



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

**INTERIM REPORT FOR THE
THIRD QUARTER ENDED
30 SEPTEMBER 2016**

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Corresponding Quarter 30.09.2016 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2015 RM'000	(Unaudited) Current Year Corresponding To Date 30.09.2016 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2015 RM'000
Revenue	1,398,629	1,373,595	4,237,768	4,206,323
Operating profit/(loss)	9,810	53,188	(6,239)	142,391
Interest expense	(18,767)	(18,725)	(56,134)	(50,924)
Interest income	2,130	2,810	5,477	10,488
Share of profit of equity-accounted investees	555	381	2,397	2,325
(Loss)/Profit before taxation	(6,272)	37,654	(54,499)	104,280
Tax credit/(expense)	1,660	(9,660)	(3,880)	(37,420)
(Loss)/Profit for the period	(4,612)	27,994	(58,379)	66,860
Attributable to:				
Equity holders of the Company	(4,501)	29,181	(56,296)	69,688
Non-controlling interests	(111)	(1,187)	(2,083)	(2,828)
	(4,612)	27,994	(58,379)	66,860
(Loss)/Earning per share (sen)				
(a) Basic	(0.69)	4.47	(8.63)	10.68
(b) Fully diluted	N/A	N/A	N/A	N/A

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



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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.09.2016 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2015 RM'000	(Unaudited) Current Year To Date 30.09.2016 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2015 RM'000
(Loss)/Profit for the period	(4,612)	27,994	(58,379)	66,860
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences - foreign operations	(156)	(10,108)	(6,387)	(13,670)
Net change in fair value of cash flow hedges reclassified to profit or loss	(2,404)	7,943	(6,970)	14,048
Total items that are or may be reclassified subsequently to profit or loss	(2,560)	(2,165)	(13,357)	378
Other comprehensive (loss)/income for the period, net of tax	(2,560)	(2,165)	(13,357)	378
Total comprehensive (loss)/income for the period	(7,172)	25,829	(71,736)	67,238
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(6,192)	28,922	(67,152)	72,832
Non-controlling interests	(980)	(3,093)	(4,584)	(5,594)
	(7,172)	25,829	(71,736)	67,238

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



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	(Unaudited)	(Audited)
	As at	As at
	30.09.2016	31.12.2015
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,668,783	1,704,190
Investment properties	186,633	186,633
Prepaid lease payments	48,101	49,798
Equity-accounted investees	40,887	40,415
Other investments	1	1
Deferred tax assets	61,494	35,722
Hire purchase receivables	538,011	369,507
Intangible assets	14,592	14,592
Long term receivables	226	9,153
	<hr/> 2,558,728	<hr/> 2,410,011
<u>Current assets</u>		
Other investments	3,351	3,416
Hire purchase receivables	105,833	82,470
Receivables, deposits and prepayments	738,004	822,087
Current tax assets	38,626	36,300
Inventories	1,782,467	1,645,195
Derivative assets	1,308	6,045
Cash and cash equivalents	241,692	165,856
	<hr/> 2,911,281	<hr/> 2,761,369
TOTAL ASSETS	<hr/> <hr/> 5,470,009	<hr/> <hr/> 5,171,380



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016 (continued)

	(Unaudited)	(Audited)
	As at	As at
	30.09.2016	31.12.2015
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,392,265	2,485,524
Treasury shares	(25,276)	(25,274)
Total equity attributable to owners of the Company	2,702,989	2,796,250
Non-controlling interests	(6,486)	(1,602)
Total equity	2,696,503	2,794,648
<u>Non-current liabilities</u>		
Deferred tax liabilities	137,993	143,791
Borrowings	747,472	818,675
Employee benefits	58,269	51,058
	943,734	1,013,524
<u>Current liabilities</u>		
Payables and accruals	723,305	677,594
Borrowings	1,092,366	670,757
Derivative liabilities	2,160	-
Taxation	11,941	14,857
	1,829,772	1,363,208
Total liabilities	2,773,506	2,376,732
TOTAL EQUITY AND LIABILITIES	5,470,009	5,171,380
Net assets per share attributable to owners of the Company (RM)	4.14	4.28

