



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

**INTERIM REPORT FOR THE
FIRST QUARTER ENDED
31 MARCH 2017**

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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 31 MARCH 2017

	INDIVIDUAL/CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)
	Current	Preceding
	Year	Year
	Quarter	Corresponding
	31.03.2017	31.03.2016
	RM'000	RM'000
Revenue	995,652	1,415,783
Operating loss	(22,195)	(21,210)
Interest expense	(16,661)	(18,476)
Interest income	2,903	2,412
Share of profit of equity-accounted investees	410	530
Loss before taxation	(35,543)	(36,744)
Tax expense	(1,917)	(1,689)
Loss for the period	(37,460)	(38,433)
Attributable to:		
Equity holders of the Company	(35,322)	(37,208)
Non-controlling interests	(2,138)	(1,225)
	(37,460)	(38,433)
Loss per share (sen)		
(a) Basic	(5.41)	(5.70)
(b) Fully diluted	N/A	N/A

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



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2017**

	INDIVIDUAL/CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)
	Current	Preceding
	Year	Year
	Quarter	Corresponding
	31.03.2017	31.03.2016
	RM'000	RM'000
Loss for the period	(37,460)	(38,433)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences - foreign operations	49	(5,878)
Net change in fair value of cash flow hedges reclassified to profit or loss	5,178	(14,235)
Total items that are or may be classified subsequently to profit or loss	5,227	(20,113)
Other comprehensive income/(loss) for the period, net of tax	5,227	(20,113)
Total comprehensive loss for the period	(32,233)	(58,546)
Total comprehensive loss attributable to:		
Equity holders of the Company	(30,442)	(56,315)
Non-controlling interests	(1,791)	(2,231)
	(32,233)	(58,546)

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016.



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	(Unaudited)	(Audited)
	As at	As at
	31.03.2017	31.12.2016
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,867,824	1,863,022
Investment properties	198,766	198,766
Prepaid lease payments	50,274	51,343
Equity-accounted investees	43,051	42,891
Other investments	1	1
Deferred tax assets	67,264	62,761
Hire purchase receivables	518,506	460,399
Intangible assets	14,592	14,592
Long term receivables	370	162
	<hr/>	<hr/>
	2,760,648	2,693,937
<u>Current assets</u>		
Other investments	4,508	3,001
Hire purchase receivables	86,362	74,139
Receivables, deposits and prepayments	678,446	792,130
Current tax assets	35,953	36,068
Inventories	1,644,623	1,749,708
Derivative financial assets	729	102
Cash and cash equivalents	264,199	227,560
	<hr/>	<hr/>
	2,714,820	2,882,708
TOTAL ASSETS	<hr/> <hr/>	<hr/> <hr/>
	5,475,468	5,576,645



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

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

	(Unaudited)	(Audited)
	As at	As at
	31.03.2017	31.12.2016
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,532,078	2,562,520
Treasury shares	(25,278)	(25,278)
Total equity attributable to owners of the Company	2,842,800	2,873,242
Non-controlling interests	(10,743)	(8,952)
Total equity	2,832,057	2,864,290
<u>Non-current liabilities</u>		
Deferred tax liabilities	164,603	169,117
Borrowings	747,737	747,604
Employee benefits	62,419	58,300
	974,759	975,021
<u>Current liabilities</u>		
Payables and accruals	608,845	661,635
Borrowings	1,050,449	1,059,731
Derivative financial liabilities	679	5,164
Taxation	8,679	10,804
	1,668,652	1,737,334
Total liabilities	2,643,411	2,712,355
TOTAL EQUITY AND LIABILITIES	5,475,468	5,576,645
Net assets per share attributable to owners of the Company (RM)	4.36	4.40

