



**TAN CHONG MOTOR HOLDINGS BERHAD** (12969-P)  
*(Incorporated in Malaysia)*

**INTERIM REPORT FOR THE  
SECOND QUARTER ENDED  
30 JUNE 2016**

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**TAN CHONG MOTOR HOLDINGS BERHAD**  
*(Company No: 12969-P)*  
*(Incorporated in Malaysia)*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE QUARTER ENDED 30 JUNE 2016**

	(Unaudited) Current Year Quarter 30.06.2016 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.06.2015 RM'000	(Unaudited) Current Year To Date 30.06.2016 RM'000	(Unaudited) Preceding Year Corresponding Period 30.06.2015 RM'000
Revenue	1,374,016	1,263,668	2,839,139	2,832,728
Operating (loss)/profit	5,161	35,223	(16,049)	89,203
Interest expense	(18,891)	(17,085)	(37,367)	(32,199)
Interest income	935	3,978	3,347	7,678
Share of profit of equity-accounted investees	1,312	732	1,842	1,944
(Loss)/Profit before taxation	(11,483)	22,848	(48,227)	66,626
Tax expense	(3,851)	(9,686)	(5,540)	(27,760)
(Loss)/Profit for the period	(15,334)	13,162	(53,767)	38,866
Attributable to:				
Equity holders of the Company	(14,587)	14,159	(51,795)	40,507
Non-controlling interests	(747)	(997)	(1,972)	(1,641)
	(15,334)	13,162	(53,767)	38,866
(Loss)/Earning per share (sen)				
(a) Basic	(2.23)	2.17	(7.94)	6.21
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 31 December 2015.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*(Company No: 12969-P)*  
*(Incorporated in Malaysia)*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 JUNE 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.06.2016 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.06.2015 RM'000	(Unaudited) Current Year To Date 30.06.2016 RM'000	(Unaudited) Preceding Year Corresponding Period 30.06.2015 RM'000
<b>(Loss)/Profit for the period</b>	(15,334)	13,162	(53,767)	38,866
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences - foreign operations	(353)	(761)	(6,231)	(3,562)
Net change in fair value of cash flow hedges reclassified to profit or loss	9,669	4,682	(4,566)	6,105
<b>Total items that are or may be reclassified subsequently to profit or loss</b>	9,316	3,921	(10,797)	2,543
<b>Other comprehensive (loss)/income for the period, net of tax</b>	9,316	3,921	(10,797)	2,543
<b>Total comprehensive (loss)/income for the period</b>	(6,018)	17,083	(64,564)	41,409
<b>Total comprehensive (loss)/income attributable to:</b>				
Equity holders of the Company	(4,645)	18,124	(60,960)	43,910
Non-controlling interests	(1,373)	(1,041)	(3,604)	(2,501)
	(6,018)	17,083	(64,564)	41,409

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*(Company No: 12969-P)*  
*(Incorporated in Malaysia)*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	(Unaudited)	(Audited)
	As at	As at
	30.06.2016	31.12.2015
	RM'000	RM'000
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	1,681,672	1,704,190
Investment properties	186,633	186,633
Prepaid lease payments	46,468	49,798
Equity-accounted investees	40,332	40,415
Other investments	1	1
Deferred tax assets	48,880	35,722
Hire purchase receivables	472,815	369,507
Intangible assets	14,592	14,592
Long term receivables	7,757	9,153
	<hr/> 2,499,150	<hr/> 2,410,011
<b><u>Current assets</u></b>		
Other investments	4,043	3,416
Hire purchase receivables	104,154	82,470
Receivables, deposits and prepayments	772,105	822,087
Current tax assets	38,253	36,300
Inventories	1,827,511	1,645,195
Derivative assets	2,079	6,045
Cash and cash equivalents	179,540	165,856
Non-current assets held for sale	4,034	-
	<hr/> 2,931,719	<hr/> 2,761,369
<b>TOTAL ASSETS</b>	<hr/> <b>5,430,869</b>	<hr/> <b>5,171,380</b>



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*(Company No: 12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016 (continued)**

