



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

**INTERIM REPORT FOR THE  
SECOND QUARTER ENDED  
30 JUNE 2014**

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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 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.06.2014 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.06.2013 RM'000	(Unaudited) Current Year To Date 30.06.2014 RM'000	(Unaudited) Preceding Year Corresponding Period 30.06.2013 RM'000
Revenue	1,087,551	1,140,642	2,347,744	2,576,981
Operating profit	91,858	97,723	163,063	225,191
Interest expense	(13,992)	(11,723)	(25,948)	(22,756)
Interest income	3,020	4,761	6,397	9,438
Share of profit of equity-accounted investees	470	1,048	1,774	2,875
Profit before taxation	81,356	91,809	145,286	214,748
Tax expense	(14,660)	(24,613)	(36,870)	(63,388)
Profit for the period	66,696	67,196	108,416	151,360
Attributable to:				
Equity holders of the Company	53,842	67,353	95,316	151,448
Non-controlling interests	12,854	(157)	13,100	(88)
	66,696	67,196	108,416	151,360
Earning per share (sen)				
(a) Basic	8.25	10.32	14.60	23.20
(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 2013.



**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 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.06.2014 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.06.2013 RM'000	(Unaudited) Current Year To Date 30.06.2014 RM'000	(Unaudited) Preceding Year Corresponding Period 30.06.2013 RM'000
<b>Profit for the period</b>	66,696	67,196	108,416	151,360
<i>Item that will not be reclassified to profit or loss:</i>				
Defined benefit plan actuarial gains	631	58	1,006	116
<b>Total item that will not be classified to profit or loss</b>	631	58	1,006	116
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences - foreign operations	392	351	503	792
Net change in fair value of cash flow hedges reclassified to profit or loss	(1,516)	(493)	123	1,256
<b>Total items that are or may be classified subsequently to profit or loss</b>	(1,124)	(142)	626	2,048
<b>Other comprehensive income for the period, net of tax</b>	(493)	(84)	1,632	2,164
<b>Total comprehensive income for the period</b>	66,203	67,112	110,048	153,524
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	53,121	67,493	96,721	153,628
Non-controlling interests	13,082	(381)	13,327	(104)
	66,203	67,112	110,048	153,524

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 2013.



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	(Unaudited)	(Audited)
	As at	As at
	30.06.2014	31.12.2013
	RM'000	RM'000
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	1,755,094	1,693,133
Investment properties	44,671	44,671
Prepaid lease payments	35,902	24,270
Equity-accounted investees	35,593	33,918
Other investments	1	1
Deferred tax assets	26,457	26,397
Hire purchase receivables	422,967	376,451
Intangible assets	14,592	14,592
Long term receivables	1,730	1,504
	<hr/>	<hr/>
	2,337,007	2,214,937
<b><u>Current assets</u></b>		
Other investments	154,327	152,720
Hire purchase receivables	155,590	113,279
Receivables, deposits and prepayments	532,837	453,721
Current tax assets	26,206	9,437
Inventories	1,686,777	1,725,687
Derivative assets	159	36
Cash and cash equivalents	369,461	312,574
	<hr/>	<hr/>
	2,925,357	2,767,454
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>5,262,364</b>	<b>4,982,391</b>



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014 (continued)**

	(Unaudited) As at 30.06.2014 RM'000	(Audited) As at 31.12.2013 RM'000
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity</u></b>		
Share capital	336,000	336,000
Reserves	2,455,285	2,397,733
Treasury shares	(24,814)	(24,809)
<b>Total equity attributable to equity holders of the Company</b>	<b>2,766,471</b>	<b>2,708,924</b>
Non-controlling interests	6,566	(6,761)
<b>Total equity</b>	<b>2,773,037</b>	<b>2,702,163</b>
<b><u>Non-current liabilities</u></b>		
Deferred tax liabilities	156,030	159,297
Borrowings	303,058	293,043
Employee benefits	40,851	39,339
	<b>499,939</b>	<b>491,679</b>
<b><u>Current liabilities</u></b>		
Payables and accruals	529,775	602,748
Borrowings	1,441,787	1,158,631
Taxation	17,826	27,170
	<b>1,989,388</b>	<b>1,788,549</b>
<b>Total liabilities</b>	<b>2,489,327</b>	<b>2,280,228</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,262,364</b>	<b>4,982,391</b>
Net assets per share attributable to equity holders of the Company (RM)	4.24	4.15

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013.



