

Bermaz Auto Berhad

Company Registration No: 201001016854 (900557-M)

Date: 16 March 2020

Subject: **UNAUDITED QUARTERLY (Q3) INTERIM FINANCIAL REPORT FOR
THE PERIOD ENDED 31 JANUARY 2020**

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended		Year to date ended	
	31/1/2020 RM'000	31/1/2019 RM'000	31/1/2020 RM'000	31/1/2019 RM'000
GROUP REVENUE	467,463	778,130	1,459,676	1,953,844
PROFIT FROM OPERATIONS	26,957	81,480	105,881	216,844
Investment related income	668	2,994	2,976	6,629
Finance costs	(1,785)	(370)	(3,985)	(634)
Share of results of associates	8,507	18,717	23,700	41,810
PROFIT BEFORE TAX	34,347	102,821	128,572	264,649
INCOME TAX EXPENSE	(5,965)	(21,199)	(27,109)	(56,815)
PROFIT AFTER TAX	28,382	81,622	101,463	207,834
OTHER COMPREHENSIVE ITEM				
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation	(2,492)	1,352	883	4,854
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	25,890	82,974	102,346	212,688
PROFIT ATTRIBUTABLE TO:				
- Equity holders of the Company	27,150	81,013	98,053	205,208
- Non-controlling interests	1,232	609	3,410	2,626
	28,382	81,622	101,463	207,834
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Equity holders of the Company	25,749	82,339	98,583	208,678
- Non-controlling interests	141	635	3,763	4,010
	25,890	82,974	102,346	212,688
EARNINGS PER SHARE (SEN)				
-Basic, for the period	2.34	6.99	8.44	17.68
-Diluted, for the period	2.33	6.95	8.42	17.60

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 JANUARY 2020
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group As at 31/1/2020 RM'000	Group As at 30/4/2019 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	35,958	27,148
Right-of-use assets	67,918	-
Other investment	1,270	1,261
Associated companies	207,538	183,838
Deferred tax assets	56,370	52,345
Goodwill	500	500
	<u>369,554</u>	<u>265,092</u>
Current Assets		
Inventories	434,700	283,976
Trade and other receivables	140,784	98,256
Tax recoverable	5,964	-
Derivative asset	-	138
Deposits with financial institutions	103,038	221,850
Cash and bank balances	95,218	98,316
	<u>779,704</u>	<u>702,536</u>
TOTAL ASSETS	<u>1,149,258</u>	<u>967,628</u>
EQUITY AND LIABILITIES		
Share capital	608,788	607,879
Reserves	(127,573)	(36,768)
	481,215	571,111
Treasury shares	(2,602)	(6,486)
	478,613	564,625
Non-controlling interests	48,342	45,218
Total Equity	<u>526,955</u>	<u>609,843</u>
Non-current Liabilities		
Lease liabilities	62,323	-
Contract liability	90,019	70,840
Provisions	39,709	35,064
	<u>192,051</u>	<u>105,904</u>
Current Liabilities		
Lease liabilities	8,885	-
Short term borrowings	102,999	-
Trade and other payables	255,537	169,386
Contract liability	34,397	41,617
Provisions	26,378	27,598
Taxation	2,056	13,280
	<u>430,252</u>	<u>251,881</u>
Total Liabilities	<u>622,303</u>	<u>357,785</u>
TOTAL EQUITY AND LIABILITIES	<u>1,149,258</u>	<u>967,628</u>
Basic net assets per share (sen)	41.18	48.69
Dilutive net assets per share (sen)	42.07	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 JANUARY 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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	530	-	-	98,053	-	98,583	3,763	102,346
Transactions with owners:										
Share-based payment under ESS	-	3,108	-	-	-	-	-	3,108	-	3,108
ESS options exercised	886	(174)	-	-	-	-	-	712	-	712
ESS options forfeited	23	(23)	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	961	3,144	4,105	-	4,105
Reissued for ESS shares vested	-	(822)	-	-	-	82	740	-	-	-
Interim dividends#	-	-	-	-	-	(110,364)	-	(110,364)	-	(110,364)
Special dividend#	-	-	-	-	-	(81,311)	-	(81,311)	-	(81,311)
	909	2,089	-	-	-	(190,632)	3,884	(183,750)	-	(183,750)
At 31 January 2020	608,788	4,388	(3,103)	32,981	(424,000)	262,161	(2,602)	478,613	48,342	526,955

