



TAN CHONG MOTOR HOLDINGS BERHAD

Registration No. 197201001333 (12969-P)
(Incorporated in Malaysia)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023

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TAN CHONG MOTOR HOLDINGS BERHAD
Registration No. 197201001333 (12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Corresponding Quarter 30.06.2022 RM'000	Current Year To Date 30.06.2023 RM'000	Preceding Year Corresponding Period 30.06.2022 RM'000
Revenue	619,191	814,280	1,239,076	1,583,581
Operating profit	2,776	33,691	16,034	28,159
Interest expense	(14,802)	(14,005)	(29,957)	(23,333)
Interest income	4,147	2,497	9,195	3,941
Share of loss of equity-accounted investees	(170)	(806)	(772)	(707)
(Loss)/ Profit before taxation	(8,049)	21,377	(5,500)	8,060
Tax expense	(11,968)	(16,967)	(20,262)	(25,091)
(Loss)/ Profit for the period	(20,017)	4,410	(25,762)	(17,031)
(Loss)/ Profit attributable to:				
Equity holders of the Company	(18,134)	6,244	(23,199)	(13,277)
Non-controlling interests	(1,883)	(1,834)	(2,563)	(3,754)
	(20,017)	4,410	(25,762)	(17,031)
(Loss)/ Earning per share (sen)				
(a) Basic	(2.78)	0.96	(3.56)	(2.04)
(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 2022, together with the explanatory notes in this report.



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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Corresponding Quarter 30.06.2023 RM'000	Preceding Year Corresponding Quarter 30.06.2022 RM'000	Current Year Corresponding To Date 30.06.2023 RM'000	Preceding Year Corresponding Period 30.06.2022 RM'000
(Loss)/ Profit for the period	(20,017)	4,410	(25,762)	(17,031)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(1,944)	(8,929)	(2,304)	(8,479)
Cash flow hedge	(726)	(3,455)	4,737	(4,070)
Total items that are or may be classified to profit or loss	<u>(2,670)</u>	<u>(12,384)</u>	<u>2,433</u>	<u>(12,549)</u>
Other comprehensive (loss)/ income for the period, net of tax	(2,670)	(12,384)	2,433	(12,549)
Total comprehensive loss for the period	<u>(22,687)</u>	<u>(7,974)</u>	<u>(23,329)</u>	<u>(29,580)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(18,062)	(4,209)	(17,358)	(24,173)
Non-controlling interests	(4,625)	(3,765)	(5,971)	(5,407)
	<u>(22,687)</u>	<u>(7,974)</u>	<u>(23,329)</u>	<u>(29,580)</u>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, together with the explanatory notes in this report.



TAN CHONG MOTOR HOLDINGS BERHAD
Registration No. 197201001333 (12969-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	(Unaudited) As at 30.06.2023 RM'000	(Audited) As at 31.12.2022 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	2,445,001	2,414,470
Investment properties	238,990	238,990
Intangible assets	15,712	13,006
Equity-accounted investees	69,365	70,480
Deferred tax assets	85,608	93,005
Hire purchase receivables	338,270	359,406
	<u>3,192,946</u>	<u>3,189,357</u>
<u>Current assets</u>		
Other investments	460	454
Inventories	809,775	748,401
Contract assets	32,188	26,349
Current tax assets	28,732	19,292
Hire purchase receivables	106,649	104,817
Receivables, deposits and prepayments	445,620	388,290
Derivative financial assets	2,051	3,240
Cash and cash equivalents	462,162	558,160
	<u>1,887,637</u>	<u>1,849,003</u>
TOTAL ASSETS	<u><u>5,080,583</u></u>	<u><u>5,038,360</u></u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (continued)

	(Unaudited)	(Audited)
	As at	As at
	30.06.2023	31.12.2022
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,538,352	2,562,229
Treasury shares	(26,216)	(25,953)
Total equity attributable to owners of the Company	2,848,136	2,872,276
Non-controlling interests	(11,419)	(22,598)
Total equity	2,836,717	2,849,678
<u>Non-current liabilities</u>		
Lease liabilities	76,935	71,109
Borrowings	450,000	300,000
Employee benefits	86,101	80,902
Deferred tax liabilities	247,004	244,806
Contract liabilities	45,487	45,974
	905,527	742,791
<u>Current liabilities</u>		
Borrowings	916,035	974,027
Lease liabilities	18,502	18,702
Derivative financial liabilities	1,831	7,312
Taxation	4,409	3,070
Contract liabilities	25,881	27,643
Payables and accruals	371,681	415,137
	1,338,339	1,445,891
Total liabilities	2,243,866	2,188,682
TOTAL EQUITY AND LIABILITIES	5,080,583	5,038,360
Net assets per share attributable to owners of the Company (RM)	4.37	4.40

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, together with the explanatory notes in this report.



