

Bermaz Auto Berhad
(formerly known as Berjaya Auto Berhad)

Company No: 900557-M

Date: 11 September 2017

Subject: **UNAUDITED INTERIM FINANCIAL REPORT FOR
THE PERIOD ENDED 31 JULY 2017**

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BERMAZ AUTO BERHAD (formerly known as BERJAYA AUTO BERHAD)**(Company No: 900557-M)**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended	
	31/07/2017	31/07/2016
	RM'000	RM'000
GROUP REVENUE	391,228	493,616
PROFIT FROM OPERATIONS	32,245	52,115
Investment related income	616	1,678
Finance costs	(1,790)	(230)
Share of results of associates	652	5,010
PROFIT BEFORE TAX	31,723	58,573
INCOME TAX EXPENSE	(8,565)	(14,324)
PROFIT AFTER TAX	23,158	44,249
OTHER COMPREHENSIVE ITEMS		
<u>Item that may be reclassified subsequently to profit or loss</u>		
Foreign currency translation	(2,808)	3,010
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	20,350	47,259
PROFIT ATTRIBUTABLE TO:		
- Equity holders of the Company	20,207	41,111
- Non-controlling interests	2,951	3,138
	23,158	44,249
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Equity holders of the Company	18,511	42,917
- Non-controlling interests	1,839	4,342
	20,350	47,259
EARNINGS PER SHARE (SEN)		
-Basic, for the period	1.75	3.59
-Diluted, for the period	1.74	3.55

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

BERMAZ AUTO BERHAD (formerly known as BERJAYA AUTO BERHAD)
(Company No: 900557-M)
 UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017
 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31/07/2017 RM'000	Group As at 30/04/2017 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	23,119	23,453
Other investment	763	779
Associated companies	112,896	112,244
Deferred tax assets	41,528	42,903
Goodwill	500	500
	<u>178,806</u>	<u>179,879</u>
Current Assets		
Inventories	386,384	434,658
Trade and other receivables	117,811	78,971
Tax recoverable	10,033	17,404
Derivative asset	110	-
Deposits with financial institutions	51,431	67,529
Cash and bank balances	142,016	177,241
	<u>707,785</u>	<u>775,803</u>
TOTAL ASSETS	<u>886,591</u>	<u>955,682</u>
EQUITY AND LIABILITIES		
Share capital	595,194	594,747
Reserves	<u>(164,808)</u>	<u>(147,158)</u>
	430,386	447,589
Treasury shares	<u>(4,173)</u>	<u>(4,173)</u>
	426,213	443,416
Non-controlling interests	<u>50,820</u>	<u>48,981</u>
Total Equity	<u>477,033</u>	<u>492,397</u>
Non-current Liabilities		
Deferred tax liability	-	105
Deferred revenue	53,117	56,636
Provisions	<u>10,909</u>	<u>10,146</u>
	<u>64,026</u>	<u>66,887</u>
Current Liabilities		
Short term borrowings	104,160	58,880
Trade and other payables	176,067	270,101
Provisions	19,407	17,206
Deferred revenue	45,898	46,253
Derivative liability	-	41
Taxation	-	3,917
	<u>345,532</u>	<u>396,398</u>
Total Liabilities	<u>409,558</u>	<u>463,285</u>
TOTAL EQUITY AND LIABILITIES	<u>886,591</u>	<u>955,682</u>
Basic net assets per share (sen)	36.98	38.49
Dilutive net assets per share (sen)	37.71	39.20

Note:

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

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

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

BERMAZ AUTO BERHAD (formerly known as BERJAYA AUTO BERHAD)
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 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the Company

	Non-distributable					Distributable			Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	ESOS* reserve RM'000	Exchange reserve RM'000	Consolidation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Treasury shares RM'000	Total 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	-	-	(1,696)	-	-	20,207	-	18,511	1,839	20,350
Transactions with owners:										
Share-based payment under ESOS	-	378	-	-	-	-	-	378	-	378
ESOS options exercised	447	(241)	-	-	-	-	-	206	-	206
Interim dividends#	-	-	-	-	-	(36,298)	-	(36,298)	-	(36,298)
	447	137	-	-	-	(36,298)	-	(35,714)	-	(35,714)
At 31 July 2017	595,194	7,244	2,003	32,981	(424,000)	216,964	(4,173)	426,213	50,820	477,033

