



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

**INTERIM REPORT FOR THE
FOURTH QUARTER ENDED
31 DECEMBER 2017**

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	1
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3 - 4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6 - 7
NOTES TO THE QUARTERLY FINANCIAL REPORT	8 - 21



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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 31 DECEMBER 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Corresponding Quarter 31.12.2017 RM'000	(Unaudited) Preceding Year Corresponding Quarter 31.12.2016 RM'000	(Unaudited) Current Year Corresponding To Date 31.12.2017 RM'000	(Audited) Preceding Year Corresponding Period 31.12.2016 RM'000
Revenue	1,075,956	1,402,456	4,341,228	5,460,757
Operating profit/(loss)	27,066	24,934	(18,709)	18,695
Interest expense	(18,194)	(16,802)	(71,708)	(72,936)
Interest income	2,605	2,454	14,224	7,931
Share of profit of equity-accounted investees	1,114	833	3,382	3,230
Profit/(Loss) before taxation	12,591	11,419	(72,811)	(43,080)
Tax expense	(18,823)	(12,074)	(23,578)	(15,954)
Loss for the period	(6,232)	(655)	(96,389)	(59,034)
(Loss)/Profit attributable to:				
Equity holders of the Company	(7,189)	1,353	(88,597)	(54,943)
Non-controlling interests	957	(2,008)	(7,792)	(4,091)
	(6,232)	(655)	(96,389)	(59,034)
(Loss)/Earnings per share (sen)				
(a) Basic	(1.10)	0.21	(13.57)	(8.42)
(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 2016.



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 31 DECEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 31.12.2017 RM'000	(Unaudited) Preceding Year Corresponding Quarter 31.12.2016 RM'000	(Unaudited) Current Year To Date 31.12.2017 RM'000	(Audited) Preceding Year Corresponding Period 31.12.2016 RM'000
Loss for the period	(6,232)	(655)	(96,389)	(59,034)
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation of property, plant and equipment	-	171,899	-	171,899
Remeasurement of defined benefit liability	-	2,686	-	2,686
Total items that will not be classified to profit or loss	-	174,585	-	174,585
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	3,245	(3,325)	5,696	(9,712)
Foreign currency translation differences for an equity-accounted associate	(226)	1,321	(226)	1,321
Cash flow hedge	11,686	(4,137)	21,355	(11,107)
Total items that are or may be reclassified subsequently to profit or loss	14,705	(6,141)	26,825	(19,498)
Other comprehensive income for the period, net of tax	14,705	168,444	26,825	155,087
Total comprehensive income/(loss) for the period	8,473	167,789	(69,564)	96,053
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	21,515	170,255	(64,305)	103,103
Non-controlling interests	(13,042)	(2,466)	(5,259)	(7,050)
	8,473	167,789	(69,564)	96,053

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 2016.



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	(Unaudited) As at 31.12.2017 RM'000	(Audited) As at 31.12.2016 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,825,620	1,863,022
Investment properties	202,000	198,766
Prepaid lease payments	45,609	51,343
Equity-accounted investees	45,797	42,891
Other investments	1	1
Deferred tax assets	66,123	62,761
Hire purchase receivables	733,386	460,399
Intangible assets	14,592	14,592
Long term receivables	722	162
	<hr/> 2,933,850	<hr/> 2,693,937
<u>Current assets</u>		
Other investments	144,157	3,001
Hire purchase receivables	105,605	74,139
Receivables, deposits and prepayments	657,285	792,130
Current tax assets	38,882	36,068
Inventories	1,185,977	1,749,708
Derivative financial assets	16,375	102
Cash and cash equivalents	318,005	227,560
	<hr/> 2,466,286	<hr/> 2,882,708
TOTAL ASSETS	<hr/> 5,400,136	<hr/> 5,576,645



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (continued)

