

Bermaz Auto Berhad

Company No: 900557-M

Date: 13 March 2019

Subject: **UNAUDITED QUARTERLY (Q3) INTERIM FINANCIAL REPORT FOR
THE PERIOD ENDED 31 JANUARY 2019**

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended		Year to date ended	
	31-01-2019 RM'000	31-01-2018 RM'000	31-01-2019 RM'000	31-01-2018 RM'000
GROUP REVENUE	778,130	559,397	1,953,844	1,422,332
PROFIT FROM OPERATIONS	81,480	51,633	216,844	119,344
Investment related income	2,994	586	6,629	1,660
Finance costs	(370)	(1,460)	(634)	(4,763)
Share of results of associates	18,717	6,477	41,810	7,322
PROFIT BEFORE TAX	102,821	57,236	264,649	123,563
INCOME TAX EXPENSE	(21,199)	(12,940)	(56,815)	(30,605)
PROFIT AFTER TAX	81,622	44,296	207,834	92,958
OTHER COMPREHENSIVE ITEMS				
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation	1,352	(10,831)	4,854	(17,973)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	82,974	33,465	212,688	74,985
PROFIT ATTRIBUTABLE TO:				
- Equity holders of the Company	81,013	40,472	205,208	82,880
- Non-controlling interests	609	3,824	2,626	10,078
	81,622	44,296	207,834	92,958
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Equity holders of the Company	82,339	33,876	208,678	71,853
- Non-controlling interests	635	(411)	4,010	3,132
	82,974	33,465	212,688	74,985
EARNINGS PER SHARE (SEN)				
-Basic, for the period	6.99	3.50	17.68	7.19
-Diluted, for the period	6.95	3.50	17.60	7.18

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 JANUARY 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31-Jan-19 RM'000	Group As at 30-Apr-18 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	21,011	19,805
Other investment	708	685
Associated companies	175,458	133,648
Deferred tax assets	54,248	42,180
Goodwill	500	500
	<u>251,925</u>	<u>196,818</u>
Current Assets		
Inventories	291,356	247,382
Trade and other receivables	91,689	100,434
Tax recoverable	-	336
Derivative asset	192	-
Deposits with financial institutions	362,206	154,419
Cash and bank balances	88,454	152,350
	<u>833,897</u>	<u>654,921</u>
TOTAL ASSETS	<u>1,085,822</u>	<u>851,739</u>
EQUITY AND LIABILITIES		
Share capital	607,424	602,957
Reserves	(45,473)	(121,601)
	<u>561,951</u>	<u>481,356</u>
Treasury shares	(6,486)	(4,593)
	<u>555,465</u>	<u>476,763</u>
Non-controlling interests	44,316	47,741
Total Equity	<u>599,781</u>	<u>524,504</u>
Non-current Liabilities		
Deferred revenue	74,122	48,294
Provisions	27,454	16,845
	<u>101,576</u>	<u>65,139</u>
Current Liabilities		
Short term borrowings	-	46,065
Trade and other payables	258,547	140,243
Provisions	31,390	28,151
Deferred revenue	43,117	45,029
Derivative liability	-	292
Taxation	51,411	2,316
	<u>384,465</u>	<u>262,096</u>
Total Liabilities	<u>486,041</u>	<u>327,235</u>
TOTAL EQUITY AND LIABILITIES	<u>1,085,822</u>	<u>851,739</u>
Basic net assets per share (sen)	47.90	41.13
Dilutive net assets per share (sen)	48.83	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 Scheme ("ESS").