Attributable to the equity holders of the Company

	Non-distributable					Distributable			Non-controlling interests RM'000	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	ESOS* reserve RM'000	Exchange reserve RM'000	Consolidation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Treasury shares RM'000			Total RM'000
At 1 May 2016	573,336	13,277	9,150	1,985	-	(424,000)	360,276	(2,783)	531,241	31,773	563,014
Total comprehensive income	-	-	-	1,806	-	-	41,111	-	42,917	4,342	47,259
Transactions with owners:											
Share-based payment under ESOS	-	-	743	-	-	-	-	-	743	-	743
ESOS options exercised	369	450	(450)	-	-	-	-	369	-	369	
Treasury shares acquired	-	-	-	-	-	-	(1,390)	(1,390)	-	(1,390)	
Arisig from dilution of equity interest in a subsidiary company	-	-	-	-	(2,242)	-	-	(2,242)	3,192	950	
Interim dividends+	-	-	-	-	-	(114,536)	-	(114,536)	-	(114,536)	
	369	450	293	-	(2,242)	-	(114,536)	(1,390)	(117,056)	3,192	(113,864)
At 31 July 2016	573,705	13,727	9,443	3,791	(2,242)	(424,000)	286,851	(4,173)	457,102	39,307	496,409

Notes:
 * ESOS - Employees' Share Option Scheme.
 # Refer to Note A6.
 + Fourth interim dividend of 2.50 sen single-tier dividend per share and a special dividend of 7.50 sen single-tier dividend per share in respect of financial year ended 30 April 2016.

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

BERMAZ AUTO BERHAD (formerly known as BERJAYA AUTO BERHAD)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31/07/2017 RM'000	31/07/2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	367,025	485,957
Payment to suppliers and operating expenses	(416,402)	(492,248)
Payment of taxes	(4,061)	(22,210)
Net cash flow used in operating activities	<u>(53,438)</u>	<u>(28,501)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	709	39
Sales of short term investment	-	5,108
Acquisition of property, plant and equipment	(2,058)	(1,149)
Acquisition of short term investment	-	(18,000)
Interest received	595	1,421
Net cash flow used in investing activities	<u>(754)</u>	<u>(12,581)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	206	369
Issuance of share capital to non-controlling interests of a subsidiary company	-	950
Acquisition of treasury shares	-	(1,390)
Drawdown of bank borrowings	101,406	-
Repayment of bank borrowings	(56,126)	-
Interest paid	(1,755)	(205)
Dividends paid	(36,298)	(114,536)
Net cash flow generated from/(used in) financing activities	<u>7,433</u>	<u>(114,812)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(46,759)	(155,894)
OPENING CASH AND CASH EQUIVALENTS	244,770	366,557
Effect of exchange rate changes	(4,564)	3,749
CLOSING CASH AND CASH EQUIVALENTS	<u>193,447</u>	<u>214,412</u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	51,431	57,632
Cash and bank balances	<u>142,016</u>	<u>156,780</u>
	<u>193,447</u>	<u>214,412</u>

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

BERMAZ AUTO BERHAD (formerly known as BERJAYA AUTO BERHAD)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017
NOTES TO THE INTERIM FINANCIAL REPORT

A1 The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Accounting Standards Board ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2017. 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 2017.

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 2017.

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 2017.

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.

A3 There was no unusual item during the financial period under review.

A4 As at 31 July 2017, the issued and paid up ordinary share capital of the Company was RM595,194,255. The movements during the financial period were as follows:-

	Number of ordinary shares	RM
<u>Issued and paid up share capital</u>		
As at 1 May 2017	1,154,080,488	594,747,078
ESOS exercised:		
ESOS (1st batch)	411,800	447,177
ESOS (2nd batch)	-	-
	411,800	447,177
As at 31 July 2017	<u>1,154,492,288</u>	<u>595,194,255</u>

ESOS

As at 31 July 2017,

- (a) the total number of unexercised ESOS (1st batch) was 8,374,300 shares, at the exercise price of RM0.50 each.
- (b) the total number of unexercised ESOS (2nd batch) was 4,062,800 shares, at the exercise price of RM2.18 each.

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 NOTES TO THE INTERIM FINANCIAL REPORT

A5 There was no share buyback during the financial period ended 31 July 2017.

The number of treasury shares held in hand as at 31 July 2017 was as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 July 2017	2.06	2,025,000	4,173

As at 31 July 2017, the number of outstanding shares in issue and fully paid up with voting rights (rounded to nearest thousand) was 1,152,467,000 (31 July 2016: 1,145,385,000) ordinary shares.

