



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

**INTERIM REPORT FOR THE
THIRD QUARTER ENDED
30 SEPTEMBER 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 SEPTEMBER 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Corresponding Quarter 30.09.2014 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2013 RM'000	(Unaudited) Current Year To Date 30.09.2014 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2013 RM'000
Revenue	1,149,006	1,267,761	3,496,750	3,844,742
Operating profit	21,566	55,318	184,629	280,509
Interest expense	(14,085)	(10,885)	(40,033)	(33,641)
Interest income	1,925	4,187	8,322	13,625
Share of profit of equity-accounted investees	780	1,044	2,554	3,919
Profit before taxation	10,186	49,664	155,472	264,412
Tax expense	(7,193)	(32,681)	(44,063)	(96,069)
Profit for the period	2,993	16,983	111,409	168,343
Attributable to:				
Equity holders of the Company	1,870	31,665	97,186	183,113
Non-controlling interests	1,123	(14,682)	14,223	(14,770)
	2,993	16,983	111,409	168,343
Earning per share (sen)				
(a) Basic	0.29	4.85	14.89	28.05
(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 SEPTEMBER 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.09.2014 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2013 RM'000	(Unaudited) Current Year To Date 30.09.2014 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2013 RM'000
Profit for the period	2,993	16,983	111,409	168,343
<i>Item that will not be reclassified to profit or loss:</i>				
Defined benefit plan actuarial gains	-	58	1,006	174
Total item that will not be classified to profit or loss	-	58	1,006	174
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences - foreign operations	(541)	(427)	(38)	365
Net change in fair value of cash flow hedges reclassified to profit or loss	628	2,925	751	4,181
Total items that are or may be classified subsequently to profit or loss	87	2,498	713	4,546
Other comprehensive income for the period, net of tax	87	2,556	1,719	4,720
Total comprehensive income for the period	3,080	19,539	113,128	173,063
Total comprehensive income attributable to:				
Equity holders of the Company	2,183	34,522	98,904	187,850
Non-controlling interests	897	(14,983)	14,224	(14,787)
	3,080	19,539	113,128	173,063

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 SEPTEMBER 2014

	(Unaudited)	(Audited)
	As at	As at
	30.09.2014	31.12.2013
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,800,203	1,693,133
Investment properties	44,671	44,671
Prepaid lease payments	41,623	24,270
Equity-accounted investees	36,372	33,918
Other investments	1	1
Deferred tax assets	31,989	26,397
Hire purchase receivables	426,369	376,451
Intangible assets	14,592	14,592
Long term receivables	1,549	1,504
	<hr/>	<hr/>
	2,397,369	2,214,937
<u>Current assets</u>		
Other investments	125,311	152,720
Hire purchase receivables	160,078	113,279
Receivables, deposits and prepayments	501,888	453,721
Current tax assets	26,542	9,437
Inventories	1,567,436	1,725,687
Derivative assets	787	36
Cash and cash equivalents	310,050	312,574
	<hr/>	<hr/>
	2,692,092	2,767,454
	<hr/>	<hr/>
TOTAL ASSETS	5,089,461	4,982,391



TAN CHONG MOTOR HOLDINGS BERHAD

(Company No: 12969-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014 (continued)

	(Unaudited)	(Audited)
	As at	As at
	30.09.2014	31.12.2013
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,437,884	2,397,733
Treasury shares	(24,814)	(24,809)
Total equity attributable to equity holders of the Company	2,749,070	2,708,924
Non-controlling interests	7,163	(6,761)
Total equity	2,756,233	2,702,163
<u>Non-current liabilities</u>		
Deferred tax liabilities	153,177	159,297
Borrowings	289,493	293,043
Employee benefits	42,203	39,339
	484,873	491,679
<u>Current liabilities</u>		
Payables and accruals	529,756	602,748
Borrowings	1,307,981	1,158,631
Taxation	10,618	27,170
	1,848,355	1,788,549
Total liabilities	2,333,228	2,280,228
TOTAL EQUITY AND LIABILITIES	5,089,461	4,982,391
Net assets per share attributable to equity holders of the Company (RM)	4.21	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 SEPTEMBER 2014**

