FINANCIAL STATEMENTS

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are in the distribution of Mazda vehicles in Malaysia and in the Philippines, and in investment holding.

Other information relating to the subsidiaries are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	150,963	156,845
Attributable to:		
- Owners of the parent	139,975	156,845
- Non-controlling interests	10,988	-
	150,963	156,845

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends paid by the Company since 30 April 2017 were as follows:

	RM'000
In respect of the financial year ended 30 April 2017	
Fourth interim dividend of 3.15 sen per share single-tier dividend, paid on 26 July 2017	36,298
In respect of the financial year ended 30 April 2018	
First interim dividend of 1.50 sen per share single-tier dividend, paid on 27 October 2017	17,290
Second interim dividend of 1.60 sen per share single-tier dividend, paid on 26 January 2018	18,531
Third interim dividend of 2.30 sen per share single-tier dividend, paid on 26 April 2018	26,661
	62,482
Total dividends paid during the financial year ended 30 April 2018	98,780
The directors declared and approved on 12 June 2018:	
Fourth interim dividend of 2.30 sen per share single-tier dividend and a special dividend of 2.70 sen per share single-tier dividend, paid on 26 July 2018	58,095 *

Note:

* The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2019.

The directors do not recommend the payment of final dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Syed Ariff Fadzillah Bin Syed Awalluddin
Dato' Sri Yeoh Choon San
Dato' Lee Kok Chuan
Dato' Abdul Manap Bin Abd Wahab
Loh Chen Peng
Datuk Syed Hisham Bin Syed Wazir
Dato' Kalsom Binti Abd Rahman (appointed on 2 April 2018)

The names of directors of subsidiary companies are set out in the respective subsidiary company's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Company maintained a Directors' and Officers' Liability Insurance in respect of any legal action taken against the directors and officers in the discharge of their duties while holding office for the Company and the Group. The total amount of insurance premium effected for any director and officer of the Company during the financial year was RM27,817. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options of the Company and its related corporations during the financial year were as follows:

		Number of ordinary shares			
		At 1.5.17	Acquired	Disposed	At 30.4.18
The Company					
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin		138,000	84,000	168,000	54,000
Dato' Sri Yeoh Choon San		336,000	836,000	-	1,172,000
	#	175,950,000	-	-	175,950,000
Dato' Lee Kok Chuan		780,000	413,325	-	1,193,325
	#	174,000,000	-	-	174,000,000
Loh Chen Peng		515,100	84,000	-	599,100
Dato' Abdul Manap Bin Abd Wahab		-	84,000	84,000	-
	(a)	112,000	84,000	-	196,000

	Number of ordinary shares under employees' share option scheme			
	At 1.5.17	Granted	Exercised	At 30.4.18
The Company				
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	84,000	-	84,000	-
Dato' Sri Yeoh Choon San	336,000	-	336,000	-
Dato' Lee Kok Chuan	280,000	-	280,000	-
Loh Chen Peng	84,000	-	84,000	-
Dato' Abdul Manap Bin Abd Wahab	84,000	-	84,000	-

Notes:
Indirect interest pursuant to Section 8(4) of the Companies Act 2016.
(a) Indirect interest pursuant to Section 59(11)(c) of the Companies Act 2016.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares and options of the Company or its related corporations during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

At an Extraordinary General Meeting held on 26 September 2013, shareholders approved the Employees' Share Option Scheme ("ESOS") for the grant of options that are settled by delivery of the ordinary shares of the Company, to eligible directors and employees of the Group.

The committee administering the ESOS comprises Dato' Syed Ariff Fadzillah Bin Syed Awalluddin, Dato' Lee Kok Chuan, Dato' Sri Yeoh Choon San and Tan Say Chye.

The salient features and terms of the ESOS, details of ESOS exercised during the financial year and outstanding at the end of the financial year are disclosed in Note 29 to the financial statements.

Details of options granted to directors are disclosed in the section on directors' interests in this report.

ISSUE OF SHARES

During the financial year, the Company increased its share capital from RM594,747,078 to RM602,957,215 by way of:

(i) the issuance of 7,375,900 and 43,000 new ordinary shares at an issue price of RM0.50 and RM2.18 per share respectively pursuant to the exercise of the share options that were granted under the ESOS;

(ii) the inclusion of RM4,428,447 from employees' share plan reserves as part of the paid up share capital upon the forfeiture of the ESOS of RM166,207 and upon the exercise of ESOS of RM4,262,244.

TREASURY SHARES

The number of treasury shares bought back from the open market with internally generated funds and held in hand as at 30 April 2018 are as follows:

	Average price per share RM	Number of shares Units	Amount RM'000
Balance as at 1 May 2017	2.06	2,025,000	4,173
Increase in treasury shares	2.00	210,000	420
Balance as at 30 April 2018	2.06	2,235,000	4,593

As at 30 April 2018, the issued and paid-up capital of the Company with voting rights was 1,159,264,388 (2017: 1,152,055,488) ordinary shares.

Subsequently, on 13 June 2018, the Company had disposed of the entire 2,235,000 shares for a total consideration of RM5,317,867 or at an average price of RM2.39 per share.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment of receivables and satisfied themselves that there were no known bad debts and that adequate impairment had been made for receivables; and
   (ii) to ensure that any current asset which was unlikely to realise its value as shown in the accounting records in the ordinary course of business had been written down to an amount which it might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the directors are not aware of any circumstances which would render:
  (i) it necessary to write off any bad debts or the amount of impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:
  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:
  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

The remuneration of the auditors of the Group and of the Company is disclosed in Note 23 to the financial statements.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during the financial year nor since the end of the financial year.

Signed on behalf of the Board in accordance with a
resolution of the directors dated 1 August 2018

DATO' SRI YEOH CHOON SAN   DATO' LEE KOK CHUAN

STATEMENT BY DIRECTORS

(Pursuant to Section 251(2) of the Companies Act 2016)

We, DATO' SRI YEOH CHOON SAN and DATO' LEE KOK CHUAN, being two of the directors of BERMAZ AUTO BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 64 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2018 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 August 2018

DATO' SRI YEOH CHOON SAN

DATO' LEE KOK CHUAN

STATUTORY DECLARATION

(Pursuant to Section 251(1)(b) of the Companies Act 2016)

I, CHONG BOON KIAN, being the officer primarily responsible for the financial management of BERMAZ AUTO BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 64 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed CHONG BOON KIAN at Petaling Jaya in Selangor Darul Ehsan on 1 August 2018)
)
)

CHONG BOON KIAN
MIA No. : 26760

Before me:

ZULKIFLY BIN MAHMUD (B384)
Commissioner for Oaths

STATEMENTS OF FINANCIAL POSITION
as at 30 April 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	19,805	23,453	2	4
Other investment	4	685	779	-	-
Subsidiary company	5	-	-	528,004	527,310
Associated companies	6	133,648	112,244	43,631	43,631
Deferred tax assets	7	42,180	42,903	-	-
Goodwill	8	500	500	-	-
		196,818	179,879	571,637	570,945
Current assets					
Inventories	9	247,382	434,658	-	-
Trade and other receivables	10	100,434	78,971	100,181	55,169
Tax recoverable		336	17,404	30	16
Deposits with financial institutions	12	154,419	67,529	28,355	14,444
Cash and bank balances	13	152,350	177,241	2,662	95
		654,921	775,803	131,228	69,724
TOTAL ASSETS		851,739	955,682	702,865	640,669
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	14	602,957	594,747	602,957	594,747
Reserves	15	(121,601)	(147,158)	104,210	49,811
		481,356	447,589	707,167	644,558
Treasury shares	16	(4,593)	(4,173)	(4,593)	(4,173)
		476,763	443,416	702,574	640,385
Non-controlling interests		47,741	48,981	-	-
Total equity		524,504	492,397	702,574	640,385
Non-current liabilities					
Deferred tax liability	7	-	105	-	-
Deferred revenue	17	48,294	56,636	-	-
Provisions	18	16,845	10,146	-	-
		65,139	66,887	-	-
Current liabilities					
Short term borrowings	19	46,065	58,880	-	-
Trade and other payables	20	140,243	270,101	291	284
Deferred revenue	17	45,029	46,253	-	-
Provisions	18	28,151	17,206	-	-
Derivative liability	11	292	41	-	-
Taxation		2,316	3,917	-	-
		262,096	396,398	291	284
Total liabilities		327,235	463,285	291	284
TOTAL EQUITY AND LIABILITIES		851,739	955,682	702,865	640,669

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 April 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	21	1,992,868	1,659,997	157,200	125,000
Cost of sales		(1,654,776)	(1,376,303)	-	-
Gross profit		338,092	283,694	157,200	125,000
Other income		19,921	13,799	635	1,451
Selling and distribution expenses		(83,139)	(47,062)	-	-
Administrative expenses		(93,571)	(86,335)	(838)	(1,451)
		181,303	164,096	156,997	125,000
Finance costs	22	(5,640)	(2,965)	-	-
Share of results of associates		21,404	14,027	-	-
Profit before tax	23	197,067	175,158	156,997	125,000
Income tax expense	25	(46,104)	(43,673)	(152)	(217)
Profit for the year		150,963	131,485	156,845	124,783
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		(18,794)	2,816	-	-
Total comprehensive income for the year		132,169	134,301	156,845	124,783
Profit attributable to:					
- Owners of the parent		139,975	117,648	156,845	124,783
- Non-controlling interests		10,988	13,837	-	-
		150,963	131,485	156,845	124,783
Total comprehensive income attributable to:					
- Owners of the parent		128,003	119,362	156,845	124,783
- Non-controlling interests		4,166	14,939	-	-
		132,169	134,301	156,845	124,783
Earnings per share (sen)	26				
- Basic, for the year		12.12	10.25		
- Diluted, for the year		12.11	10.19		
Dividend per share (sen)	27				
- First interim dividend				1.50	3.00
- Second interim dividend				1.60	2.75
- Third interim dividend				2.30	2.75
- Fourth interim dividend				2.30	3.15
- Special dividend				2.70	-

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 30 April 2018

	Attributable to the equity holders of the Company					Distributable				
	Share capital	ESOS reserve ^	Exchange reserve	Consolidation reserve	Merger deficit	Retained earnings	Treasury shares	Total	Non-controlling interests	Total equity
Group	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	-	-	(11,972)	-	-	139,975	-	128,003	4,166	132,169
Transactions with owners:										
Share-based payment under ESOS	-	762	-	-	-	-	-	762	-	762
ESOS options exercised	8,044	(4,262)	-	-	-	-	-	3,782	-	3,782
ESOS options forfeited	166	(166)	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	-	-	-	-	(420)	(420)	-	(420)
Dividends paid to non-controlling interests (Note 5)	-	-	-	-	-	-	-	-	(5,406)	(5,406)
Dividends (Note 27)	-	-	-	-	-	(98,780)	-	(98,780)	-	(98,780)
	8,210	(3,666)	-	-	-	(98,780)	(420)	(94,656)	(5,406)	(100,062)
At 30 April 2018	602,957	3,441	(8,273)	32,981	(424,000)	274,250	(4,593)	476,763	47,741	524,504

Note:

^ This represents the reserve relating to the Employees' Share Option Scheme ("ESOS").

