TAN CHONG MOTOR HOLDINGS BERHAD *(12969-P)*

(Incorporated in Malaysia)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	**1**
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	**2**
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**3-4**
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**5**
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**6-7**
NOTES TO THE QUARTERLY FINANCIAL REPORT	**8-26**

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 2018

	INDIVIDUAL/CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 31.03.2018 RM'000	**(Unaudited) Preceding Year Corresponding Quarter 31.03.2017 RM'000**
Revenue	1,034,618	995,652
Operating profit/(loss)	23,641	(22,195)
Interest expense	(16,098)	(16,661)
Interest income	4,205	2,903
Share of profit of equity-accounted investees	1,713	410
Profit/(Loss) before taxation	13,461	(35,543)
Tax expense	(11,374)	(1,917)
Profit/(Loss) for the period	2,087	(37,460)
Profit/(Loss) attributable to:		
Equity holders of the Company	4,252	(35,322)
Non-controlling interests	(2,165)	(2,138)
	2,087	(37,460)
Earning/(Loss) per share (sen)		
(a) Basic	0.65	(5.41)
(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 2017.

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 2018

	INDIVIDUAL/CUMULATIVE QUARTER	
	(Unaudited)	**(Unaudited)**
	Current Year Quarter 31.03.2018 RM'000	**Preceding Year Corresponding Quarter 31.03.2017 RM'000**
Profit/(Loss) for the period	2,087	(37,460)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	11,507	49
Cash flow hedge	(536)	5,178
Total items that are or may be classified subsequently to profit or loss	10,971	5,227
Other comprehensive income for the period, net of tax	10,971	5,227
Total comprehensive income/(loss) for the period	13,058	(32,233)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	14,324	(30,442)
Non-controlling interests	(1,266)	(1,791)
	13,058	(32,233)

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 2017.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	(Unaudited) As at 31.03.2018 RM'000	(Audited) As at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,803,144	1,825,620
Investment properties	202,000	202,000
Prepaid lease payments	42,896	45,609
Equity-accounted investees	45,009	45,797
Other investments	1	1
Deferred tax assets	69,596	67,098
Hire purchase receivables	720,510	745,066
Intangible assets	14,592	14,592
Long term receivables	645	585
	2,898,393	2,946,368
Current assets		
Other investments	92,071	144,157
Hire purchase receivables	105,964	93,925
Receivables, deposits and prepayments	587,326	671,956
Current tax assets	37,427	38,882
Inventories	1,116,084	1,165,974
Derivative financial assets	24,167	16,375
Cash and cash equivalents	491,094	318,005
	2,454,133	2,449,274
TOTAL ASSETS	5,352,526	5,395,642

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018 (continued)

	(Unaudited) As at 31.03.2018 RM'000	(Audited) As at 31.12.2017 RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	336,000	336,000
Reserves	2,492,815	2,485,161
Treasury shares	(25,282)	(25,282)
Total equity attributable to owners of the Company	2,803,533	2,795,879
Non-controlling interests	(15,777)	(14,511)
Total equity	2,787,756	2,781,368
Non-current liabilities		
Borrowings	748,236	748,147
Employee benefits	72,790	70,192
Deferred tax liabilities	161,266	162,172
Deferred revenue	25,000	5,593
	1,007,292	986,104
Current liabilities		
Borrowings	1,005,814	1,029,736
Derivative financial liabilities	626	373
Taxation	14,277	11,376
Deferred revenue	61	60
Payables and accruals	536,700	586,625
	1,557,478	1,628,170
Total liabilities	2,564,770	2,614,274
TOTAL EQUITY AND LIABILITIES	5,352,526	5,395,642
Net assets per share attributable to owners of the Company (RM)	4.30	4.28

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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 2018

	|-----Attributable to owners of the Company-----|									
	|-----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	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
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
At 01.01.2018	336,000	(25,282)	(11,914)	726,716	16,293	100	1,753,966	2,795,879	(14,511)	2,781,368
Adjustment on adoption of MFRS 9 (net of tax)	-	-	-	-	-	-	(3,445)	(3,445)	-	(3,445)
Adjustment on adoption of MFRS 15 (net of tax)	-	-	-	-	-	-	(3,225)	(3,225)	-	(3,225)
Adjusted 01.01.2018	336,000	(25,282)	(11,914)	726,716	16,293	100	1,747,296	2,789,209	(14,511)	2,774,698
Other comprehensive income for the period, net of tax	-	-	10,608	-	(536)	-	-	10,072	899	10,971
Transfer of revaluation surplus on properties	-	-	-	(2,486)	-	-	2,486	-	-	-
Profit for the period	-	-	-	-	-	-	4,252	4,252	(2,165)	2,087
Total comprehensive income/(loss) for the period	-	-	10,608	(2,486)	(536)	-	6,738	14,324	(1,266)	13,058
At 31.03.2018	336,000	(25,282)	(1,306)	724,230	15,757	100	1,754,034	2,803,533	(15,777)	2,787,756