	-----Attributable to Equity Holders 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 reserves RM'000	Revaluation reserve RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000			
At 01.01.2013	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	-	-	382	-	4,181	-	174	4,737	(17)	4,720
Profit for the period	-	-	-	-	-	-	183,113	183,113	(14,770)	168,343
Total comprehensive income for the period	-	-	382	-	4,181	-	183,287	187,850	(14,787)	173,063
Purchase of treasury shares	-	(7)	-	-	-	-	-	(7)	-	(7)
Dividend - 2012 final	-	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
Dividend - 2013 interim	-	-	-	-	-	-	(29,377)	(29,377)	(300)	(29,677)
Dividend - 2013 special	-	-	-	-	-	-	(44,069)	(44,069)	-	(44,069)
At 30.09.2013	336,000	(24,802)	(2,345)	-	3,196	100	1,709,964	2,022,113	(12,449)	2,009,664
At 01.01.2014	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	-	-	(39)	-	751	-	1,006	1,718	1	1,719
Transfer to revaluation surplus on properties	-	-	-	(6,750)	-	-	6,750	-	-	-
Profit for the period	-	-	-	-	-	-	97,186	97,186	14,223	111,409
Total comprehensive income for the period	-	-	(39)	(6,750)	751	-	104,942	98,904	14,224	113,128
Purchase of treasury shares	-	(5)	-	-	-	-	-	(5)	-	(5)
Dividend - 2013 final	-	-	-	-	-	-	(39,169)	(39,169)	-	(39,169)
Dividend - 2014 interim	-	-	-	-	-	-	(19,584)	(19,584)	(300)	(19,884)
At 30.09.2014	336,000	(24,814)	(2,693)	582,907	787	100	1,856,783	2,749,070	7,163	2,756,233

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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	CUMULATIVE QUARTER	
	(Unaudited) For the 9 months ended 30.09.2014 RM'000	(Unaudited) For the 9 months ended 30.09.2013 RM'000
Cash flows from operating activities		
Profit before taxation	155,472	264,412
Adjustments for:		
Non-cash and non-operating items	133,008	78,636
Operating profit before working capital changes	288,480	343,048
Changes in working capital		
Inventories	128,048	(52,983)
Hire purchase receivables	(99,194)	(274,002)
Receivables, deposits and prepayments	(34,472)	(264,489)
Payables and accruals	(71,484)	201,279
Cash generated from/(used in) operations	211,378	(47,147)
Tax paid	(89,124)	(56,289)
Interest paid	(31,711)	(20,016)
Employee benefits paid	(103)	(632)
Net cash generated from/(used in) operating activities	90,440	(124,084)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(221,749)	(137,782)
Acquisition of prepaid lease payments	(19,086)	(5,133)
Acquisition of other investments	27,436	(5,647)
Dividend received from equity accounted investee	100	-
Proceeds from disposal of property, plant and equipment	31,444	20,538
Net cash used in investing activities	(181,855)	(128,024)



TAN CHONG MOTOR HOLDINGS BERHAD

(Company No: 12969-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (continued)**

	CUMULATIVE QUARTER	
	(Unaudited) For the 9 months ended 30.09.2014 RM'000	(Unaudited) For the 9 months ended 30.09.2013 RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(58,753)	(102,823)
Dividend paid to non-controlling interests	(300)	(300)
Purchase of own shares	(5)	(7)
(Repayment of)/Proceeds from bills payable (net)	(52,252)	93,455
Proceeds from term loans, Cagamas financing and revolving credit (net)	201,209	86,969
Net cash generated from financing activities	89,899	77,294
Net decrease in cash and cash equivalents	(1,616)	(174,994)
Effects of exchange rate fluctuations on cash and cash equivalents	(908)	3,452
Cash and cash equivalents at beginning of the period	312,574	635,876
Cash and cash equivalents at end of the period	310,050	464,334
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	162,447	240,605
Deposits with licensed banks	147,603	223,729
	310,050	464,334

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

- 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* and Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- 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)*

Effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- Amendments to MFRS 7, *Financial Instruments: Disclosure – Mandatory Effective Date of MFRS 9 and Transition Disclosure*
- MFRS 9, *Financial Instruments (2014)*

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

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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

3. Audit Qualifications

There were no audit qualifications in 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

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

There was no repurchase of issued ordinary shares from the open market during the quarter. 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 RM63 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 RM487.75 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

An interim single tier dividend of 6% for the year ending 31 December 2014 (2013: 12% less tax of 25%) amounting to RM19.58 million (2013: RM29.38 million) was paid on 29 September 2014.

