1% largely due to lower profit contribution from the domestic operations and lower share of profit contribution from its associate company, Mazda Malaysia Sdn Bhd ("MMSB"). This was mainly due to lower domestic sales volume as explained above and lower margin arising from absorption of higher costs on the new facelift Mazda CX-5 model compelled by the current market sentiments. The strengthening of the Japanese Yen against Malaysian Ringgit has also impacted the Group's gross profit margin.

The Group has also accounted for the expense relating to the Group's Employees' Share Scheme amounting to RM1.1 million in the quarter under review while there was no such expense in the corresponding period last year.

### For the 6-month period

For the 6-month period ended 31 October 2019, the Group registered a lower revenue and pre-tax profit of RM992.2 million and RM94.2 million respectively as compared to the preceding year corresponding period which reported a revenue and pre-tax profit of RM1.18 billion and RM161.8 million respectively.

For the same reason as the current quarter under review, the decrease in Group revenue of RM183.5 million or 15.6% was largely due to lower sales volume from the domestic operations as the delivery of some of the vehicles for the new facelift CX-5 and the all new CX-8 model was delayed by the resolution of certain pricing issues. The corresponding period in the previous financial year recorded substantially higher unit sales as it benefited from the three-month "tax holiday" period and the Group's promotional campaign to absorb the sales tax as explained above.

The Group's pre-tax profit also decreased by RM67.6 million or 41.8% largely due to lower profit contribution from the domestic operations and lower share of profit contribution from MMSB. This was mainly attributed to lower sales volume and lower margin during the second quarter as explained above.

The Group has also accounted for the expense relating to the Group's Employees' Share Scheme amounting to RM2.3 million in the period under review while there was no such expense in the corresponding period last year.

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**B2** Current quarter vs preceding quarter

For the quarter ended 31 October 2019, the Group reported a revenue of RM457.2 million and pre-tax profit of RM29.2 million as compared to the Group revenue of RM535.0 million and pre-tax profit of RM65.0 million for the preceding quarter.

The drop in Group revenue of RM77.8 million or 14.5% was mainly attributed to lower sales volume recorded from the domestic operations, partially offset by higher revenue recorded from the Philippine operations.

Lower sales volume from the domestic operations mainly due to the resolution of certain pricing issues as explained above while higher sales volume from the Philippine operations mainly due to the favourable response on the all new Mazda3 that was launched during the quarter under review.

The Group pre-tax profit for the current quarter under review has reduced by RM35.8 million or 55.1% mainly due to lower profit contribution from the domestic operations as a result of lower sales volume and lower margin as explained above.

**B3** Future prospects

Based on the Economic Outlook 2019/2020 report released in October 2019, Malaysia's real gross domestic product ("GDP") is expected to grow by 4.8% in calendar year 2020 which is slightly stronger than the pace of 4.7% in calendar year 2019. Nevertheless, 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 the 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. Total TIV in Malaysia for the 10 months of calendar year 2019 has dropped by 1.0% to 496,861 units from 502,128 units in the corresponding period 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 recent launch of the all new Mazda3, the Mazda CX-8, the new facelift of the ever popular Mazda CX-5 model which includes the 2.5L Turbo variant in Malaysia and the expected launch of the all new Mazda CX-30 during the coming quarter may mitigate some of these challenges.

The Philippines economy grew faster than expected in the third quarter at 6.2% compared to 5.6% and 5.5% for the first and second quarter respectively of calendar year 2019, making it one of the fastest growing economies in Asia. 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 10 months of calendar year 2019 increased by 2.5% to 301,761 units from 294,311 units in the corresponding period.

The TRAIN law that was implemented in January 2018 favoured 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, plan is in place to bring in a new Mazda BT-50 model next calendar year. BAP seeks to preserve its revenue and profitability through further strengthening its brand equity in tandem with sustainable dealers support and the 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 October 2019.

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B5 The taxation charge for the current quarter/period ended 31 October 2019 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	5,712	22,169
- Outside Malaysia	1,053	1,833
Deferred tax	815	(2,858)
	<u>7,580</u>	<u>21,144</u>

The disproportionate tax charge of the Group for the current quarter/period ended 31 October 2019 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 Year to date RM'000
Interest income from financial institutions	(903)	(2,308)
Gain on disposal of property, plant and equipment	-	(1)
Depreciation of property, plant and equipment	1,049	2,037
Depreciation of right-of-use assets *	2,823	5,633
Impairment loss on receivables	132	377
Interest expense on bankers acceptances	113	209
Interest expense on lease liability *	937	1,896
Unwinding discount on provision for restoration costs (net)	45	95
Provision for and write off of inventories	290	447
Foreign exchange loss (net)	543	1,842
Fair value adjustment on derivatives	(19)	169

\* As a result of applying MFRS 16, the Group has recognised RM5.63 million of depreciation charges for right-of-use assets and RM1.90 million of interest cost for the lease liability instead of RM6.22 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 October 2019 were as follows:

	At end of current quarter RM'000
Short term borrowing	
<u>Unsecured</u>	
Denominated in Ringgit Malaysia	<u>45,000</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 2.75 sen single-tier dividend per share in respect of financial period ended 31 October 2019 (previous year corresponding quarter ended 31 October 2018: 3.75 sen single-tier dividend per share) to be payable on 17 February 2020. The entitlement date has been fixed on 29 January 2020. The total dividend declared for the financial period ended 31 October 2019 amounted to 6 sen single-tier dividend per share (previous financial period ended 31 October 2018: 6.25 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 29 January 2020 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)			
	31/10/2019	31/10/2018	31/10/2019	31/10/2018
	RM'000		sen	
Net profit for the quarter	<u>20,388</u>	<u>73,917</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,161,607</u>	<u>1,161,668</u>		
Basic earnings per share			<u>1.76</u>	<u>6.36</u>
Net profit for the quarter	<u>20,388</u>	<u>73,917</u>		
Number of shares used in the calculation of basic earning per share ('000)	1,161,607	1,161,668		
Number of shares assuming exercise of ESOS (1st batch) ('000)	-	349		
Number of shares assuming exercise of ESS ('000)	<u>5,611</u>	<u>-</u>		
	<u>1,167,218</u>	<u>1,162,017</u>		
Diluted earnings per share			<u>1.75</u>	<u>6.36</u>

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	Group (6-month period)			
	31/10/2019	31/10/2018	31/10/2019	31/10/2018
	RM'000		sen	
Net profit for the period	<u>70,903</u>	<u>124,195</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,161,166</u>	<u>1,161,174</u>		
Basic earnings per share			<u>6.11</u>	<u>10.70</u>
Net profit for the period	<u>70,903</u>	<u>124,195</u>		
Number of shares used in the calculation of basic earning per share ('000)	1,161,166	1,161,174		
Number of shares assuming exercise of ESOS (1st batch) ('000)	-	349		
Number of shares assuming exercise of ESS ('000)	<u>5,611</u>	<u>-</u>		
	<u>1,166,777</u>	<u>1,161,523</u>		
Diluted earnings per share			<u>6.08</u>	<u>10.69</u>

c.c. Securities Commission