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 30 April 2018

Group	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 (Distributable) RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to the equity holders of the Company										
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	-	-	-	1,714	-	-	117,648	-	119,362	14,939	134,301
Transactions with owners:											
Share-based payment under ESOS	-	-	2,387	-	-	-	-	-	2,387	-	2,387
ESOS options exercised	4,297	3,770	(4,363)	-	-	-	-	-	3,704	-	3,704
ESOS options forfeited	67	-	(67)	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	-	-	-	-	-	(1,390)	(1,390)	-	(1,390)
Arising from increase in equity interest in a subsidiary company	-	-	-	-	336	-	-	-	336	(336)	-
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	2,605	2,605
Dividend-in-specie (Stock dividend) distributed by subsidiary company	-	-	-	-	32,645	-	(32,645)	-	-	-	-
Dividends (Note 27)	-	-	-	-	-	-	(212,224)	-	(212,224)	-	(212,224)
	4,364	3,770	(2,043)	-	32,981	-	(244,869)	(1,390)	(207,187)	2,269	(204,918)
	577,700	17,047	7,107	3,699	32,981	(424,000)	233,055	(4,173)	443,416	48,981	492,397
Transfer pursuant to Section 618(2) of Companies Act 2016 #	17,047	(17,047)	-	-	-	-	-	-	-	-	-
At 30 April 2017	594,747	-	7,107	3,699	32,981	(424,000)	233,055	(4,173)	443,416	48,981	492,397

Notes:

^ This represents the reserve relating to the Employees' Share Option Scheme ("ESOS").

\# On 31 January 2017, in accordance with the new Companies Act 2016, the concepts of "par value" and "authorised capital" were abolished and effective on that date, the shares of the Company ceased to have a par value. Consequently, the share premium amount is now treated as part of the Company's share capital.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 April 2018

Company	Share capital RM'000	ESOS reserve ^ RM'000	Distributable: Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
At 1 May 2017	594,747	7,107	42,704	(4,173)	640,385
Total comprehensive income	-	-	156,845	-	156,845
Transactions with owners:					
Share-based payment under ESOS	-	762	-	-	762
ESOS options exercised	8,044	(4,262)	-	-	3,782
ESOS options forfeited	166	(166)	-	-	-
Treasury shares acquired	-	-	-	(420)	(420)
Dividends (Note 27)	-	-	(98,780)	-	(98,780)
	8,210	(3,666)	(98,780)	(420)	(94,656)
At 30 April 2018	602,957	3,441	100,769	(4,593)	702,574

Company	Share capital RM'000	Share premium RM'000	ESOS reserve ^ RM'000	Distributable: Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
At 1 May 2016	573,336	13,277	9,150	130,145	(2,783)	723,125
Total comprehensive income	-	-	-	124,783	-	124,783
Transactions with owners:						
Share-based payment under ESOS	-	-	2,387	-	-	2,387
ESOS options exercised	4,297	3,770	(4,363)	-	-	3,704
ESOS options forfeited	67	-	(67)	-	-	-
Treasury shares acquired	-	-	-	-	(1,390)	(1,390)
Dividends (Note 27)	-	-	-	(212,224)	-	(212,224)
	4,364	3,770	(2,043)	(212,224)	(1,390)	(207,523)
	577,700	17,047	7,107	42,704	(4,173)	640,385
Transfer pursuant to Section 618(2) of Companies Act 2016 #	17,047	(17,047)	-	-	-	-
At 30 April 2017	594,747	-	7,107	42,704	(4,173)	640,385

Notes:

^ This represents the reserve relating to the Employees' Share Option Scheme ("ESOS").

On 31 January 2017, in accordance with the new Companies Act 2016, the concepts of "par value" and "authorised capital" were abolished and effective on that date, the shares of the Company ceased to have a par value. Consequently, the share premium amount is now treated as part of the Company's share capital.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the Year Ended 30 April 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	1,958,090	1,680,717	-	-
Payment to suppliers and operating expenses	(1,726,351)	(1,592,919)	(766)	(1,207)
Tax refund	17,673	-	-	-
Payment of taxes	(49,201)	(65,779)	(166)	(209)
Net cash flow generated from/(used in) operating activities	200,211	22,019	(932)	(1,416)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of property, plant and equipment	1,544	1,489	-	-
Acquisition of property, plant and equipment (Note 3)	(1,950)	(2,028)	-	(4)
Sales of short term investment	-	33,971	-	33,971
Acquisition of short term investment	-	(28,454)	-	(28,424)
Interest received	2,650	3,204	628	925
Dividends received	-	-	94,200	196,000
Loan to related companies	-	-	(77,000)	(32,000)
Repayment from a related company	-	-	95,000	14,000
Net cash flow generated from investing activities	2,244	8,182	112,828	184,468
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of share capital	3,782	3,704	3,782	3,704
Treasury shares acquired	(420)	(1,390)	(420)	(1,390)
Issuance of share capital to non-controlling interests of a subsidiary company	-	2,605	-	-
Net movement in short term borrowings	(12,815)	58,880	-	-
Interest paid	(5,543)	(2,866)	-	-
Dividends paid to shareholders of the Company	(98,780)	(212,224)	(98,780)	(212,224)
Dividends paid to non-controlling interests	(5,406)	-	-	-
Net cash flow used in financing activities	(119,182)	(151,291)	(95,418)	(209,910)
NET CHANGE IN CASH AND CASH EQUIVALENTS	83,273	(121,090)	16,478	(26,858)
EFFECT OF EXCHANGE RATE CHANGES	(21,274)	(697)	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	244,770	366,557	14,539	41,397
CASH AND CASH EQUIVALENTS CARRIED FORWARD	306,769	244,770	31,017	14,539

STATEMENT OF CASH FLOWS
for the Year Ended 30 April 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH AND CASH EQUIVALENTS				
The closing cash and cash equivalents comprise of the following:				
Cash and bank balances	152,350	177,241	2,662	95
Deposits with financial institutions	154,419	67,529	28,355	14,444
	306,769	244,770	31,017	14,539

Note:

(a) Reconciliation of liabilities arising from financing activities:

	Group RM'000
Short-term borrowings	
At 1 May 2017	58,880
Drawdown of bank borrowings	574,062
Repayment of bank borrowings	(586,877)
At 30 April 2018	46,065

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are in the distribution of Mazda vehicles in Malaysia and in the Philippines and in investment holding.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The registered office of the Company is located at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 1 August 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below and comply with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Summary of significant accounting policies

2.2.1 Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and all its subsidiary companies, which are prepared up to the end of the same financial year.

Subsidiary companies are those investees controlled by the Group. The Group controls an investee if and only if the Group has all the following:
(i) power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) exposure, or rights, to variable returns from its investment with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:
(i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) potential voting rights held by the Group, other vote holders or other parties;
(iii) rights arising from other contractual arrangements; and
(iv) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.1 Subsidiaries and basis of consolidation (continued)

Subsidiary companies are consolidated using the acquisition method of accounting except for the business combination with Bermaz Motor Sdn Bhd ("Bermaz"), which was accounted for under the pooling of interests method as the business combination of this subsidiary company involved an entity under common control.

Under the pooling of interests method of accounting, the results of the entities under common control are presented as if the entities had been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital and reserves acquired are reflected within equity as merger reserve (or adjusted against any suitable reserve in the case of debit differences).

Under the acquisition method of accounting, subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until that date such control ceases.

The cost of acquisition of a subsidiary company depends on whether it is a business combination, in accordance to the specifications in MFRS 3, or not. If it is not a business combination, the cost of acquisition consists of the consideration transferred ("CT"). The CT is the sum of fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree on the date of acquisition and any contingent consideration. For an acquisition that is not a business combination, the acquisition-related costs can be capitalised as part of the cost of acquisition. If it is a business combination, the cost of acquisition (or specifically, the cost of business combination) consists of CT, and the amount of any non-controlling interests in the acquiree, the fair value of the Group's previously held equity interest in the acquiree. For an acquisition that is a business combination, the acquisition-related costs are recognised in profit or loss as incurred.

When control in a business is acquired in stages, the previously held equity interests in the acquiree are re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss.

Any excess of the cost of business combination, as the case may be, over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. For business combinations, provisions are made for the acquiree's contingent liabilities existing at the date of acquisition as the Group deems that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

Any excess in the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed over the cost of business combination is recognised immediately in profit or loss.

The contingent consideration to be transferred by the acquirer is recognised at fair value at the date of acquisition. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the date of acquisition) about the facts and circumstances that existed at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.1 Subsidiaries and basis of consolidation (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with MFRS 139: Financial Instruments: Recognition and Measurement or MFRS 137: Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognised in profit or loss.

Uniform accounting policies are adopted in the consolidated financial statements for similar transactions and other events in similar circumstances. In the preparation of the consolidated financial statements, the financial statements of all subsidiary companies are adjusted for the material effects of dissimilar accounting policies. Intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Profit or loss and each component of other comprehensive income are attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the equity in subsidiary companies not attributable, direct or indirectly, to the Group which consist of the amount of those non-controlling interests at the date of original combination and the non-controlling interests' share of changes in the equity since the date of the combination.

Non-controlling interests are presented separately in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Equity instruments and equity components of hybrid financial instruments issued by subsidiary companies but held by the Group will be eliminated on consolidation. Any difference between the cost of investment and the value of the equity instruments or the equity components of hybrid financial instruments will be recognised immediately in equity upon elimination.

When there is share buyback by a subsidiary company, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the subsidiary company. Any differences between the consideration of the share buyback over the Group's revised interest in the net fair value of the identifiable assets acquired and liabilities assumed is recognised directly in equity attributable to owners of the parent.

Changes in the Group's ownership interest in a subsidiary company that do not result in the Group losing control over the subsidiary company are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity attributable to the owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.1 Subsidiaries and basis of consolidation (continued)

When the Group loses control of a subsidiary company, a gain or loss calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interest;

is recognised in profit or loss. The subsidiary company's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary company at the date control is lost is regarded as the cost on initial recognition of the investment.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses.

2.2.2 Associated companies

Associated companies are entities in which the Group has significant influence. Significant influence is the power through board representations to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in associated companies are accounted for in the consolidated financial statements using the equity method of accounting based on the latest audited financial statements and supplemented by management financial statements of the associated companies made up to the Group's financial year-end. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On acquisition of an investment in associated company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets acquired and liabilities assumed of the investee is recognised as goodwill and included in the carrying amount of the investment and is not amortised.

Any excess of the Group's share of net fair value of the associated company's identifiable assets acquired and liabilities assumed over the cost of investment is included as income in the determination of the Group's share of associated company's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in an associated company is recognised at cost on initial recognition, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associated company after the date of acquisition, less impairment losses. The Group's share of comprehensive income of associated companies acquired or disposed of during the financial year, is included in the consolidated profit or loss from the date that significant influence effectively commences or until the date that significant influence effectively ceases, as appropriate.

Unrealised gains and losses on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies.

When the Group's share of losses equals or exceeds its interest in an equity accounted associated company, including any long term interest, that, in substance, form part of the Group's net investment in the associated companies, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an legal and constructive obligations or has made payment on behalf of the associated companies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.2 Associated companies (continued)

When there is share buyback by an associated company, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the associated company. Any reduction of the Group's pre-acquisition reserves arising from the share buyback (i.e. Goodwill) is included in the carrying amount of the investment and is not amortised. Any increase of the Group's pre-acquisition reserves arising from the share buyback (i.e. Negative Goodwill) is included as income in the determination of the Group's share of associated company's results in the period of share buybacks.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses.