	(Unaudited)	(Audited)
	As at	As at
	31.12.2017	31.12.2016
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,485,161	2,562,520
Treasury shares	(25,282)	(25,278)
Total equity attributable to owners of the Company	2,795,879	2,873,242
Non-controlling interests	(14,511)	(8,952)
Total equity	2,781,368	2,864,290
<u>Non-current liabilities</u>		
Deferred tax liabilities	161,197	169,117
Borrowings	748,147	747,604
Employee benefits	70,192	58,300
Deferred income	5,593	-
	985,129	975,021
<u>Current liabilities</u>		
Payables and accruals	592,094	661,635
Borrowings	1,029,736	1,059,731
Derivative financial liabilities	373	5,164
Taxation	11,376	10,804
Deferred income	60	-
	1,633,639	1,737,334
Total liabilities	2,618,768	2,712,355
TOTAL EQUITY AND LIABILITIES	5,400,136	5,576,645
Net assets per share attributable to owners of the Company (RM)	4.28	4.40

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016.



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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	-----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			
At 01.01.2016	336,000	(25,274)	(10,978)	574,207	6,045	100	1,916,150	2,796,250	(1,602)	2,794,648
Other comprehensive loss for the period, net of tax	-	-	(3,873)	-	(11,107)	-	2,848	(12,132)	(4,680)	(16,812)
Revaluation of property, plant and equipment	-	-	-	170,178	-	-	-	170,178	1,721	171,899
Transfer of revaluation surplus on properties	-	-	-	(7,725)	-	-	7,725	-	-	-
Loss for the period	-	-	-	-	-	-	(54,943)	(54,943)	(4,091)	(59,034)
Total comprehensive loss for the period	-	-	(3,873)	162,453	(11,107)	-	(44,370)	103,103	(7,050)	96,053
Purchase of treasury shares	-	(4)	-	-	-	-	-	(4)	-	(4)
Dividend - 2015 final	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
Dividend - 2016 interim	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
At 31.12.2016	336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290
At 01.01.2017	336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290
Other comprehensive income for the period, net of tax	-	-	2,937	-	21,355	-	-	24,292	2,533	26,825
Transfer of revaluation surplus on properties	-	-	-	(9,944)	-	-	9,944	-	-	-
Loss for the period	-	-	-	-	-	-	(88,597)	(88,597)	(7,792)	(96,389)
Total comprehensive income/(loss) for the period	-	-	2,937	(9,944)	21,355	-	(78,653)	(64,305)	(5,259)	(69,564)
Purchase of treasury shares	-	(4)	-	-	-	-	-	(4)	-	(4)
Dividend - 2016 final	-	-	-	-	-	-	(6,527)	(6,527)	-	(6,527)
Dividend - 2017 interim	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
At 31.12.2017	336,000	(25,282)	(11,914)	726,716	16,293	100	1,753,966	2,795,879	(14,511)	2,781,368

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016.



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	CUMULATIVE QUARTER	
	(Unaudited) For the 12 months ended 31.12.2017 RM'000	(Audited) For the 12 months ended 31.12.2016 RM'000
Cash flows from operating activities		
Loss before taxation	(72,811)	(43,080)
Adjustments for:		
Non-cash and non-operating items	229,531	211,346
Operating profit before working capital changes	156,720	168,266
Changes in working capital		
Inventories	563,518	(106,079)
Hire purchase receivables	(316,232)	(90,183)
Receivables, deposits and prepayments	131,900	34,197
Payables and accruals	(181,266)	(31,354)
Cash from/(used in) operations	354,640	(25,153)
Tax paid	(35,691)	(52,242)
Interest paid	(53,897)	(61,418)
Employee benefits paid	(1,094)	(663)
Net cash generated from/(used in) operating activities	263,958	(139,476)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(110,782)	(115,604)
Acquisition of prepaid lease payments	(955)	(1,329)
Net (investments in)/proceeds from liquid investments with licensed financial institutions	(141,156)	415
Dividend received from equity-accounted investee	250	2,075
Proceeds from disposal of property, plant and equipment	21,105	38,133
Net cash used in investing activities	(231,538)	(76,310)