	(Unaudited)	(Audited)
	As at	As at
	30.06.2016	31.12.2015
	RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity</u></b>		
Share capital	336,000	336,000
Reserves	2,404,984	2,485,524
Treasury shares	(25,276)	(25,274)
<b>Total equity attributable to owners of the Company</b>	<b>2,715,708</b>	<b>2,796,250</b>
Non-controlling interests	(5,206)	(1,602)
<b>Total equity</b>	<b>2,710,502</b>	<b>2,794,648</b>
<b><u>Non-current liabilities</u></b>		
Deferred tax liabilities	139,905	143,791
Borrowings	747,340	818,675
Employee benefits	55,865	51,058
	<b>943,110</b>	<b>1,013,524</b>
<b><u>Current liabilities</u></b>		
Payables and accruals	581,910	677,594
Borrowings	1,175,527	670,757
Derivative liabilities	1,050	-
Taxation	18,770	14,857
	<b>1,777,257</b>	<b>1,363,208</b>
<b>Total liabilities</b>	<b>2,720,367</b>	<b>2,376,732</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,430,869</b>	<b>5,171,380</b>
Net assets per share attributable to owners of the Company (RM)	4.16	4.28

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
(Company No: 12969-P)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2016**

	-----Attributable to owners of the Company-----							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	-----Non-Distributable-----			-----Distributable-----						
	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Hedging reserve RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000			
<b>At 01.01.2015</b>	336,000	(24,990)	(4,633)	581,650	-	100	1,866,475	2,754,602	5,951	2,760,553
Other comprehensive income for the period, net of tax	-	-	(2,702)	-	6,105	-	-	3,403	(860)	2,543
Transfer to revaluation surplus on properties	-	-	-	(3,581)	-	-	3,581	-	-	-
Profit for the period	-	-	-	-	-	-	40,507	40,507	(1,641)	38,866
Total comprehensive income for the period	-	-	(2,702)	(3,581)	6,105	-	44,088	43,910	(2,501)	41,409
Purchase of treasury shares	-	(281)	-	-	-	-	-	(281)	-	(281)
Dividend - 2014 final	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
<b>At 30.06.2015</b>	336,000	(25,271)	(7,335)	578,069	6,105	100	1,890,983	2,778,651	3,450	2,782,101
<b>At 01.01.2016</b>	336,000	(25,274)	(10,978)	574,207	6,045	100	1,916,150	2,796,250	(1,602)	2,794,648
Other comprehensive income for the period, net of tax	-	-	(4,599)	-	(4,566)	-	-	(9,165)	(1,632)	(10,797)
Transfer of revaluation surplus on properties	-	-	-	(3,863)	-	-	3,863	-	-	-
Loss for the period	-	-	-	-	-	-	(51,795)	(51,795)	(1,972)	(53,767)
Total comprehensive income for the period	-	-	(4,599)	(3,863)	(4,566)	-	(47,932)	(60,960)	(3,604)	(64,564)
Purchase of treasury shares	-	(2)	-	-	-	-	-	(2)	-	(2)
Dividend - 2015 final	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
<b>At 30.06.2016</b>	336,000	(25,276)	(15,577)	570,344	1,479	100	1,848,638	2,715,708	(5,206)	2,710,502

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*(Company No: 12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2016**

	<b>CUMULATIVE QUARTER</b>	
	<b>(Unaudited)</b> <b>For the 6 months</b> <b>ended</b> <b>30.06.2016</b> <b>RM'000</b>	<b>(Unaudited)</b> <b>For the 6 months</b> <b>ended</b> <b>30.06.2015</b> <b>RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(48,227)	66,626
Adjustments for:		
Non-cash and non-operating items	108,944	92,304
<b>Operating profit before working capital changes</b>	60,717	158,930
<b>Changes in working capital</b>		
Inventories	(180,813)	(40,011)
Hire purchase receivables	(131,290)	(94,098)
Receivables, deposits and prepayments	50,728	(104,677)
Payables and accruals	(114,106)	(40,101)
Cash used in operations	(314,764)	(119,957)
Tax paid	(24,095)	(24,286)
Interest paid	(30,826)	(24,521)
Employee benefits paid	(339)	(199)
<b>Net cash used in operating activities</b>	(370,024)	(168,963)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(62,220)	(67,269)
Acquisition of prepaid lease payments	(326)	(41)
Net proceeds from liquid investments with licensed financial institutions	1,591	105,286
Dividend received from equity-accounted investee	1,925	1,225
Proceeds from disposal of property, plant and equipment	7,716	13,507
<b>Net cash (used in)/from investing activities</b>	(51,314)	52,708