2.2.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. Subsequent to recognition, when a property, plant and equipment are required to be replaced in intervals, the Group or the Company recognises such parts as individual assets with special useful lives. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated but reviewed at each reporting date to determine whether there is an indication of impairment. Capital work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	4.0%
Leasehold improvements	16.7% - 33.3%
Plant and machinery and building equipment	10.0% - 33.3%
Furniture and fittings, computers and office equipment	10.0% - 40.0%
Motor vehicles	20.0%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on the derecognition of the asset are included in profit or loss in the year the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for vehicles are determined on a specific identification basis and cost for parts and accessories are determined on a weighted average basis.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.2.5 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.2.6 Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such impairment exists, the asset’s recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when there are indications of impairment.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (“CGU”) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use (“VIU”). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the fair value reserve for the same asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.6 Impairment of non-financial assets (continued)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.2.7 Fair value measurement

The Group measures financial instruments, such as derivatives and certain non-financial assets, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) in the principal market for the asset or liability; or
(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole as described in Note 34.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The categories that are applicable to the Group and the Company are as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Financial assets designated as financial assets at fair value through profit or loss are a group of financial assets which consist of certain quoted securities that is managed and its performance is evaluated at a fair value basis, in accordance with a documented risk management or investment strategy, and information about these group of financial assets is provided internally on that basis to the Group's and the Company's key management personnel.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.8 Financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss.

Dividends from an available-for-sale equity instrument are recognised in profit or loss when the Group’s and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income will be recognised in profit or loss.

2.2.9 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group’s and the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.9 Impairment of financial asset (continued)

(i) Trade and other receivables and other financial assets carried at amortised cost (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and sundry receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost had the impairment not been recognised at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's and the Company's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.2.10 Cash and cash equivalents

Cash comprises cash in hand, at bank and short-term deposits with a maturity of three months or less. Cash equivalents, which are short term, highly liquid investments that are readily convertible to known amounts subject to insignificant risk of changes in value, against which the bank overdrafts, if any, are deducted.

2.2.11 Provisions

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.12 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair values and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

Other financial liabilities of the Group and the Company include trade and other payables, and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

<u>Offsetting of financial instruments</u>

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.13 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.2.14 Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. Treasury shares may be acquired and held by the Company. Consideration paid or received is recognised directly in equity.

2.2.15 Deferred revenue

The Group provides free maintenance service package for a certain period (“free-service-period”) or attainment of certain mileage, whichever is earlier, depending on the type of Mazda models sold.

Deferred revenue represents a part of the sale proceeds received from customers which relate to service maintenance in which the service has not been rendered. The amount of sale proceeds apportioned to service maintenance is measured at its fair value which is calculated based on the actual number of vehicles sold, past experience and estimated cost required to perform the maintenance service during the free-service-period.

Further details are disclosed in Note 17.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.16 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group or the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company except for contingent liabilities assumed in a business combination of which the fair value can be reliably measured.

Further details are disclosed in Note 33.

2.2.17 Current and non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current and non-current classification.

An asset is classified as current when it is:
(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within 12 months after the reporting period; or
(iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
All other assets are classified as non-current.

A liability is classified as current when:
(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within 12 months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.
All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of motor vehicles and spare parts

Revenue is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer. Revenue is recognised net of indirect tax and discount, where applicable.

(ii) Sale of services

Revenue from services rendered is recognised upon its completion. Revenue is recognised net of indirect tax and discount, where applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.18 Revenue recognition (continued)

(iii) Dividend income

Dividend income from investments in subsidiary and associated companies is recognised when the shareholders' rights to receive payment is established.

(iv) Interest income

Interest income is recognised on an accrual basis unless recoverability is in doubt.

(v) Other income

Other than the above, all other income are recognised on accrual basis.

2.2.19 Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of initial transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.19 Foreign currencies (continued)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (“RM”) of the consolidated financial statements are translated into RM as follows:
- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each profit or loss and other comprehensive income are translated at average exchange rates for the financial year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets or liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.2.20 Employee benefits

(i) Short term benefits

Wages, salaries, incentives, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”). The foreign subsidiary company of the Group also makes contributions to its country’s statutory pension scheme.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.20 Employee benefits (continued)

(iii) Employees' share option scheme

Employees of the Group and the Company received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve relating to the exercised options is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares. When the options are forfeited, the employee share option reserve relating to the forfeited options is transferred to share capital.

2.2.21 Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiary companies and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.21 Taxes (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary companies and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.21 Taxes (continued)

(iii) Goods and Services Tax ("GST") or Value Added Tax ("VAT")

Where the GST or VAT incurred in a purchase of assets or services is not recoverable from the respective taxation authorities, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST or VAT being the difference between output and input of GST or VAT, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

2.2.22 Segmental reporting

For management purposes, the Group is organised into operating segments based on the geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Revenue and expenses do not include items arising on investing or financing activities. Revenue is attributed to geographical segments based on location where the sales are transacted. Segment assets include all operating assets used by a segment and do not include items arising on investing or financing activities. Assets are allocated to a geographical segment based on location of assets. Segment liabilities comprise operating liabilities and do not include liabilities arising on investing or financing activities such as bank borrowings.

2.3 Changes in accounting policies

On 1 May 2017, the Group and the Company adopted the following Amendments to MFRSs and Annual Improvements to MFRSs:

Effective for financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 107: Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112: Income Taxes – Recognition of Deferred Tax Assets Unrealised Losses
- Annual Improvements to MFRSs 2014-2016 Cycle – Amendments to MFRS 12: Disclosure of Interests in Other Entities

Adoption of the above Amendments to MFRSs and Annual Improvements to MFRSs are either not relevant or do not have any effect on the financial performance or position of the Group and the Company except as discussed below:

<u>Amendment to MFRS 107: Statement of Cash Flows – Disclosure Initiative</u>

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in statement of cash flows, the application of these amendments has had no impact on the Group and on the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies (continued)

Amendments to MFRS 112 Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restrict the sources of taxable profits against which it may make deductions on the reversal of the deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assessed the sufficiency of future profits in a way that is consistent with these arrangements.

2.4 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations were issued but not yet effective and have not been early adopted by the Group and the Company.

Effective for financial periods beginning on or after 1 January 2018:

- Amendments to MFRS 2: Classification of Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts
- MFRS 9: Financial Instruments (2014)
- MFRS 15: Revenue from Contracts with Customers
- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Transfer of Investment Property
- Annual Improvements to MFRSs 2014-2016 Cycle – Amendments to MFRS 1: First-time Adoption of Financial Reporting Standards
- Annual Improvements to MFRSs 2014-2016 Cycle – Amendments to MFRS 128: Investment in Associates and Joint Ventures
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019:

- Annual Improvements to MFRS Standards 2015-2017 Cycle – Amendments to MFRS 3: Business Combinations
- Amendments to MFRS 9: Prepayments Features with Negative Compensation
- Annual Improvements to MFRSs 2015-2017 Cycle – Amendments to MFRS 11: Joint Arrangements
- MFRS 16: Leases
- Annual Improvements to MFRS Standards 2015-2017 Cycle – Amendments to MFRS 112: Income Taxes
- Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Annual Improvements to MFRS Standards 2015-2017 Cycle – Amendments to MFRS 123: Borrowing Costs
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23: Uncertainty over Income Tax Treatments

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards and interpretations issued but not yet effective (continued)

Effective for financial periods beginning on or after 1 January 2020:

- Amendments to MFRS 2: Share-based payment
- Amendments to MFRS 3: Business Combinations
- Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources
- Amendments to MFRS 14: Regulatory Deferral Accounts
- Amendments to MFRS 101: Presentation of Financial Statements
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134: Interim Financial Reporting
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendments to MFRS 138: Intangible Assets
- Amendments to IC Interpretation 12: Service Concession Arrangements
- Amendments to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132: Intangible Assets – Web Site Costs

Effective for financial periods beginning on or after 1 January 2021:

- MFRS 17: Insurance Contracts

Effective date yet to be determined:

- Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

Unless otherwise described below, the new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and Amendments to IC Interpretations above are either not relevant or do not have any significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of all the above new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and Amendments to IC Interpretations.

<u>MFRS 9: Financial Instruments</u>

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group when the Group adopts MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards and interpretations issued but not yet effective (continued)

MFRS 9: Financial Instruments (continued)

Based on the analysis of the Group's financial assets and liabilities as at 30 April 2018 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(i) Classification and measurements

The Group does not expect a significant impact on its balance sheet or 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, reclassification for these instruments is not required.

(ii) Impairment

The new impairment model requires the recognition of impairment provision based on expected credit losses rather than incurred credit losses as is the case under MFRS 139. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

(iii) Hedge accounting

There will be no impact on the Group's accounting for the derivatives entered into by the Group as the forward currency contracts are not designated as cash flow or fair value hedge and are entered into for periods consistent with currency transactions exposure and fair value changes exposure.

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 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

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 will select modified retrospective application for annual periods beginning on or after 1 May 2018.

The Group has assessed the effects of applying the new standard on the Group's financial statements and have identified the following areas that will be affected:

(i) Determination of transaction price of sale of motor vehicles

The Group provides sales incentives for car dealers who achieve cumulative sales target level. Currently, the sales incentives are being charged directly under selling and distribution expenses. Under MFRS 15, the sales incentives will be treated as variable consideration and form part of the transaction price. Hence, the sales incentives should be accounted for as a reduction of the revenue under MFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards and interpretations issued but not yet effective (continued)

MFRS 15: Revenue from Contracts with Customers (continued)

(ii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group have assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made; when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

The Group continues to test the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is in the process of assessing the financial impact of adopting MFRS 16.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting estimates and judgements

The preparation of the Group's and of the Company’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Deferred revenue

The Group provides free maintenance service package for 3 years (limited to 60,000 kilometres) or 5 years (limited to 100,000 kilometres) on certain Mazda models.

Deferred revenue represents a part of the sale proceeds received from customers which relates to service maintenance in which the service has not been rendered. The amount of sale proceeds apportioned to service maintenance is measured at its fair value which is calculated based on the actual number of vehicles sold, past maintenance service performed and estimated charges to customers. Details of deferred revenue are disclosed in Note 17.

(ii) Provision for warranty

A provision is made for expected warranty claims on vehicles sold during the period, based on past experience of the level of repairs of similar type of vehicles. Assumptions used to calculate the provision for warranty were based on sales levels, past and current information available about repairs performed during warranty periods for similar vehicle types sold.

The carrying amount of the Group’s provision of warranty at the reporting date was RM31,660,000 (2017: RM22,161,000). If actual claims are 10% higher than management’s estimates, the Group’s profit before tax will decrease by RM2,081,400 (2017: RM978,000). Further details are as disclosed in Note 18.

(iii) Provision for incentives

The Group provides sales incentives for car dealers who achieve cumulative sales target level. The incentive entitlement is communicated to the dealers periodically and are paid during and/or after the financial year end. The provision for sales incentive is based on the car dealers' progress towards achieving their agreed annual sales targets.