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	CUMULATIVE QUARTER	
	(Unaudited) For the 12 months ended 31.12.2017 RM'000	(Audited) For the 12 months ended 31.12.2016 RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(13,054)	(26,107)
Dividends paid to non-controlling interests	(300)	(300)
Purchase of own shares	(4)	(4)
Proceeds from bills payable (net)	32,916	20,907
Proceeds from medium term notes, term loans, Cagamas financing and revolving credit (net)	46,909	280,265
Net cash from financing activities	66,467	274,761
Net increase in cash and cash equivalents	98,887	58,975
Effects of exchange rate fluctuations on cash and cash equivalents	(8,442)	2,729
Cash and cash equivalents at beginning of the period	227,560	165,856
Cash and cash equivalents at end of the period	318,005	227,560
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	261,044	191,718
Deposits with licensed banks	56,961	35,842
	318,005	227,560

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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 2016.

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 2016, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 2018

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

Effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- MFRS 16, *Leases*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 123, *Borrowing costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests In Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

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

2. Changes In Accounting Policies (continued)

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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*

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2016.

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.

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 RM1.55. Total consideration paid for the repurchase including transaction cost was RM1,555 and this was financed by internally generated fund. Cumulative total number of shares repurchased at the end of the quarter was 19,339,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group has redeemed RM36.90 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM347.30 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 Medium Term Notes was RM750.0 million at the end of the financial quarter.

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

No dividends were paid during the quarter ended 31 December 2017.

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

9. Segmental Reporting

For the financial period ended 31 December 2017:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	4,257,656	5,383,492	75,937	65,880	7,635	11,385	4,341,228	5,460,757
Inter-segment revenue	301	412	1,386	1,380	76,385	82,860	78,072	84,652
Segment EBITDA*	96,534	101,565	20,910	23,348	(2,820)	34,014	114,624	158,927

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:	(Unaudited)	(Audited)
	31.12.2017	31.12.2016
	RM'000	RM'000
Total EBITDA for reportable segments	114,624	158,927
Depreciation and amortisation	(114,737)	(126,058)
Interest expense	(71,708)	(72,936)
Interest income	14,224	7,931
Share of profit of equity-accounted investees not included in reportable segments	3,382	3,230
Unallocated corporate expenses	(18,596)	(14,174)
Consolidated loss before taxation	(72,811)	(43,080)

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 2016.

11. Valuation of Investment Properties

Pursuant to the fair value model applied for investment properties, the fair value gain (net of deferred tax) of RM0.7 million has been incorporated into the current year profit or loss.

The valuation was carried out by independent firm of professional valuer, Rahim & Co. Chartered Surveyors Sdn Bhd, using open market value with existing use basis.

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

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

There were no changes in the composition of the Group for the quarter under review, except for incorporation of a new wholly-owned subsidiary, TC Commercial Insure Agency Sdn. Bhd. under the Companies Act, 2016 on 12 December 2017 which principal activity is to carry out insurance agency business.

14. Changes in Contingent Liabilities or Contingent Assets

There are no changes in the contingent liabilities and contingent assets since the end of financial period ended 31 December 2017.

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

(i) Capital commitment

	31.12.2017	31.12.2016
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	33,962	30,179
Authorised and contracted for		
In Malaysia	30,059	79,851
Outside Malaysia	8,002	1,003
TOTAL	72,023	111,033

(ii) Non-cancellable operating lease commitment

	31.12.2017	31.12.2016
	RM'000	RM'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:</i>		
Not later than 1 year	1,669	1,838
More than 1 year but not later than 5 years	6,676	7,351
More than 5 years	104,804	117,222
TOTAL	113,149	126,411

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:

	Individual Quarter		Cumulative Quarter	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Sales	7,020	10,676	28,002	81,391
Provision of hire purchase	3,836	3,266	3,836	17,692
With APM Group				
Purchases	14,748	30,981	73,709	106,509
With TCIL Group				
Contract assembly fee receivable	3,851	9,295	19,073	45,597

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:

	Individual Quarter		Cumulative Quarter	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Purchases	435,656	625,904	1,272,346	2,252,516

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 197 of the Companies Act, 2016, are as follows:

	Individual Quarter		Cumulative Quarter	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Purchases	124,492	72,909	529,318	614,526

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

The Group's revenue decreased by 20.5% with loss before taxation (LBT) of RM72.8 million for the year ended 31 December 2017 (-69.0% YoY). The financial position of the Group continue to show improvement as the inventory level has been reduced to RM1,186 million (-32.2% YoY). The corresponding Group net cash inflow generated from operating activities recorded RM264 million as a result of the Group's on-going effort to maintain an optimum carrying value of stock by rationalising the inventory level. Receivables have also improved with better management of receivables collection with RM131.9 million (+285.7% YoY). Further analysis on the segments are explained as follows:

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

The automotive division recorded lower revenue of RM4,257.7 million (-20.9% YoY) with segment EBITDA of RM96.5 million (-5.0% YoY). The lower revenue and EBITDA was due to stiff competition from other market players which has affected new vehicles sales. However, the sustainable performance from the after sales services and spare parts business have mitigated this segment's results. Although the inventory cost was affected by the unfavourable foreign exchange rates and continue to impact the profit margin, the strengthening of the Ringgit, favourable sales mix and cost optimisation strategies have mitigated the results.

b) Financial Services (hire purchase and insurance)

The financial services division recorded higher revenue of RM75.9 million (+15.3% YoY) and EBITDA of RM20.9 million (+10.4% YoY). The increase in revenue was due to higher loan book size sustained as of 31 December 2017 compared to previous year. The hire purchase financing segment has provided higher yield to the Group. The insurance commissions from motor insurance business continue to sustain the financial services segment after the motor insurance premiums were liberalised by Bank Negara Malaysia from 1 July 2017.

c) Other Operations (investments and properties)

Revenue from other operations was lower at RM7.6 million compared to RM11.4 million in the previous year and LBITDA was at RM2.8 million compared to EBITDA of RM34.0 million in the previous year. The lower revenue recorded was due to reduction of revenue from the provision of information technology services, trading business and education services. The LBITDA included net foreign exchange loss of RM22.5 million arising from financing overseas entities upon the strengthening of Ringgit.

2. Comparison With Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Changes	
	31.12.2017	30.09.2017	Amount	%
	RM'000	RM'000	RM'000	
Revenue	1,075,965	1,073,262	2,703	0.3%
Profit/(Loss) before tax	12,591	(27,146)	39,737	146.4%

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

2. Comparison With Preceding Quarter's Results (continued)

	Current Quarter	Immediate Preceding Quarter	Changes	
	31.12.2017	30.09.2017	Amount	%
	RM'000	RM'000	RM'000	
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after sale services	1,055,711	1,048,503	7,208	0.7%
Financial services	18,638	23,024	(4,386)	-19.0%
Other operations	1,607	1,735	(128)	-7.4%
	<u>1,075,956</u>	<u>1,073,262</u>	2,694	0.3%
<u>Segment EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after sale services	47,846	17,382	30,464	175.3%
Financial services	5,540	5,108	432	8.5%
Other operations	(1,498)	(2,852)	1,354	47.5%
	<u>51,888</u>	<u>19,638</u>	32,250	164.2%

The revenue from quarter to quarter has been sustained and marginally higher with an increase in revenue in Q4 2017 by 0.3% compared to Q3 2017. Profit before tax of RM12.6 million was recorded in Q4 2017 compared to loss before tax of RM27.1 million in Q3 2017.