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

BERMAZ AUTO BERHAD
(Company No: 900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

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

	Non-distributable					Distributable		Total	Non-controlling interests	Total equity
	Share capital	Employees' share plan reserves *	Exchange reserve	Consolidation reserve	Merger deficit	Retained earnings	Treasury shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 May 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	-	-	3,470	-	-	205,208	-	208,678	4,010	212,688
Transactions with owners:										
Share-based payment under ESS	-	1,467	-	-	-	-	-	1,467	-	1,467
ESOS/ESS options exercised	1,830	(863)	-	-	-	-	-	967	-	967
ESOS options forfeited	2,637	(2,637)	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	-	-	-	-	(6,486)	(6,486)	-	(6,486)
Sale of treasury shares	-	-	-	-	-	725	4,593	5,318	-	5,318
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(7,435)	(7,435)
Interim dividends #	-	-	-	-	-	(130,635)	-	(130,635)	-	(130,635)
	4,467	(2,033)	-	-	-	(129,910)	(1,893)	(129,369)	(7,435)	(136,804)
At 31 January 2019	607,424	1,408	(4,803)	32,981	(424,000)	348,941	(6,486)	555,465	44,316	599,781

Attributable to the equity holders of the Company

	Non-distributable					Distributable		Total	Non-controlling interests	Total equity
	Share capital	Employees' share plan reserves *	Exchange reserve	Consolidation reserve	Merger deficit	Retained earnings	Treasury shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 May 2017	594,747	7,107	3,699	32,981	(424,000)	233,055	(4,173)	443,416	48,981	492,397
Total comprehensive income	-	-	(11,027)	-	-	82,880	-	71,853	3,132	74,985
Transactions with owners:										
Share-based payment under ESOS	-	782	-	-	-	-	-	782	-	782
ESOS options exercised	7,071	(3,742)	-	-	-	-	-	3,329	-	3,329
ESOS options forfeited	66	(66)	-	-	-	-	-	-	-	-
Interim dividend +	-	-	-	-	-	(36,298)	-	(36,298)	-	(36,298)
Interim dividend ^	-	-	-	-	-	(17,290)	-	(17,290)	-	(17,290)
Interim dividend ~	-	-	-	-	-	(18,531)	-	(18,531)	-	(18,531)
	7,137	(3,026)	-	-	-	(72,119)	-	(68,008)	-	(68,008)
At 31 January 2018	601,884	4,081	(7,328)	32,981	(424,000)	243,816	(4,173)	447,261	52,113	499,374

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 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.

~ Second interim dividend of 1.60 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 JANUARY 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended	
	31-01-2019	31-01-2018
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	1,996,561	1,386,661
Payment to suppliers and operating expenses	(1,656,045)	(1,276,540)
Payment of taxes	(18,890)	(24,047)
Net cash flow generated from operating activities	<u>321,626</u>	<u>86,074</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,312	1,043
Acquisition of property, plant and equipment	(5,797)	(3,167)
Interest received	6,274	1,557
Net cash flow generated from/(used in) investing activities	<u>1,789</u>	<u>(567)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	967	3,329
Purchase of treasury shares	(6,486)	-
Sale of treasury shares	5,318	-
Dividends paid to non-controlling interests	(7,435)	-
Net movement in short term borrowings	(46,065)	56,444
Interest paid	(707)	(4,732)
Dividends paid	(130,635)	(72,119)
Net cash flow used in financing activities	<u>(185,043)</u>	<u>(17,078)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	138,372	68,429
OPENING CASH AND CASH EQUIVALENTS	306,769	244,770
Effect of exchange rate changes	5,519	(19,936)
CLOSING CASH AND CASH EQUIVALENTS	<u>450,660</u>	<u>293,263</u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	362,206	44,117
Cash and bank balances	88,454	249,146
	<u>450,660</u>	<u>293,263</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 JANUARY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

- A1 The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Accounting Standards Board ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting, 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 MFRS 139 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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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 9 months then ended.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

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 January 2019	Prior to adoption of MFRS 15 RM'000	Effect of adoption MFRS 15 RM'000	After adoption of MFRS 15 RM'000
Revenue	1,982,080	(28,236)	1,953,844
Selling and distribution expenses	(72,287)	28,236	(44,051)

