



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

**INTERIM REPORT FOR THE  
THIRD QUARTER ENDED  
30 SEPTEMBER 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 30 SEPTEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2016 RM'000	(Unaudited) Current Year To Date 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2016 RM'000
Revenue	1,073,262	1,331,578	3,265,272	4,058,301
Operating (loss)/profit	(12,631)	9,810	(45,775)	(6,239)
Interest expense	(19,439)	(18,767)	(53,514)	(56,134)
Interest income	4,496	2,130	11,619	5,477
Share of profit of equity-accounted investees	428	555	2,268	2,397
Loss before taxation	(27,146)	(6,272)	(85,402)	(54,499)
Tax credit/(expense)	446	1,660	(4,755)	(3,880)
Loss for the period	(26,700)	(4,612)	(90,157)	(58,379)
Attributable to:				
Equity holders of the Company	(23,087)	(4,501)	(81,408)	(56,296)
Non-controlling interests	(3,613)	(111)	(8,749)	(2,083)
	(26,700)	(4,612)	(90,157)	(58,379)
Loss per share (sen)				
(a) Basic	(3.54)	(0.69)	(12.47)	(8.63)
(b) Fully diluted	N/A	N/A	N/A	N/A

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



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 SEPTEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2016 RM'000	(Unaudited) Current Year To Date 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2016 RM'000
<b>Loss for the period</b>	(26,700)	(4,612)	(90,157)	(58,379)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences - foreign operations	928	(156)	2,451	(6,387)
Net change in fair value of cash flow hedges reclassified to profit or loss	1,794	(2,404)	9,669	(6,970)
<b>Total items that are or may be reclassified subsequently to profit or loss</b>	<b>2,722</b>	<b>(2,560)</b>	<b>12,120</b>	<b>(13,357)</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>2,722</b>	<b>(2,560)</b>	<b>12,120</b>	<b>(13,357)</b>
<b>Total comprehensive loss for the period</b>	<b>(23,978)</b>	<b>(7,172)</b>	<b>(78,037)</b>	<b>(71,736)</b>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(20,340)	(6,192)	(70,254)	(67,152)
Non-controlling interests	(3,638)	(980)	(7,783)	(4,584)
	<b>(23,978)</b>	<b>(7,172)</b>	<b>(78,037)</b>	<b>(71,736)</b>

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 30 SEPTEMBER 2017**

	(Unaudited) As at 30.09.2017 RM'000	(Audited) As at 31.12.2016 RM'000
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	1,847,024	1,863,022
Investment properties	198,766	198,766
Prepaid lease payments	47,930	51,343
Equity-accounted investees	44,909	42,891
Other investments	1	1
Deferred tax assets	74,644	62,761
Hire purchase receivables	701,571	460,399
Intangible assets	14,592	14,592
Long term receivables	788	162
	<hr/>	<hr/>
	2,930,225	2,693,937
<b><u>Current assets</u></b>		
Other investments	121,655	3,001
Hire purchase receivables	99,283	74,139
Receivables, deposits and prepayments	697,402	792,130
Current tax assets	36,276	36,068
Inventories	1,331,076	1,749,708
Derivative financial assets	5,438	102
Cash and cash equivalents	278,681	227,560
	<hr/>	<hr/>
	2,569,811	2,882,708
<b>TOTAL ASSETS</b>	<hr/> <hr/>	<hr/> <hr/>
	5,500,036	5,576,645



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017 (continued)**

	(Unaudited)	(Audited)
	As at	As at
	30.09.2017	31.12.2016
	RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity</u></b>		
Share capital	336,000	336,000
Reserves	2,479,212	2,562,520
Treasury shares	(25,280)	(25,278)
<b>Total equity attributable to owners of the Company</b>	<b>2,789,932</b>	<b>2,873,242</b>
Non-controlling interests	(17,035)	(8,952)
<b>Total equity</b>	<b>2,772,897</b>	<b>2,864,290</b>
<b><u>Non-current liabilities</u></b>		
Deferred tax liabilities	161,641	169,117
Borrowings	748,008	747,604
Employee benefits	74,905	58,300
	<b>984,554</b>	<b>975,021</b>
<b><u>Current liabilities</u></b>		
Payables and accruals	693,480	661,635
Borrowings	1,038,500	1,059,731
Derivative financial liabilities	330	5,164
Taxation	10,275	10,804
	<b>1,742,585</b>	<b>1,737,334</b>
<b>Total liabilities</b>	<b>2,727,139</b>	<b>2,712,355</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,500,036</b>	<b>5,576,645</b>
Net assets per share attributable to owners of the Company (RM)	4.27	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 30 SEPTEMBER 2017**