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2016 (continued)**

	<b>CUMULATIVE QUARTER</b>	
	<b>(Unaudited)</b> <b>For the 6 months</b> <b>ended</b> <b>30.06.2016</b> <b>RM'000</b>	<b>(Unaudited)</b> <b>For the 6 months</b> <b>ended</b> <b>30.06.2015</b> <b>RM'000</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company	(19,580)	(19,580)
Purchase of own shares	(2)	(281)
Proceeds from/(repayment of) bills payable (net)	121,374	(68,123)
Proceeds from medium term notes, term loans, Cagamas financing and revolving credit (net)	335,561	177,906
<b>Net cash from financing activities</b>	<b>437,353</b>	<b>89,922</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,015</b>	<b>(26,333)</b>
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	<b>(2,331)</b>	<b>4,214</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>165,856</b>	<b>341,522</b>
<b>Cash and cash equivalents at end of the period</b>	<b>179,540</b>	<b>319,403</b>
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	150,782	175,915
Deposits with licensed banks	28,758	143,488
	<b>179,540</b>	<b>319,403</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015.



## A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

### 1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Tan Chong Motor Holdings Berhad (“TCMH”) and its subsidiaries, associates and joint venture (“the Group”) as at and for the year ended 31 December 2015.

### 2. Changes In Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sales and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)*

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

#### **MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective**

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted by the Group:-

##### ***Effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 107, *Statements of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

##### ***Effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

##### ***Effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

##### ***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting

### 2. Changes In Accounting Policies (continued)

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group except as mentioned below:

#### **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact of adopting MFRS 9.

#### **MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### **Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception***

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

The Group is currently assessing the financial impact that may arise from the adoption of the amendments.

#### **MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard requires lessees to present right-of-use assets and lease liabilities on the statement of financial position and to recognise the following for leases at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The Group is currently assessing the financial impact of adopting MFRS 16.

### 3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2015.

### 4. Seasonal or Cyclical Factors

During the quarter, the business of the Group had not been affected by any significant seasonal or cyclical factors, apart from the general economic environment in which it operated.

### 5. Unusual Items

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flows for the period.

### 6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year.

**A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting**

**7. Debt and Equity Securities**

During the quarter under review, the Company repurchased 1,000 units of its issued ordinary shares from the open market at an average price of RM2.09. Total consideration paid for the repurchase including transaction cost was RM2,096 and this was financed by internally generated fund. Cumulative total number of shares repurchased at the end of the quarter was 19,336,000. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group has redeemed RM62.20 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C is RM408.55 million at the end of the financial quarter.

Under the combined aggregate nominal value of RM1.5 billion of Commercial Papers and Medium Term Notes Programmes, the outstanding nominal values of Commercial Papers and Medium Term Notes were RM175.0 million and RM750.0 million respectively on 30 June 2016.

Save for the above, there were no other issuance and repayment of debt securities, share cancellation and resale of treasury shares during the period.

**8. Dividend Paid**

A final single-tier dividend of 6% for the year ended 31 December 2015 (2014: 6%) amounting to RM19.58 million (2014: RM19.58 million) was paid on 21 June 2016.

**9. Segmental Reporting**

For the financial period ended 30 June 2016:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,804,937	2,798,659	28,752	27,433	5,450	6,636	2,839,139	2,832,728
Inter-segment revenue	216	2,195	1,076	1,490	41,603	40,794	42,895	44,479
Segment EBITDA*	40,174	128,331	8,295	13,127	6,789	13,753	55,258	155,211

\*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:	(Unaudited)	(Unaudited)
	30.06.2016	30.06.2015
	RM'000	RM'000
Total EBITDA for reportable segments	55,258	155,211
Depreciation and amortisation	(65,306)	(64,742)
Interest expense	(37,367)	(32,199)
Interest income	3,347	7,678
Share of profit of equity-accounted investees not included in reportable segments	1,842	1,944
Unallocated corporate expenses	(6,001)	(1,266)
Consolidated (loss)/profit before taxation	(48,227)	66,626

**10. Valuation of Property, Plant and Equipment**

The valuation of property, plant and equipment were brought forward without amendment from the annual financial statements for the year ended 31 December 2015.