**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 2014**

	-----Attributable to Equity Holders of the Company-----									
	-----Non-Distributable-----					-----Distributable-----				
	Share capital RM'000	Treasury shares RM'000	Translation reserves RM'000	Revaluation reserve RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<b>At 01.01.2013</b>	336,000	(24,795)	(2,727)	-	(985)	100	1,629,500	1,937,093	2,638	1,939,731
Other comprehensive income for the period, net of tax	-	-	808	-	1,256	-	116	2,180	(16)	2,164
Profit for the period	-	-	-	-	-	-	151,448	151,448	(88)	151,360
Total comprehensive income for the period	-	-	808	-	1,256	-	151,564	153,628	(104)	153,524
Purchase of treasury shares	-	(7)	-	-	-	-	-	(7)	-	(7)
Dividend - 2012 final	-	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
<b>At 30.06.2013</b>	336,000	(24,802)	(1,919)	-	271	100	1,751,687	2,061,337	2,534	2,063,871
<b>At 01.01.2014</b>	336,000	(24,809)	(2,654)	589,657	36	100	1,810,594	2,708,924	(6,761)	2,702,163
Other comprehensive income for the period, net of tax	-	-	276	-	123	-	1,006	1,405	227	1,632
Transfer to revaluation surplus on properties	-	-	-	(4,500)	-	-	4,500	-	-	-
Profit for the period	-	-	-	-	-	-	95,316	95,316	13,100	108,416
Total comprehensive income for the period	-	-	276	(4,500)	123	-	100,822	96,721	13,327	110,048
Purchase of treasury shares	-	(5)	-	-	-	-	-	(5)	-	(5)
Dividend - 2013 final	-	-	-	-	-	-	(39,169)	(39,169)	-	(39,169)
<b>At 30.06.2014</b>	336,000	(24,814)	(2,378)	585,157	159	100	1,872,247	2,766,471	6,566	2,773,037

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013.



**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 2014**

	<b>CUMULATIVE QUARTER</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>For the 6 months</b>	<b>For the 6 months</b>
	<b>ended</b>	<b>ended</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	145,286	214,748
Adjustments for:		
Non-cash and non-operating items	75,207	51,529
<b>Operating profit before working capital changes</b>	<b>220,493</b>	<b>266,277</b>
<b>Changes in working capital</b>		
Inventories	38,823	135,807
Hire purchase receivables	(90,277)	(175,099)
Receivables, deposits and prepayments	(79,959)	(130,990)
Payables and accruals	(72,255)	25,028
Cash generated from operations	16,825	121,023
Tax paid	(66,138)	(36,833)
Interest paid	(19,551)	(13,318)
Employee benefits paid	(111)	(593)
<b>Net cash (used in)/generated from operating activities</b>	<b>(68,975)</b>	<b>70,279</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(140,242)	(77,977)
Acquisition of prepaid lease payments	(13,400)	(4,923)
Acquisition of other investments	(1,594)	(74,853)
Proceeds from disposal of property, plant and equipment	20,915	8,047
<b>Net cash used in investing activities</b>	<b>(134,321)</b>	<b>(149,706)</b>



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2014 (continued)**

	(Unaudited) For the 6 months ended 30.06.2014 RM'000	(Unaudited) For the 6 months ended 30.06.2013 RM'000
<b>Cash flows from financing activities</b>		
Dividend paid to shareholders of the Company	(39,169)	(29,377)
Purchase of own shares	(5)	(7)
Proceeds from/(Repayment of) bills payable (net)	102,307	(78,625)
Proceeds from/(Repayment of) term loans, Cagamas financing and revolving credit (net)	198,723	(34,827)
<b>Net cash generated from/(used in) financing activities</b>	<b>261,856</b>	<b>(142,836)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>58,560</b>	<b>(222,263)</b>
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	<b>(1,673)</b>	<b>790</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>312,574</b>	<b>635,876</b>
<b>Cash and cash equivalents at end of the period</b>	<b>369,461</b>	<b>414,403</b>
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	169,456	209,044
Deposits with licensed banks	200,005	205,359
	<b>369,461</b>	<b>414,403</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013.