	-----Attributable to owners of the Company-----							Total	Non-controlling interests	Total equity
	-----Non-Distributable-----			-----Distributable-----						
	Share capital	Treasury shares	Translation reserve	Revaluation reserve	Hedging reserve	Capitalisation of retained earnings	Retained earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 01.01.2016</b>	336,000	(25,274)	(10,978)	574,207	6,045	100	1,916,150	2,796,250	(1,602)	2,794,648
Other comprehensive loss for the period, net of tax	-	-	(3,886)	-	(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)
<b>At 30.09.2016</b>	336,000	(25,276)	(14,864)	568,413	(925)	100	1,839,541	2,702,989	(6,486)	2,696,503
<b>At 01.01.2017</b>	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	-	-	1,485	-	9,669	-	-	11,154	966	12,120
Transfer of revaluation surplus on properties	-	-	-	(7,458)	-	-	7,458	-	-	-
Loss for the period	-	-	-	-	-	-	(81,408)	(81,408)	(8,749)	(90,157)
Total comprehensive income/(loss) for the period	-	-	1,485	(7,458)	9,669	-	(73,950)	(70,254)	(7,783)	(78,037)
Purchase of treasury shares	-	(2)	-	-	-	-	-	(2)	-	(2)
Dividend - 2016 final	-	-	-	-	-	-	(6,527)	(6,527)	-	(6,527)
Dividend - 2017 interim	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
<b>At 30.09.2017</b>	336,000	(25,280)	(13,366)	729,202	4,607	100	1,758,669	2,789,932	(17,035)	2,772,897

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)*  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	<b>CUMULATIVE QUARTER</b>	
	<b>(Unaudited)</b> <b>For the 9 months</b> <b>ended</b> <b>30.09.2017</b> <b>RM'000</b>	<b>(Unaudited)</b> <b>For the 9 months</b> <b>ended</b> <b>30.09.2016</b> <b>RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(85,402)	(54,499)
Adjustments for:		
Non-cash and non-operating items	178,294	160,163
<b>Operating profit before working capital changes</b>	92,892	105,664
<b>Changes in working capital</b>		
Inventories	418,574	(135,567)
Hire purchase receivables	(274,254)	(200,893)
Receivables, deposits and prepayments	111,312	89,316
Payables and accruals	(27,412)	28,483
Cash used in operations	321,112	(112,997)
Tax paid	(22,960)	(43,904)
Interest paid	(29,549)	(38,439)
Employee benefits paid	(474)	(523)
<b>Net cash generated from/(used in) operating activities</b>	268,129	(195,863)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(94,268)	(86,855)
Acquisition of prepaid lease payments	(922)	(1,119)
Net proceeds from liquid investments with licensed financial institutions	(118,654)	3,993
Dividend received from equity-accounted investee	250	1,925
Proceeds from disposal of property, plant and equipment	16,997	24,719
<b>Net cash used in investing activities</b>	(196,597)	(57,337)



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2017 (continued)**

	<b>CUMULATIVE QUARTER</b>	
	<b>(Unaudited) For the 9 months ended 30.09.2017 RM'000</b>	<b>(Unaudited) For the 9 months ended 30.09.2016 RM'000</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company	(13,054)	(26,107)
Dividends paid to non-controlling interests	(300)	(300)
Purchase of own shares	(2)	(2)
Proceeds from bills payable (net)	56,950	75,067
(Repayment of)/proceeds from medium term notes, term loans, Cagamas financing and revolving credit (net)	(60,180)	280,925
<b>Net cash (used in)/from financing activities</b>	<b>(16,586)</b>	<b>329,583</b>
<b>Net increase in cash and cash equivalents</b>	54,946	76,383
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	(3,825)	(547)
<b>Cash and cash equivalents at beginning of the period</b>	227,560	165,856
<b>Cash and cash equivalents at end of the period</b>	<b>278,681</b>	<b>241,692</b>
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	184,229	220,622
Deposits with licensed banks	94,452	21,070
	<b>278,681</b>	<b>241,692</b>

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



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

### 1. Basis of Preparation

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

### 2. Changes In Accounting Policies

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

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

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

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

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

##### ***Effective for annual periods beginning on or after 1 January 2018***

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

##### ***Effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

##### ***Effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

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

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

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

**3. Audit Qualifications**

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

**4. Seasonal or Cyclical Factors**

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

**5. Unusual Items**

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

**6. Material Changes in Estimates**

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

**7. Debt and Equity Securities**

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 19,338,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group has redeemed RM43.40 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM384.20 million at the end of the financial quarter.