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 January 2019, the issued and paid up ordinary share capital of the Company was RM607,423,956. 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/ESS exercised:		
ESOS (1st batch)	1,319,200	1,418,677
ESOS (2nd batch)	62,500	180,894
ESS	92,400	230,076
	1,474,100	1,829,647 *
Transfer of reserve due to ESOS forfeited	-	2,637,094
As at 31 January 2019	<u>1,162,973,488</u>	<u>607,423,956</u>

ESS

During the current quarter, 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 January 2019, the total number of unexercised ESS options (with exercise price of RM1.85 each) was 9,336,600 and the total number of ESS shares that have not been vested was 4,041,000.

- * Comprised of RM0.967 million cash subscription of share capital and RM0.863 million transfer of ESOS/ESS reserves.

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

A5 The details of the share buyback during the financial period ended 31 January 2019 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
November 2018	1.85	1.86	1.86	87,100	162
			1.90	3,412,700	6,486

The number of treasury shares held in hand as at 31 January 2019 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	3,412,700	6,486
Total treasury shares as at 31 January 2019	1.90	3,412,700	6,486

As at 31 January 2019, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 1,159,561,000 (31 January 2018: 1,158,570,000) ordinary shares.

* During the financial period ended 31 January 2019, the Company had sold 2,235,000 treasury shares at the net proceeds of about RM5,318,000, realising a gain on disposal of about RM725,000.

- A6 During the financial period ended 31 January 2019, the Company paid the following dividends:
- 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;
 - 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; and
 - second interim dividend of 3.75 sen single-tier dividend per share amounting to a total of RM43.483 million in respect of the financial year ending 30 April 2019 on 25 January 2019.

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

REVENUE	Consolidated RM'000
Malaysia	1,702,158
Philippines	251,686
Total revenue	<u><u>1,953,844</u></u>
RESULTS	RM'000
Malaysia	207,979
Philippines	9,719
	<u>217,698</u>
Unallocated corporate items	(854)
Profit from operations	<u>216,844</u>
Investment related income	6,629
Finance costs	(634)
Share of results of associates	<u>41,810</u>
Profit before tax	<u>264,649</u>
Income tax expense	(56,815)
Profit after tax	<u><u>207,834</u></u>

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

NOTES TO THE INTERIM FINANCIAL REPORT

DISAGGREGATION OF REVENUE

	9 months ended	
	31-Jan-19	31-Jan-18
	RM'000	RM'000
Sale of motor vehicles	1,829,997	1,310,691
Sale of spare parts	92,180	78,912
Maintenance and fitting of motor vehicle accessories services	31,667	32,729
Group revenue	<u>1,953,844</u>	<u>1,422,332</u>
Timing of revenue recognition:		
- at a point in time	1,925,656	1,397,450
- over time	28,188	24,882
	<u>1,953,844</u>	<u>1,422,332</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 January 2019 in relation to property, plant and equipment were as follows:

Approved and contracted for	RM'000
	<u>324</u>

A10 There were no changes in the composition of the Group for the current period ended 31 January 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 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 January 2019.

BERMAZ AUTO BERHAD

(Company No: 900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B1 The Group is primarily engaged in the distribution of Mazda vehicles in Malaysia and the Philippines, and retailing of Mazda vehicles and provision of after sales services for Mazda vehicles in Malaysia. The performance of the Group may be affected by regulations and policies governing the importation of completely built-up ("CBU") vehicles and completely knocked-down ("CKD") parts into Malaysia, foreign exchange fluctuations, changes in consumer preferences and spending trend, 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 January 2019, the Group registered a record breaking result, with an all time high quarterly revenue and pre-tax profit of RM778.1 million and RM102.8 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM559.4 million and RM57.2 million respectively.