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

For the quarter under review, automotive division recorded RM1,055.7 million in revenue (+0.7% QoQ) and RM47.8 million in segment EBITDA (+175.3% QoQ). The increase was due to the strengthening of the Ringgit in Q4 and favourable sales mix compared to previous quarter as well as on-going cost optimisation strategies to improve business efficiency.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM18.6 million for Q4 2017 (-19.0% QoQ). EBITDA for Q4 2017 was RM5.5 million (+8.5% QoQ). The increase in EBITDA was due to higher interest yield in Q4 2017. The reduction in revenue was due to lower hire purchases loans disbursed in Q4 2017 which was RM86.5 million (-68.9% QoQ).

c) Other Operations (investments and properties)

Revenue from other operations for Q4 2017 was recorded at RM1.6 million (-7.4% QoQ). LBITDA for Q4 2017 was RM1.5 million (+47.5% QoQ). This was due to the revaluation gain arising from investment properties.

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 industry outlook is expected to remain subdued in 2018 as new vehicles sales continue to face a competitive business environment with the continuing strict financing approval guidelines and recent interest rate hike.

The Group is taking active measures to improve its competitiveness in the domestic market with the expected launch of new models in the coming quarters. We will continue to expand the sales operations in the overseas market to sustain the sales momentum.

The Group remains committed to our roots in Malaysia while strengthening our foundation in the emerging markets such as Cambodia, Laos, Vietnam and Myanmar to reap the future benefits of economic growth in these countries. The Group continues to remain focused on ensuring sustainable financial position going forward by leveraging on our core competencies.

4. Comparison With Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current year	11,233	12,896	44,016	48,694
Prior year	(7)	38	(10,567)	(273)
Deferred tax	7,597	(860)	(9,871)	(32,467)
	<u>18,823</u>	<u>12,074</u>	<u>23,578</u>	<u>15,954</u>

The tax charge occurred despite the loss situation of the Group for the financial year-to-date due to certain expenses disallowed for tax purposes and the absence of full Group relief, especially from certain overseas entities.

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

6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at reporting date.

7. Group Borrowings

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

	31.12.2017
	RM'000
Unsecured :	
- Bills payable	57,307
- Revolving credit	939,411
- Short term loan	33,018
- Medium term notes	748,147
Total borrowings	<u>1,777,883</u>
Comprising :	
Amount repayable within one year	1,029,736
Amount repayable after one year	748,147
	<u>1,777,883</u>

Group borrowings breakdown by currencies:

		31.12.2017
		RM'000
Functional currency	Denominated in	
RM	RM	1,523,854
RM	USD	117,580
VND	VND	105,654
VND	USD	30,795
		<u>1,777,883</u>

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

8. Financial Instruments

Derivatives

As at 31 December 2017, 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	351,308	16,002	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 and repayments from overseas subsidiaries. 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.

9. Changes In Material Litigation

(a) Motion to Correct Counter Claim from Narita Motorcare (Cambodia) Co. Ltd and Others

ETCM (C) Pty. Ltd. ("ETCM (C)"), a wholly-owned subsidiary of the Company, was appointed by Nissan Motor Co., Ltd. ("Nissan") as the sole and exclusive distributor for Nissan completely built up vehicles in Cambodia ("Nissan Distributorship") on 11 March 2010. ETCM (C) took over the Nissan Distributorship from the then distributor, Kjaer Group who had appointed Narita Motorcare (Cambodia) Co., Ltd. ("Narita") as its non-exclusive dealer for Nissan vehicles in Cambodia.

Following this, ETCM (C) appointed its wholly owned subsidiary, Tan Chong Motor (Cambodia) Pty. Ltd. ("TCMC") to undertake the distribution of the Nissan vehicles in Cambodia including the right to appoint dealers to sell the Nissan vehicles. TCMC then went into negotiation with Narita with a view to appoint Narita as a non-exclusive dealer in Phnom Penh, Cambodia.

Narita however contended that in practice, they have always been allowed by Kjaer Group to play the role of sole distributor of Nissan vehicles in the whole of Cambodia with a right to import Nissan vehicles into Cambodia.