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

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

**8. Dividend Paid**

An interim single tier dividend of 1 sen per share for the year ending 31 December 2017 (2016: single tier 1 sen per share) amounting to RM6.53 million (2016: RM6.53 million) was paid on 29 September 2017.

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

**9. Segmental Reporting**

For the financial period ended 30 September 2017:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,201,945	4,004,866	57,299	44,883	6,028	8,552	3,265,272	4,058,301
Inter-segment revenue	210	449	1,161	1,287	59,680	62,621	61,051	64,357
Segment EBITDA*	48,688	66,894	15,370	13,738	(1,322)	18,552	62,736	99,184

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

Reconciliation of reportable segment profit or loss:	(Unaudited)	(Unaudited)
	30.09.2017	30.09.2016
	RM'000	RM'000
Total EBITDA for reportable segments	62,736	99,184
Depreciation and amortisation	(88,109)	(96,375)
Interest expense	(53,514)	(56,134)
Interest income	11,619	5,477
Share of profit of equity-accounted investees not included in reportable segments	2,268	2,397
Unallocated corporate expenses	(20,402)	(9,048)
Consolidated loss before taxation	(85,402)	(54,499)

**10. Valuation of Property, Plant and Equipment**

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

**11. Valuation of Investment Properties**

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.

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

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

There are no changes in the contingent liabilities since the end of financial period ended 30 September 2017 except as disclosed below:

As disclosed in Note B9, the Group is defending actions brought by various parties. Our solicitors are of the opinion the defence has a reasonably good chance of succeeding. While liability is not admitted, in the event defence against the actions is unsuccessful, the potential damages is estimated to be RM39.2 million.

There are no contingent assets as at 30 September 2017.

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

**(i) Capital commitment**

	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Property, plant and equipment</i>		
Authorised but not contracted for	37,394	21,757
Authorised and contracted for		
In Malaysia	30,059	58,895
Outside Malaysia	5,667	1,251
<b>TOTAL</b>	<b>73,120</b>	<b>81,903</b>

**(ii) Non-cancellable operating lease commitment**

	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:</i>		
Not later than 1 year	1,736	1,709
More than 1 year but not later than 5 years	6,944	6,836
More than 5 years	108,995	108,889
<b>TOTAL</b>	<b>117,675</b>	<b>117,434</b>

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

**16. Significant Related Party Transactions**

- (a) Significant transactions with Warisan TC Holdings Berhad (WTCH), APM Automotive Holdings Berhad (APM) and Tan Chong International Limited (TCIL) Groups, companies in which a Director of the Company, namely Dato' Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>With WTCH Group</b>				
Sales	5,630	41,787	20,982	70,715
Provision of hire purchase	-	4,248	-	14,426
<b>With APM Group</b>				
Purchases	18,993	23,302	58,961	75,528
<b>With TCIL Group</b>				
Contract assembly fee receivable	2,992	11,134	15,222	36,302

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

- (b) Significant transactions with Nissan Motor Co. Limited Group, Japan, a substantial shareholder of the Company, are as follows:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	372,346	490,995	836,690	1,626,612

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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	135,700	106,534	404,826	541,617

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

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

### 1. Analysis Of Performance Of All Operating Segments

The Group's revenue decreased by 19.5% with loss before taxation (LBT) of RM85.4 million for the quarter ended 30 September 2017 (-56.7% YoY). The financial position of the Group has improved whereby the inventory has reduced to RM1,331 million (-23.9% YoY) and the corresponding Group net cash in-flow generated from operating activities showed RM268 million as the Group undertook measures to have better inventory holding management to ensure a sustainable financial position. Receivables have also improved with better management of receivables collection with RM111.3 million (+24.6% YoY). As at 30 September 2017, the Group's retained earnings was RM1.76 billion while the net assets per share was at RM4.27. Further analysis on the segments are explained as follows:

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

The automotive division recorded lower revenue of RM3,201.9 million (-20.0% YoY) with segment EBITDA of RM48.7 million (-27.2% YoY). The lower revenue and EBITDA was due to stiff competition from other market players which has affected new vehicles sales but mitigated by better performance from the after sales services and spare parts business. The unfavourable foreign exchange rates which impacted the cost of imported parts and components for new vehicles that could not be fully passed on to consumers continue to affect the profit margin of assembly and sales of new vehicles. The Nissan brand vehicles in Malaysia maintained its third place position in the non-national car segment with 5% of the total industry volume.