A6 During the financial period ended 31 July 2017, the Company paid a fourth interim dividend of 3.15 sen single-tier dividend per share amounting to a total of RM36.298 million in respect of the financial year ended 30 April 2017 on 26 July 2017.

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NOTES TO THE INTERIM FINANCIAL REPORT

A7 Segment information for the financial period ended 31 July 2017:-

REVENUE	Consolidated RM'000
Malaysia	283,714
Philippines	107,514
Total revenue	<u><u>391,228</u></u>
 RESULTS	 RM'000
Malaysia	21,851
Philippines	<u>10,520</u>
	32,371
Unallocated corporate items	<u>(126)</u>
Profit from operations	32,245
Investment related income	
- Interest income	616
Finance costs	(1,790)
Share of results of associates	<u>652</u>
Profit before tax	31,723
Income tax expense	<u>(8,565)</u>
Profit after tax	<u><u>23,158</u></u>

- A8 There were no significant events since the end of this current quarter up to the date of this announcement.
- A9 There were no changes in the composition of the Group for the current period ended 31 July 2017 including business combinations, acquisition or disposal of subsidiary companies and long term investments, restructuring and discontinuing operation.
- A10 There were no material changes in the contingent liabilities or contingent assets since the last audited statement of financial position as at 30 April 2017.
- A11 There were no material changes in capital commitment since the last audited statement of financial position as at 30 April 2017.

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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 July 2017, the Group reported a revenue and pre-tax profit of RM391.2 million and RM31.7 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM493.6 million and RM58.6 million respectively.

The drop in Group revenue of RM102.4 million or 20.7% was mainly due to lower domestic sales volume particularly the CX-5 run-out model and ageing Mazda3 model that faced intense competition from new models launched by other comparable brands. However, this was partially mitigated by improved sales performance from the Philippine operations.

The Group's pre-tax profit dropped by RM26.9 million or 45.9% primarily due to lower revenue in line with lower sales volume, compressed gross profit margin from the intense competition and lower profit contribution from an associate company, Mazda Malaysia Sdn Bhd ("MMSB").

The drop in profit margin in the domestic market was partly caused by the Mazda CX-5 run-out programme as more sales incentives were given for this model since the preceding quarter in anticipation of the new CX-5 model to be launched in October this year. Lower profit contribution from MMSB was mainly due to lower unit sales and lower margin as the Group is phasing out the current CX-5 model to gear up for the upcoming new CX-5.

B2 Current quarter vs preceding quarter

For the quarter ended 31 July 2017, the Group reported a revenue of RM391.2 million and pre-tax profit of RM31.7 million, as compared to the Group revenue of RM354.0 million and Group pre-tax profit of RM32.6 million for the preceding quarter.

The improvement in revenue of RM37.2 million or 10.5% was mainly due to higher domestic sales volume on CX-3, especially with the attractive sales incentives offered for the sales.

The marginal decrease in pre-tax profits by RM0.9 million or 2.8% was primarily due to lower contribution from MMSB, partly offset by improvement in unit sales in both domestic and the Philippines operations. The lower profit contribution from MMSB was mainly due to lower unit sales and lower margin of the current CX-5.

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B3 Future prospects

Despite the marginal 5% improvement in the Total Industry Volume in Malaysia for the first seven (7) months of calendar year 2017, the market trading conditions remains challenging with competitive trading environment and weak consumer sentiment as a result of uncertainties in the local and global economy.

Although the Group's unit sales had deteriorated in the first seven (7) months of calendar year 2017 compared to the corresponding period in 2016, it will continue to remain disciplined and will focus on driving sales at its standard selling prices with value offerings as this augurs well for the Mazda brand image and popularity in the longer term. The Group is optimistic that the new CX-5 to be launched in October 2017 will help to improve the unit sales as well as the profit contribution from associated companies for the second half of the financial year.

In the Philippines, the economy is set to record another year of sustained growth, with GDP projection at 6.4% for both 2017 and 2018. This is expected to boost demand for passenger cars and hence the profitability of Bermaz Auto Philippines Inc. (formerly known as Berjaya Auto Philippines Inc.) ("BAP"). However, the Group is also, cautious on the potential impact of the new excise duty expected to be introduced in early 2018. This impact may be mitigated to a certain extent as brought forward purchases of CX-5 and CX-9 from Mazda Japan is expected to be made prior to 1 January 2018.

B4 There were no profit forecast or profit guarantee for the financial period ended 31 July 2017.