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



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

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

	-----Attributable to owners of the Company-----							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	-----Non-Distributable-----			-----Distributable-----						
	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Hedging reserve RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000			
At 01.01.2015	336,000	(24,990)	(4,633)	581,650	-	100	1,866,475	2,754,602	5,951	2,760,553
Other comprehensive income for the period, net of tax	-	-	(10,904)	-	14,048	-	-	3,144	(2,766)	378
Transfer to revaluation surplus on properties	-	-	-	(5,512)	-	-	5,512	-	-	-
Profit for the period	-	-	-	-	-	-	69,688	69,688	(2,828)	66,860
Total comprehensive income for the period	-	-	(10,904)	(5,512)	14,048	-	75,200	72,832	(5,594)	67,238
Purchase of treasury shares	-	(281)	-	-	-	-	-	(281)	-	(281)
Dividend - 2014 final	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
Dividend - 2015 interim	-	-	-	-	-	-	(13,053)	(13,053)	(300)	(13,353)
At 30.09.2015	336,000	(25,271)	(15,537)	576,138	14,048	100	1,909,042	2,794,520	57	2,794,577
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 income for the period, net of tax	-	-	(3,886)	-	(6,970)	-	-	(10,856)	(2,501)	(13,357)
Transfer of revaluation surplus on properties	-	-	-	(5,794)	-	-	5,794	-	-	-
Loss for the period	-	-	-	-	-	-	(56,296)	(56,296)	(2,083)	(58,379)
Total comprehensive loss for the period	-	-	(3,886)	(5,794)	(6,970)	-	(50,502)	(67,152)	(4,584)	(71,736)
Purchase of treasury shares	-	(2)	-	-	-	-	-	(2)	-	(2)
Dividend - 2015 final	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
Dividend - 2016 interim	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
At 30.09.2016	336,000	(25,276)	(14,864)	568,413	(925)	100	1,839,541	2,702,989	(6,486)	2,696,503

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



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)
	For the 9 months	For the 9 months
	ended	ended
	30.09.2016	30.09.2015
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(54,499)	104,280
Adjustments for:		
Non-cash and non-operating items	160,163	141,980
Operating profit before working capital changes	105,664	246,260
Changes in working capital		
Inventories	(135,567)	(28,344)
Hire purchase receivables	(200,893)	(147,681)
Receivables, deposits and prepayments	89,316	(253,327)
Payables and accruals	28,483	19,939
Cash used in operations	(112,997)	(163,153)
Tax paid	(43,904)	(33,988)
Interest paid	(38,439)	(28,154)
Employee benefits paid	(523)	(364)
Net cash used in operating activities	(195,863)	(225,659)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(86,855)	(86,889)
Acquisition of prepaid lease payments	(1,119)	(57)
Net proceeds from liquid investments with licensed financial institutions	3,993	87,471
Dividend received from equity-accounted investee	1,925	1,225
Proceeds from disposal of property, plant and equipment	24,719	21,870
Net cash (used in)/from investing activities	(57,337)	23,620



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (continued)

	CUMULATIVE QUARTER	
	(Unaudited) For the 9 months ended 30.09.2016 RM'000	(Unaudited) For the 9 months ended 30.09.2015 RM'000
Cash flows from financing activities		
Dividends paid to owners of the Company	(26,107)	(32,633)
Dividends paid to non-controlling interests	(300)	(300)
Purchase of own shares	(2)	(281)
Proceeds from/(repayment of) bills payable (net)	75,067	(159,708)
Proceeds from medium term notes, term loans, Cagamas financing and revolving credit (net)	280,925	254,967
Net cash from financing activities	329,583	62,045
Net increase/(decrease) in cash and cash equivalents	76,383	(139,994)
Effects of exchange rate fluctuations on cash and cash equivalents	(547)	16,395
Cash and cash equivalents at beginning of the period	165,856	341,522
Cash and cash equivalents at end of the period	241,692	217,923
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	220,622	156,223
Deposits with licensed banks	21,070	61,700
	241,692	217,923

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

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

1. Basis of Preparation

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

2. Changes In Accounting Policies

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

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

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

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

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

Effective for annual periods beginning on or after 1 January 2017

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

Effective for annual periods beginning on or after 1 January 2018

- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

Effective for a date yet to be confirmed

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

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

2. Changes In Accounting Policies (continued)

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

MFRS 9, *Financial Instruments*

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

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

MFRS 15, *Revenue from Contracts with Customers*

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

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

MFRS 16, *Leases*

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

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

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

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

3. Audit Qualifications

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

4. Seasonal or Cyclical Factors

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

5. Unusual Items

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

6. Material Changes in Estimates

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

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

7. Debt and Equity Securities

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 19,336,000. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group has redeemed RM52.30 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C is RM356.25 million at the end of the financial quarter.

Under the combined aggregate nominal value of RM1.5 billion of Commercial Papers and Medium Term Notes Programmes, the outstanding nominal values of Commercial Papers and Medium Term Notes were RM50.0 million and RM750.0 million respectively on 30 September 2016.