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
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	-	-	3,470	-	-	205,208	-	208,678	4,010	212,688
Transactions with owners:										
Share-based payment under ESS	-	1,467	-	-	-	-	-	1,467	-	1,467
ESS/ESOS 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
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-
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)
Interim dividend^^	-	-	-	-	-	(43,483)	-	(43,483)	-	(43,483)
	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

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.
- ^^ Second interim dividend of 3.75 sen single-tier dividend per share in respect of financial year ended 30 April 2019.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended	
	31/1/2020	31/1/2019
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from operations	1,447,845	1,996,561
Payment to suppliers and operating expenses	(1,450,396)	(1,656,045)
Payment of taxes	(48,225)	(18,890)
Net cash flow (used in)/generated from operating activities	<u>(50,776)</u>	<u>321,626</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	1,312
Acquisition of property, plant and equipment	(11,900)	(5,797)
Interest received	2,989	6,274
Net cash flow (used in)/generated from investing activities	<u>(8,910)</u>	<u>1,789</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	712	967
Purchase of treasury shares	-	(6,486)
Sale of treasury shares	4,105	5,318
Dividends paid to non-controlling interests	-	(7,435)
Net movement in short term borrowings	102,999	(46,065)
Interest paid	(1,034)	(707)
Dividends paid	(159,718)	(130,635)
Payment of lease liability	(9,621)	-
Net cash flow used in financing activities	<u>(62,557)</u>	<u>(185,043)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(122,243)	138,372
OPENING CASH AND CASH EQUIVALENTS	320,166	306,769
Effect of exchange rate changes	333	5,519
CLOSING CASH AND CASH EQUIVALENTS	<u>198,256</u>	<u>450,660</u>
Cash and cash equivalents carried forward comprise:		
Deposits with financial institutions	103,038	362,206
Cash and bank balances	<u>95,218</u>	<u>88,454</u>
	<u>198,256</u>	<u>450,660</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 JANUARY 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 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).

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

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

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

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

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 January 2020, the issued and paid up ordinary share capital of the Company was RM608,787,535. 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 2019	1,163,153,888	607,878,528
ESS exercised during the period	384,800	885,816 *
Transfer of reserve due to forfeiture of ESS	-	23,191
As at 31 January 2020	<u>1,163,538,688</u>	<u>608,787,535</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 January 2020, the total number of unexercised ESS options (with exercise price of RM1.85 each) was 8,252,000 and the total number of ESS shares that have not been vested was 3,429,000.

* Comprised of RM0.712 million cash subscription of share capital and RM0.174 million transfer from ESS reserves.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

NOTES TO THE INTERIM FINANCIAL REPORT

A5 There was no share buyback during the financial period ended 31 January 2020.

During the financial period ended 31 January 2020, 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 January 2020 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)
Reissued for ESS shares vested on 18 November 2019	1.90	(389,400)	(740)
Total treasury shares as at 31 January 2020	1.90	1,369,200	2,602

As at 31 January 2020, the number of outstanding shares in issue with voting rights (rounded to nearest thousand) was 1,162,169,000 (31 January 2019: 1,159,561,000) ordinary shares.

A6 During the financial period ended 31 January 2020, 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;
- 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; and
- iii) second interim dividend of 2.75 sen single-tier dividend per share amounting to a total of RM31.957 million in respect of the financial year ending 30 April 2020 on 17 February 2020.

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

REVENUE	Consolidated RM'000
Malaysia	1,226,705
Philippines	232,971
Total revenue	<u>1,459,676</u>
RESULTS	RM'000
Malaysia	93,433
Philippines	13,471
	<u>106,904</u>
Unallocated corporate items	(1,023)
Profit from operations	105,881
Investment related income	2,976
Finance costs	(3,985)
Share of results of associates	23,700
Profit before tax	<u>128,572</u>
Income tax expense	(27,109)
Profit after tax	<u>101,463</u>

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

NOTES TO THE INTERIM FINANCIAL REPORT

DISAGGREGATION OF REVENUE

	9 months ended	
	31/1/2020 RM'000	31/1/2019 RM'000
Sale of motor vehicles	1,315,545	1,829,997
Sale of spare parts	99,067	92,180
Maintenance and fitting of motor vehicle accessories services	45,064	31,667
Group revenue	<u>1,459,676</u>	<u>1,953,844</u>
Timing of revenue recognition:		
- at a point in time	1,414,479	1,916,777
- over time	45,197	37,067
	<u>1,459,676</u>	<u>1,953,844</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 2020 in relation to property, plant and equipment were as follows:

Approved and contracted for	<u>RM'000</u> <u>1,324</u>
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A10 There were no changes in the composition of the Group for the current period ended 31 January 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 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 January 2020.