Arising from this, in July 2015, Narita filed a motion for a Preservative Relief Order for the protection of its purported sole distributorship status ("2015 Preservative Relief Order"). On 12 September 2016, the Court of Appeal on an Appeal Motion by ETCM (C) and TCMC, made the ruling in the favour of ETCM (C) and TCMC. The Ministry of Commerce of Cambodia had also, via its letter dated 23 December 2015, recognised the exclusive rights of TCMC to distribute Nissan vehicles in Cambodia.

On 26 April 2017, Narita, Mr Long Narith and Ms Pich Sokhom, the representatives of Narita, filed a Motion to Add and Correct Complaint and a counter complaint to, amongst others, order ETCM (C) and TCMC to pay damages and compensation of USD6,550,000 to Narita, USD200,000 each to Mr Long Narith and Ms Pich Sokhom ("Motion to Add and Correct Complaint").

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

9. Changes In Material Litigation (continued)

(a) Motion to Correct Counter Claim from Narita Motorcare (Cambodia) Co. Ltd and Others (continued)

On 9 May 2017, ETCM (C) and TCMC jointly filed its defence to the Motion to Add and Correct Complaint requesting to, amongst others:

1. Dismiss all claims of Narita, Mr Long Narith and Ms Pich Sokhom;
2. Confirm the non-existence of the agreement between Narita and ETCM (C) and TCMC;
3. Order Narita, Mr Long Narith and Ms Pich Sokhom to pay ETCM (C) and TCMC damages totalling approximately USD33,000,000 for actual losses and emotional damages which have been caused by the rulings arising from the 2015 Preservative Relief Order.

The Court has heard the oral argument for ETCM (C) and TCMC on 24 October 2017.

On 26 November 2017, our solicitors notified that the sealed judgement had been issued by the Court of First Instance in Phnom Penh in favour of ETCM (C) and TCMC, amongst others: -

1. Dismissed all claims of Narita, Mr Long Narith and Ms Pich Sokhom;
2. Confirmed the non-existence of the agreement between Narita and ETCM (C) and TCMC;
3. Ordered Narita, Mr Long Narith and Ms Pich Sokhom to pay ETCM (C) and TCMC damages totalling USD 8,037,818 for actual losses and emotional damages which have been caused by the rulings arising from the 2015 and 2016 Preservative Relief Order; and
4. All litigation costs to be paid by Narita, Mr Long Narith and Ms Pich Sokhom.

The above said judgement is subject to appeal within thirty (30) days from the date of receipt of the sealed judgement by either party in the action.

Narita, Mr. Long Narith and Ms Pich Sokhom have filed an appeal with the Court of Appeal against the judgement of the Court of First Instance upon the receipt of the sealed judgment on 24 November 2017.

The Court of Appeal has fixed for oral argument for hearing on 12 February 2018 whereby the matter is adjourned to 2 March 2018 for a decision.

(b) Defence and Counter Claim served on TCM Stamping Products Sdn Bhd

On 18 August 2016, TCM Stamping Products Sdn Bhd (“TCMSP”), a wholly-owned subsidiary of the Company, filed a claim against Meka Automotive Industries Sdn Bhd (“MEKA”) for the sum of RM319,829 in respect of the supply of automotive accessories (“TCMSP’s Claim”) with the Kuala Lumpur Sessions Court (“Sessions Court”). Subsequently, MEKA filed a counterclaim in the sum of RM16,500,000 against TCMSP inter alia, for alleged loss of business (“MEKA’s Counterclaim”) with the Sessions Court and made an application to the Kuala Lumpur High Court (“High Court”) to transfer the legal proceedings from the Sessions Court to the High Court (“Application to Transfer”).