3. PROPERTY, PLANT AND EQUIPMENT

Group

2018	Freehold Land	Building	Leasehold Improvements	Plant and Machinery and Building Equipment	Furniture and Fittings, Computers and Office Equipment	Motor Vehicles	Capital Work-in-Progress	Total
At Net Carrying Amount	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of year	6,591	3,364	2,136	2,465	4,080	4,623	194	23,453
Additions	-	-	613	249	1,088	1,818	-	3,768
Disposals	-	-	-	-	(23)	(1,167)	-	(1,190)
Depreciation charge for the year (Note 23)	-	(201)	(1,922)	(935)	(1,528)	(1,050)	-	(5,636)
Exchange difference	-	-	(24)	-	(101)	(465)	-	(590)
Reclassification/Transfer	-	-	194	-	-	-	(194)	-
At end of year	6,591	3,163	997	1,779	3,516	3,759	-	19,805
2017								
At Net Carrying Amount								
At beginning of year	6,591	3,566	4,851	3,318	4,099	1,595	-	24,020
Additions	-	-	181	236	951	4,925	194	6,487
Disposals	-	-	-	-	(7)	(1,145)	-	(1,152)
Depreciation charge for the year (Note 23)	-	(202)	(1,987)	(989)	(1,628)	(826)	-	(5,632)
Reversal	-	-	(412)	-	-	-	-	(412)
Exchange difference	-	-	14	4	50	74	-	142
Reclassification/Transfer	-	-	(511)	(104)	615	-	-	-
At end of year	6,591	3,364	2,136	2,465	4,080	4,623	194	23,453

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Freehold Land	Building	Leasehold Improvements	Plant and Machinery and Building Equipment	Furniture and Fittings, Computers and Office Equipment	Motor Vehicles	Capital Work-in-Progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 April 2018								
Cost	6,591	4,306	21,420	6,553	12,202	5,304	-	56,376
Accumulated depreciation	-	(1,143)	(20,423)	(4,774)	(8,686)	(1,545)	-	(36,571)
Net carrying amount	6,591	3,163	997	1,779	3,516	3,759	-	19,805
As at 30 April 2017								
Cost	6,591	4,306	20,709	6,304	11,488	5,724	194	55,316
Accumulated depreciation	-	(942)	(18,573)	(3,839)	(7,408)	(1,101)	-	(31,863)
Net carrying amount	6,591	3,364	2,136	2,465	4,080	4,623	194	23,453

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

2018	**Computers**
At Net Carrying Amount	**RM'000**
At beginning of year	4
Additions	-
Depreciation charge for the year (Note 23)	(2)
At end of year	2
2017	
At Net Carrying Amount	
At beginning of year	-
Additions	4
Depreciation charge for the year (Note 23)	-
At end of year	4
As at 30 April 2018	
Cost	10
Accumulated depreciation	(8)
Net carrying amount	2
As at 30 April 2017	
Cost	10
Accumulated depreciation	(6)
Net carrying amount	4

The additions in property, plant and equipment were acquired by way of:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash	1,950	2,028	-	4
Transfer from inventories	1,818	4,459	-	-
	3,768	6,487	-	4

4. OTHER INVESTMENT

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares outside Malaysia	685	779

5. SUBSIDIARY COMPANY

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares in Malaysia, at cost	504,000	504,000
ESOS granted to employees of subsidiary company	24,004	23,310
	528,004	527,310

The Group's equity interests in the subsidiary companies, their respective principal activities and country of incorporation are shown below:

Name	Country of incorporation	Principal activities	Effective interest held by Group^ % 2018	Group^ % 2017	Non-controlling interests^ % 2018	Non-controlling interests^ % 2017
Subsidiary of the Company						
Bermaz Motor Sdn Bhd	Malaysia	Investment holding and distribution of Mazda vehicles under licence in Malaysia.	100.00	100.00	-	-
Subsidiaries of Bermaz Motor Sdn Bhd						
Bermaz Motor Trading Sdn Bhd	Malaysia	Distribution and retailing of new and used Mazda vehicles and the provision of after sales services in respect thereof in Malaysia.	100.00	100.00	-	-
Bermaz Motor International Ltd	Malaysia	Investment holding.	100.00	100.00	-	-
Subsidiary of Bermaz Motor International Ltd						
Bermaz Auto Philippines Inc ("BAP")*	Philippines	Distribution of Mazda vehicles and spare parts through appointed dealers in the Philippines.	60.39	60.39	39.61	39.61

Notes:
* Audited by other member firms of Ernst & Young Global.
^ Equals to the proportion of voting rights held.

5. SUBSIDIARY COMPANY (CONTINUED)

Subsidiary company with material non-controlling interests

Summarised financial information of subsidiary company which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below are amounts before inter-company elimination.

	BAP	
Group	**2018**	**2017**
At 30 April	**RM'000**	**RM'000**
Non-current assets	16,418	17,447
Current assets	195,536	192,613
Non-current liabilities	(11,618)	(11,852)
Current liabilities	(77,486)	(71,885)
Net assets	122,850	126,323
Equity attributable to equity holders of the parent	75,109	77,342
Non-controlling interests	47,741	48,981
Total equity	122,850	126,323
Year ended 30 April		
Revenue	522,478	390,975
Profit for the year	27,741	34,747
Other comprehensive income	(18,794)	2,816
Total comprehensive income for the year	8,947	37,563
Profit attributable to:		
- Owners of the parent	16,753	20,910
- Non-controlling interests	10,988	13,837
	27,741	34,747
Total comprehensive income attributable to:		
- Owners of the parent	4,781	22,624
- Non-controlling interests	4,166	14,939
	8,947	37,563
At 30 April		
Net cash (used in)/generated from:		
Operating activities	(9,880)	26,943
Investing activities	1,463	767
Financing activities	(14,590)	6,848
Net change in cash and cash equivalents	(23,007)	34,558
Dividends paid to non-controlling interests	(5,406)	-

6. ASSOCIATED COMPANIES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares in Malaysia, at cost	69,131	69,131	43,631	43,631
Group's share of post-acquisition reserves	64,517	43,113	-	-
	133,648	112,244	43,631	43,631

The Group's equity interest in the associated companies, their respective principal activities and country of incorporation are shown below:

Name	Country of incorporation	Principal activities	Proportion of ownership interest (%) 2018	Proportion of ownership interest (%) 2017
Associated company of the Company				
Inokom Corporation Sdn Bhd ("INOKOM")	Malaysia	Manufacturing and assembly of light commercial and passenger vehicles, and contract assembly of passenger vehicles.	29	29
Associated company of Bermaz Motor Sdn Bhd				
Mazda Malaysia Sdn Bhd ("MMSB")	Malaysia	Local assembly of Mazda vehicles by third party contract assembler using local parts and imported Mazda supplied parts and domestic distribution through Bermaz Motor Sdn Bhd and export of Mazda vehicles assembled in Malaysia.	30	30

The financial year end of INOKOM and MMSB are 30 June and 31 March respectively. The results of the associated companies are accounted for in the Group's financial statements under the equity method, based on the most recently available audited financial statements and supplemented by the unaudited management financial statements of the associated companies made up to the Group's financial year end.

6. ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information in respect of the material associated companies is set out below. The summarised financial information represents the amounts in the financial statements of the associated companies and not the Group's share of those amounts.

Group	INOKOM	MMSB	Total
	RM'000	RM'000	RM'000
2018			
Non-current assets	166,704	166,997	333,701
Current assets	82,270	426,288	508,558
Non-current liabilities	(33,974)	(5,127)	(39,101)
Current liabilities	(56,202)	(338,173)	(394,375)
Net assets	158,798	249,985	408,783
Equity attributable to:			
Owners of the associated company	112,746	174,989	287,735
Non-controlling interests of the associated company	46,052	74,996	121,048
Total equity	158,798	249,985	408,783
2018			
Revenue	207,396	1,341,344	1,548,740
Profit for the year, representing total comprehensive income	21,195	52,322	73,517
Profit for the year/Total comprehensive income attributable to:			
- owners of the associated company	15,048	37,065	52,113
- non-controlling interests of the associated company	6,147	15,257	21,404
	21,195	52,322	73,517

Group	INOKOM	MMSB	Total
	RM'000	RM'000	RM'000
2017			
Non-current assets	180,623	155,839	336,462
Current assets	50,107	261,222	311,329
Non-current liabilities	(45,583)	(2,697)	(48,280)
Current liabilities	(47,544)	(216,701)	(264,245)
Net assets	137,603	197,663	335,266
Equity attributable to:			
Owners of the associated company	97,698	138,364	236,062
Non-controlling interests of the associated company	39,905	59,299	99,204
Total equity	137,603	197,663	335,266

6. ASSOCIATED COMPANIES (CONTINUED)

Group	INOKOM	MMSB	Total
	RM'000	RM'000	RM'000
2017			
Revenue	168,602	906,172	1,074,774
Profit for the year, representing total comprehensive income	14,872	20,608	35,480
Profit for the year/Total comprehensive income attributable to:			
- owners of the associated company	10,559	10,894	21,453
- non-controlling interests of the associated company	4,313	9,714	14,027
	14,872	20,608	35,480

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associated companies:

Group	INOKOM	MMSB	Total
	RM'000	RM'000	RM'000
2018			
Attributable to the owners of associated companies:			
Net assets as at beginning of financial year	137,603	197,663	335,266
Profit for the year	21,195	52,322	73,517
Net assets at end of financial year	158,798	249,985	408,783
Group's interest in associated companies (net of unrealised profit on transactions with associated company)	46,052	74,372	120,424
Goodwill	13,224	-	13,224
Carrying value of Group's interest in associated companies	59,276	74,372	133,648

Group	INOKOM	MMSB	Total
	RM'000	RM'000	RM'000
2017			
Attributable to the owners of associated companies:			
Net assets as at beginning of financial year	122,731	177,055	299,786
Profit for the year	14,872	20,608	35,480
Net assets at end of financial year	137,603	197,663	335,266
Group's interest in associated companies (net of unrealised profit on transactions with associated company)	39,905	59,115	99,020
Goodwill	13,224	-	13,224
Carrying value of Group's interest in associated companies	53,129	59,115	112,244

7. DEFERRED TAX ASSETS / (LIABILITY)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	42,798	44,372	-	1
Recognised in profit or loss (Note 25)	891	(1,981)	-	(1)
Exchange differences	(1,509)	407	-	-
At end of year	42,180	42,798	-	-

Presented after appropriate offsetting as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	42,180	42,903	-	-
Deferred tax liability	-	(105)	-	-
	42,180	42,798	-	-

The components and movements of deferred tax assets and liability during the financial year are as follows:

Group	**Deferred revenue**	**Provisions and others**	**Total**
Deferred tax assets	**RM'000**	**RM'000**	**RM'000**
2018			
At beginning of year	24,939	18,048	42,987
Recognised in profit or loss	(274)	1,090	816
Exchange differences	(914)	(595)	(1,509)
At end of year	23,751	18,543	42,294
Set-off against deferred tax liabilities			(114)
			42,180
2017			
At beginning of year	26,012	18,734	44,746
Recognised in profit or loss	(1,299)	(867)	(2,166)
Exchange differences	226	181	407
At end of year	24,939	18,048	42,987
Set-off against deferred tax liabilities			(84)
			42,903

	Company	
Deferred tax assets	**2018 RM'000**	**2017 RM'000**
Accelerated capital allowances		
At beginning of year	-	1
Recognised in profit or loss	-	(1)
At end of year	-	-

7. DEFERRED TAX (CONTINUED)

Group Deferred tax liability	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
2018			
At beginning of year	(96)	(93)	(189)
Recognised in profit or loss	28	47	75
At end of year	(68)	(46)	(114)
Set-off against deferred tax assets			114
			-
2017			
At beginning of year	(97)	(277)	(374)
Recognised in profit or loss	1	184	185
At end of year	(96)	(93)	(189)
Set-off against deferred tax assets			84
			(105)

8. GOODWILL

	Group 2018 RM'000	Group 2017 RM'000
At beginning/end of year	500	500

Goodwill relates to the excess of the purchase consideration over the total value of the assets and liabilities of a subsidiary, principally engaged in automotive segment in Malaysia, that was acquired in business combination. The useful life of the goodwill is estimated to be indefinite.

9. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
At cost:		
Motor vehicles ready for sale	178,465	340,320
Spare parts	23,212	18,976
	201,677	359,296
At net realisable value:		
Motor vehicles ready for sale	34,315	64,690
Spare parts	11,390	10,672
	45,705	75,362
	247,382	434,658

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM1,634,863,000 (2017: RM1,369,528,000).

