



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

**INTERIM REPORT FOR THE
SECOND QUARTER ENDED
30 JUNE 2015**

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 30 JUNE 2015

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|--|---|
| | (Unaudited) Current Year Corresponding Quarter 30.06.2015 RM'000 | (Unaudited) Preceding Year Corresponding Quarter 30.06.2014 RM'000 | (Unaudited) Current Year Corresponding To Date 30.06.2015 RM'000 | (Unaudited) Preceding Year Corresponding Period 30.06.2014 RM'000 |
| Revenue | 1,263,668 | 1,087,551 | 2,832,728 | 2,347,744 |
| Operating profit | 35,223 | 91,858 | 89,203 | 163,063 |
| Interest expense | (17,085) | (13,992) | (32,199) | (25,948) |
| Interest income | 3,978 | 3,020 | 7,678 | 6,397 |
| Share of profit of equity-accounted investees | 732 | 470 | 1,944 | 1,774 |
| Profit before taxation | 22,848 | 81,356 | 66,626 | 145,286 |
| Tax expense | (9,686) | (14,660) | (27,760) | (36,870) |
| Profit for the period | 13,162 | 66,696 | 38,866 | 108,416 |
| Attributable to: | | | | |
| Equity holders of the Company | 14,159 | 53,842 | 40,507 | 95,316 |
| Non-controlling interests | (997) | 12,854 | (1,641) | 13,100 |
| | 13,162 | 66,696 | 38,866 | 108,416 |
| Earning per share (sen) | | | | |
| (a) Basic | 2.17 | 8.25 | 6.21 | 14.60 |
| (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 2014.



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2015**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|--|---|---|
| | (Unaudited) Current Year Quarter 30.06.2015 RM'000 | (Unaudited) Preceding Year Corresponding Quarter 30.06.2014 RM'000 | (Unaudited) Current Year To Date 30.06.2015 RM'000 | (Unaudited) Preceding Year Corresponding Period 30.06.2014 RM'000 |
| Profit for the period | 13,162 | 66,696 | 38,866 | 108,416 |
| <i>Item that will not be reclassified to profit or loss:</i> | | | | |
| Defined benefit plan actuarial gains | - | 631 | - | 1,006 |
| Total item that will not be classified to profit or loss | - | 631 | - | 1,006 |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | |
| Foreign currency translation differences - foreign operations | (761) | 392 | (3,562) | 503 |
| Net change in fair value of cash flow hedges reclassified to profit or loss | 4,682 | (1,516) | 6,105 | 123 |
| Total items that are or may be classified subsequently to profit or loss | 3,921 | (1,124) | 2,543 | 626 |
| Other comprehensive income for the period, net of tax | 3,921 | (493) | 2,543 | 1,632 |
| Total comprehensive income for the period | 17,083 | 66,203 | 41,409 | 110,048 |
| Total comprehensive income attributable | | | | |
| Equity holders of the Company | 18,124 | 53,121 | 43,910 | 96,721 |
| Non-controlling interests | (1,041) | 13,082 | (2,501) | 13,327 |
| | 17,083 | 66,203 | 41,409 | 110,048 |

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 2014.



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

| | (Unaudited) As at 30.06.2015 RM'000 | (Audited) As at 31.12.2014 RM'000 |
|---------------------------------------|--|--|
| ASSETS | | |
| <u>Non-current assets</u> | | |
| Property, plant and equipment | 1,731,800 | 1,731,688 |
| Investment properties | 173,078 | 173,078 |
| Prepaid lease payments | 46,405 | 44,524 |
| Equity-accounted investees | 37,512 | 36,793 |
| Other investments | 1 | 1 |
| Deferred tax assets | 33,827 | 34,787 |
| Hire purchase receivables | 389,809 | 350,594 |
| Intangible assets | 14,592 | 14,592 |
| Long term receivables | 75 | 636 |
| | <hr/> 2,427,099 | <hr/> 2,386,693 |
| <u>Current assets</u> | | |
| Other investments | 22,071 | 127,059 |
| Hire purchase receivables | 143,207 | 89,847 |
| Receivables, deposits and prepayments | 626,842 | 522,372 |
| Current tax assets | 25,706 | 25,428 |
| Inventories | 1,553,256 | 1,513,641 |
| Derivative assets | 6,105 | - |
| Cash and cash equivalents | 319,403 | 341,522 |
| | <hr/> 2,696,590 | <hr/> 2,619,869 |
| TOTAL ASSETS | <hr/> <hr/> 5,123,689 | <hr/> <hr/> 5,006,562 |