**A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting**

**11. Valuation of Investment Properties**

The valuation of investment properties were brought forward without amendment from the annual financial statements for the year ended 31 December 2015.

**12. Material Subsequent Event**

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group.

**13. Changes in Composition of the Group**

As disclosed in the previous quarter's announcement, the following wholly-owned subsidiary had been registered:

<b>Name of subsidiary</b>	<b>Date of Registration</b>	<b>Intended Principal Activities</b>
TC Systems (Vietnam) Company Limited	7 April 2016	Producing software products, providing information technology ("IT") solutions and services and integrating IT systems in Hanoi City, Vietnam.

**14. Changes in Contingent Liabilities or Contingent Assets**

There were no contingent liabilities or contingent assets as at 30 June 2016.

**15. Capital Commitments Outstanding Not Provided For In the Interim Financial Report**

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Property, plant and equipment</i>		
Authorised but not contracted for	14,752	40,918
Authorised and contracted for		
In Malaysia	70,054	80,041
Outside Malaysia	1,544	6,368
<i>Overseas operation commitments</i>		
Authorised and contracted for	-	8,129
<i>Lease commitments - overseas</i>		
Authorised and contracted for	114,122	-
<b>TOTAL</b>	<b>200,472</b>	<b>135,456</b>

**A) Explanatory notes as per Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting**

**16. Significant Related Party Transactions**

- (a) Significant transactions with Warisan TC Holdings Berhad (WTCH), APM Automotive Holdings Berhad (APM) and Tan Chong International Limited (TCIL) Groups, companies in which a Director of the Company, namely Dato' Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>With WTCH Group</b>				
Sales	17,497	8,567	28,928	12,904
Provision of hire purchase and leasing	5,380	2,448	10,178	4,992
<b>With APM Group</b>				
Purchases	24,842	28,941	52,226	57,243
<b>With TCIL Group</b>				
Contract assembly fee receivable	17,786	4,277	25,168	11,094

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

- (b) Significant transactions with Nissan Motor Co. Limited Group, Japan, a substantial shareholder of the Company, are as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	543,611	441,764	1,135,617	1,247,904

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

- (c) Significant transactions with Auto Dunia Sdn. Bhd., a company connected to a Director of the Company, namely Dato' Tan Heng Chew by virtue of Section 122A of the Companies Act, 1965, are as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	150,079	10,164	435,083	28,163

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

**B) Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**1. Analysis Of Performance Of All Operating Segments**

Although the Group's top-line revenue increased by 0.2%, the Group recorded a loss before taxation of RM48.2 million for the first half of 2016. The challenging business environment marked by competitive trading landscape coupled with currency headwinds caused by a weaker Malaysian Ringgit has impacted the bottom-line.

**a) Vehicles Assembly, Manufacturing, Distribution & After Sales Service (automotive)**

The automotive division recorded higher revenue of RM2,804.9 million (+0.2% YoY) with segment EBITDA of RM40.2 million (-68.7% YoY). The higher revenue was due to favorable sales mix and festivities-driven sales campaigns. The lower EBITDA was a result of higher CKD kits cost arising from unfavourable foreign exchange rate compared to the previous year.

**b) Financial Services (hire purchase and insurance)**

The financial services division recorded higher revenue of RM28.8 million (+4.8% YoY) and EBITDA of RM8.3 million (-36.8% YoY). The increase was due to higher hire purchase loans disbursed compared to the previous year. Lower EBITDA compared to previous year same quarter was due to impairment loss provided for hire purchase receivables amounting to RM6.3 million in the first half of 2016.

**c) Other Operations (investments and properties)**

Revenue from other operations was lower at RM5.5 million compared to RM6.6 million in the previous year and EBITDA was at RM6.8 million compared to RM13.8 million in the previous year. The deterioration in EBITDA was due to the net unrealised foreign exchange loss arising from financing overseas entities denominated in foreign currencies accumulated since Q1 2016.

