

Chairman's Statement

Overview

Despite an improvement in unit sales, the Group experienced a challenging year as changes in sales mix in favour of lower-priced vehicles led to reduced revenue and profits.

Performance

The Group's revenue for the year ended 31 December 2016 decreased by 6% to RM1.5 billion due to changes in sales mix. Net profit of RM27.9 million from the Mercedes-Benz trading operations was 32% lower than 2015. The net profit attributable to shareholders of RM39.1 million, which included dividend income of RM11.2 million from the Group's investment in Mercedes-Benz Malaysia, was down 25%.

Unit sales rose 6%, but lower margins were achieved due to the higher proportion of the C-Class, which faced severe margin pressure. The sales in 2015 benefited from a greater number of the higher margin S-Class and E-Class hybrid models. The Group's after-sales division continued to perform satisfactorily.

The Group continues to support Mercedes-Benz Malaysia's network development. Construction of the new Autohaus in Cheras, Kuala Lumpur was completed in the last quarter of 2016, with operations planned to commence in the first quarter of 2017. In January 2017, the Company announced the proposed acquisition of a strategically located site in Sungai Besi, Kuala Lumpur for a new Autohaus. The 4,240 square metre site will cost RM59.8 million and will be funded through internally-generated funds and/or bank borrowing.

The Board is recommending a final dividend of 5 sen per share for the financial year ended 31 December 2016 (2015: 5 sen per share).

People

I would like to thank all our staff for their dedication and hard work in facing the challenges of the last few years.

On 19 April 2016, I succeeded Alex Newbigging as Chairman of the Company, Rossana Annizah binti Ahmad Rashid succeeded Datuk Syed Tamim Ansari bin Syed Mohamed as Deputy Chairman. Adrian Teng joined the Board as a Non-Independent Non-Executive Director on 19 April 2016 while Tang Saw Hua joined the Board as an Independent Non-Executive Director on 17 February 2017. I would like to thank Alex Newbigging and Datuk Syed Tamim Ansari bin Syed Mohamed for their significant contributions during their tenure as Directors of the Company.

Prospects

Trading conditions in 2017 are expected to remain challenging in the face of a weak domestic market and an uncertain global economic environment.

Haslam Preston

Chairman

22 February 2017