The significant increase in Group revenue of RM218.7 million or 39.1% was mainly due to higher vehicle sales volume that was driven by strong domestic demand for Mazda vehicles, particularly the SUV models. During the quarter under review, the Group is still fulfilling back orders on some of the more popular models as many customers took advantage of the Group's offer to absorb the Sales & Services Tax ("SST") for bookings received prior to 1 September 2018 but vehicle delivery made after the re-introduction of SST. The Philippine operations continued to be affected by the Tax Reform for Acceleration and Inclusion ("TRAIN") law that was implemented in January 2018, resulting in an increase in excise tax and consequently causing car prices to increase, thus dampening the demand for motor vehicles in the Philippines.

The Group's pre-tax profit also increased by RM45.6 million or 79.7% largely due to higher revenue from the domestic operations and a significantly higher share of profit contribution from its associate company, Mazda Malaysia Sdn Bhd ("MMSB"). The higher share of profit contribution from MMSB was mainly attributed to an increase in production volume for the new CX-5 model to cater for both the domestic and export markets. Profit contribution from the Philippine operations was lower as a result of weaker sales and compressed profit margin. The Group also accounted for the expenses of the Group's ESS amounting to RM1.5 million in the quarter under review.

For the 9-month period

For the 9-month period ended 31 January 2019, the Group recorded a revenue and pre-tax profit of RM1.95 billion and RM264.6 million respectively as compared to the preceding year corresponding period which reported a revenue and pre-tax profit of RM1.42 billion and RM123.6 million respectively.

The increase in Group revenue of RM531.5 million or 37.4% was largely due to robust sales volume growth 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 2018 and the Group's offer to absorb the SST for bookings received prior to 1 September 2018 has boosted demand, particularly the SUV models. The Philippine operations continued to register lower sales which was impacted by the TRAIN law mentioned above.

The Group's pre-tax profit also increased significantly by RM141.0 million or 114.1% largely due to higher revenue and improvement in gross profit margin from the domestic operations, and a significantly higher share of profit contribution from MMSB. The improvement in the domestic gross profit margin was primarily due to favourable sales mix and foreign exchange movement, while the higher share of profit contribution from MMSB was mainly due to an increase in production volume for the new CX-5 model to cater for both the domestic and export markets. The Philippine operations contributed lower profit to the Group as a result of weaker sales and compressed profit margin.

BERMAZ AUTO BERHAD

(Company No: 900557-M)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2019

ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

B2 Current quarter vs preceding quarter

For the quarter ended 31 January 2019, the Group reported higher revenue of RM778.1 million and pre-tax profit of RM102.8 million as compared to the Group revenue of RM690.3 million and pre-tax profit of RM94.6 million for the preceding quarter.

The improvement in Group revenue of RM87.8 million or 12.7% was mainly due to higher sales volume from both the domestic and the Philippine operations. Domestic sales continues to be strong post GST tax holiday period as the Group is still anchored to meeting unfulfilled customers booking comprising mostly of the CX-5 and CX-3 models as a result of the Group's offer to absorb the SST for bookings received prior to 1 September 2018 but vehicle delivery made after the re-introduction of SST.

The Group pre-tax profit for the current quarter under review improved by RM8.2 million or 8.7% mainly due to increase in the Group's revenue, partly offset by lower gross profit margin from both the domestic and the Philippine operations.

B3 Future prospects

Total Industry Volume (TIV) in Malaysia for calendar year 2018 was 598,714 units or 3.8% higher year-on-year, while Mazda's sales volume for the same period has grown by 67% year-on-year. For calendar year 2019, Malaysian Automotive Association (MAA) has forecasted a TIV of 600,000 units after taking into consideration the global economy which is expected to remain subdued. The uncertainties over the on-going trade war between USA and China, fall in prices of crude oil and commodities, review of mega projects by the new government post GE14, a persistently weak Ringgit Malaysia and a more stringent hire purchase guideline could further affect local consumer sentiment. However, the expected launch of the all new Mazda3 and CX-8 models in Malaysia may mitigate some of these challenges.