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018

	CUMULATIVE QUARTER	
	(Unaudited) For the 3 months ended 31.03.2018 RM'000	**(Unaudited) For the 3 months ended 31.03.2017 RM'000**
Cash flows from operating activities		
Profit/(Loss) before taxation	13,461	(35,543)
Adjustments for:		
Non-cash and non-operating items	37,441	58,290
Operating profit before working capital changes	50,902	22,747
Changes in working capital		
Inventories	49,938	105,080
Hire purchase receivables	4,809	(72,891)
Receivables, deposits and prepayments	101,161	119,603
Payables and accruals	(57,290)	(81,626)
Cash from operations	149,520	92,913
Tax paid	(9,060)	(11,103)
Interest received/(paid) - net	262	(1,603)
Employee benefits paid	(262)	(82)
Net cash from operating activities	140,460	80,125
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,316)	(43,436)
Acquisition of prepaid lease payments	(45)	(6)
Net proceeds from/(additions in) liquid investments with licensed financial institutions	52,086	(1,507)
Dividend received from equity-accounted investee	2,500	250
Proceeds from disposal of property, plant and equipment	2,548	6,120
Net cash from/(used in) investing activities	44,773	(38,579)

TAN CHONG MOTOR HOLDINGS BERHAD
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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018 (continued)

	CUMULATIVE QUARTER	
	(Unaudited) For the 3 months ended 31.03.2018 RM'000	**(Unaudited) For the 3 months ended 31.03.2017 RM'000**
Cash flows from financing activities		
Net (repayment of)/proceeds from bills payable	(3,936)	1,380
Net repayment of medium term notes, term loans, Cagamas financing and revolving credit	(2,614)	(5,365)
Net cash used in financing activities	(6,550)	(3,985)
Net increase in cash and cash equivalents	178,683	37,561
Effects of exchange rate fluctuations on cash and cash equivalents	(5,594)	(922)
Cash and cash equivalents at beginning of the period	318,005	227,560
Cash and cash equivalents at end of the period	491,094	264,199
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	252,139	194,640
Deposits with licensed banks	238,955	69,559
	491,094	264,199

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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 2017.

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 2017, except the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretations:

- 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 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*

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group, except for the following:

(a) MFRS 9, *Financial Instruments (2014*)

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of retained earnings.

	Note	**Impact of adopting MFRS 9 on opening balance (RM'000)**
Retained earnings		
Recognition of expected credit losses under MFRS 9	2(a)(i)(1) 2(a)(i)(2)	(4,533)
Related tax		1,088
Impact at 1 January 2018		**(3,445)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification and measurement of financial assets and financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. However, it eliminates the previous MFRS 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of MFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments). The impact of MFRS 9 on the classification and measurement of financial assets is set out below.

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

2. Changes In Accounting Policies (continued)

(a) MFRS 9, *Financial Instruments (2014)* *(continued)*

(i) Classification and measurement of financial assets and financial liabilities

Under MFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity instrument; or fair value through profit or loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

2. Changes In Accounting Policies (continued)

(a) MFRS 9, *Financial Instruments (2014)* *(continued)*

(i) Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets as at 1 January 2018.

RM'000	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139	New carrying amount under MFRS 9
Financial assets					
Other investments		Held for trading	Mandatorily at FVTPL	144,158	144,158
Trade and other receivables	(1)	Loans and receivables	Amortised cost	537,867	533,467
Hire purchase receivables	(2)	Loans and receivables	Amortised cost	838,991	838,858
Finance lease receivables		Loans and receivables	Amortised cost	1,097	1,097
Deposits		Loans and receivables	Amortised cost	14,214	14,214
Derivative financial assets		Fair value – hedging instrument	Fair value – hedging instrument	16,375	16,375
Cash and cash equivalents		Loans and receivables	Amortised cost	318,005	318,005
Total financial assets				**1,870,707**	**1,866,174**

(1) Trade and other receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. An increase of RM4,400,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to MFRS 9.