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	82,769	54,510	-	-
Less: Allowance for impairment	(2,461)	(112)	-	-
	80,308	54,398	-	-
Other receivables				
Deposits	2,979	2,831	-	-
Sundry receivables	8,227	15,987	110	87
Amount owing by an associated company	223	223	-	-
Amount owing by a subsidiary company	-	-	-	18,000
	11,429	19,041	110	18,087
	91,737	73,439	110	18,087
Other current assets				
Prepayments	8,697	5,532	71	82
Dividend receivable from a subsidiary company	-	-	100,000	37,000
	8,697	5,532	100,071	37,082
Total trade and other receivables	100,434	78,971	100,181	55,169

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group's normal credit term ranges from 30 to 90 (2017: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of trade receivables, other than an amount of RM8,287,000 (2017: RM9,590,000) due from Azam Motors Sdn. Bhd.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	78,907	51,016
1 to 30 days past due not impaired	575	2,774
31 to 60 days past due not impaired	511	414
61 to 90 days past due not impaired	315	194
91 to 120 days past due not impaired	-	-
	1,401	3,382
Impaired	2,461	112
	82,769	54,510

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,401,000 (2017: RM3,382,000) that are past due at the reporting date but not impaired. This includes mainly trade receivables past due for technical or strategic reasons and there is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2018 RM'000	2017 RM'000
Trade receivables - nominal amounts	2,461	112
Less: Allowance for impairment	(2,461)	(112)
	-	-

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired (continued)

Movement in allowance accounts:

	Group 2018 RM'000	Group 2017 RM'000
At beginning of year	112	-
Charge for the year (Note 23)	2,349	112
At end of year	2,461	112

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Management conducts periodic assessment on its trade receivable balances on account-by-account basis. Hence, all impairment losses are provided for specific trade receivable balances. Management are of the opinion that there are no further factors that warrants the consideration of additional impairment losses on a collective basis.

(b) Other receivables

The amount owing by an associated company is non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the sundry receivables and deposits are unsecured and non-interest bearing.

11. DERIVATIVE LIABILITY

	Group			
	2018		2017	
	Contract amount RM'000	Derivative Liabilities RM'000	Contract amount RM'000	Derivative Liabilities RM'000
Non-hedging derivatives				
Current				
Forward currency contracts	18,648	(292)	7,847	(41)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge certain of the Group's purchases denominated in Japanese Yen for firm commitments existed at the reporting date. The fair value changes relating to those forward currency contracts outstanding at the reporting date resulted in the recognition of derivative liabilities for the current financial year.

	Group 2018 RM'000	Group 2017 RM'000
At beginning of year	(41)	1,152
Fair value changes on forward currency contracts (Note 23)	(251)	(1,193)
At end of year	(292)	(41)

12. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with:				
Licensed banks	154,419	67,529	28,355	14,444

The range of interest rates per annum and maturities of deposits as at reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
Interest rates per annum (%)				
Licensed banks	0.25 - 3.90	0.25 - 3.50	2.80 - 3.90	2.60 - 3.50
Maturities (days)				
Licensed banks	1 - 21	1 - 81	5 - 21	4 - 81

13. CASH AND BANK BALANCES

Certain cash at banks of the Group and the Company earn interest based on daily bank deposit rates.

14. SHARE CAPITAL

	Group and Company			
	Number of shares		Share capital	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At beginning of year	1,154,080	1,146,672	594,747	573,336
Employees' share options exercised	7,419	7,408	8,044	4,297
Employees' share options forfeited	-	-	166	67
Pursuant to Section 618(2) of Companies Act 2016	-	-	-	17,047
At end of year	1,161,499	1,154,080	602,957	594,747

The holders of ordinary shares (other than treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All the ordinary shares (other than treasury shares) rank equally with regard to the Company's residual assets.

15. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Merger deficit (Note a)	(424,000)	(424,000)	-	-
ESOS reserve (Note b)	3,441	7,107	3,441	7,107
Consolidation reserve (Note c)	32,981	32,981	-	-
Exchange reserve	(8,273)	3,699	-	-
	(395,851)	(380,213)	3,441	7,107
Retained earnings (Note d)	274,250	233,055	100,769	42,704
	(121,601)	(147,158)	104,210	49,811

Notes:

(a) Merger deficit

Merger deficit represents the difference between the cost of acquisition and the nominal value of the share capital and reserves of the subsidiary company acquired.

(b) ESOS reserve

The ESOS reserve represents the equity-settled share options granted to certain directors and employees of the Group. The ESOS reserve is made up of the cumulative value of services received from those directors and employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry, forfeiture or exercise of the share options.

(c) Consolidation reserve

The consolidation reserve comprises the consolidation effects of changes in the Group's equity interests in a subsidiary company which does not result in loss of control.

(d) Retained earnings

The entire retained earnings of the Company is available for distribution as single-tier dividends.

16. TREASURY SHARES

	Group and Company Ordinary shares 2018 Number of shares '000	2017 Number of shares '000	2018 RM'000	2017 RM'000
At beginning of year	2,025	1,400	4,173	2,783
Shares bought back during the year	210	625	420	1,390
At end of year	2,235	2,025	4,593	4,173

Pursuant to an Annual General Meeting ("AGM") held on 10 October 2017, the Company has renewed the mandate relating to the share buyback of up to 10% of the existing share capital.

During the financial year, the Company bought back 210,000 shares from the open market for RM420,000 or at an average price of RM2.00 per share. These transactions were financed by internally generated funds. The shares bought back are held as treasury shares and none of the shares were cancelled.

The details of the shares bought back during the financial year are as follows:

Month	Price per share (RM) Lowest	Highest	Average	Number of shares '000	Total consideration RM'000
March 2018	1.99	2.00	2.00	210	420

17. DEFERRED REVENUE

The Group provides free maintenance service package for 3 years (limited to 60,000 kilometres) or 5 years (limited to 100,000 kilometres) on certain Mazda models.

Deferred revenue represents a part of the sale proceeds received from customers which relates to service maintenance in which the service has not been rendered. The amount of sales proceeds apportioned to service maintenance is measured at its fair value which is calculated based on the actual number of vehicles sold, past maintenance service performed and estimated charges to customers.

	Group 2018 RM'000	2017 RM'000
At beginning of year	102,889	112,462
Deferred during the year	50,152	48,691
Recognised during the year	(56,671)	(59,178)
Exchange difference	(3,047)	914
At end of year	93,323	102,889
At end of year:		
Current	45,029	46,253
Non-current:		
Later than 1 year but not later than 2 years	30,142	39,989
Later than 2 years but not later than 3 years	18,142	16,458
Later than 3 years but not later than 5 years	10	189
	48,294	56,636
	93,323	102,889

17. DEFERRED REVENUE (CONTINUED)

Deferred revenue is reassessed annually based on the actual service claims from the vehicles previously sold. Any estimated apportioned service maintenance relating to deferred revenue exceeding the amount necessary to cover the service claims on motor vehicles sold is recognised as revenue during the year.

18. PROVISIONS

Group	Incentives RM'000	Warranty RM'000	Restoration cost RM'000	Total RM'000
2018				
At beginning of year	2,131	22,161	3,060	27,352
Additional provision	16,101	20,814	-	36,915
Reversal during the year	(987)	(901)	-	(1,888)
Utilisation of provision	(7,066)	(8,924)	-	(15,990)
Unwinding of discount (Note 22)	-	-	97	97
Exchange difference	-	(1,490)	-	(1,490)
At end of year	10,179	31,660	3,157	44,996
2018				
Current	10,179	16,420	1,552	28,151
Non-current	-	15,240	1,605	16,845
	10,179	31,660	3,157	44,996
2017				
At beginning of year	5,282	23,111	3,591	31,984
Additional provision	8,812	9,780	-	18,592
Reversal during the year	(2,411)	(3,006)	(630)	(6,047)
Utilisation of provision	(9,552)	(8,145)	-	(17,697)
Unwinding of discount (Note 22)	-	-	99	99
Exchange difference	-	421	-	421
At end of year	2,131	22,161	3,060	27,352
2017				
Current	2,131	14,732	343	17,206
Non-current	-	7,429	2,717	10,146
	2,131	22,161	3,060	27,352

Notes:

(a) Incentives

The Group provides sales incentives for car dealers who achieve cumulative sales target level. The incentive entitlement is communicated to the dealers periodically and are paid during and/or after financial year end. The provision for sales incentive is based on the car dealers' progress towards achieving their agreed annual sales targets.

18. PROVISIONS (CONTINUED)

Notes: (continued)

(b) Warranty

In Malaysia, the Group gives 3 or 5 years warranty or attainment of 100,000 kilometres, whichever is earlier, on locally assembled vehicles and undertakes to repair or replace parts that fail to perform satisfactorily. For imported vehicles, the manufacturer gives to the Group's customers a 3 years warranty or attainment of 100,000 kilometres, whichever is earlier. The Group extends an additional 2 years warranty in addition to the 3 years provided by the manufacturer, for certain models sold in Malaysia.

In the Philippines, the Group provides free maintenance and product warranty for a period of 3 years for all types of Mazda models. The maintenance service covers parts and labour costs for every scheduled service for the first three years or 60,000 kilometres, whichever comes first. The Group gives the three-year product warranty or attainment of 100,000 kilometres, whichever is earlier.

A provision is made for expected warranty claims on vehicles sold during the year, based on past experience of the level of repairs of similar type of vehicles. Assumptions used to calculate the provision for warranty were based on sales levels, past and current information available about repairs performed during warranty periods for similar type of vehicles sold.

(c) Restoration cost

A provision for restoration cost is recognised for expected costs to be incurred to restore the rented premise in accordance to the stipulation in the tenancy agreement. The Group provides for the cost to restore the premises to its original state and condition. The provision is based on the best estimate of the direct expenditure to be incurred upon the expiry of tenancy period. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

19. SHORT TERM BORROWINGS

	Group	
	2018 RM'000	2017 RM'000
Bankers' acceptance	46,065	58,880

The interest rate per annum at the reporting date for bankers' acceptance is 5.05% (2017: 4.69% - 4.96%).

20. TRADE AND OTHER PAYABLES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade payables				
Third parties	74,828	179,992	-	-
Amount owing to an associated company	31,515	61,792	-	-
	106,343	241,784	-	-
Other payables				
Sundry payables	17,540	18,882	30	57
Refundable deposits from customers	2,103	1,650	-	-
Accruals	14,257	7,785	261	227
	33,900	28,317	291	284
	140,243	270,101	291	284

(a) Trade payables

These amounts are non-interest bearing except for interest levied on late payments. Trade payables are normally settled on 30 - 90 days (2017: 30 - 90 days).

(b) Other payables

The refundable deposits are received from customers upon booking confirmation and will be set-off against the total invoiced amounts upon delivery of vehicles.