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



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

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

	-----Attributable to owners of the Company-----							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	-----Non-Distributable-----			-----Distributable-----						
	Share capital RM'000	Treasury shares RM'000	Translation reserves RM'000	Revaluation reserve RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000			
At 01.01.2016	336,000	(25,274)	(10,978)	574,207	6,045	100	1,916,150	2,796,250	(1,602)	2,794,648
Other comprehensive income for the period, net of tax	-	-	(4,872)	-	(14,235)	-	-	(19,107)	(1,006)	(20,113)
Transfer to revaluation surplus on properties	-	-	-	(1,932)	-	-	1,932	-	-	-
Loss for the period	-	-	-	-	-	-	(37,208)	(37,208)	(1,225)	(38,433)
Total comprehensive (loss)/income for the period	-	-	(4,872)	(1,932)	(14,235)	-	(35,276)	(56,315)	(2,231)	(58,546)
At 31.03.2016	336,000	(25,274)	(15,850)	572,275	(8,190)	100	1,880,874	2,739,935	(3,833)	2,736,102
At 01.01.2017	336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290
Other comprehensive income for the period, net of tax	-	-	(298)	-	5,178	-	-	4,880	347	5,227
Transfer of revaluation surplus on properties	-	-	-	(2,486)	-	-	2,486	-	-	-
Loss for the period	-	-	-	-	-	-	(35,322)	(35,322)	(2,138)	(37,460)
Total comprehensive (loss)/income for the period	-	-	(298)	(2,486)	5,178	-	(32,836)	(30,442)	(1,791)	(32,233)
At 31.03.2017	336,000	(25,278)	(15,149)	734,174	116	100	1,812,837	2,842,800	(10,743)	2,832,057

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



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017

	CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)
	For the 3 months	For the 3 months
	ended	ended
	31.03.2017	31.03.2016
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(35,543)	(36,744)
Adjustments for:		
Non-cash and non-operating items	58,290	55,917
Operating profit before working capital changes	22,747	19,173
Changes in working capital		
Inventories	105,080	(293,318)
Hire purchase receivables	(72,891)	(71,719)
Receivables, deposits and prepayments	119,603	27,488
Payables and accruals	(81,626)	41,282
Cash from/(used in) operations	92,913	(277,094)
Tax paid	(11,103)	(12,073)
Interest paid	(1,603)	(4,157)
Employee benefits paid	(82)	(172)
Net cash from/(used in) operating activities	80,125	(293,496)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(43,436)	(25,190)
Acquisition of prepaid lease payments	(6)	(12,196)
Net (additions in)/proceeds from liquid investments with licensed financial institutions	(1,507)	1,819
Dividend received from equity-accounted investee	250	1,925
Proceeds from disposal of property, plant and equipment	6,120	4,066
Net cash used in investing activities	(38,579)	(29,576)



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017 (continued)

	CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)
	For the 3 months ended	For the 3 months ended
	31.03.2017	31.03.2016
	RM'000	RM'000
Cash flows from financing activities		
Net proceeds from/(repayment of) bills payable	1,380	(716)
Net (repayment of)/proceeds from medium term notes, term loans, Cagamas financing and revolving credit	(5,365)	328,991
Net cash (used in)/from financing activities	(3,985)	328,275
Net increase in cash and cash equivalents	37,561	5,203
Effects of exchange rate fluctuations on cash and cash equivalents	(922)	(3,130)
Cash and cash equivalents at beginning of the period	227,560	165,856
Cash and cash equivalents at end of the period	264,199	167,929
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	194,640	141,126
Deposits with licensed banks	69,559	26,803
	264,199	167,929

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

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

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Tan Chong Motor Holdings Berhad (“TCMH”) and its subsidiaries, associates and joint venture (“the Group”) as at and for the year ended 31 December 2016.

2. Changes In Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

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

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

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

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

Effective for annual periods beginning on or after 1 January 2018

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

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

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

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

2. Changes In Accounting Policies (continued)

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

MFRS 9, *Financial Instruments*

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

The Group is currently assessing the financial impact that may arise from the adoption of 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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

3. Audit Qualifications

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

4. Seasonal or Cyclical Factors

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

5. Unusual Items

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

6. Material Changes in Estimates

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

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 19,337,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of Companies Act 2016.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group has redeemed RM49.75 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM473.30 million at the end of the financial quarter.

Under the combined aggregate nominal value of RM1.5 billion of Commercial Papers and Medium Term Notes Programmes, the outstanding nominal values of Medium Term Notes was at RM750.0 million at the end of the financial quarter.