**2. Comparison With Preceding Quarter's Results**

Quarter on quarter (QoQ): Revenue decreased by 6.2% (from RM1.47 billion to RM1.37 billion). Comparing to previous quarter, the LBT has been narrowed to RM11.5 million with net loss of RM14.6 million. EBITDA recorded at RM41.5 million (+202.9% QoQ).

**a) Vehicles Assembly, Manufacturing, Distribution & After Sales Service (automotive)**

For the quarter under review, automotive division recorded RM1,356.4 million in revenue (-6.4% QoQ) and RM26.7 million in segment EBITDA (+97.2% QoQ). Q2 2016 recorded a favourable EBITDA due to improved sales model mix and festivities-driven sales campaigns.

**b) Financial Services (hire purchase and insurance)**

The financial services division recorded its revenue at RM14.9 million for Q2 2016 (+8.0% QoQ). EBITDA for Q2 2016 was RM5.1 million (+59.1% QoQ). The higher EBITDA was due to lower impairment loss provision for hire purchase receivables compared to previous quarter.

**c) Other Operations (investments and properties)**

Revenue from other operations for Q2 2016 was maintained at RM2.7 million. EBITDA for Q2 2016 was RM9.8 million compared to preceding quarter LBITDA of RM3.0 million. This was due to the unrealised foreign exchange gain in Q2 2016 arising from financing overseas entities denominated in foreign currencies.

**B) Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**3. Current Year Prospects**

The domestic automotive sector is expected to remain challenging due to weak consumers' confidence and uncertainties in the domestic and global economy outlook. Nevertheless, we will remain disciplined and focused on our key priorities going forward to be more cash generative and ensure sustainability of the Group's financial position.

Domestically, the Group will work continuously to refine and improve the sales and marketing activities to sustain the sales. The Group's regional expansion programme remains on course as we continue to strengthen our presence in Vietnam and other Indo-China countries by expanding our sales network and maximise our existing plant utilisation with vehicle assembly activities.

**4. Comparison With Profit Forecast**

This is not applicable to the Group.

**5. Taxation**

	Individual Quarter		Cumulative Quarter	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Current year	10,506	15,614	22,191	35,934
Prior year	695	(9,067)	695	(7,273)
Deferred tax	(7,350)	3,139	(17,346)	(901)
	<u>3,851</u>	<u>9,686</u>	<u>5,540</u>	<u>27,760</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory rate of 24% due to certain expenses disallowed for tax purposes and absence of full group relief.

**B) Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**6. Status of Corporate Proposals**

The proposed disposal of assets for the casting, machining and assembly of aluminium parts and components (“Assets”) (“Proposed Disposal”) by TC Aluminium Castings Sdn Bhd (“TCAC”), a wholly-owned subsidiary of the Company to APM Thermal Systems Sdn Bhd (“APM Thermal”), a wholly-owned subsidiary of APM Automotive Holdings Berhad (“APM”) for a cash consideration of RM5,701,318/- (“Purchase Consideration”) has been announced on 27 April 2016. The Proposed Disposal is conditional upon fulfilment of conditions precedent, inter alia, approval of shareholders of the Company which was obtained at its Annual General Meeting held on 25 May 2016; APM Thermal obtaining approval of shareholders of APM and conducting legal and financial audits of the Assets. The Purchase Consideration is subject to adjustment based on the agreed valuation principles 5 business days prior to the completion determination date.

The Proposed Disposal is estimated to be completed by the last quarter of 2016.

Save for the above, there is no other corporate proposal announced but not completed as of the reporting date.