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (continued)

| | (Unaudited) | (Audited) |
|---|------------------|------------------|
| | As at | As at |
| | 30.06.2015 | 31.12.2014 |
| | RM'000 | RM'000 |
| EQUITY AND LIABILITIES | | |
| <u>Equity</u> | | |
| Share capital | 336,000 | 336,000 |
| Reserves | 2,467,922 | 2,443,592 |
| Treasury shares | (25,271) | (24,990) |
| Total equity attributable to owners of the Company | 2,778,651 | 2,754,602 |
| Non-controlling interests | 3,450 | 5,951 |
| Total equity | 2,782,101 | 2,760,553 |
| <u>Non-current liabilities</u> | | |
| Deferred tax liabilities | 148,688 | 151,625 |
| Borrowings | 866,150 | 905,768 |
| Employee benefits | 47,678 | 43,726 |
| | 1,062,516 | 1,101,119 |
| <u>Current liabilities</u> | | |
| Payables and accruals | 584,019 | 631,578 |
| Borrowings | 678,304 | 506,972 |
| Taxation | 16,749 | 6,340 |
| | 1,279,072 | 1,144,890 |
| Total liabilities | 2,341,588 | 2,246,009 |
| TOTAL EQUITY AND LIABILITIES | 5,123,689 | 5,006,562 |
| Net assets per share attributable to owners of the Company (RM) | 4.26 | 4.22 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014.



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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2015**

| | -----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 01.01.2014 | 336,000 | (24,809) | (2,654) | 589,657 | 36 | 100 | 1,810,594 | 2,708,924 | (6,761) | 2,702,163 |
| Other comprehensive income for the period, net of tax | - | - | 276 | - | 123 | - | 1,006 | 1,405 | 227 | 1,632 |
| Transfer of revaluation surplus on properties | - | - | - | (4,500) | - | - | 4,500 | - | - | - |
| Profit for the period | - | - | - | - | - | - | 95,316 | 95,316 | 13,100 | 108,416 |
| Total comprehensive income for the period | - | - | 276 | (4,500) | 123 | - | 100,822 | 96,721 | 13,327 | 110,048 |
| Purchase of treasury shares | - | (5) | - | - | - | - | - | (5) | - | (5) |
| Dividend - 2013 final | - | - | - | - | - | - | (39,169) | (39,169) | - | (39,169) |
| At 30.06.2014 | 336,000 | (24,814) | (2,378) | 585,157 | 159 | 100 | 1,872,247 | 2,766,471 | 6,566 | 2,773,037 |
| 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 | - | - | (2,702) | - | 6,105 | - | - | 3,403 | (860) | 2,543 |
| Transfer of revaluation surplus on properties | - | - | - | (3,581) | - | - | 3,581 | - | - | - |
| Profit for the period | - | - | - | - | - | - | 40,507 | 40,507 | (1,641) | 38,866 |
| Total comprehensive income for the period | - | - | (2,702) | (3,581) | 6,105 | - | 44,088 | 43,910 | (2,501) | 41,409 |
| Purchase of treasury shares | - | (281) | - | - | - | - | - | (281) | - | (281) |
| Dividend - 2014 final | - | - | - | - | - | - | (19,580) | (19,580) | - | (19,580) |
| At 30.06.2015 | 336,000 | (25,271) | (7,335) | 578,069 | 6,105 | 100 | 1,890,983 | 2,778,651 | 3,450 | 2,782,101 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014.



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015

| | CUMULATIVE QUARTER | |
|--|---|---|
| | (Unaudited) For the 6 months ended 30.06.2015 RM'000 | (Unaudited) For the 6 months ended 30.06.2014 RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 66,626 | 145,286 |
| Adjustments for: | | |
| Non-cash and non-operating items | 92,304 | 75,207 |
| Operating profit before working capital changes | 158,930 | 220,493 |
| Changes in working capital | | |
| Inventories | (40,011) | 38,823 |
| Hire purchase receivables | (94,098) | (90,277) |
| Receivables, deposits and prepayments | (104,677) | (79,959) |
| Payables and accruals | (45,857) | (72,255) |
| Cash (used in)/generated from operations | (125,713) | 16,825 |
| Tax paid | (18,530) | (66,138) |
| Interest paid | (24,521) | (19,551) |
| Employee benefits paid | (199) | (111) |
| Net cash used in operating activities | (168,963) | (68,975) |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (67,269) | (140,242) |
| Acquisition of prepaid lease payments | (41) | (13,400) |
| Additional liquid investments with licensed financial institutions | (453,086) | (1,594) |
| Dividend received from equity-accounted investee | 1,225 | - |
| Proceeds from disposal of property, plant and equipment | 13,507 | 20,915 |
| Proceeds from disposal of liquid investments | 558,372 | - |
| Net cash from/(used in) investing activities | 52,708 | (134,321) |



