

Chairman's Statement

Overview

The Group had a challenging year as intense competition led to significant reductions in unit sales and earnings. Following a review of the Group's strategic positioning, there is a renewed focus on enhancing profitability and investing in the network to improve the customer experience.

Performance

The Group's revenue for the year ended 31 December 2017 decreased by 4% to RM1.4 billion. An overall net loss of RM12.5 million was recorded after accounting for dividend income of RM11.2 million from the investment in Mercedes-Benz Malaysia ("MBM"), compared to an overall net profit of RM38.4 million in 2016.

Mercedes-Benz trading operations faced intense competition during the year and produced a loss of RM23.7 million for 2017, compared to a profit of RM27.2 million in 2016. Unit sales were 10% lower and margins were reduced. Demand for key models was also lower, with a shift in the model mix from S-Class to the lower margin C, GLA and GLC-Classes, while demand for the new E-Class CKD was below expectations. The decline in earnings was further exacerbated by losses suffered by the Group as a result of an unprecedented flood in Penang, which are subject to compensation claims from the Group's insurers. Operating expenses also increased. The Group's after-sales division continued to perform well as it benefited from increased throughput.

The Group's net debt increased to RM216.3 million at the end of December 2017, compared to RM100.4 million at the end of 2016, mainly due to higher working capital requirements and land purchased for the development of a new showroom in Kuala Lumpur.

No interim dividend was declared during the year (2016: Nil) and, in view of the prevailing trading conditions and investment in developing the business, the Board is not recommending a final dividend (2016: 5 sen per share) for the financial year ended 31 December 2017.

People

I would like to thank the management team and our staff, for their dedication and hard work during a very difficult period. I also wish to thank our customers, shareholders and business partners for their continued support.

Prospects

Trading conditions are likely to remain challenging in the year ahead as the current uncertain economic environment is expected to continue. Steps are being taken to enhance profitability over the medium term, with a commitment to required investment in people, systems and sites.

Haslam Preston

Chairman

28 February 2018