B5 The taxation charge for the current quarter/period ended 31 July 2017 are detailed as follows:

	Current Quarter RM'000
Based on the results for the current quarter/period:-	
Current period provision	
- In Malaysia	4,322
- Outside Malaysia	3,193
Deferred tax	1,050
	8,565

The disproportionate tax charge of the Group for the current quarter ended 31 July 2017 was mainly due to certain expenses or losses being disallowed for tax purposes and different foreign tax rate.

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

	Current Quarter RM'000
Interest income	(616)
Dividend income	-
Other income excluding dividend and interest income	-
Gain on disposal of property, plant and equipment	(180)
Depreciation of property, plant and equipment	1,559
Amortisation of intangible assets	-
Impairment loss on receivables	-
Impairment of value of AFS quoted investments	-
Provision for and write off of inventories	-
Foreign exchange gain (net)	(2,341)
(Gain) or loss on derivatives (net)	<u>(110)</u>

B7 On 8 December 2016, the Company announced the proposal to list its indirect subsidiary company, BAP on the Main Board of the Philippine Stock Exchange, Inc. ("Proposed Listing"). The Proposed Listing entails the following:

- (i) BAP will undertake an initial public offering of 155,000,000 common shares of PHP1.00 each in BAP ("BAP Shares") involving the following:
 - (a) a public issue of 83,430,000 new BAP Shares; and
 - (b) an offer for sale of 71,570,000 existing BAP Shares by the existing shareholders, of which 32,570,000 shares will be offered by Bermaz Motor International Limited, a wholly owned subsidiary of the Group.
 and;
- (ii) the establishment of an employees' stock option plan ("ESOP") for the directors and eligible employees of BAP who meet the eligibility criteria for participation in the ESOP.

On 14 December 2016 and 16 December 2016, the Company announced that BAP had submitted the applications to the relevant authorities for the Proposed Listing.

On 13 March 2017, the approval from the shareholders of the Company was obtained for the Proposed Listing at an extraordinary general meeting.

On 14 March 2017, the Philippine Securities and Exchange Commission ("SEC") granted the pre-effective approval of the registration statement of BAP in relation to the Proposed Listing and subject to the issuance by the SEC of the Order of Registration and Permit to Sell Securities to the Public.

On 28 June 2017, the Company announced that BAP had requested to defer its listing application to address the additional information required by the Philippine Stock Exchange.

B8 Group borrowings and debt securities as at 31 July 2017 were as follows:

	At end of current quarter RM'000
Short term borrowing	
<u>Unsecured</u>	
Denominated in Ringgit Malaysia	<u>104,160</u>

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ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

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

B10 The Board has recommended a first interim dividend of 1.50 sen single-tier dividend per share in respect of financial year ending 30 April 2018 to be payable on 27 October 2017. The entitlement date has been fixed on 11 October 2017. The total dividend declared for the financial period ended 31 July 2017 amounted to 1.50 sen single-tier dividend per share (previous financial period ended 31 July 2016: 3 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 11 October 2017 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)			
	31/07/2017	31/07/2016	31/07/2017	31/07/2016
	RM'000		sen	
Net profit for the quarter	<u>20,207</u>	<u>41,111</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,152,211</u>	<u>1,145,435</u>		
Basic earnings per share			<u>1.75</u>	<u>3.59</u>
Net profit for the quarter	<u>20,207</u>	<u>41,111</u>		
Number of shares used in the calculation of basis earning per share ('000)	1,152,211	1,145,435		
Number of shares assuming exercise of employee share options (1st batch) ('000)	6,227	12,111		
Number of shares assuming exercise of employee share options (2nd batch) ('000)	-	239		
	<u>1,158,438</u>	<u>1,157,785</u>		
Dilutive earnings per share			<u>1.74</u>	<u>3.55</u>

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B12 Realised and unrealised earnings of the Group is analysed as follows:

	As at 31/07/2017 RM'000	As at 30/04/2017 RM'000 (Audited)
Total retained earnings of the Company and its subsidiaries:		
- realised	140,974	162,201
- unrealised	<u>42,977</u>	<u>42,045</u>
	183,951	204,246
Share of results from associated companies	# <u>43,765</u>	<u>43,113</u>
	227,716	247,359
Less: Consolidation adjustments	(10,752)	(14,304)
Total group retained earnings as per consolidated accounts	<u><u>216,964</u></u>	<u><u>233,055</u></u>

It is not practical to segregate the share of results from associated companies to realised and unrealised earnings.

c.c. Securities Commission