**7. Group Borrowings**

Group borrowings as at the end of the reporting period are as follows:

	<b>30.06.2016</b>
	<b>RM'000</b>
Unsecured :	
- Bills payable	124,858
- Revolving credit	847,104
- Short term loan	18,750
- Medium term notes	747,340
- Commercial papers	175,000
Secured :	
Recourse obligation on financing sold to Cagamas Berhad	9,815
Total borrowings	<u>1,922,867</u>
Comprising :	
Amount repayable within one year	1,175,527
Amount repayable after one year	<u>747,340</u>
	<u>1,922,867</u>

Group borrowings breakdown by currencies:

		<b>30.06.2016</b>
		<b>RM'000</b>
Functional currency	Denominated in	
RM	RM	1,563,263
RM	USD	215,455
VND	VND	33,490
VND	USD	110,659
		<u>1,922,867</u>



**B) Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**8. Financial Instruments and Realised And Unrealised Profits**

**a) Derivatives**

As at 30 June 2016, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets/(Liabilities) RM'000	Maturity
Forward foreign exchange contracts	140,462	1,029	Less than 1 year

Forward foreign exchange contracts are entered into with locally incorporated licensed banks to hedge certain portion of the Group's purchases from exchange rate movements. As the exchange rates are predetermined under such contracts, in the event of exchange rate movement, exposure to opportunity gain/(loss) is expected. Given that the contracts are entered into with locally incorporated licensed banks, we are of the view that credit risk and the counterparty risk are minimal. Apart from a small fee payable to the banks there are no cash requirements for the forward contracts.

It is the Group policy not to enter into hedging contracts, which in the aggregate relate to volumes that exceed its expected commercial requirements for imports.

**b) Realised and Unrealised Profits**

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	(Unaudited) 30.06.2016 RM'000	(Audited) 31.12.2015 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	1,949,369	1,990,685
- Unrealised (loss)/profit	(20,004)	22,182
	<u>1,929,365</u>	<u>2,012,867</u>
Total share of retained profits from equity-accounted investees:		
- Realised profit	18,298	18,019
- Unrealised loss	(685)	(323)
	<u>17,613</u>	<u>17,696</u>
Total Group retained profits before consolidation adjustments	1,946,978	2,030,563
Less: Consolidation adjustments	(98,340)	(114,413)
	<u>1,848,638</u>	<u>1,916,150</u>

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), issued by Malaysian Institute of Accountants on 20 December 2010.

**9. Changes In Material Litigation**

There was no material litigation as at 30 June 2016.

**B) Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**10. Dividend**

Based on the results of the current quarter, the Board has declared an interim single tier dividend of 2% for the year ending 31 December 2016 to be paid on 29 September 2016 to shareholders whose names appear in the Register of Members on 9 September 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:

- shares transferred into the depositor's securities account before 4.00 p.m. on 9 September 2016 in respect of transfer;
- shares deposited into the depositor's securities account before 12.30 p.m. on 7 September 2016 in respect of shares exempted from mandatory deposit; and
- shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

The interim dividend is lower than previous corresponding period in view of the challenging conditions that has affected the Group's performance in first half of 2016.

**11. Earnings Per Share**

The calculation of basic earnings per share for the periods is based on the net profit attributable to ordinary shareholders of the periods and the weighted average numbers of ordinary shares outstanding during the periods as follows:

Weighted average number of ordinary shares	Individual Quarter		Cumulative Quarter	
	2016 ('000)	2015 ('000)	2016 ('000)	2015 ('000)
Issued ordinary shares at beginning of the period	652,665	652,761	652,665	652,761
Effect of shares buyback during the period	(1)	(42)	(1)	(21)
Weighted average number of ordinary shares	<u>652,664</u>	<u>652,719</u>	<u>652,664</u>	<u>652,740</u>

**12. Total comprehensive (loss)/income**

Total comprehensive (loss)/income is arrived at after crediting/(charging):

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Current Year	Preceding Year	Current Year	Preceding Year
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(33,264)	(32,975)	(65,306)	(64,742)
(Provision for)/reversal and (write off) of receivables	(3,055)	(1,340)	(8,330)	(3,557)
(Provision for)/reversal and (write off) of inventories	1,256	-	1,503	(396)
Gain/(Loss) on disposal of properties, plant and equipment	246	(155)	1,098	1,582
Property, plant and equipment written off	(121)	(76)	(126)	(198)
Foreign exchange gain	9,368	461	1,088	2,066
Gain/(Loss) on derivatives	9,669	4,682	(4,566)	6,105
Other loss, including investment income	-	(85)	-	298

**BY ORDER OF THE BOARD**

HO WAI MING  
CHANG PIE HOON  
Company Secretaries  
Kuala Lumpur  
19 August 2016