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

The financial services division recorded higher revenue of RM57.3 million (+27.7% YoY) and EBITDA of RM15.4 million (+11.9% YoY). The increase was due to higher hire purchase loans disbursed to provide additional credit support to vehicle purchasers. Hire purchase loans disbursed were RM406.3 million (+17.3% YoY).

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

Revenue from other operations was lower at RM6.0 million compared to RM8.6 million in the previous year and LBITDA was at RM1.3 million compared to EBITDA of RM18.6 million in the previous year. The lower revenue recorded was due to reduction of revenue from the provision of information technology services, trading business and education services. The LBITDA recorded was due to the net foreign exchange loss of RM13.3 million which was mainly arising from financing overseas entities denominated in foreign currencies.

### 2. Comparison With Preceding Quarter's Results

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>Amount</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Revenue	1,073,262	1,196,358	(123,096)	-10.3%
Loss before tax	(27,146)	(22,713)	(4,433)	19.5%

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

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

	<b>Current Quarter</b> <b>30.09.2017</b> <b>RM'000</b>	<b>Immediate</b> <b>Preceding</b> <b>Quarter</b> <b>30.06.2017</b> <b>RM'000</b>	<b>Changes</b>	
			<b>Amount</b> <b>RM'000</b>	<b>%</b>
<b><u>External Revenue</u></b>				
Vehicles assembly, manufacturing, distribution and after sale services	1,048,503	1,176,851	(128,348)	-10.9%
Financial services	23,024	17,469	5,555	31.8%
Other operations	1,735	2,038	(303)	-14.9%
	<u>1,073,262</u>	<u>1,196,358</u>	<u>(123,096)</u>	<u>-10.3%</u>
<b><u>Segment EBITDA</u></b>				
Vehicles assembly, manufacturing, distribution and after sale services	17,382	20,672	(3,290)	-15.9%
Financial services	5,108	3,771	1,337	35.5%
Other operations	(2,852)	2,624	(5,476)	-208.7%
	<u>19,638</u>	<u>27,067</u>	<u>(7,429)</u>	<u>-27.4%</u>

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

For the quarter under review, automotive division recorded RM1,048.5 million in revenue (-10.9% QoQ) and RM17.4 million in segment EBITDA (-15.9% QoQ). Q3 2017 recorded unfavourable results in revenue and EBITDA due to stiff competition in the automotive market. The lower new vehicles sales compared to the previous quarter was also due to the lower demand in post-festivity (Hari Raya) period.

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

The financial services division recorded its revenue at RM23.0 million for Q3 2017 (+31.8% QoQ). EBITDA for Q3 2017 was RM5.1 million (+35.5% QoQ). The increase in revenue and EBITDA was due to higher hire purchase loans being disbursed during the quarter. The hire purchased loans disbursed in Q3 2017 were RM146.2 million (+4.3% QoQ). The insurance commissions from motor insurance business continue to sustain the revenue and profit of the financial services segment after the motor insurance premiums were liberalised or de-tariffed by Bank Negara Malaysia effective 1 July 2017.

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

Revenue from other operations for Q3 2017 was recorded at RM1.7 million (-14.9% QoQ). The lower revenue recorded was due to reduction of revenue from the provision of information technology services. LBITDA for Q3 2017 was RM2.9 million compared to preceding quarter EBITDA of RM2.6 million. This was due to higher net foreign exchange loss of RM5.2 million in Q3 2017 which was mainly 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**

**3. Current Year Prospects**

The Group continues to face a challenging market as it operates in competitive business environment with unfavorable foreign exchange impact which cannot be passed on to consumers. TCMH Group maintains its cautious stand under the current market outlook.