On 4 November 2016, TCMSP filed a striking out application against MEKA’s Counterclaim of RM16,500,000 in the Sessions Court and an Affidavit in Reply to oppose MEKA’s Application to Transfer on grounds, inter alia, that the MEKA’s Counterclaim is out of the jurisdiction of the Sessions Court, which has jurisdictional limit up to RM1,000,000 only. On 5 December 2016, TCMSP’s solicitors attended the case management before the Sessions Court and the High Court.

On 12 July 2017, High Court decided to allow MEKA’s Application to Transfer from Sessions Court to High Court. On 14 July 2017, TCMSP’s solicitor had informed the Sessions Court of the aforesaid decision.

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

9. Changes In Material Litigation (continued)

(b) Defence and Counter Claim served on TCM Stamping Products Sdn Bhd (continued)

On 7 November 2017, TCMSP, had, through its solicitors, filed the application for summary judgment against MEKA and TCMSP's application for striking out MEKA's defence and Counterclaim in the High Court.

The case management date which was fixed on 22 November 2017 for the aforementioned applications was vacated and the High Court has fixed the hearing date on the aforementioned applications on 4 January 2018.

On 7 February 2018, TCMSP has successfully obtained Order In Terms of the aforementioned applications for Summary Judgement and Striking Out against MEKA's Defence and Counter Claim from the High Court. Accordingly, TCMSP will, through its solicitors, proceed to file a Proof of Debt in respect of its claim against MEKA for the sum of RM319,829.00 for the supply of automotive accessories in due course.

TCMSP's solicitors are of the view that TCMSP has a reasonably good chance of succeeding in recovering the MEKA Outstanding Amount with costs as it is a plain and straightforward case of goods sold and delivered case. MEKA's Counterclaim is totally unsubstantiated and therefore, highly unsustainable.

(c) Writ of Summons and Statement of Claim served on Tan Chong Industrial Equipment Sdn Bhd ("TCIE")

On 15 August 2017, TCIE, a wholly-owned subsidiary of the Company, received a sealed Writ of Summons dated 12 August 2017 and Statement of Claim dated 11 August 2017, a sealed copy of a Notice of Application for Injunction dated 12 August 2017 and supporting Affidavit dated 11 August 2017 ("the action") from the solicitors acting for Transnasional Express Sdn. Bhd. ("Transnasional"), Plusliner Sdn. Bhd. ("Plusliner"), Syarikat Kenderaan Melayu Kelantan Berhad ("SKMK"), Syarikat Rembau Tampin Sdn. Bhd. ("SRT"), Kenderaan Langkasuka Sdn. Bhd. ("Langkasuka"), Konsortium Transnasional Berhad ("KTB") and MHSB Properties Sdn Bhd ("MHSB") (collectively known as "Plaintiffs").

TCIE had entered into a series of lease agreements with Transnasional, Plusliner and SKMK and a series of service maintenance agreements with Transnasional, Plusliner, SKMK, SRT and Langkasuka (collectively known as "Debtors") for the lease and service maintenance of the vehicles. The Debtors were owing to TCIE outstanding rentals and service bills amounting to RM32,920,575 ("Debt").

TCIE had negotiated with the Debtors on the settlement of the Debt on many occasions and after lengthy negotiations, the Debtors and KTB had mutually agreed to enter into a Settlement Agreement with TCIE on 4 July 2016 to settle the same by way of (i) repayment of the amount of RM16,920,575 in cash in several instalments; and (ii) transfer of a piece of land held under H.S.(D) 87546, PT No. 7929, Bandar Ampang, Daerah Ulu Langat, Negeri Selangor ("Land") owned by MHSB to TCIE for the settlement of the balance Debt of RM16,000,000 ("Balance Debt") ("Settlement Agreement").

Simultaneously with the Settlement Agreement and as settlement of the Balance Debt, TCIE entered into a Sale and Purchase Agreement with MHSB and Nadicorp Holdings Sdn Bhd for the acquisition of the Land at a mutually agreed consideration of RM16,000,000.