21. REVENUE

Revenue consists of the following:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Sale of motor vehicles	1,840,976	1,522,262	-	-
Sale of spare parts	109,531	94,220	-	-
Maintenance and fitting of motor vehicle accessories services	42,361	43,515	-	-
Dividend income from:				
- subsidiary company	-	-	157,200	125,000
	1,992,868	1,659,997	157,200	125,000

22. FINANCE COSTS

	Group 2018 RM'000	Group 2017 RM'000
Interest expense on bankers acceptances and trusts receipts	4,689	2,866
Interest expense paid to an associated company	854	-
Unwinding of discount on provision (Note 18)	97	99
	5,640	2,965

23. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging:				
Directors' remuneration (Note 24)				
- emoluments (excluding benefits-in-kind)	5,261	3,762	35	18
- fees	219	285	219	185
Auditors' remuneration				
- statutory audit fee	199	196	35	35
- fees for non audit services	126	145	26	135
Depreciation of property, plant and equipment (Note 3)	5,636	5,632	2	-
Inventories written down/off	1,520	2,639	-	-
Allowances for impairment in receivables (Note 10(a))	2,349	112	-	-
Rental expenses	11,572	9,062	-	-
Staff costs (Note a)	44,628	42,429	-	-
Provision for warranty (net of reversal)	19,913	6,774	-	-
Provision for incentives (net of reversal)	15,114	6,401	-	-
Loss on foreign exchange				
- realised	-	2,524	-	-
- unrealised	1,077	-	-	-
Fair value adjustment on derivatives (Note 11)	251	1,193	-	-
and crediting:				
Gain on disposal of property, plant and equipment	(354)	(337)	-	-
Gain on disposal of unit trusts	-	(15)	-	(15)
Rental income from an associated company	(264)	(264)	-	-
Interest income from financial institutions	(2,657)	(3,183)	(635)	(904)
Interest income from unit trusts	-	(532)	-	(532)
Gain on foreign exchange				
- realised	(8,982)	-	-	-
- unrealised	-	(442)	-	-

23. PROFIT BEFORE TAX (CONTINUED)

(a) Staff costs consist of the following:

	Group	
	2018 RM'000	2017 RM'000
Wages, salaries, bonuses, allowances and other emoluments	34,095	31,697
Social security costs and employees insurance	316	287
Pension costs		
- defined contribution plans	4,588	3,626
Share-based payments under ESOS (Note b)	694	2,171
Other staff related expenses	4,935	4,648
	44,628	42,429

Note: Staff costs exclude remuneration of executive directors.

(b) Share-based payments under ESOS consist of the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share-based payments for:				
- employees of the Group	694	2,171	-	-
- directors of the Company	68	216	68	216
	762	2,387	68	216

24. DIRECTORS' REMUNERATION

The aggregate directors' remuneration for all directors of the Company categorised into appropriate components for the financial year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
Executive				
Salaries and other emoluments	3,726	1,632	-	-
Performance incentive	1,500	1,000	-	-
Benefits-in-kind	26	25	-	-
	5,252	2,657	-	-
Non-executive				
Fees	219	285	219	185
Other emoluments	35	1,130	35	18
	254	1,415	254	203
Total directors' remuneration (excluding share-based payments)	5,506	4,072	254	203

25. INCOME TAX EXPENSE

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Income tax:				
- Malaysian	33,942	26,644	152	216
- Foreign tax	13,765	15,180	-	-
	47,707	41,824	152	216
Overprovision in respect of prior years				
- Malaysian tax	(712)	(132)	-	-
	46,995	41,692	152	216
Deferred tax (Note 7)				
- Relating to origination and reversal of temporary differences	(950)	2,004	-	1
- Under/(over)provision in prior years	59	(23)	-	-
	(891)	1,981	-	1
Total income tax expense	46,104	43,673	152	217

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit before tax	197,067	175,158	156,997	125,000
Applicable tax rate (%)	24	24	24	24
Taxation at applicable tax rate	47,296	42,038	37,679	30,000
Income not subject to tax	(27)	(131)	(37,728)	(30,131)
Expenses not deductible under tax legislation	2,239	2,353	201	348
Effect of different tax rate in other country	2,386	2,934	-	-
Effect of share of result of associated companies	(5,137)	(3,366)	-	-
Overprovision of income tax in prior years	(712)	(132)	-	-
Under/(over)provision of deferred tax in prior years	59	(23)	-	-
Income tax expense for the year	46,104	43,673	152	217

26. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares with voting rights in issue during the financial year.

	Group	
	2018 RM'000	2017 RM'000
Profit attributable to equity holders	139,975	117,648
Weighted average number of ordinary shares with voting rights in issue ('000)	1,154,623	1,147,585
Basic earnings per share (sen)	12.12	10.25

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares with voting rights in issue during the financial year, have been adjusted for the dilutive effects of the dilutive instruments of the Group.

	Group	
	2018 RM'000	2017 RM'000
Profit attributable to equity holders	139,975	117,648
Weighted average number of ordinary shares with voting rights in issue ('000)	1,154,623	1,147,585
Assumed shares issued from the exercise of employees' share options ('000)	1,090	6,743
Adjusted weighted average number of ordinary shares with voting rights ('000)	1,155,713	1,154,328
Diluted earnings per share (sen)	12.11	10.19

27. DIVIDENDS

	Company			
	2018 Dividend per share Sen	2018 Dividend RM'000	2017 Dividend per share Sen	2017 Dividend RM'000
Recognised during the year				
Single-tier dividends:				
In respect of prior year				
- Fourth interim dividend of 3.15 sen approved in respect of financial year ended 30 April 2017 (2017: Fourth interim dividend of 2.5 sen and special dividend of 7.5 sen approved in respect of financial year ended 30 April 2016)	3.15	36,298	10.00	114,536
In respect of current year				
- First interim dividend of 1.50 sen approved in respect of financial year ended 30 April 2018 (2017: First interim dividend of 3.00 sen approved in respect of financial year ended 30 April 2017)	1.50	17,290	3.00	34,365
- Second interim dividend of 1.60 sen approved in respect of financial year ended 30 April 2018 (2017: Second interim dividend of 2.75 sen approved in respect of financial year ended 30 April 2017)	1.60	18,531	2.75	31,642
- Third interim dividend of 2.30 sen approved in respect of financial year ended 30 April 2018 (2017: Third interim dividend of 2.75 sen approved in respect of financial year ended 30 April 2017)	2.30	26,661	2.75	31,681
	8.55	98,780	18.50	212,224

On 12 June 2018, the Company declared and approved a fourth interim single-tier dividend of 2.30 sen per share and a special single-tier dividend of 2.70 sen per share in respect of the financial year ended 30 April 2018 amounting to about RM58,095,000. The financial statements for the current financial year do not reflect these dividends. These dividends will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2019.

28. SEGMENTAL INFORMATION

The Group operates predominantly in one business segment in Malaysia and outside Malaysia. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Unallocated assets/liabilities include items relating to investing and financing activities and items that cannot be reasonably allocated to individual segments.

Results	2018 RM'000	2017 RM'000
Malaysia	140,511	113,261
Philippines	39,095	49,127
	179,606	162,388
Unallocated corporate expenses	(960)	(1,475)
	178,646	160,913
Investment related income		
- Interest income	2,657	3,183
Finance costs	(5,640)	(2,965)
Share of results of associates	21,404	14,027
Profit before tax	197,067	175,158
Income tax expense	(46,104)	(43,673)
Profit for the year	150,963	131,485

	Revenue RM'000	Capital expenditure RM'000	Assets RM'000	Liabilities RM'000
2018				
Malaysia	1,470,390	1,796	474,603	191,178
Philippines	522,478	1,972	199,787	87,676
	1,992,868	3,768	674,390	278,854
Unallocated items	-	-	177,349	48,381
Total	1,992,868	3,768	851,739	327,235
2017				
Malaysia	1,269,022	1,711	583,728	317,848
Philippines	390,975	4,776	198,124	82,535
	1,659,997	6,487	781,852	400,383
Unallocated items	-	-	173,830	62,902
Total	1,659,997	6,487	955,682	463,285

29. EMPLOYEES' SHARE OPTION SCHEME

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 26 September 2013. The ESOS is administered by a committee ("ESOS Committee").

All eligible directors and employees are entitled to a grant of options. The Grantee is an eligible director/employee who has accepted the offer of the options. The aggregate number of shares which a Grantee can subscribe under his option in a particular year shall at all times be subject to a maximum of twenty per cent of the total number of shares comprising the options held by such Grantee. However, options which are exercisable in a particular year can be carried forward and be exercised in the subsequent years. The exercise price of the first offer of the share options is equal to the initial public offer price of the shares in the Company and for subsequent offers, the subscription price shall be the five-day weighted average market price of the shares in the Company on the date of offer, with a discount not exceeding ten per cent. The ESOS is for a period of five (5) years from the effective date which is 18 November 2013. The ESOS Committee shall have the discretion to extend the tenure of the ESOS for another five (5) years or such shorter period as it deems fit immediately from the expiry of the first five (5) years. There are no cash settlement alternatives.

The grant dates of the first offer and second offer of ESOS were from 18 November 2013 to 2 December 2013 and from 25 November 2014 to 9 December 2014, respectively.

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

	Company			
	1st Offer Units	2nd Offer Units	Total Units	WAEP RM
Outstanding at beginning of year	8,786,100	4,062,800	12,848,900	1.03
- Forfeited	(91,000)	(266,000)	(357,000)	1.75
- Exercised	(7,375,900)	(43,000)	(7,418,900)	0.51
Outstanding / Exercisable at end of year	1,319,200	3,753,800	5,073,000	1.74

The following table lists the fair values of the options granted, which were estimated at the grant dates.

	Group	
Fair value of options to be vested	**1st Offer RM**	**2nd Offer RM**
On the grant date	0.63	0.71
1 year from the grant date	0.62	0.71
2 years from the grant date	0.61	0.71
3 years from the grant date	0.58	0.71
4 years from the grant date	0.57	-

- The weighted average share price at the date of exercise of the options exercised during the financial year was RM2.21.
- The exercise price for options outstanding at the end of the year was RM0.50 per share and RM2.18 per share (revised after bonus issue) for first offer and second offer, respectively. The remaining contractual life for these options is 0.54 year.

29. EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

Fair value of share options granted

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing model:

	1st offer Grant dates 18.11.2013 to 2.12.2013	2nd offer Grant dates 25.11.2014 to 9.12.2014
Dividend yield (%)	3.03 - 3.83	3.13 - 3.28
Expected volatility (%)	24.18	37.23
Risk-free interest rate (% p.a)	3.79 - 4.10	3.65 - 3.88
Expected life of options (Years)	5	4
Underlying share price (RM)	0.80 - 0.89	1.00

The expected life of the options is based on the contractual life of the options. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the options, is indicative of future trends, which may not necessarily be the actual outcome.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the notes to financial statements, the Group had the following significant transactions with related parties during the financial year:

	Group	
	2018 RM'000	2017 RM'000
Transactions with MMSB* :		
Purchase of motor vehicles	706,494	445,817
Management fees income received	(2,264)	(2,264)
Interest expense paid	854	-
Rental income received	(264)	(264)

Note:
***** Associated company of the Group.

31. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the key management personnel, who are the directors and other senior management personnel of the Group and of the Company, are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term benefits	11,031	8,853	254	203
Post-employment benefits	874	917	-	-
Share-based payments	220	691	67	216
	12,125	10,461	321	419

32. COMMITMENTS

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure		
Property, plant and equipment		
- approved and contracted for	-	419
Non-cancellable operating lease commitments as lessee		
- Within 1 year after reporting date	6,353	5,863
- Later than 1 year but not more than 5 years	4,054	1,728
	10,407	7,591

33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees to banks for credit facilities granted to subsidiary companies. Included in such facilities granted to subsidiary companies is a trade financing facility, which allows third party utilisation by a supplier. As at the reporting date, the amount utilised by the supplier amounted to RM55,216,110 (2017: RM86,501,580). The Company has assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is not material as the likelihood of default is remote.

34. FAIR VALUE MEASUREMENT

The Group and the Company measure the fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 Quoted (unadjusted) market price in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Financial instruments that are measured at fair value

The table below analyses the financial instruments measured at fair value at the reporting date, according to the level in the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Financial liability				
Derivative liability	-	292	-	292
2017				
Financial liability				
Derivative liability	-	41	-	41

Forward currency contracts are valued using a valuation technique with market observable inputs.

35. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2.2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	Note	Loans and receivables RM'000	Available-for-sale RM'000	Total RM'000
2018				
Financial assets				
Other investment	4	-	685	685
Trade and other receivables	10	91,737	-	91,737
Deposits with financial institutions	12	154,419	-	154,419
Cash and bank balances	13	152,350	-	152,350
		398,506	685	399,191

		Loans and receivables RM'000	Available-for-sale RM'000	Total RM'000
2017				
Financial assets				
Other investment	4	-	779	779
Trade and other receivables	10	73,439	-	73,439
Deposits with financial institutions	12	67,529	-	67,529
Cash and bank balances	13	177,241	-	177,241
		318,209	779	318,988

		At amortised cost RM'000	Fair value through profit or loss RM'000	Total RM'000
2018				
Financial liabilities				
Derivative liability	11	-	292	292
Short term borrowings	19	46,065	-	46,065
Trade and other payables	20	138,140	-	138,140
		184,205	292	184,497

		At amortised cost RM'000	Fair value through profit or loss RM'000	Total RM'000
2017				
Financial liabilities				
Derivative liability	11	-	41	41
Short term borrowings	19	58,880	-	58,880
Trade and other payables	20	268,451	-	268,451
		327,331	41	327,372

35. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

Company	Note	2018 Loans and receivables RM'000	2017 Loans and receivables RM'000
Financial assets			
Trade and other receivables	10	110	18,087
Deposits with financial institutions	12	28,355	14,444
Cash and bank balances	13	2,662	95
		31,127	32,626

		2018 RM'000	2017 RM'000
Financial liability - At amortised cost			
Trade and other payables	20	291	284

(b) Fair value

(i) Financial instruments that are measured at fair value

Information of financial instruments of the Group that are measured at fair value is disclosed in Note 34.

(ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade and other receivables	10
Deposits with financial institutions	12
Short term borrowings	19
Trade and other payables	20

The carrying amounts of these financial asset and liability are reasonable approximation of fair values due to either insignificant impact of discounting from their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value (continued)

(iii) Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair values

	Group			
	2018 Carrying amount RM'000	2018 Fair value RM'000	2017 Carrying amount RM'000	2017 Fair value RM'000
Financial asset				
Other investment				
-Unquoted shares	685	- *	779	- *

Note:

* This investment is carried at cost less accumulated impairment loss as their fair values cannot be measured reliably due to the absence of an active market and reliable input data.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management policies of the Group seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its market risk (including interest rate risk and foreign currency risk), liquidity risk and credit risk. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s and the Company’s financial instruments will fluctuate because of changes in market interest rates.

The interest-bearing assets are made up of deposits with licensed financial institutions.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rate obtainable, which yield better returns than cash at bank and by maintaining deposits and actively reviewing its portfolio of deposits.

The Group manages its interest risk exposure by actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Interest rate risk (continued)

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial rate instruments				
Financial assets - fixed rate	154,419	67,529	28,355	14,444
Financial liabilities - floating rate	46,065	58,880	-	-

Fair value sensitivity analysis for floating rate instruments

At the reporting date, if interest rates had been 25 basis points higher or lower, with all other variables held constant, the Group's profit net of tax would have been RM88,000 (2017: RM112,000) lower or higher mainly as a result of higher or lower interest expense on floating rate short term borrowings.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (where revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investment in a foreign subsidiary.

The Group is exposed to transactional currency risk primarily through purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to risk are primarily Japanese Yen ("JPY") and United States Dollar ("USD").

The Group uses forward currency contracts to eliminate currency exposures resulting from fluctuations in foreign currency rates for which payment is anticipated more than one month after the Group has entered into a firm commitment for purchase. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the derivatives to match the terms of the payments to minimise the exposure to foreign currency risk.

Sensitivity analysis for currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in JPY and USD exchange rates against the functional currencies of the Group, with all other variables held constant:

		2018 RM'000	2017 RM'000
Group			
Increase/(Decrease) to profit net of tax			
JPY/MYR	- Strengthened by 5% (2017: 5%)	1,343	3,650
	- Weakened by 5% (2017: 5%)	(1,343)	(3,650)
USD/PHP	- Strengthened by 5% (2017: 5%)	104	259
	- Weakened by 5% (2017: 5%)	(104)	(259)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's credit risk is primarily attributable to trade receivables.

Receivables

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

New vehicles sales are still largely derived from authorised car dealers and as such, the Group has a normal credit policy in place and the exposure is monitored on an going basis. The Group also extends credit risk to spare parts dealers, selective corporate purchasers and finance companies. Bank guarantees are required on a selective basis to secure the line of credit from the Group.

Exposure to credit risk, credit quality and collateral

As at 30 April 2018, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group actively manages its operating cash flows and the availability of fund so as to ensure that all funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

Analysis of undiscounted financial instruments by remaining contractual maturities

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2018				
Financial liabilities				
Trade and other payables	140,243	-	-	140,243
Short term borrowings	46,065	-	-	46,065
Derivative liability	292	-	-	292
	186,600	-	-	186,600
2017				
Financial liabilities				
Trade and other payables	270,101	-	-	270,101
Short term borrowings	58,880	-	-	58,880
Derivative liability	41	-	-	41
	329,022	-	-	329,022

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Analysis of undiscounted financial instruments by remaining contractual maturities(continued)

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2018				
Financial liability				
Trade and other payables	291	-	-	291
2017				
Financial liability				
Trade and other payables	284	-	-	284

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt represents short term borrowings less deposits with financial institutions and cash and bank balances. Total equity represents net equity attributable to the owners of the parent plus non-controlling interests.

		Group	
	Note	2018 RM'000	2017 RM'000
Deposits with financial institutions	12	154,419	67,529
Cash and bank balances	13	152,350	177,241
Short term borrowings	19	(46,065)	(58,880)
Net cash		260,704	185,890
Equity attributable to the owners of the Company		476,763	443,416
Non-controlling interests		47,741	48,981
Total equity		524,504	492,397
Net gearing ratio		N/A	N/A

The gearing ratio is not governed by the MFRS and its definition and calculation may vary from one group/company to another.

Report on the financial statements

Opinion

We have audited the financial statements of Bermaz Auto Berhad, which comprise the statements of financial position as at 30 April 2018 of the Group and of the Company, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 128.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 30 April 2018, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibility

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that content.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters (cont'd)

Provision for warranty

(Refer to Note 18 -Provisions to the financial statements)

Provision for warranty amounting to RM31.7 million, formed 10% of liabilities of the Group as at 30 April 2018. The Group provides various types of warranties under which the performance of vehicles sold is generally guaranteed for a specified period of time. The Group recognises a provision for warranty when it determines that it is probable that an outflow of resources is more likely than not to occur in respect of its obligation to either repair or replace any parts of the vehicles covered under warranty.

The provision for warranty represents the Group's best estimate of contractual obligations arising from the warranties provided on the vehicles sold for a specified period of time beginning on the date of sale to the end customer. This estimate includes assumptions on the timing of warranty claims, the cost to either repair or replace any parts of the vehicles covered by the warranty and historical claims experience for the various models of vehicles.

A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. The evidence considered will also include any additional evidence provided by events after the reporting period. Accordingly, we consider this area to be an area of audit focus.

Our procedures to address this area of focus include, amongst others, the following:

(a) Obtaining an understanding of the relevant internal controls of the Group over the estimation of provision for warranty;
(b) Discussing the basis of provision and assumptions with the management to obtain an understanding of the related data (such as claims histories) used as inputs to the provision computation;
(c) Corroborating the validity of the actual claims to the approved claim forms;
(d) Assessing the adequacy of the provision for warranty by comparing the estimates made with the average historical claim rates of the respective vehicle models; and
(e) Assessing the appropriateness of discount rates used to determine the present value of the provision for warranty.

We have also evaluated the adequacy of the disclosure as presented in the Note 18 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Information other than the financial statements and auditors' report thereon (cont'd)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

Auditors' responsibilities of audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards in Auditing ("ISA"), we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' responsibilities of audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the director with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

KUA CHOO KAI
No. 02030/03/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 1 August 2018

LIST OF PROPERTY

Location	Tenure	Size	Description	Estimated age of building (Years)	Date of acquisition	Net book value RM'000
Lot No. 765 Jalan Padang Jawa Section 16 40200 Shah Alam Selangor Darul Ehsan	Freehold	4.49 acres	Single storey detached factory/warehouse with an annexed 2-storey office building & ancillary buildings	10	30/06/08	7,436

Material Contracts Involving Directors and Major Shareholders

Neither the Company nor any of its subsidaries have entered into any contracts which are or may be material (not being contracts entered into, in the ordinary course of business) involving Directors' and Major Shareholders' interests since the end of the previous financial year.

Non-Audit Fees

The amount of non-audit fees incurred for service rendered to the Group for the financial year ended 30 April 2018 amounted to RM126,203.

Employees' Share Option Scheme ("ESOS")

The Company ("BAuto") had granted options under the Employees' Share Option Scheme ("ESOS") governed by the By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 26 September 2013. The ESOS is to be in force for a period of 5 years from 18 November 2013.

There is one (1) ESOS in existence during the financial year ended 30 April 2018 with information as follows:-

	During the financial year ended 30 April 2018
Total number of options granted & accepted	–
Total number of options forfeited	357,000
Total number of options exercised	7,418,900
Total options outstanding	2,806,400

Granted to Directors & Chief Executive	During the financial year ended 30 April 2018
Aggregate options or shares granted	–
Aggregate options exercised or shares vested	1,652,000
Aggregate options or shares outstanding	–

Granted to Directors & Senior Management	During the financial year ended 30 April 2018	Since commencement of the ESOS on 18 November 2013
Aggregate maximum allocation in percentage	–	36.07%
Actual percentage granted	8.12%	35.50%

STATEMENT OF DIRECTORS' SHAREHOLDINGS
as at 13 July 2018

The Company	Number of Ordinary Shares			
	Direct Interest	%	Deemed Interest	%
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	54,000	–	–	–
Dato' Sri Yeoh Choon San	1,172,000	0.10	175,950,000	15.14
Dato' Lee Kok Chuan	1,193,325	0.10	174,000,000	14.98
Dato' Abdul Manap Bin Abd Wahab	–	–	196,000 #	0.02
Loh Chen Peng	430,000	0.04	–	–

	Number of ordinary shares granted under Employees' Share Option Scheme			
	Direct Interest	%	Deemed Interest	%
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	–	–	–	–
Dato' Sri Yeoh Choon San	–	–	–	–
Dato' Lee Kok Chuan	–	–	–	–
Dato' Abdul Manap Bin Abd Wahab	–	–	–	–
Loh Chen Peng	–	–	–	–

# Denotes Indirect Interest pursuant to Section 59(11)(c) of the Companies Act, 2016.

Save as disclosed, none of the other Directors of the Company had any interest in the shares of the Company and its related Corporations as at 13 July 2018.