(2) Hire purchase receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. An increase of RM133,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to MFRS 9.

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

2. Changes In Accounting Policies (continued)

(a) MFRS 9, *Financial Instruments (2014)* *(continued)*

(ii) Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. In general, it is anticipated that the application of the ECL model of MFRS 9 will result in early recognition of credit losses for the trade receivables and hire purchase receivables (as indicated in Note 2(a)(i)).

(iii) Hedge Accounting

MFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. MFRS 9 does not cover guidance on macro hedge accounting as it will be addressed as a separate accounting standard project. MFRS 9 includes an accounting policy choice to defer the adoption of MFRS 9 hedge accounting and to continue with MFRS 139 hedge accounting. Accordingly, the Group has elected to continue with the existing hedge accounting provisions of MFRS 139.

(b) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, of *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa.

The Group has adopted MFRS 15 using modified retrospective method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under MFRS 118 and related interpretations.

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

2. Changes In Accounting Policies (continued)

(b) MFRS 15, *Revenue from Contracts with Customers* *(continued)*

The following table summarises the impact, net of tax, of transition of MFRS 15 on retained earnings at 1 January 2018.

RM'000	**Note**	**Impact of adopting MFRS 15 at 1 January 2018**
Retained earnings		
Extended warranty services	(i)	(2,933)
Free maintenance services	(ii)	(1,310)
Related tax		1,018
Impact at 1 January 2018		**(3,225)**

The following tables summarise the impact of adopting MFRS 15 on the Group's interim statement of financial position as at 31 March 2018 and its interim statement of profit or loss and other comprehensive income (OCI) for the three months then ended for line items affected. There was no impact on the Group's interim statement of cash flows for the three month period ended 31 March 2018.

Impact on the condensed interim consolidated statement of financial position – line items affected

31 March 2018 RM'000	**Note**	**As reported**	**Adjustments**	**Amounts without adoption of MFRS 15**
Deferred tax assets	(i),(ii)	69,596	(1,039)	68,557
Retained earnings	(i),(ii)	1,754,034	3,155	1,757,189
Deferred revenue	(i),(ii)	25,061	(19,806)	5,255
Payables and accruals	(i),(ii)	536,700	15,612	552,312

Impact on the condensed interim consolidated statement of profit or loss and OCI – line items affected

For the three months ended 31 March 2018 RM'000	**Note**	**As reported**	**Adjustments**	**Amounts without adoption of MFRS 15**
Revenue	(i), (ii), (iii)	1,034,618	3,636	1,038,254
Operating profit	(i),(ii)	23,641	(49)	24,592
Profit before taxation	(i),(ii)	13,461	(49)	13,412
Tax expense	(i),(ii)	(11,374)	(21)	(11,395)
Profit for the period	(i),(ii)	2,087	(70)	2,017

(i) Under MFRS 118, the Group accounted for the extended warranty as part of the liability provision when the sales of product taking place. Such warranties are accounted for in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. Under MFRS 15, if a customer has the option to purchase the warranty and it will need to be accounted for as a separate performance obligation. Accordingly, the service-type warranty will be treated as deferred revenue until the performance obligation is satisfied.

(ii) Under MFRS 118, the Group recognised revenue for both the sales of products and services when the risk and rewards of the ownership of the goods was transferred to buyer. Under MFRS 15, the Group is required to identify each promise to deliver a good or provide a service in a contract to a customer. A promise constitutes a performance obligation if the promised good or service is distinct. Based on the management's assessment, the free maintenance services of the vehicles sold constitutes a separate obligation and the revenue recognition should be deferred until the performance obligation is satisfied.

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

2. Changes In Accounting Policies (continued)

(b) MFRS 15, *Revenue from Contracts with Customers* *(continued)*

(iii) Currently, the Group recognises revenue from contracts with customers on the basis of fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Upon adoption of MFRS 15, the Group will recognise the revenue from contracts with customers that requires customer-related costs that have previously been treated as selling and distribution expenses to be allocated as a deduction of revenue.