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015 (continued)

| | CUMULATIVE QUARTER | |
|---|---------------------------|-------------------------|
| | (Unaudited) | (Unaudited) |
| | For the 6 months | For the 6 months |
| | ended | ended |
| | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 |
| Cash flows from financing activities | | |
| Dividend paid to shareholders of the Company | (19,580) | (39,169) |
| Purchase of own shares | (281) | (5) |
| (Repayment of)/Proceeds from bills payable (net) | (68,123) | 102,307 |
| Proceeds from medium term notes, term loans, Cagamas financing and revolving credit (net) | 177,906 | 198,723 |
| Net cash generated from financing activities | 89,922 | 261,856 |
| Net (decrease)/increase in cash and cash equivalents | (26,333) | 58,560 |
| Effects of exchange rate fluctuations on cash and cash equivalents | 4,214 | (1,673) |
| Cash and cash equivalents at beginning of the period | 341,522 | 312,574 |
| Cash and cash equivalents at end of the period | 319,403 | 369,461 |
| Cash and cash equivalents in the statement of cash flows comprise: | | |
| Cash and bank balances | 175,915 | 169,456 |
| Deposits with licensed banks | 143,488 | 200,005 |
| | 319,403 | 369,461 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

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 2014.

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 2014, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

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

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 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sales and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012 – 2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 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*

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

2. Changes In Accounting Policies (continued)

Effective for annual periods beginning on or after 1 January 2016 (continued)

- MFRS 14, *Regulatory Deferral Accounts*
- 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)*

Effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

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 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 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 hedged accounting.

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

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2014.

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.

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

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

During the quarter under review, the Company repurchased 95,000 units of its issued ordinary shares from the open market at an average price of RM2.96. Total consideration paid for the repurchase including transaction cost was RM280,923 and this was financed by internally generated fund. Cumulative total number of shares repurchased at the end of the quarter was 19,334,000. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Under the RM2.0 billion nominal value Asset-Backed Medium Term Notes (“MTN”) Programme, the Group has redeemed RM70.25 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C Notes is RM481.10 million at the end of the financial quarter.

On 9 July 2015, TCMH completed the first issuance of RM50 million in aggregate nominal value of Commercial Papers pursuant to the Commercial Papers and Medium Term Notes Programmes with combined aggregate nominal value of RM1.5 billion (“CP and MTN Programmes”). The issuance has been fully redeemed on 7 August 2015.

On 21 August 2015, TCMH completed the second issuance of RM150 million in aggregate nominal value of Commercial Papers pursuant to the CP and MTN Programmes.

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

8. Dividend Paid

A final single-tier dividend of 6% for the year ended 31 December 2014 (2013: 12%) amounting to RM19.58 million (2013: RM39.17 million) was paid on 23 June 2015.

9. Segmental Reporting

For the financial period ended 30 June 2015:

| | Vehicles assembly, manufacturing, distribution and after sale services | | Financial services | | Other operations | | Total | |
|-----------------------|--|-------------|--------------------|-------------|------------------|-------------|-------------|-------------|
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| External revenue | 2,798,659 | 2,316,061 | 27,433 | 26,554 | 6,636 | 5,129 | 2,832,728 | 2,347,744 |
| Inter-segment revenue | 2,195 | 4,464 | 1,490 | 1,195 | 40,794 | 44,096 | 44,479 | 49,755 |
| Segment EBITDA* | 128,331 | 217,346 | 13,127 | 10,480 | 13,753 | 636 | 155,211 | 228,462 |

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

| | 30.06.2015 | 30.06.2014 |
|---|------------|------------|
| | RM'000 | RM'000 |
| Total EBITDA for reportable segments | 155,211 | 228,462 |
| Depreciation and amortisation | (64,742) | (55,190) |
| Interest expense | (32,199) | (25,948) |
| Interest income | 7,678 | 6,397 |
| Share of profit of equity-accounted investees not included in reportable segments | 1,944 | 1,774 |
| Unallocated corporate expenses | (1,266) | (10,209) |
| Consolidated profit before taxation | 66,626 | 145,286 |

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

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment were brought forward without amendment from the annual financial statements for the year ended 31 December 2014.

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 2014.

12. Material Subsequent Event

Save for the first and second issuance of RM200 million in aggregate nominal value of Commercial Papers pursuant to the CP and MTN Programmes as set out in Explanatory Note 7 above, 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 June 2015.