Nonetheless, the Group will continue to create better marketing strategies to improve sales momentum and focus on improving the Group's liquidity by improving inventory holding. Over the years, the Group has invested and continue to invest to improve the sales and after-sales services network throughout Malaysia to boost the sales and distribution infrastructure as an effective way to reach out to the more discerning customers of today.

The Group's regional expansion programme remains on course as we continue to strengthen our presence in Cambodia, Laos, Myanmar and Vietnam by expanding our sales network and optimising our existing plant utilisation. All these measures will strengthen the Group with a stronger financial footing moving forward.

**4. Comparison With Profit Forecast**

This is not applicable to the Group.

**5. Taxation**

	Individual Quarter		Cumulative Quarter	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Current year	13,059	13,607	32,783	35,798
Prior year	(3,461)	(1,006)	(10,560)	(311)
Deferred tax	(10,044)	(14,261)	(17,468)	(31,607)
	<u>(446)</u>	<u>(1,660)</u>	<u>4,755</u>	<u>3,880</u>

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



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

**6. Status of Corporate Proposals**

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

**7. Group Borrowings**

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

	<b>30.09.2017</b>
	<b>RM'000</b>
Unsecured :	
- Bills payable	81,341
- Revolving credit	923,093
- Short term loan	34,066
- Medium term notes	748,008
Total borrowings	<u>1,786,508</u>
Comprising :	
Amount repayable within one year	1,038,500
Amount repayable after one year	<u>748,008</u>
	<u>1,786,508</u>

Group borrowings breakdown by currencies:

		<b>30.09.2017</b>
		<b>RM'000</b>
Functional currency	Denominated in	
RM	RM	1,469,349
RM	USD	162,766
VND	VND	103,722
VND	USD	50,671
		<u>1,786,508</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 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	430,985	5,108	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) 30.09.2017 RM'000	(Audited) 31.12.2016 RM'000
Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries:		
- Realised profit	1,809,734	1,893,976
- Unrealised profit	34,701	39,576
	<u>1,844,435</u>	<u>1,933,552</u>
Total share of retained profits from equity-accounted investees:		
- Realised profit	21,639	19,451
- Unrealised loss	(779)	(609)
	<u>20,860</u>	<u>18,842</u>
Total Group retained profits before consolidation adjustments	1,865,295	1,952,394
Less: Consolidation adjustments	(109,626)	(106,721)
	<u>1,758,669</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.

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

**9. Changes In Material Litigation**

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

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

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

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

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

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

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

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

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

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

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

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

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

**9. Changes In Material Litigation (continued)**

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

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

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

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

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

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

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

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

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

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

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

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

**9. Changes In Material Litigation (continued)**

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

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

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

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

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

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

The High Court of Malaya at Kuala Lumpur has re-fixed the hearing date of TCIE's striking out application and the Plaintiffs' injunction application on 8 December 2017.

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

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

**10. Dividend**

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 loss attributable to ordinary shareholders of the periods and the weighted average numbers of ordinary shares outstanding during the periods as follows:

<b>Weighted average number of ordinary shares</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>
Issued ordinary shares at beginning of the period	652,662	652,664	652,663	652,665
Effect of shares buyback during the period	-	-	(1)	(1)
Weighted average number of ordinary shares	<u>652,662</u>	<u>652,664</u>	<u>652,662</u>	<u>652,664</u>

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

**12. Total comprehensive (loss)/income**

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

	(Unaudited) Current Year Quarter 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30.09.2016 RM'000	(Unaudited) Current Year To Date 30.09.2017 RM'000	(Unaudited) Preceding Year Corresponding Period 30.09.2016 RM'000
Depreciation and amortisation	(26,282)	(31,069)	(88,109)	(96,375)
(Provision for)/reversal and (write off) of receivables	(4,451)	(3,755)	(11,875)	(12,085)
(Provision for)/reversal and (write off) of inventories	(14)	202	(58)	1,705
Gain on disposal of properties, plant and equipment	576	1,650	3,562	2,748
Property, plant and equipment written off	-	(100)	(271)	(226)
Foreign exchange gain/(loss)	(5,224)	7,291	(13,250)	8,379
Gain/(Loss) on derivatives	1,794	(2,404)	9,669	(6,970)

**BY ORDER OF THE BOARD**

HO WAI MING  
 CHANG PIE HOON  
 Company Secretaries  
 Kuala Lumpur  
 28 November 2017