## 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 and its subsidiaries, associates and joint venture (“the Group”) as at and for the year ended 31 December 2013.

### 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 2013, except the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), Amendments to MFRSs and IC Interpretations:

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

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 July 2014***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011 – 2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010 – 2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010 – 2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010 – 2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010 – 2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011 – 2013 Cycle)*

## **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 2016*

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

#### *Effective for a date yet to be confirmed*

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

### **3. Audit Qualifications**

There were no audit qualifications in the annual financial statements for the year ended 31 December 2013.

### **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 flow 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 RM5.38. Total consideration paid for the repurchase including transaction cost was RM5,428 and this was financed by internally generated funds. Cumulative total number of shares repurchased at the end of the quarter was 19,188,000. 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 RM68 million nominal value of Class A MTN during the quarter. The outstanding nominal value of MTN comprising Class A, Class B and Class C is RM550.75 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**

A final single-tier dividend of 12% for the year ended 31 December 2013 (2012: 12% less tax of 25%) amounting to RM39.17 million (2012: RM29.38 million) was paid on 23 June 2014.

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

**9. Segmental Reporting**

For the financial period ended 30 June 2014:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,316,061	2,555,210	26,554	18,289	5,129	3,482	2,347,744	2,576,981
Inter-segment revenue	4,464	7,304	1,195	1,217	44,096	26,308	49,755	34,829
Segment EBITDA*	217,346	261,864	10,480	8,617	636	(665)	228,462	269,816

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

**Reconciliation of reportable segment profit or loss:**

	30.06.2014 RM'000	30.06.2013 RM'000
Total EBITDA for reportable segments	228,462	269,816
Depreciation and amortisation	(55,190)	(38,086)
Interest expense	(25,948)	(22,756)
Interest income	6,397	9,438
Share of profit of equity-accounted investees not included in reportable segments	1,774	2,875
Unallocated corporate expenses	(10,209)	(6,539)
Consolidated profit before taxation	145,286	214,748

**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 2013.

**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 2013.

## 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, other than below:

It was disclosed in the Notes to the audited Financial Statements for year ended 31 December 2013 of Tan Chong Motor Holdings Berhad (“TCMH”) and in TCMH’s announcements of its previous unaudited quarterly financial results for 2013 that the General Department of Vietnam Customs has opined that Nissan Vietnam Co., Ltd. (“NVL”), a 74% subsidiary of TCMH Group is not entitled to the preferential import tax rate for the importation of completely knock-down (“CKD”) parts and kits.

On 16 October 2013, TCMH announced that NVL received decisions dated 23 September 2013 and 8 October 2013 (“Tax Decisions”) from the Customs Chief of Ha Noi Processing and Investment Customs Branch (“Vietnamese Customs Authority”) that an amount totalling VND357,028,537,085 equivalent to approximately USD16.98 million or RM56.27 million, being the additional import duties payable by NVL in respect of the importation of CKD parts and kits for the period from 2010 to 2012. The additional import duties have been provided for in the audited Financial Statements of TCMH for year ended 31 December 2013.

NVL has submitted its appeal against the Tax Decisions. Further to the appeal, NVL has on 20 August 2014 received a decision dated 13 August 2014 from the Vietnamese Customs Authority regarding cancellation of the Tax Decisions.

Accordingly, the previous provision made has been reversed in current quarter.

### 13. Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter under review, except for registration of a new wholly-owned subsidiary, T C Motor Sales (Cambodia) Pty Ltd (“T C Motor (Cambodia)”) in Cambodia on 20 June 2014. The intended principal activity of T C Motor (Cambodia) is trading and marketing of motor vehicles.

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

There were no contingent liabilities or contingent assets as at 30 June 2014.