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

| | 30.06.2015 | 30.06.2014 |
|---------------------------------------|------------------------------|------------------------------|
| | RM'000 | RM'000 |
| <i>Property, plant and equipment</i> | | |
| Authorised but not contracted for | 40,918 | 41,313 |
| Authorised and contracted for | | |
| In Malaysia | 80,041 | 171,464 |
| Outside Malaysia | 6,368 | 8,415 |
| <i>Overseas operation commitments</i> | | |
| Authorised and contracted for | 8,129 | 34,850 |
| TOTAL | <u><u>135,456</u></u> | <u><u>256,042</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 | |
|--|---------------------------|-------------------|---------------------------|-------------------|
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| With WTCH Group | | | | |
| Sales | 8,567 | 17,460 | 12,904 | 23,819 |
| Provision of hire purchase and leasing | 2,448 | 12,898 | 4,992 | 31,177 |
| With APM Group | | | | |
| Purchases | 28,941 | 33,248 | 57,243 | 66,145 |
| With TCIL Group | | | | |
| Contract assembly fee receivable | 4,277 | 6,938 | 11,094 | 21,444 |

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 | |
|-----------|---------------------------|-------------------|---------------------------|-------------------|
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchases | 441,764 | 312,781 | 1,247,904 | 835,809 |

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 | |
|-----------|---------------------------|-------------------|---------------------------|-------------------|
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchases | 10,164 | 47,317 | 28,163 | 101,484 |

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

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

1. Analysis Of Performance Of All Operating Segments

During the first half of 2015, the Group recorded a 20.7% increase in top-line but a 57.5% decrease in the bottom-line year on year respectively. The competitive business environment driven by sales promotion activities coupled with unfavourable foreign exchange rates have affected the bottom-line. It was also due to a one-off write back of Nissan Vietnam Co., Ltd. provision for additional import duty of RM56.27 million (equivalent to USD16.98 million) in first half of 2014.

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

Automotive division recorded higher revenue of RM2,798.7 million (20.8% YoY) with lower segment EBITDA of RM128.3 million (-40.9% YoY). This is due to higher number of vehicles sold during the sales promotion campaigns. The lower EBITDA is due to sales promotion campaigns costs and the higher CKD kits cost arising from unfavourable foreign exchange rate compared to previous year.

b) Financial Services (hire purchase and insurance)

The financial services division recorded higher revenue of RM27.4 million (3.3% YoY) and EBITDA of RM13.1 million (25.3% YoY). The increase is due to higher number of motor insurance policies and hire purchase loans disbursed for new vehicles sold compared to the previous year.

c) Other Operations (investments and properties)

Revenue from other operations was higher at RM6.6 million compared to RM5.1 million in the previous year and EBITDA was also higher at RM13.8 million compared to RM0.6 million in the previous year. The better financial results were due to the efforts of cost rationalisation and productivity improvement measures.

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

2. Comparison With Preceding Quarter's Results

Quarter on quarter (QoQ): Revenue, PBT, PAT and EBITDA decreased by 19.5% (from RM1.6 billion to RM1.3 billion), 47.8% (from RM43.8 million to RM22.8 million), 48.8% (from RM25.7 million to RM13.2 million) and 19.4% (from RM85.9 million to RM69.2 million) respectively.

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

For the quarter under review, automotive division recorded RM1,248.3 million in revenue (-19.5% QoQ) and RM55.1 million in segment EBITDA (-24.9% QoQ). Consumers appetite for spending on big ticket items such as motor vehicles have been dampened following the implementation of Goods and Service Tax ("GST") on 1 April 2015 and concerns over economic uncertainties and rising costs of living.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM13.1 million for Q2 2015 (-9.1% QoQ). EBITDA for Q2 2015 was RM6.0 million compared to preceding quarter of RM7.1 million. This is due to the lower number of motor insurance policies and hire purchase loans disbursed following lower new vehicle sales in the second quarter after GST implementation.

c) Other Operations (investments and properties)

Revenue from other operations for Q2 2015 was RM2.3 million compared to RM4.3 million in preceding quarter. EBITDA for Q2 2015 was RM8.2 million compared to preceding quarter of RM5.6 million. This was due to on-going measures to implement better cost controls.

3. Current Year Prospects

The automotive industry has seen a weakening demand in new vehicle sales following GST implementation and concerns over domestic and global economic uncertainties.

The continued weakening of the Ringgit Malaysia against the US Dollar is an imported cost push inflation for all importers paying for imported parts denominated in US Dollar.

Despite this market condition, we will continue to focus on driving sales with innovative marketing strategies and improving services delivery to our loyal customers by focusing on after sales and other ancillary support services. The Group is cautious and vigilant to cut capital spending and operating expenditures. The Group will continue to focus on cost mitigation and efficiency improvement activities. We will take diligent steps to manage the foreign currency risk to ensure business viability.