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

8. Dividend Paid

An interim single tier dividend of 2% for the year ending 31 December 2016 (2015: 4%) amounting to RM6.53 million (2015: RM13.05 million) was paid on 29 September 2016.

9. Segmental Reporting

For the financial period ended 30 September 2016:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	4,184,333	4,153,919	44,883	41,622	8,552	10,782	4,237,768	4,206,323
Inter-segment revenue	449	2,550	1,287	1,731	62,621	59,891	64,357	64,172
Segment EBITDA*	66,894	207,044	13,738	19,253	18,552	22,852	99,184	249,149

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:	(Unaudited)	(Unaudited)
	30.09.2016	30.09.2015
	RM'000	RM'000
Total EBITDA for reportable segments	99,184	249,149
Depreciation and amortisation	(96,375)	(97,536)
Interest expense	(56,134)	(50,924)
Interest income	5,477	10,488
Share of profit of equity-accounted investees not included in reportable segments	2,397	2,325
Unallocated corporate expenses	(9,048)	(9,222)
Consolidated (loss)/profit before taxation	(54,499)	104,280

10. Valuation of Property, Plant and Equipment

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

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

11. Valuation of Investment Properties

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

12. Material Subsequent Event

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

13. Changes in Composition of the Group

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 2016.

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

	30.09.2016	30.09.2015
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	21,757	75,615
Authorised and contracted for		
In Malaysia	58,895	98,088
Outside Malaysia	1,251	10,515
<i>Lease commitments - overseas</i>		
Authorised and contracted for	117,434	-
TOTAL	<u><u>199,337</u></u>	<u><u>184,218</u></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:

	Individual Quarter		Cumulative Quarter	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Sales	41,787	19,079	70,715	31,983
Provision of hire purchase and leasing	4,248	5,341	14,426	10,333
With APM Group				
Purchases	23,302	26,073	75,528	83,316
With TCIL Group				
Contract assembly fee receivable	11,134	3,954	36,302	15,048

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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Purchases	490,995	486,279	1,626,612	1,734,183

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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Purchases	106,534	83,855	541,617	112,018

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 revenue increased by 0.7% but recorded loss after tax of RM58.4 million compared to profit after tax of RM66.9 million in the corresponding period which was mainly impacted by foreign exchange rates and weaker Malaysian Ringgit.

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

The automotive division recorded higher revenue of RM4,184.3 million (+0.7% YoY) with segment EBITDA of RM66.9 million (-67.7% YoY). The higher revenue was due to a flow through of the selling price increase in April 2016 to mitigate foreign exchange impact. The lower EBITDA was a result of higher imported CKD cost compared to the previous year.

b) Financial Services (hire purchase and insurance)

The financial services division recorded higher revenue of RM44.9 million (+7.8% YoY) and EBITDA of RM13.7 million (-28.6% YoY). The increase in revenue was due to higher hire purchase loans being disbursed compared to the previous year. Lower EBITDA compared to previous year same quarter was due to higher impairment loss on hire purchase receivables in 2016.

c) Other Operations (investments and properties)

Revenue from other operations was lower at RM8.6 million compared to RM10.8 million in the previous year and EBITDA was at RM18.5 million compared to RM22.9 million in the previous year. The reduction in EBITDA was mainly due to lower net unrealised foreign exchange gain of RM2.3 million from financing overseas entities denominated in foreign currencies compared to the previous year corresponding period.

2. Comparison With Preceding Quarter's Results

Quarter on quarter (QoQ): Revenue increased by 1.8% (from RM1.37 billion to RM1.40 billion). Comparing to previous quarter, the loss before tax has been narrowed to RM6.3 million. EBITDA was RM43.9 million (+5.7% QoQ).

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

For the quarter under review, automotive division recorded RM1,379.4 million in revenue (+1.7% QoQ) and RM26.8 million in segment EBITDA (+0.6% QoQ). The improvement in automotive segment compared with previous quarter was due to favourable sales mix.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM16.1 million for Q3 2016 (+8.0% QoQ). EBITDA for Q3 2016 was RM5.4 million (+6.9% QoQ). The increase in revenue and EBITDA was due to higher hire purchase rates on loans being disbursed during the quarter.

c) Other Operations (investments and properties)

Revenue from other operations for Q3 2016 have increased to RM3.1 million (+13.9% QoQ). EBITDA for Q3 2016 was RM11.7 million compared to preceding quarter of RM9.8 million. This was mainly due to the net unrealised exchange gain of RM6.0 million in Q3 2016 arising from financing overseas entities denominated in foreign currencies compared to previous quarter.