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

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM’000</b>	<b>RM’000</b>
<i>Property, plant and equipment</i>		
Authorised but not contracted for	41,313	320,766
Authorised and contracted for		
In Malaysia	171,464	47,934
Outside Malaysia	8,415	9,438
<i>Overseas operation commitments</i>		
Authorised and contracted for	34,850	72,528
TOTAL	<u>256,042</u>	<u>450,666</u>

**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>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>With WTCH Group</b>				
Sales	17,460	5,790	23,819	9,626
<b>With APM Group</b>				
Purchases	33,248	33,447	66,145	70,201
<b>With TCIL Group</b>				
Contract assembly fee receivable	6,938	13,629	21,444	22,889

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>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	312,781	480,732	835,809	964,435

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>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	47,317	6,823	101,484	10,533

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**

During the first half of 2014, the Group's top-line and bottom-line reduced by 8.9% and 37.1% year on year respectively. The auto sector is faced with a price war until the oversupply situation is flushed out. Year on year (YoY) sales unit volume is down by 14.9% but contract assembly unit volume is up by 124.5%.

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

Automotive division recorded RM2,316.1 million in revenue (-9.4% YoY) due to loss of domestic market share in the Malaysia B- Segment, where our key volume driver is. Segment EBITDA, however, rose +17.0% YoY to RM217.3m thanks to a write-back of NVL provision for additional import duty amounting to USD16.98 million as disclosed in Note A12 (Material Subsequent Event).

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

The financial services division recorded revenue of RM26.6 million (+45.2% YoY). EBITDA has increased by 21.6% compared to the previous year same period from RM8.6 million to RM10.5 million. As at 30 June 2014, hire purchase ("HP") receivables stood at RM578.6 million, an increase of RM101.3 million compared to last year same period of RM477.3 million.

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

Revenue from other operations for first half ended 30 June 2014 was RM5.1 million compared to RM3.5 million in the previous year same period and EBITDA was RM0.6 million compared to a loss of RM0.7 million in the previous year same period. The turnaround was due to some early success in cost efficiency and productivity measures.

**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**

Quarter on quarter (QoQ): revenue fell by 13.7% from RM1.26 billion to RM1.09 billion but EBITDA increased by 22.9% (from RM102.5 million to RM126.0 million), PBT by +27.3% (from RM63.9 million to RM81.4 million) and the bottom-line by +29.8% (from RM41.5 million to RM53.8 million).

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

For the quarter under review, automotive division recorded RM1,072.1 million in revenue (-13.8% QoQ) and segment EBITDA was RM122.4 million (+28.9% QoQ). The higher EBITDA was mainly due to the write-back of provision for additional import duty amounting to USD16.98 million. Underlying Q2 2014 sales momentum slowed whilst import cost rose and more incentives were needed to push sales volume.

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

The financial services division recorded its revenue at RM12.9 million for Q2 2014 (-5.0% QoQ). EBITDA for Q2 2014 was RM3.2 million compared to preceding quarter of RM7.3 million. This is due to the higher cost of financing and lesser insurance policy renewal in Q2 2014 compared to Q1 2014.

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

Revenue from other operations for Q2 2014 was RM2.5 million compared to RM2.6 million in the preceding quarter. EBITDA for Q2 2014 was RM0.3 million which is consistent with the preceding quarter. This was due to on-going measures to implement better cost controls.

**3. Current Year Prospects**

The regional operating environment in 2014 has been more difficult than expected and retail distribution is impacted by lackluster consumer sentiment. Bank Negara Malaysia revision of the Overnight Policy Rate by 25 basis point from 3.00% to 3.25% will push up debt servicing costs for car owners - becoming Southeast Asia's first central bank to tighten policy on 10 July 2014. Consumers are constrained by rising cost of living, subsidies rationalisation and the coming GST implementation. Vehicle sales margin is expected to remain under pressure due to higher advertising and promotional expenses to sustain competitiveness and sales, despite the marginal pick-up in TIV forecast this year.

The Group has taken steps to cut CKD orders, operating and capital expenditure in order to reduce cost. We target to realise the benefits of these measures by this year. We are putting into place measures to optimise our organisation to support the NISSAN business stream. Despite this market condition, we believe the opportunity of rendering contract assembly services will continue as more and more global brands appreciate the competitive advantages offered by highly localised supply chain solutions.

We remain resolute about the fundamental strengths of our core auto business, in which Tan Chong has excelled for over half a century of constant change both in the local economy and national policy. The distribution business performed weakly in 2014, which was the main factor impacting the Group's profit growth trend-line. To ameliorate this anomaly, we plan to review our business processes and model – and ensure necessary changes are made for improvement.