Substantial Shareholders as at 13 July 2018

	Number of Ordinary Shares			
Name	Direct Interest	%	Deemed Interest	%
Dynamic Milestone Sdn Bhd	174,000,000	14.98	–	–
Dato' Sri Yeoh Choon San	1,172,000	0.10	175,950,000 [a]	15.14
Dato' Lee Kok Chuan	1,193,325	0.10	174,000,000 [b]	14.98
Dato' Amer Hamzah Bin Ahmad	4,444,000	0.38	174,000,000 [b]	14.98
Employees Provident Fund Board	155,863,200	13.41	–	–

[a] Deemed Interested by virtue of his interest in Dynamic Milestone Sdn Bhd and Podium Success Sdn Bhd.
[b] Deemed Interested by virtue of his interest in Dynamic Milestone Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS
as at 13 July 2018

Size of Shareholdings	No. of Shareholders	%	No. of Ordinary Shares	%
less than 100	166	2.39	6,114	0.00
100 - 1,000	3,590	51.77	1,167,439	0.10
1,001 - 10,000	2,100	30.29	7,949,780	0.69
10,001 - 100,000	617	8.90	20,496,058	1.76
100,001 - 58,095,393	459	6.62	866,046,077	74.54
58,095,394 and above*	2	0.03	266,242,420	22.91
Total	**6,934**	**100.00**	**1,161,907,888**	**100.00**

Note: There is only one class of shares in the paid-up capital of the Company. Each share entitles the holder to one vote.
* Denotes 5% of the total number of issued shares with voting rights in issue.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	Name Of Shareholders	No. of Ordinary Shares	(%)
1	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Dynamic Milestone Sdn Bhd (410544)	174,000,000	14.98
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	92,242,420	7.94
3	Amanahraya Trustees Berhad Amanah Saham Bumiputera	55,495,100	4.78
4	Permodalan Nasional Berhad	45,454,900	3.91
5	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore For Ntasian Discovery Master Fund	34,821,800	3.00
6	Kumpulan Wang Persaraan (DiPerbadankan)	30,450,800	2.62
7	Amanahraya Trustees Berhad As 1Malaysia	27,570,600	2.37
8	Amanahraya Trustees Berhad Amanah Saham Malaysia	23,608,500	2.03
9	Amsec Nominees (Tempatan) Sdn Bhd MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)	19,333,800	1.66
10	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	18,151,600	1.56
11	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	18,023,180	1.55
12	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	17,700,000	1.52
13	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	17,335,100	1.49
14	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 9)	15,762,175	1.36

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

	Name Of Shareholders	No. of Ordinary Shares	(%)
15	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC For Asia Ex Japan Equity Smaller Companies (LXG HGIF)	14,949,600	1.29
16	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 14)	11,441,325	0.98
17	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	9,551,720	0.82
18	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Penny Stockfund	9,000,000	0.77
19	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Allianz Life Insurance Malaysia Berhad (P)	8,774,800	0.76
20	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	8,767,140	0.75
21	HSBC Nominees (Asing) Sdn Bhd TNTC For GIC Private Limited	8,681,500	0.75
22	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (DiPerbadankan) (CIMB Equities)	8,222,000	0.71
23	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund J6S6 For Asia Oceania Dividend Yield Stock Mother Fund	7,500,000	0.65
24	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	7,189,100	0.62
25	Citigroup Nominees (Asing) Sdn Bhd UBS AG	7,016,182	0.60
26	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Family Takaful Berhad (Shareholders)	6,868,200	0.59
27	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (DiPerbadankan) (Kenanga)	6,748,200	0.58
28	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHBIslamic)	6,641,600	0.57
29	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Emerging Markets Stock Index Fund	6,608,100	0.57
30	Amanahraya Trustees Berhad Amanah Saham Nasional	6,395,500	0.55
		724,304,942	**62.33**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of Bermaz Auto Berhad will be held at Perdana Ballroom, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 3 October 2018 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 April 2018 and the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' fees amounting to RM219,000.00 to the Non-Executive Directors of the Company for the financial year ended 30 April 2018. **Resolution 1**

3. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors of the Company up to an amount of RM88,800.00 for the period from 4 October 2018 until the next Annual General Meeting of the Company to be held in 2019. **Resolution 2**

4. To re-elect the following Directors who retire pursuant to Article 94 of the Company's Articles of Association:

   (a) Dato' Sri Yeoh Choon San **Resolution 3**

   (b) Dato' Abdul Manap Bin Abd Wahab **Resolution 4**

5. To re-elect Dato' Kalsom Binti Abd. Rahman who retires pursuant to Article 100 of the Company's Articles of Association. **Resolution 5**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

7. As special business:-

   To consider and, if thought fit, pass the following Ordinary Resolutions:-

   (i) AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

   "THAT, subject always to the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act, 2016, to issue and allot shares in the Company from time to time at such price and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

(ii) PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

"THAT, subject always to the Companies Act, 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Exchange") and the requirements of any other relevant authority, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares in the Company ("BAuto Shares") through the Exchange and to take all such steps as are necessary (including the opening and maintaining of a central depositories account under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time and to do all such acts and things in the best interests of the Company, subject further to the following:-

1. the maximum number of ordinary shares which may be purchased and held by the Company shall be equivalent to ten per centum (10%) of the total number of issued shares of the Company;
2. the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the total retained profits of the Company;
3. the authority shall commence immediately upon passing of this ordinary resolution until:-
   (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which such ordinary resolution was passed, at which time it will lapse, unless by ordinary resolution passed at that general meeting, the authority is renewed, either unconditionally or subject to conditions; or

   (b) the expiration of the period within which the next AGM after that date it is required by law to be held; or

   (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

   whichever occurs first;

   AND THAT upon completion of the purchase(s) of the BAuto Shares or any part thereof by the Company, the Directors of the Company be and are hereby authorised to deal with any BAuto Shares so purchased by the Company in the following manner:-

   (a) cancel all the BAuto Shares so purchased; or

   (b) retain all the BAuto Shares as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act); or

   (c) retain part thereof as treasury shares and subsequently cancelling the balance; or

   (d) in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Exchange and any other relevant authority for the time being in force." **Resolution 8**

By Order of the Board

THAM LAI HENG MICHELLE
(MAICSA 7013702)
Secretary

Kuala Lumpur
21 August 2018

NOTES:

1. **Audited Financial Statements**

   The Audited Financial Statements are meant for discussion only as it does not require shareholders' approval pursuant to the provisions of Section 340(1)(a) of the Companies Act, 2016. Hence, this item on the Agenda is not put forward for voting.

2. **Directors' Fees**

   The quantum of the Directors' fees for each of the Non-Executive Directors is the same as the previous financial year ended 30 April 2017. The Director's fee for the newly appointed Independent Director namely, Dato' Kalsom Binti Abd. Rahman was pro-rated from the date of her appointment up to 30 April 2018.

3. **Directors' Remuneration (excluding Directors' Fees)**

   Section 230(1) of the Companies Act, 2016 provides that the "fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval shall be sought at this Annual General Meeting ("AGM") for the payment of Directors' remuneration (excluding Directors' fees) payable to Non-Executive Directors of the Company for period from 4 October 2018 until the next AGM of the Company under Resolution 2.

   The current Directors' remuneration (excluding Directors' fees) payable to the Non-Executive Directors for the Company comprises of meeting allowances.

   In determining the estimated remuneration payable to Non-Executive Directors, the Board considered various factors including the number of scheduled meetings for the Board of Directors ("Board"), Board Committees and general meetings of the Company as well as the number of Non-Executive Directors involved in these meetings.

   In the event where the payment of Directors' remuneration (excluding Directors' fees) payable during the above period exceeded the estimated amount sought at this AGM, a shareholders' approval will be sought at the next AGM.

4. **Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

   Resolution 7 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act, 2016, to issue and allot new shares in the Company from time to time at such price provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Seventh Annual General Meeting held on 10 October 2017 and which will lapse at the conclusion of the Eighth Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

5. **Proposed Renewal of Authority for the Company to Purchase its Own Shares**

   Resolution 8, if passed, will provide the mandate for the Company to buy back its own shares up to a limit of 10% of the total number of issued shares of the Company ("Proposed Share Buy-Back Renewal"). Detailed information on the Proposed Share Buy-Back Renewal is set out in the Statement to Shareholders dated 21 August 2018 which is despatched together with the Company's 2018 Annual Report.

6. **Proxy and Entitlement of Attendance**

   (i) A member of the Company who is entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member.

   (ii) A member, other than an authorised nominee or an exempt authorised nominee, may appoint only one (1) proxy.

   (iii) An authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), may appoint one (1) proxy in respect of each securities account.

   (iv) An exempt authorised nominee, as defined under the SICDA, and holding ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), may appoint multiple proxies in respect of each of its omnibus account.

   (v) An individual member who appoints a proxy must sign the Form of Proxy personally or by his attorney duly authorised in writing. A corporate member who appoints a proxy must execute the Form of Proxy under seal or under the hand of its officer or attorney duly authorised.

   (vi) The duly executed Form of Proxy must be deposited at the Company's Registered Office at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

   (vii) Only members whose names appear in the Record of Depositors as at 26 September 2018 shall be entitled to attend and vote at the meeting.

7. **Poll Voting**

   Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

FORM OF PROXY

BERMAZ AUTO BERHAD
(Company No. 900557-M)

I/We ____
(Name in full)

I.C. or Company No. ______________________ CDS Account No. ______________________
(New and Old I.C. Nos.)

of ____
(Address)

being a member/members of BERMAZ AUTO BERHAD

hereby appoint ______________________ I.C No. ______________________ of
(Name in full) *(New and Old I.C. Nos.)*

____
(Address)

or failing him/her ______________________ I.C No. ______________________ of
(Name in full) *(New and Old I.C. Nos.)*

____
(Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf, at the Eighth Annual General Meeting of the Company to be held at Perdana Ballroom, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 3 October 2018 at 10.00 a.m. and at any adjournment thereof.

This proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

	FOR	AGAINST
RESOLUTION 1– To approve payment of Directors' Fees.		
RESOLUTION 2– To approve payment of Directors' remuneration (excluding Directors' fees) for the period from 4 October 2018 until the next Annual General Meeting of the Company.		
RESOLUTION 3– To re-elect Dato' Sri Yeoh Choon San as Director.		
RESOLUTION 4– To re-elect Dato' Abdul Manap Bin Abd Wahab as Director.		
RESOLUTION 5– To re-elect Dato' Kalsom Binti Abd. Rahman as Director.		
RESOLUTION 6– To re-appoint Auditors.		
RESOLUTION 7– To approve authority to issue and allot shares.		
RESOLUTION 8– To renew authority for the Company to purchase its own shares.		

NO. OF SHARES HELD

____
Signature(s)/Common Seal of Member(s)

Dated this ______________ day of ______________, 2018.

Notes:

i) A member of the Company who is entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member.

ii) A member, other than an authorised nominee or an exempt authorised nominee, may appoint only one (1) proxy.

iii) An authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), may appoint one (1) proxy in respect of each securities account.

iv) An exempt authorised nominee, as defined under the SICDA, and holding ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), may appoint multiple proxies in respect of each of its omnibus account.

v) An individual member who appoints a proxy must sign the Form of Proxy personally or by his attorney duly authorised in writing. A corporate member who appoints a proxy must execute the Form of Proxy under seal or under the hand of its officer or attorney duly authorised.

vi) The duly executed Form of Proxy must be deposited at the Company's Registered Office at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

vii) Only members whose names appear in the Record of Depositors as at 26 September 2018 shall be entitled to attend and vote at the meeting.

viii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

Fold this flap for sealing

Affix Stamp

THE COMPANY SECRETARY

BERMAZ AUTO BERHAD

LOT 13-01A, LEVEL 13 (EAST WING)

BERJAYA TIMES SQUARE

NO. 1 JALAN IMBI

55100 KUALA LUMPUR

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1st fold here

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Padang Serai
09400 Kulim
Kedah Darul Aman

Tel: +604-403 1888
Fax: +604-403 6888

The Company Secretary
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Tel: 03-2149 1999
Fax: 03-2143 1685

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