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

8. Dividend Paid

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

9. Segmental Reporting

For the financial period ended 31 March 2017:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	976,591	1,399,235	16,806	13,821	2,255	2,727	995,652	1,415,783
Inter-segment revenue	84	116	1,632	957	19,750	21,025	21,466	22,098
Segment EBITDA*	10,634	13,517	6,491	3,202	(1,094)	(3,003)	16,031	13,716

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:	(Unaudited)	(Unaudited)
	31.03.2017	31.03.2016
	RM'000	RM'000
Total EBITDA for reportable segments	16,031	13,716
Depreciation and amortisation	(31,547)	(32,042)
Interest expense	(16,661)	(18,476)
Interest income	2,903	2,412
Share of profit of equity-accounted investees not included in reportable segments	410	530
Unallocated corporate expenses	(6,679)	(2,884)
Consolidated loss before taxation	(35,543)	(36,744)

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment were brought forward without amendment from the annual financial statements for the year ended 31 December 2016.

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 2016.

12. Material Subsequent Event

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

13. Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter under review, except for registration of a new wholly-owned subsidiary, Tan Chong Mekong Trading (Thailand) Co., Ltd. (“TCMT”) as a juristic person by virtue of the Civil and Commercial Code of Thailand as evidenced by a Certificate of Registration of Partnerships and Companies dated 17 January 2017 issued by the Department of Business Development, Ministry of Commerce, Thailand.

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 31 March 2017.

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

(i) Capital commitment

	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	29,961	28,107
Authorised and contracted for		
In Malaysia	41,595	47,138
Outside Malaysia	685	1,585
TOTAL	72,241	76,830

(ii) Non-cancellable operating lease commitment

	31.03.2017	31.03.2016
	RM'000	RM'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:</i>		
Not later than 1 year	1,816	1,618
More than 1 year but not later than 5 years	7,266	6,471
More than 5 years	114,051	104,812
TOTAL	123,133	112,901

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:

	RM'000	RM'000
With WTCH Group		
Sales	7,293	11,431
Provision of hire purchase and leasing	-	4,798
	<u> </u>	<u> </u>
With APM Group		
Purchases	19,345	27,384
	<u> </u>	<u> </u>
With TCIL Group		
Contract assembly fee receivable	7,761	7,382
	<u> </u>	<u> </u>

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/Cumulative Quarter	
	31.03.2017	31.03.2016
	RM'000	RM'000
Purchases	237,876	592,006
	<u> </u>	<u> </u>

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

- (c) Significant transactions with Auto Dunia Sdn. Bhd., a company connected to a Director of the Company, namely Dato' Tan Heng Chew by virtue of Section 197 of the Companies Act, 2016, are as follows:

	Individual/Cumulative Quarter	
	31.03.2017	31.03.2016
	RM'000	RM'000
Purchases	148,938	285,004
	<u> </u>	<u> </u>

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

Group top-line revenue decreased by 29.7% and the Group recorded loss before taxation of RM35.5 million for the first quarter due to softer demand for new vehicles.

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

The automotive division recorded lower revenue of RM976.6 million (-30.2% YoY) with segment EBITDA of RM10.6 million (-21.3% YoY). The lower revenue was due to the overall weak consumer demand and consequently the lower EBITDA.

b) Financial Services (hire purchase and insurance)

The financial services division recorded higher revenue of RM16.8 million (+21.6% YoY) and EBITDA of RM6.5 million (+102.7% YoY). The increment was due to increase in hire purchase loans being disbursed and higher hire purchase yield rate. Higher EBITDA in current quarter compared to previous year same quarter was due to lower impairment loss provided for hire purchase receivables in Q1 2017.

c) Other Operations (investments and properties)

Revenue from other operations was lower at RM2.3 million compared to RM2.7 million in the previous year and LBITDA was at RM1.1 million compared to RM3.0 million in the previous year. The improvement was due to lower unrealised foreign exchange loss arising from financing overseas entities denominated in foreign currencies.

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

2. Comparison With Preceding Quarter's Results

Quarter on quarter (QoQ): Revenue decreased by 29.0% (from RM1.40 billion to RM1.00 billion). LBT was at RM35.5 million with net loss of RM37.5 million while EBITDA was RM16.0 million in Q1 2017 compared to RM59.6 million in Q4 2016.