However, the Debtors had failed to make timely repayments of the Debt in accordance with the Settlement Agreement hence, TCIE had exercised its contractual rights to repossess the vehicles leased to the Debtors.

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

9. Changes In Material Litigation (continued)

(c) Writ of Summons and Statement of Claim served on Tan Chong Industrial Equipment Sdn Bhd (“TCIE”) (continued)

Pursuant to the action, the Plaintiffs are claiming, amongst others, the following:-

- (a) an injunction to restrain TCIE from repossessing and disposing the vehicles the subject of a Settlement Agreement between the Plaintiffs and TCIE until disposal of the action;
- (b) an injunction to restrain TCIE from entering into any dealing in relation to the Land and a declaration pertaining to the value of the Land of MHSB is RM55,600,000;
- (c) an injunction to restrain TCIE from taking any enforcement action under the Settlement Agreement between the Plaintiffs and TCIE until disposal of the action;
- (d) Repayment of compensation from the acquisition of part of the Land; and
- (e) Repayment of the sum of RM22,679,425.

TCIE has filed an appearance to the action on 22 August 2017 and also an Affidavit to oppose the Plaintiffs' injunction together with an application to strike out the Plaintiffs' action.

The High Court of Malaya at Kuala Lumpur (“High Court”) has re-fixed the hearing date of TCIE’s striking out application and the Plaintiffs’ injunction application on 8 December 2017 where a new date for clarification/decision is fixed on 4 January 2018.

On 4 January 2018, the High Court has allowed TCIE’s application to strike out the Plaintiffs’ claim and dismissed the Plaintiffs’ injunction application with costs of RM5,000.00.

On 9 January 2018, the Plaintiffs have filed an appeal with the Court of Appeal against the judgment of the High Court.

The Court of Appeal has fixed for case management on 19 February 2018. On 19 February 2018, the Court of Appeal has re-fixed the next case management on 14 March 2018.

TCIE’s solicitors are of the opinion that the action is without any legal basis.

Save for the above, there were no other pending material litigations against the Group as at the date of this report.

10. Dividend

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the Board recommended a final single tier dividend of 1 sen per share for the year ended 31 December 2017 (2016: single tier 1 sen per share). The net amount payable is RM6.5 million (2016: RM6.5 million).

The entitlement and payment dates for the final dividend will be announced at a later date.

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

11. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share for the periods is based on the net loss 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	
	2017 (‘000)	2016 (‘000)	2017 (‘000)	2016 (‘000)
Issued ordinary shares at beginning of the period	652,662	652,664	652,663	652,665
Effect of shares buyback during the period	-	-	(1)	(1)
Weighted average number of ordinary shares	<u>652,662</u>	<u>652,664</u>	<u>652,662</u>	<u>652,664</u>

12. Total comprehensive income/(loss)

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

	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Current Year Quarter 31.12.2017 RM’000	Preceding Year Corresponding Quarter 31.12.2016 RM’000	Current Year To Date 31.12.2017 RM’000	Preceding Year Corresponding Period 31.12.2016 RM’000
Depreciation and amortisation	(26,628)	(29,683)	(114,737)	(126,058)
(Provision for)/reversal and (write off) of receivables	(4,383)	(553)	(16,258)	(12,638)
(Provision for)/reversal and (write off) of inventories	(155)	(3,271)	(213)	(1,566)
Gain on disposal of properties, plant and equipment	1,441	2,911	5,003	5,659
Property, plant and equipment written off	(758)	(374)	(1,029)	(600)
Foreign exchange gain/(loss)	(8,085)	4,915	(21,335)	13,294
Gain/(Loss) on derivatives	11,686	(4,137)	21,355	(11,107)
Fair value adjustment on investment properties	985	4,960	985	4,960
Impairment loss on property, plant and equipment	-	(2,604)	-	(2,604)

BY ORDER OF THE BOARD

HO WAI MING
CHANG PIE HOON
Company Secretaries
Kuala Lumpur
27 February 2018