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 other than marked "*" which are not applicable to the Group:-

Effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- MFRS 16, *Leases*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 123, *Borrowing costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests In Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Shared-Based Payment (Amendments to References to the Conceptual Framework in MFRS Standards) **
- Amendments to MFRS 3, *Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources (Amendments to References to the Conceptual Framework in MFRS Standards) **
- Amendments to MFRS 14, *Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards) **
- Amendments to MFRS 101, *Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 134, *Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 138, *Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to IC Interpretation 12, *Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards) **
- Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to References to the Conceptual Framework in MFRS Standards) **
- Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)*

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 2020 (continued)

- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to IC Interpretation 132, *Intangible Assets – Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards) **

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts **

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*

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 for:

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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating 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 2017.

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 19,339,000. 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 RM28.70 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM318.60 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 2018.

9. Segmental Reporting

(a) Business segment

	Vehicles assembly, manufacturing, distribution and after sale services		**Financial services**		**Other operations**		**Total**	
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**	**31.03.2018**	**31.03.2017**	**31.03.2018**	**31.03.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
External revenue	1,007,126	976,591	24,760	16,806	2,732	2,255	1,034,618	995,652
Inter-segment revenue	93	84	19	699	19,472	19,750	19,584	20,533
Segment EBITDA*	48,187	10,634	7,886	6,491	(2,102)	(1,094)	53,971	16,031

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

Reconciliation of reportable segment profit or loss:	**(Unaudited)**	**(Unaudited)**
	31.03.2018	**31.03.2017**
	RM'000	**RM'000**
Total EBITDA for reportable segments	53,971	16,031
Depreciation and amortisation	(24,848)	(31,547)
Interest expense	(16,098)	(16,661)
Interest income	4,205	2,903
Share of profit of equity-accounted investees not included in reportable segments	1,713	410
Unallocated corporate expenses	(5,482)	(6,679)
Consolidated loss before taxation	13,461	(35,543)

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

9. Segmental Reporting (continued)

(b) Geographical segment

	Malaysia		Vietnam		Others		Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	834,375	826,195	152,119	130,908	48,124	38,549	1,034,618	995,652
Segment EBITDA	54,599	24,506	(4,168)	(6,916)	3,540	(1,559)	53,971	16,031

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 2017.

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 2017.

12. Material Subsequent Event

On 5 May 2018, the Group announced plans to establish an Automotive and Commercial Vehicle Hub in Bagan Datuk, Perak. This is a long term strategic investment plan to cater for business expansion of the Group. The total initial investments by the Group is estimated to be RM100 million including land acquisition and construction of Bus and Truck plant.

Other than the 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 31 March 2018 except as disclosed in Part B, Note 9 of the Announcement.

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

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

(i) Capital commitment

	31.03.2018 RM'000	31.03.2017 RM'000
Property, plant and equipment		
Authorised but not contracted for	30,297	29,961
Authorised and contracted for		
In Malaysia	36,035	41,595
Outside Malaysia	5,373	685
TOTAL	71,705	72,241

(ii) Non-cancellable operating lease commitment

	31.03.2018 RM'000	31.03.2017 RM'000
Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:		
Not later than 1 year	1,587	1,816
More than 1 year but not later than 5 years	6,348	7,266
More than 5 years	99,645	114,051
TOTAL	107,580	123,133

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/Cumulative Quarter	
	31.03.2018	**31.03.2017**
	RM'000	**RM'000**
With WTCH Group		
Sales	56,846	7,293
With APM Group		
Purchases	14,672	19,345
With TCIL Group		
Contract assembly fee receivable	4,296	7,761

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	
	31.03.2018	**31.03.2017**
	RM'000	**RM'000**
Purchases	257,091	237,876

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	
	31.03.2018	**31.03.2017**
	RM'000	**RM'000**
Purchases	186,476	148,938

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 was 3.9% higher at RM1,034.6 million and the Group recorded profit of RM2.1 million for the first quarter compared with loss of RM37.5 million in corresponding period in previous year. The financial position of the Group continued to show improvement as the net debt has been reduced to RM1,170.9 million (-11.0% YoY). Further analysis on the segments are explained as follows:

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

The automotive division recorded higher revenue of RM1,007.1 million (+3.1% YoY) with segment EBITDA of RM48.2 million (+353.1% YoY). This was due to higher number of vehicles sold during the period with sales promotion campaigns.

b) Financial Services (hire purchase and insurance)

The financial services division recorded higher revenue of RM24.8 million (+47.3% YoY) and EBITDA of RM7.9 million (+21.5% YoY). The increase in revenue was due to higher loan book size sustained as of 31 March 2018 compared to previous year.

c) Other Operations (investments and properties)

Revenue from other operations was higher at RM2.7 million compared to RM2.3 million in the previous year and LBITDA was at RM2.1 million compared to RM1.1 million in the previous year. The higher revenue was due to more revenue contribution from contact centre operations. The LBITDA was due to unrealised foreign exchange loss of RM9.8 million arising from financing overseas entities denominated in foreign currencies.