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

For the quarter under review, automotive division recorded RM976.6 million in revenue (-29.2% QoQ) and RM10.6 million in segment EBITDA (-69.2% QoQ). Q1 2017 recorded an unfavourable result in revenue due to slower demand in vehicles.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM16.8 million for Q1 2017 (-20.0% QoQ). EBITDA for Q1 2017 was RM6.5 million (-32.5% QoQ). The lower EBITDA was due to impairment loss provided for hire purchase receivables compared to reversal of impairment in previous quarter.

c) Other Operations (investments and properties)

Revenue from other operations for Q1 2017 was RM2.3 million compared to RM2.8 million in preceding quarter. LBITDA for Q1 2017 was RM1.1 million compared to preceding quarter EBITDA of RM15.5 million. This was due to the one-off revaluation gain arising from investment properties in Q4 2016 and the unrealised foreign exchange loss suffered in Q1 2017 arising from financing overseas entities denominated in foreign currencies.

3. Current Year Prospects

We believe the domestic automotive sector will remain challenging as consumer appetite is still weak with the strict financing approval guidelines in the current economic environment.

The Group will continue to remain disciplined and maintain our focus on key priorities to ensure sustainable financial position. Sales and marketing activities will be enhanced to maintain our competitiveness in Malaysia. Overseas sales and distribution are expected to continue expanding in tandem with the robust economic growth in Vietnam, Laos, Cambodia and Myanmar. However, as for Myanmar, its operations commenced production and sales activities in Q1 2017.

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/Cumulative Quarter	
	31.03.2017	31.03.2016
	RM'000	RM'000
Current year	9,049	11,685
Prior year	44	-
Deferred tax	(7,176)	(9,996)
	<u>1,917</u>	<u>1,689</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.

6. Status of Corporate Proposals

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

7. Group Borrowings

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

	31.03.2017
	RM'000
Unsecured :	
- Bills payable	25,771
- Revolving credit	979,788
- Short term loan	44,890
- Medium term notes	747,737
Total borrowings	<u>1,798,186</u>
Comprising :	
Amount repayable within one year	1,050,449
Amount repayable after one year	<u>747,737</u>
	<u>1,798,186</u>

Group borrowings breakdown by currencies:

		31.03.2017
		RM'000
Functional currency	Denominated in	
RM	RM	1,373,509
RM	USD	305,251
VND	VND	76,802
VND	USD	42,624
		<u>1,798,186</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 31 March 2017, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets/(Liabilities) RM'000	Maturity
Forward foreign exchange contracts	175,151	50	Less than 1 year

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

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

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) 31.03.2017 RM'000	(Audited) 31.12.2016 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	1,841,737	1,893,976
- Unrealised (loss)/profit	48,489	39,576
	<u>1,890,226</u>	<u>1,933,552</u>
Total share of retained profits from equity-accounted investees:		
- Realised profit	19,764	19,451
- Unrealised loss	(762)	(609)
	<u>19,002</u>	<u>18,842</u>
Total Group retained profits before consolidation adjustments	1,909,228	1,952,394
Less: Consolidation adjustments	(96,391)	(106,721)
	<u>1,812,837</u>	<u>1,845,673</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 31 March 2017.

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

10. Dividend

No dividend has been proposed for the first quarter ended 31 March 2017.

A final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2016 to shareholders whose names appear in the Register of Members on 1 June 2017 was proposed by the Directors. The dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting scheduled on 25 May 2017.

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/Cumulative Quarter	
	2017	2016
	('000)	('000)
Issued ordinary shares at beginning of the period	652,663	652,665
Effect of shares buyback during the period	-	-
Weighted average number of ordinary shares	<u>652,663</u>	<u>652,665</u>

12. Total comprehensive income

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

	(Unaudited)	(Unaudited)
	Current	Preceding
	Year	Year
	Quarter	Corresponding
	31.03.2017	31.03.2016
	RM'000	RM'000
Depreciation and amortisation	(31,547)	(32,042)
(Provision for)/reversal and (write off) of receivables	(3,586)	(5,275)
(Provision for)/reversal and (write off) of inventories	(5)	247
Gain on disposal of properties, plant and equipment	719	852
Property, plant and equipment written off	(74)	(5)
Foreign exchange loss	(6,170)	(8,280)
Gain/(loss) on derivatives	<u>5,178</u>	<u>(14,235)</u>

BY ORDER OF THE BOARD

HO WAI MING
CHANG PIE HOON
Company Secretaries
Kuala Lumpur
4 May 2017