9. Segmental Reporting

For the financial period ended 30 September 2014:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,448,467	3,809,998	40,297	29,294	7,986	5,450	3,496,750	3,844,742
Inter-segment revenue	7,515	10,946	1,413	1,483	65,315	45,368	74,243	57,797
Segment EBITDA*	261,705	342,351	14,875	12,458	3,002	(7,508)	279,582	347,301

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

	30.09.2014	30.09.2013
	RM'000	RM'000
Total EBITDA for reportable segments	279,582	347,301
Depreciation and amortisation	(84,502)	(56,196)
Interest expense	(40,033)	(33,641)
Interest income	8,322	13,625
Share of profit of equity-accounted investees not included in reportable segments	2,554	3,919
Unallocated corporate expenses	(10,451)	(10,596)
Consolidated profit before taxation	155,472	264,412

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

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.

12. Material Subsequent Event

Save for the following, 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:

- (i) Tan Chong Motor Holdings Berhad (“TCMH”) has on 20 October 2014 received approval from the Securities Commission Malaysia for the establishment of a Commercial Papers (“CP”) Programme and a Medium Term Notes (“MTN”) Programme with a combined aggregate nominal value of RM1.5 billion (“CP/MTN Programmes”).

The CP Programme and the MTN Programme will have tenures of up to 7 years and up to 20 years respectively from the date of the first issuance from each of the respective programmes.

The proceeds from the issuance of the CPs and/or MTNs shall be utilised by the Group for its capital expenditures, refinancing of, in part or in full, the Group’s existing and future bank borrowings, refinancing any CPs and/or MTNs, working capital and for general corporate purposes of the Group.

On 24 November 2014, TCMH has completed the first issuance of RM750 million in aggregate nominal value of MTNs pursuant to the CP/MTN Programmes.

- (ii) Under the Group’s Asset-Backed MTN Programme, the Group has completed the eighth issuance with nominal value of RM198.25 million on 14 November 2014.

13. Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter under review.

14. Changes in Contingent Liabilities or Contingent Assets

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

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

	30.09.2014	30.09.2013
	RM’000	RM’000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	22,397	369,023
Authorised and contracted for		
In Malaysia	105,439	54,755
Outside Malaysia	480	8,574
<i>Overseas operation commitments</i>		
Authorised and contracted for	39,168	74,715
TOTAL	167,484	507,067

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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Sales	5,104	10,546	28,923	20,172
With APM Group				
Purchases	29,050	69,701	95,195	139,902
With TCIL Group				
Contract assembly fee receivable	6,212	1,269	27,656	24,158

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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Purchases	167,707	562,305	1,003,516	1,526,740

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:

	Individual Quarter		Cumulative Quarter	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Purchases	128,611	85,752	230,095	96,285

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 top-line and bottom-line reduced by 9.1% and 46.9% year on year respectively. Despite the price war, the Group has begun to reduce its inventory from RM1.73 billion as at 31 December 2013 to RM1.59 billion as at 30 September 2014.

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

Automotive division recorded lower revenue of RM3,448.5 million (-9.5% YoY) and lower segment EBITDA of RM261.7 million (-23.6% YoY). This is due to the loss of market share in the Malaysia B-segment, where our key model is. Profit margin was sacrificed to sustain market share and to lower inventory level.

b) Financial Services (hire purchase and insurance)

The financial services division recorded higher revenue of RM40.3 million (+37.6% YoY). EBITDA has increased by 19.4% from RM12.5 million to RM14.9 million compared to the previous year same period. As at 30 September 2014, hire purchase ("HP") receivables stood at RM586.4 million, an increase of RM10.7 million compared to RM575.7 million as at September last year.

c) Other Operations (investments and properties)

Revenue from other operations was RM7.9 million compared to RM5.5 million in the previous year same period and EBITDA was RM2.4 million compared to a loss of RM7.5 million in the previous year same period. The better financial results were due to the efforts of cost rationalisation and productivity improvement 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 increased by 5.7% from RM1.09 billion to RM1.15 billion but EBITDA fell by 59.4% (from RM125.9 million to RM51.1 million), PBT by -87.5% (from RM81.4 million to RM10.2 million) and the bottom-line by -96.5% (from RM53.8 million to RM1.9 million).