2. Comparison With Preceding Quarter's Results

	Current Quarter 31.03.2018 RM'000	Immediate Preceding Quarter 31.12.2017 RM'000	Changes Amount RM'000	%
Revenue	1,034,618	1,075,956	(41,338)	-3.8%
Profit before tax	13,461	12,591	870	6.9%
External Revenue				
Vehicles assembly, manufacturing, distribution and after sale services	1,007,126	1,055,711	(48,585)	-4.6%
Financial services	24,760	18,638	6,122	32.8%
Other operations	2,732	1,607	1,125	70.0%
	1,034,618	1,075,956	(41,338)	-3.8%
Segment EBITDA				
Vehicles assembly, manufacturing, distribution and after sale services	48,187	47,468	719	1.5%
Financial services	7,886	5,540	2,346	42.3%
Other operations	(2,102)	(1,497)	(605)	-40.4%
	53,971	51,511	2,460	4.8%

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)

Quarter on quarter (QoQ): Revenue decreased by 3.8% at RM1.0 billion. Profit before taxation was at RM13.5 million (+6.9%) with net profit of RM2.1 million (+105.6%) and EBITDA at RM54.0 million (+4.8%).

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

For the quarter under review, automotive division recorded RM1,007.1 million in revenue (-4.6% QoQ) and RM48.2 million in segment EBITDA (+1.5% QoQ). The improvement in EBITDA compared to previous quarter is due to better margins.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM24.8 million for Q1 2018 (+32.8% QoQ). EBITDA for Q1 2018 was RM7.9 million (+42.3% QoQ). This was due to lower impairment loss provided for hire purchase receivables compared to previous quarter.

c) Other Operations (investments and properties)

Revenue from other operations for Q1 2018 was RM2.7 million compared to RM1.6 million in preceding quarter. LBITDA for Q1 2018 was RM2.1 million compared to preceding quarter LBITDA of RM1.5 million. This was due to the unrealised foreign exchange loss suffered in Q1 2018 arising from financing overseas entities denominated in foreign currencies.

3. Current Year Prospects

The automotive sector is expected to remain challenging in a highly competitive market. Nonetheless, the Group will strive to improve its competitiveness in the domestic market with launch of new models such as the all-new Nissan Serena S-Hybrid, the No. 1 MPV in Japan and locally assembled all-new UD Trucks Croner, backed by a strong nation-wide network of sales and after-sales services branches.

For overseas operations, the Group will continue to follow through on its business strategy of expansion of sales network into Cambodia, Laos, Myanmar and Vietnam as we capitalise on the improving demand for Nissan vehicles, backed by two automotive assembly plants in Vietnam and Myanmar.

We will continue to maintain our focus on ensuring the Group improve its financial position to take on the business challenges.

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	
	31.03.2018	**31.03.2017**
	RM'000	**RM'000**
Current year	13,406	9,049
Prior year	10	44
Deferred tax	(2,042)	(7,176)
	11,374	1,917

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:

	31.03.2018
	RM'000
Unsecured :	
- Bills payable	53,371
- Revolving credit	924,698
- Short term loan	27,745
- Medium term notes	748,236
Total borrowings	1,754,050
Comprising :	
Amount repayable within one year	1,005,814
Amount repayable after one year	748,236
	1,754,050

Group borrowings breakdown by currencies:

		31.03.2018
		RM'000
Functional currency	Denominated in	
RM	RM	1,469,607
RM	USD	188,018
VND	VND	82,311
VND	USD	14,114
		1,754,050

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

8. Financial Instruments

Derivatives

As at 31 March 2018, 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	313,345	23,541	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 subsdiaries. 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.

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, (collectively as the "Plaintiffs") 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").

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

9. Changes In Material Litigation (continued)

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

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.

Narita, Mr. Long Narith and Ms Pich Sokhom have filed an appeal with the Court of Appeal against the judgement of the Court of First Instance upon the receipt of the sealed judgment on 24 November 2017.