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

**4. Comparison With Profit Forecast**

This is not applicable to the Group.

**5. Taxation**

	Individual Quarter		Cumulative Quarter	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Current year	18,189	34,166	42,514	75,668
Prior year	(781)	(4,935)	(2,489)	(2,488)
Deferred tax	(2,748)	(4,618)	(3,155)	(9,792)
	<u>14,660</u>	<u>24,613</u>	<u>36,870</u>	<u>63,388</u>

The effective tax rate of the Group for the current quarter is lower than the statutory rate of 25% due to write-back of provision for additional import duty for NVL which is not taxable.

**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:

	30.06.2014
	RM'000
Unsecured :	
- Bills payable	504,091
- Revolving credit	789,265
- Short term loan	101,260
- Long term loan	279,032
Secured :	
Recourse obligation on financing sold to Cagamas Berhad	<u>71,197</u>
Total borrowings	<u>1,744,845</u>
Comprising :	
Amount repayable within one year	1,441,787
Amount repayable after one year	<u>303,058</u>
	<u>1,744,845</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 2014, 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	12,858	159	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. 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) 30.06.2014 RM'000	(Audited) 31.12.2013 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	2,037,440	2,011,429
- Unrealised loss	(14,773)	(4,452)
	<u>2,022,667</u>	<u>2,006,977</u>
Total share of retained profits from equity-accounted investees:		
- Realised profit	15,530	13,769
- Unrealised profit	74	61
	<u>15,604</u>	<u>13,830</u>
Total Group retained profits before consolidation adjustment	2,038,271	2,020,807
Less: Consolidation adjustment	(166,024)	(210,213)
	<u>1,872,247</u>	<u>1,810,594</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.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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

**9. Changes In Material Litigation**

There was no material litigation as at 30 June 2014.

**10. Dividend**

Based on the results of the current quarter, the Board has declared a single tier interim dividend of 6% for the year ending 31 December 2014 to be paid on 29 September 2014 to shareholders whose names appear in the Register of Members on 10 September 2014.

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

- a. shares transferred into the depositor's securities account before 4.00 p.m. on 10 September 2014 in respect of transfer;
- b. shares deposited into the depositor's securities account before 12.30 p.m. on 8 September 2014 in respect of shares exempted from mandatory deposit; and
- c. shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

The franked interim dividend declared for the previous corresponding period was 12% less tax of 25%.

The interim dividend is lower than previous corresponding period in view of the fiercely competitive business environment that has affected the Group's performance in first half of 2014.

**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:

<b>Weighted average number of ordinary shares</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>
Issued ordinary shares at beginning of the period	652,813	652,815	652,813	652,815
Effect of shares buyback during the period	(1)	(1)	(1)	(1)
<b>Weighted average number of ordinary shares</b>	<b>652,812</b>	<b>652,814</b>	<b>652,812</b>	<b>652,814</b>

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

**12. Profit before taxation**

Profit before taxation is arrived at after crediting/(charging):

	(Unaudited) Current Year Quarter 30.06.2014 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.06.2013 RM'000	(Unaudited) Current Year To Date 30.06.2014 RM'000	(Unaudited) Preceding Year Corresponding Period 30.06.2013 RM'000
Depreciation and amortisation	(28,700)	(20,268)	(55,190)	(38,086)
(Provision for)/reversal and (write off) of receivables	(1,255)	(1,388)	(2,404)	(1,664)
Reversal/(provision for) and (write off) of inventories	54	23	(87)	25
Gain/(loss) on disposal of properties, plant and equipment	1,161	(5)	2,727	1,682
Property, plant and equipment written off	(233)	-	(363)	(6)
Foreign exchange (loss)/gain	(3,577)	2,342	(4,350)	1,439
(Loss)/gain on derivatives	(1,516)	(493)	123	1,256
Other loss, including investment income	14	(82)	13	(82)

**BY ORDER OF THE BOARD**

LEE KWEE CHENG

YAP BEE LEE

CHANG PIE HOON

Company Secretaries

Kuala Lumpur

22 August 2014