In the Philippines, although the economy is forecasted to remain vibrant with expected GDP growth of 6.3% for 2019, the new vehicle market continued to be low as a consequence of the implementation of the TRAIN law in January 2018. This has resulted in the contraction of demand for most, if not all, auto brands and the Group's operations in the Philippines is not spared. Bermaz Auto Philippines Inc. seeks to preserve its sales volume through the growth in the number of dealerships.

In view of the foregoing, the Directors are of the view that the Group's performance for the remaining quarter will remain satisfactory.

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

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B5 The taxation charge for the current quarter/period ended 31 January 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	28,486	69,459
- Outside Malaysia	938	2,286
Deferred tax	(4,778)	(11,483)
	<u>21,199</u>	<u>56,815</u>

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

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

	Current Quarter RM'000	Financial Year to date RM'000
Interest income from financial institutions	(2,837)	(6,451)
Income from unit trusts	(157)	(179)
Loss on disposal of unit trusts	-	1
Gain on disposal of property, plant and equipment	(97)	(185)
Depreciation of property, plant and equipment	1,128	3,596
Amortisation of intangible assets	-	-
Impairment/(Reversal of impairment) loss on receivables	167	(385)
Provision for and write off of inventories	228	780
Foreign exchange loss (net)	966	939
Gain on derivatives (net)	(160)	(484)
Interest expense on bankers acceptances and trust receipts	359	707
Unwinding/(Reversal of unwinding) discount on provision for restoration costs (net) **	<u>11</u>	<u>(73)</u>

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

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

B8 The Group does not have any borrowings and debt securities as at 31 January 2019.

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

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B10 The Board has recommended a third interim dividend of 4.5 sen single-tier dividend per share in respect of financial period ended 31 January 2019 (previous year corresponding quarter ended 31 January 2018: 2.30 sen single-tier dividend per share) to be payable on 25 April 2019. The entitlement date has been fixed on 9 April 2019. The total dividend declared for the financial period ended 31 January 2019 amounted to 10.75 sen single-tier dividend per share (previous financial period ended 31 January 2018: 5.40 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 9 April 2019 in respect of ordinary transfers.
- (b) Shares bought on the Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

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

	Group (3-month period)			
	31-01-2019	31-01-2018	31-01-2019	31-01-2018
	RM'000		sen	
Net profit for the quarter	<u>81,013</u>	<u>40,472</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,159,448</u>	<u>1,154,904</u>		
Basic earnings per share			<u>6.99</u>	<u>3.50</u>
Net profit for the quarter	<u>81,013</u>	<u>40,472</u>		
Number of shares used in the calculation of basic earnings per share ('000)	1,159,448	1,154,904		
Number of shares assuming exercise of ESOS (1st batch) ('000)	-	1,725		
Number of shares assuming exercise of ESOS (2nd batch) ('000)	-	87		
Number of shares assuming exercise of ESS ('000)	<u>5,418</u>	<u>-</u>		
	<u>1,164,866</u>	<u>1,156,716</u>		
Diluted earnings per share			<u>6.95</u>	<u>3.50</u>

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	Group (9-month period)			
	31-Jan-19	31-Jan-18	31-Jan-19	31-Jan-18
	RM'000		sen	
Net profit for the period	<u>205,208</u>	<u>82,880</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,160,599</u>	<u>1,153,227</u>		
Basic earnings per share			<u>17.68</u>	<u>7.19</u>
Net profit for the period	<u>205,208</u>	<u>82,880</u>		
Number of shares used in the calculation of basic earnings per share ('000)	1,160,599	1,153,227		
Number of shares assuming exercise of ESOS (1st batch) ('000)	-	1,725		
Number of shares assuming exercise of ESOS (2nd batch) ('000)	-	87		
Number of shares assuming exercise of ESS ('000)	<u>5,418</u>	<u>-</u>		
	<u>1,166,017</u>	<u>1,155,039</u>		
Diluted earnings per share			<u>17.60</u>	<u>7.18</u>

c.c. Securities Commission