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

For the quarter under review, automotive division recorded RM1,132.4 million in revenue (+5.6% QoQ) and RM44.4 million in segment EBITDA (-63.8% QoQ). Q3 2014 sales recorded a higher volume arising from the Group's strong sales and marketing efforts. Despite higher sales volume, EBITDA margin was down due to the exceptional write-back of NVL provision for additional import duty amounting to USD16.98 million in previous quarter and a one-off provision for impairment of aging NVL-originated stock amounting to USD4.55 million in the current quarter.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM13.7 million for Q3 2014 (+6.2% QoQ). EBITDA for Q3 2014 was RM4.4 million compared to preceding quarter of RM3.2 million. The improvement in revenue and EBITDA is due to higher hire purchase intake and more insurance policy renewal during the quarter.

c) Other Operations (investments and properties)

Revenue from other operations for Q3 2014 was RM2.9 million compared to RM2.5 million in preceding quarter. EBITDA for Q3 2014 was RM2.4 million compared to preceding quarter of RM0.3 million. This was due to on-going cost rationalisation activities.

3. Current Year Prospects

Despite industry wide de-stocking in a period of weak end demand, the automotive division is expected to claw back market share in the fourth quarter on the back of aggressive marketing efforts in a seasonally slower year end for TIV. We believe that our longstanding partnerships with leading premium and mass market brands will sustain our position.

Indo-china operations continued to record losses. However, revenues are expected to improve in the fourth quarter because it has resolved the customs duty issue in Vietnam.

Throughout this challenging period, the Group has ample liquidity through our MTN first issuance amounting to RM750 million and through the ABS exercise amounting to RM198.25 million. With the source of fund, the Group is expected to grow in diversified earning streams, namely financial services, after sales and contract assembly throughput. We foresee our newly setup used vehicles division to complement our Nissan Business Stream.

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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Current year	15,225	27,496	57,739	103,164
Prior year	217	(239)	(2,272)	(2,727)
Deferred tax	(8,249)	5,424	(11,404)	(4,368)
	<u>7,193</u>	<u>32,681</u>	<u>44,063</u>	<u>96,069</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory rate of 25% due to certain expenses disallowed for tax purposes and absence of full group relief.

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:

	30.09.2014
	RM'000
Unsecured :	
- Bills payable	349,532
- Revolving credit	903,842
- Short term loan	52,359
- Long term loan	265,471
Secured :	
Recourse obligation on financing sold to Cagamas Berhad	26,270
Total borrowings	<u>1,597,474</u>
Comprising :	
Amount repayable within one year	1,307,981
Amount repayable after one year	<u>289,493</u>
	<u>1,597,474</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 September 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	15,802	787	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) 30.09.2014 RM'000	(Audited) 31.12.2013 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	2,007,378	2,011,429
- Unrealised loss	(6,804)	(4,452)
	<u>2,000,574</u>	<u>2,006,977</u>
Total share of retained profits from equity-accounted investees:		
- Realised profit	16,510	13,769
- Unrealised (loss)/profit	(126)	61
	<u>16,384</u>	<u>13,830</u>
Total Group retained profits before consolidation adjustment	2,016,958	2,020,807
Less: Consolidation adjustment	(160,175)	(210,213)
	<u>1,856,783</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 September 2014.

10. Dividend

No dividend was declared for the current quarter.

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

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 30.09.2014 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2013 RM'000	(Unaudited) Current Year To Date 30.09.2014 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2013 RM'000
Depreciation and amortisation	(29,312)	(18,110)	(84,502)	(56,196)
(Provision for)/reversal and (write off) of receivables	(2,050)	(961)	(4,454)	(2,625)
Reversal/(provision for) and (write off) of inventories	(15,117)	(845)	(15,204)	(820)
Gain/(loss) on disposal of properties, plant and equipment	1,014	416	3,741	2,098
Property, plant and equipment written off	(30)	(266)	(199)	(272)
Foreign exchange (loss)/gain	3,289	5,331	(1,061)	6,770
(Loss)/gain on derivatives	628	2,925	751	4,181
Other gain, including investment income	14	70	27	(12)

BY ORDER OF THE BOARD

LEE KWEE CHENG

YAP BEE LEE

CHANG PIE HOON

Company Secretaries

Kuala Lumpur

26 November 2014