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

4. Comparison With Profit Forecast

This is not applicable to the Group.

5. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|--------------|--------------------|---------------|--------------------|---------------|
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current year | 15,614 | 18,189 | 35,934 | 42,514 |
| Prior year | (9,067) | (781) | (7,273) | (2,489) |
| Deferred tax | 3,139 | (2,748) | (901) | (3,155) |
| | <u>9,686</u> | <u>14,660</u> | <u>27,760</u> | <u>36,870</u> |

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

6. Status of Corporate Proposals

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

7. Group Borrowings

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

| | 30.06.2015 |
|---|------------------|
| | RM'000 |
| Unsecured : | |
| - Bills payable | 96,894 |
| - Revolving credit | 515,273 |
| - Short term loan | 56,646 |
| - Long term loan | 109,370 |
| - Medium term notes | 746,834 |
| Secured : | |
| Recourse obligation on financing sold to Cagamas Berhad | 19,437 |
| Total borrowings | <u>1,544,454</u> |
| Comprising : | |
| Amount repayable within one year | 678,304 |
| Amount repayable after one year | <u>866,150</u> |
| | <u>1,544,454</u> |

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

8. Financial Instruments and Realised And Unrealised Profits

a) Derivatives

As at 30 June 2015, 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 | 174,758 | 6,105 | 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) 30.06.2015 RM'000 | (Audited) 31.12.2014 RM'000 |
|---|-------------------------------------|-----------------------------------|
| Total retained profits of Tan Chong Motor Holdings Berhad and its subsidiaries: | | |
| - Realised profit | 2,020,195 | 1,992,176 |
| - Unrealised profit | 39 | 1,078 |
| | <u>2,020,234</u> | <u>1,993,254</u> |
| Total share of retained profits from equity-accounted investees: | | |
| - Realised profit | 17,857 | 16,831 |
| - Unrealised (loss) | (433) | (126) |
| | <u>17,424</u> | <u>16,705</u> |
| Total Group retained profits before consolidation adjustments | 2,037,658 | 2,009,959 |
| Less: Consolidation adjustments | (146,675) | (143,484) |
| | <u>1,890,983</u> | <u>1,866,475</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 June 2015.

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

10. Dividend

Based on the results of the current quarter, the Board has declared an interim single tier dividend of 4% for the year ending 31 December 2015 to be paid on 30 September 2015 to shareholders whose names appear in the Register of Members on 18 September 2015.

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

- shares transferred into the depositor's securities account before 4.00 p.m. on 18 September 2015 in respect of transfer;
- shares deposited into the depositor's securities account before 12.30 p.m. on 15 September 2015 in respect of shares exempted from mandatory deposit; and
- shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

The interim dividend is lower than previous corresponding period in view of the competitive business environment that has affected the Group's performance in first half of 2015.

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 | |
|---|--------------------|----------------|--------------------|----------------|
| | 2015 ('000) | 2014 ('000) | 2015 ('000) | 2014 ('000) |
| Issued ordinary shares at beginning of the period | 652,761 | 652,813 | 652,761 | 652,813 |
| Effect of shares buyback during the period | (42) | (1) | (21) | (1) |
| Weighted average number of ordinary shares | <u>652,719</u> | <u>652,812</u> | <u>652,740</u> | <u>652,812</u> |

12. Profit before taxation

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

| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
|--|---------------|---------------|---------------|---------------|
| | Current | Preceding | Current | Preceding |
| | Year | Year | Year | Year |
| | Corresponding | Corresponding | Corresponding | Corresponding |
| | Quarter | Quarter | To Date | Period |
| | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation and amortisation | (32,975) | (28,700) | (64,742) | (55,190) |
| (Provision for)/reversal and (write off) of receivables | (1,340) | (1,255) | (3,557) | (2,404) |
| (Provision for)/reversal and (write off) of inventories | - | 54 | (396) | (87) |
| (Loss)/gain on disposal of properties, plant and equipment | (155) | 1,161 | 1,582 | 2,727 |
| Property, plant and equipment written off | (76) | (233) | (198) | (363) |
| Foreign exchange gain/(loss) | 461 | (3,577) | 2,066 | (4,350) |
| Gain/(loss) on derivatives | 4,682 | (1,516) | 6,105 | 123 |
| Other (loss)/gain, including investment income | (85) | 14 | 298 | 13 |

BY ORDER OF THE BOARD

HO WAI MING
CHANG PIE HOON
Company Secretaries
Kuala Lumpur
28 August 2015