On 2 May 2018, ETCM (C) and TCMC had, through its solicitors, received the written judgement in Khmer language from the Court of Appeal arising from the appeal filed by the Plaintiffs against the judgement of the Court of First Instance and which was followed by an English translation which is summarised as follows:

The Court of Appeal has upheld the decision of the Court of First Instance and:

(i) recognised the non-existence of the agreements between Narita and Kjaer Group, ETCM (C) and TCMC;

(ii) ordered Narita to stop using the Nissan mark in all its business operations and remove the Nissan mark being used, from the billboards and advertisement of any kind;

(iii) ordered Narita to stop harassing ETCM (C) and TCMC in all manners; and

(iv) ordered all litigation costs to be paid by Narita.

The Court of Appeal has however:

(a) cancelled all the damages which were ordered to be paid by Narita, Mr Long Narith and Ms Pich Sokhom to ETCM (C) and TCMC totalling USD8,037,818.00 for actual losses and emotional damages which have been caused by the rulings arising from the 2015 and 2016 Preservative Relief Order; and

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

9. Changes In Material Litigation (continued)

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

(b) instead ordered ETCM (C) and TCMC to pay damages of USD329,208 to Narita, represented by Mr Long Narith and Ms Pich Sokhom.

The aforesaid judgment is subject to appeal to the Supreme Court within 30 days from the date of receipt of the written judgment by either party.

Both ETCM (C) and TCMC have instructed their solicitors to file an appeal against the award at the Supreme Court.

(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.

On 7 February 2018, TCMSP has successfully obtained Order In Terms of the aforementioned applications for Summary Judgement and Striking Out against MEKA's Defence and Counter Claim from the High Court. Accordingly, TCMSP had, through its solicitors, filed a Proof of Debt in respect of its claim against MEKA for the sum of RM319,829.00 for the supply of automotive accessories in due course.

9. Changes In Material Litigation (continued)

(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 Transnasional Express Sdn. Bhd. ("Transnasional"), Plusliner Sdn. Bhd. ("Plusliner"), Syarikat Kenderaan Melayu Kelantan Berhad ("SKMK"), Syarikat Rembau Tampin Sdn. Bhd. ("SRT"), Kenderaan Langkasuka Sdn. Bhd. ("Langkasuka"), Konsortium Transnasional Berhad ("KTB") and MHSB Properties Sdn Bhd ("MHSB") (collectively known as "Plaintiffs").

TCIE had entered into a series of lease agreements with Transnasional, Plusliner and SKMK and a series of service maintenance agreements with Transnasional, 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").

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 ("High Court") has re-fixed the hearing date of TCIE's striking out application and the Plaintiffs' injunction application on 8 December 2017 where a new date for clarification/decision is fixed on 4 January 2018.

On 4 January 2018, the High Court has allowed TCIE's application to strike out the Plaintiffs' claim and dismissed the Plaintiffs' injunction application with costs of RM5,000.00.

On 9 January 2018, the Plaintiffs have filed an appeal with the Court of Appeal against the judgment of the High Court.

The Court of Appeal has fixed further case management on 23 May 2018.

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")

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 has been proposed for the first quarter ended 31 March 2018.

A final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2017 to shareholders whose names appear in the Register of Members on 1 June 2018 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 24 May 2018.

11. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share for the periods is based on the net profit/(loss) attributable to ordinary shareholders of the periods and the weighted average numbers of ordinary shares outstanding during the periods as follows:

	Individual/Cumulative Quarter	
Weighted average number of ordinary shares	**2018 ('000)**	**2017 ('000)**
Issued ordinary shares at beginning of the period	652,661	652,663
Effect of shares buyback during the period	-	-
Weighted average number of ordinary shares	652,661	652,663

12. Total comprehensive income/(loss)

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

	Individual/Cumulative Quarter	
	(Unaudited) Current Year Quarter 31.03.2018 RM'000	**(Unaudited) Preceding Year Corresponding Quarter 31.03.2017 RM'000**
Depreciation and amortisation	(24,848)	(31,547)
(Provision for)/reversal and (write off) of receivables	(3,703)	(3,586)
(Provision for)/reversal and (write off) of inventories	47	(5)
Gain on disposal of properties, plant and equipment	747	719
Property, plant and equipment written off	(194)	(74)
Foreign exchange loss	(12,538)	(6,170)
Gain on derivatives	5,747	5,178

BY ORDER OF THE BOARD
HO WAI MING
CHANG PIE HOON
Company Secretaries
Kuala Lumpur
18 May 2018