BERMAZ AUTO BERHAD

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

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 January 2020, the Group reported a lower revenue and pre-tax profit of RM467.5 million and RM34.3 million respectively as compared to the preceding year corresponding quarter which reported a revenue and pre-tax profit of RM778.1 million and RM102.8 million respectively.

Group revenue declined by RM310.6 million or 39.9% largely due to drop in sales volume from both the domestic and the Philippine operations. The lower domestic sales volume for the period was mainly attributed to softer sales towards the end of calendar year 2019 with minimal discounts being offered to the market as compared to competitors. The Group recorded substantially higher unit sales for the Malaysian market in the corresponding quarter in the previous financial year as it benefited from the Group's promotional campaign to absorb the Sales Tax for bookings received before 1 September 2018.

Revenue contribution from the Philippine operations was lower compared to the preceding year corresponding quarter mainly due to lower sales volume for the Mazda3 model. Higher sales in preceding year was mainly due to heavy promotional campaign carried out to clear the phased-out Mazda3 model.

The Group's pre-tax profit also decreased by RM68.5 million or 66.6% 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 the higher costs on the new facelift Mazda CX-5 model compelled by the current market sentiment.

The Group has also accounted for the expense relating to the Group's Employees' Share Scheme amounting to RM0.8 million in the quarter under review as compared to RM1.5 million in the preceding year corresponding quarter.

For the 9-month period

For the 9-month period ended 31 January 2020, the Group registered a lower revenue and pre-tax profit of RM1.46 billion and RM128.6 million respectively as compared to the preceding year corresponding period which reported a revenue and pre-tax profit of RM1.95 billion and RM264.6 million respectively.

For the same reason as the current quarter under review, the decrease in Group revenue of RM494.2 million or 25.3% was largely due to lower sales volume from both the domestic and the Philippine operations.

The lower domestic sales volume for the second quarter was mainly attributed to the delay in delivery of the new facelift CX-5 and all new CX-8 models. The delay was caused by resolution of certain pricing issues. Domestic sales volume for the third quarter was also lower due to the minimal discounts being offered to the market towards the end of calendar year 2019.

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 in the current quarter under review.

The Group's pre-tax profit also decreased by RM136.0 million or 51.4% 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 contraction in gross profit margin as explained above.

The Group has also accounted for the expense relating to the Group's Employees' Share Scheme amounting to RM3.2 million in the period under review as compared to RM1.5 million in the preceding year corresponding period.

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B2 Current quarter vs preceding quarter

For the quarter ended 31 January 2020, the Group reported a revenue of RM467.5 million and pre-tax profit of RM34.3 million as compared to the Group revenue of RM457.2 million and pre-tax profit of RM29.2 million for the preceding quarter.

The marginal increase in Group revenue of RM10.3 million or 2.3% despite lower sales volume recorded from the domestic operations was mainly due to change in sales mix favouring higher value models.

Lower sales volume from the domestic operations against preceding quarter was mainly due to drop in unit sales towards the end of calendar year 2019 with minimal discounts being offered to the market as compared to competitors.

The Group pre-tax profit for the current quarter under review has improved by RM5.1 million or 17.5% mainly due to higher profit contribution from the domestic operations and higher share of profit contribution from its associate company, Inokom Sdn Bhd ("Inokom"). This was mainly attributed to better margin from the all new Mazda CX-8 model.

B3 Future prospects

The Malaysia's Gross Domestic Product ("GDP") growth in 2019 at 4.3% is within the range of Bank Negara Malaysia's target of 4.3% to 4.8% but was lower than the 4.7% GDP growth recorded in 2018 and was at the lowest level since the global financial crisis in 2009.

Total Industry Volume ("TIV") in Malaysia is projected at 607,000 units in 2020, a marginal 0.4% higher than the TIV in 2019 at 604,287 units after taken into consideration a moderation in consumer spending in light of prevailing economic uncertainties and tighter credit assessment from the financial institutions.

The Malaysia automotive sector is expected to remain challenging in 2020 in view of the stiff competition among the automotive players. The global headwinds, such as the trade war between the US and China, the outbreak of the Covid-19 virus, the fear of global recessions and the recent political turmoil has resulted in weaker consumer sentiment particularly on purchase of big-ticket discretionary items such as motor vehicles.