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

3. Current Year Prospects

The Malaysian automotive sector is expected to remain challenging due to the cautious consumers' sentiments on capital purchases and continuing weak indicators in the domestic and global economic outlook. Volatility in the foreign exchange market and weakening of the Malaysian Ringgit will continue to put pressure on profit margins due to its impact on the costs of imported CKD kits and components. The trading environment continues to be competitive with new models launches and aggressive sales and marketing campaigns by other automotive companies.

In the immediate term, the Group will continue to improve and enhance the sales and marketing activities to sustain the sales in a competitive environment. As for the Indo-China market, the Group continues to strengthen the sales network and increase the existing plant utilisation with the commencement of production and sales of Nissan X-Trail, a sports utility vehicle in Vietnam. The Group continues to remain fully committed on returning to profitability.

4. Comparison With Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Current year	13,607	12,183	35,798	48,117
Prior year	(1,006)	220	(311)	(7,053)
Deferred tax	(14,261)	(2,743)	(31,607)	(3,644)
	<u>(1,660)</u>	<u>9,660</u>	<u>3,880</u>	<u>37,420</u>

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

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

6. Status of Corporate Proposals

On 6 September 2016, the Company announced that the proposed disposal (“Proposed Disposal”) of assets by TC Aluminium Castings Sdn Bhd (“TCAC”) (an indirect wholly-owned subsidiary of Tan Chong Motor Holdings Berhad) to APM Thermal Systems Sdn Bhd (a wholly-owned subsidiary of APM Automotive Holdings Berhad) for a total cash consideration of RM5,701,318.00 which was subject to price adjustment (“Proposed Disposal Price”) and conditional upon the fulfilment of the conditions precedent (“Conditions Precedent”) as mentioned in the previous announcement dated 27 April 2016, has been completed on 6 September 2016, following the fulfillment of Conditions Precedent and adjustment of the Proposed Disposal Price to RM5,643,083.81.

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

7. Group Borrowings

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

	30.09.2016
	RM'000
Unsecured :	
- Bills payable	78,551
- Revolving credit	916,540
- Short term loan	47,275
- Medium term notes	747,472
- Commercial papers	50,000
Total borrowings	<u><u>1,839,838</u></u>
Comprising :	
Amount repayable within one year	1,092,366
Amount repayable after one year	747,472
	<u><u>1,839,838</u></u>

Group borrowings breakdown by currencies:

		30.09.2016
		RM'000
Functional currency	Denominated in	
RM	RM	1,543,298
RM	USD	149,775
VND	VND	97,062
VND	USD	49,703
		<u><u>1,839,838</u></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 2016, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets/(Liabilities) RM'000	Maturity
Forward foreign exchange contracts	192,128	(852)	Less than 1 year

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

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

b) Realised and Unrealised Profits

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

	(Unaudited) 30.09.2016 RM'000	(Audited) 31.12.2015 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	1,933,756	1,990,685
- Unrealised profit	5,386	22,182
	<u>1,939,142</u>	<u>2,012,867</u>
Total share of retained profits from equity-accounted investees:		
- Realised profit	18,862	18,019
- Unrealised loss	(694)	(323)
	<u>18,168</u>	<u>17,696</u>
Total Group retained profits before consolidation adjustments	1,957,310	2,030,563
Less: Consolidation adjustments	(117,769)	(114,413)
	<u>1,839,541</u>	<u>1,916,150</u>

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

9. Changes In Material Litigation

There was no material litigation as at 30 September 2016.

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

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	
	2016 ('000)	2015 ('000)	2016 ('000)	2015 ('000)
Issued ordinary shares at beginning of the period	652,664	652,666	652,665	652,761
Effect of shares buyback during the period	-	-	(1)	(46)
Weighted average number of ordinary shares	<u>652,664</u>	<u>652,666</u>	<u>652,664</u>	<u>652,715</u>

12. Total comprehensive (loss)/income

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

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Current Year Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceding Year Corresponding Period 30.09.2015 RM'000
Depreciation and amortisation	(31,069)	(32,794)	(96,375)	(97,536)
(Provision for)/reversal and (write off) of receivables	(3,755)	(1,134)	(12,085)	(4,691)
(Provision for)/reversal and (write off) of inventories	202	(30)	1,705	(426)
Gain/(Loss) on disposal of properties, plant and equipment	1,650	529	2,748	2,111
Property, plant and equipment written off	(100)	(58)	(226)	(256)
Foreign exchange gain	7,291	13,813	8,379	15,879
Gain/(Loss) on derivatives	(2,404)	7,943	(6,970)	14,048
Other loss, including investment income	-	1,958	-	2,256

BY ORDER OF THE BOARD

HO WAI MING
CHANG PIE HOON
Company Secretaries
Kuala Lumpur
28 November 2016