The Philippines full year GDP growth of 5.9% has missed the low end of the government's 6.0% - 6.5% expansion target. However, its central bank is optimistic that 7% growth is attainable in year 2020.

Based on a joint report of the Chamber of Automotive Manufacturers of the Philippines Inc ("CAMPI"), Truck Manufacturers Associations ("TMA") and Association of Vehicles Importers and Distribution ("AVID"), the Philippines total sales in 2019 were at 416,637 units, higher than the 401,803 units reported in 2018 despite the industry bearing the full year impact of the TRAIN law. Bermaz Auto Philippines Inc. ("BAP") seeks to preserve its revenue and profitability through further strengthening of its brand equity in tandem with sustainable dealer 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 remaining quarter of the financial year ending 30 April 2020 will be challenging.

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

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B5 The taxation charge for the current quarter/period ended 31 January 2020 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	7,401	29,570
- Outside Malaysia	208	2,041
Deferred tax	(1,070)	(3,928)
Over provision in prior year	(574)	(574)
	<u>5,965</u>	<u>27,109</u>

During the current quarter, there was a reversal of overprovision of corporate tax expenses in prior year.

The disproportionate tax charge of the Group for the current quarter/period ended 31 January 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 Year to date RM'000
Interest income from financial institutions	(668)	(2,976)
Gain on disposal of property, plant and equipment	-	(1)
Depreciation of property, plant and equipment	1,077	3,114
Depreciation of right-of-use assets *	2,832	8,465
Reversal of impairment loss on receivables	(404)	(27)
Interest expense on bankers acceptances	825	1,034
Interest expense on lease liability *	911	2,807
Unwinding discount on provision for restoration costs (net)	49	144
Provision for and write off of inventories	20	467
Foreign exchange (gain)/loss (net)	(1,081)	761
Fair value adjustment on derivatives	<u>(169)</u>	<u>-</u>

* As a result of applying MFRS 16, the Group has recognised RM8.46 million of depreciation charges for right-of-use assets and RM2.81 million of interest cost for the lease liability totalling RM11.27 million, instead of RM9.62 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 January 2020 were as follows:

	At end of current quarter RM'000
Short term borrowing	
<u>Unsecured</u>	
Denominated in Ringgit Malaysia	98,361
Denominated in Philippine Peso	4,638
	<u>102,999</u>

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 1.45 sen single-tier dividend per share in respect of financial quarter ended 31 January 2020 (previous year corresponding quarter ended 31 January 2019: 4.50 sen single-tier dividend per share) to be payable on 28 May 2020. The entitlement date has been fixed on 5 May 2020. The total dividend declared for the financial period ended 31 January 2020 amounted to 7.45 sen single-tier dividend per share (previous financial period ended 31 January 2019: 10.75 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 5 May 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)			
	31/1/2020	31/1/2019	31/1/2020	31/1/2019
	RM'000		sen	
Net profit for the quarter	<u>27,150</u>	<u>81,013</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,161,961</u>	<u>1,159,448</u>		
Basic earnings per share			<u>2.34</u>	<u>6.99</u>
Net profit for the quarter	<u>27,150</u>	<u>81,013</u>		
Number of shares used in the calculation of basic earning per share ('000)	1,161,961	1,159,448		
Number of shares assuming exercise of ESS ('000)	<u>3,429</u>	<u>5,418</u>		
	<u>1,165,390</u>	<u>1,164,866</u>		
Diluted earnings per share			<u>2.33</u>	<u>6.95</u>

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	Group (9-month period)			
	31/1/2020	31/1/2019	31/1/2020	31/1/2019
	RM'000		sen	
Net profit for the period	<u>98,053</u>	<u>205,208</u>		
Weighted average number of ordinary shares in issue ('000)	<u>1,161,431</u>	<u>1,160,599</u>		
Basic earnings per share			<u>8.44</u>	<u>17.68</u>
Net profit for the period	<u>98,053</u>	<u>205,208</u>		
Number of shares used in the calculation of basic earning per share ('000)	1,161,431	1,160,599		
Number of shares assuming exercise of ESS ('000)	<u>3,429</u>	<u>5,418</u>		
	<u>1,164,860</u>	<u>1,166,017</u>		
Diluted earnings per share			<u>8.42</u>	<u>17.60</u>

c.c. Securities Commission