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

	-----Attributable to owners of the Company-----					-----Non-Distributable-----		-Distributable-		
	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Hedging reserve RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	
At 01.01.2022	336,000	(25,901)	(13,510)	814,934	(518)	100	1,680,417	2,791,522	(21,850)	2,769,672
Other comprehensive loss for the period, net of tax	-	-	(6,826)	-	(4,070)	-	-	(10,896)	(1,653)	(12,549)
Transfer of revaluation surplus on properties	-	-	-	(6,658)	-	-	6,658	-	-	-
Loss for the period	-	-	-	-	-	-	(13,277)	(13,277)	(3,754)	(17,031)
Total comprehensive loss for the period	-	-	(6,826)	(6,658)	(4,070)	-	(6,619)	(24,173)	(5,407)	(29,580)
Purchase of treasury shares	-	(52)	-	-	-	-	-	(52)	-	(52)
Dividend - 2022 interim	-	-	-	-	-	-	(9,782)	(9,782)	-	(9,782)
At 30.06.2022	336,000	(25,953)	(20,336)	808,276	(4,588)	100	1,664,016	2,757,515	(27,257)	2,730,258
At 01.01.2023	336,000	(25,953)	(13,361)	939,782	(4,082)	100	1,639,790	2,872,276	(22,598)	2,849,678
Other comprehensive income/ (loss) for the period, net of tax	-	-	1,104	-	4,737	-	-	5,841	(3,408)	2,433
Transfer of revaluation surplus on properties	-	-	-	(8,804)	-	-	8,804	-	-	-
Loss for the period	-	-	-	-	-	-	(23,199)	(23,199)	(2,563)	(25,762)
Total comprehensive income/ (loss) for the period	-	-	1,104	(8,804)	4,737	-	(14,395)	(17,358)	(5,971)	(23,329)
Purchase of treasury shares	-	(263)	-	-	-	-	-	(263)	-	(263)
Dividend - 2023 interim	-	-	-	-	-	-	(6,519)	(6,519)	-	(6,519)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	17,150	17,150
At 30.06.2023	336,000	(26,216)	(12,257)	930,978	655	100	1,618,876	2,848,136	(11,419)	2,836,717

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, together with the explanatory notes in this report.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 6 months ended 30.06.2023	For the 6 months ended 30.06.2022
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/ Profit before taxation	(5,500)	8,060
Adjustments for:		
Non-cash and non-operating items	62,248	77,817
Operating profit before working capital changes	56,748	85,877
Changes in working capital		
Inventories	(75,437)	193,184
Hire purchase receivables	15,182	27,906
Receivables, deposits and prepayments	(44,575)	(23,509)
Payables and accruals	(54,570)	(32,859)
Contract assets	(5,839)	(8,444)
Contract liabilities	(2,249)	(146)
Cash (used in)/ generated from operations	(110,740)	242,009
Tax paid	(18,157)	(11,596)
Interest paid	(13,923)	(14,867)
Employee benefits paid	(646)	(872)
Net cash (used in)/ from operating activities	(143,466)	214,674
Cash flows from investing activities		
Acquisition of property, plant and equipment	(50,561)	(43,481)
Acquisition of intangible assets	(3,371)	(194)
Net proceeds from/ (acquisition of) other investments	524	(270,361)
Dividend received from equity-accounted investees	1,150	1,700
Proceeds from disposal of property, plant and equipment	6,634	14,070
Net cash used in investing activities	(45,624)	(298,266)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023 (continued)
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 6 months ended 30.06.2023 RM'000	For the 6 months ended 30.06.2022 RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(6,519)	(9,782)
Purchase of own shares	(263)	(52)
Net proceeds from/ (repayment of) bankers' acceptance	68,260	(59,131)
Net proceeds from medium term notes	150,000	300,000
Net repayment of term loans and revolving credit	(134,150)	(89,108)
Payment of lease liabilities	(11,589)	(9,443)
Share subscription in a subsidiary company by non-controlling interest shareholders	17,150	-
Net cash from financing activities	82,889	132,484
Net (decrease)/ increase in cash and cash equivalents	(106,201)	48,892
Effects of exchange rate fluctuations on cash and cash equivalents	10,203	8,577
Cash and cash equivalents at beginning of the period	558,160	514,487
Cash and cash equivalents at end of the period	462,162	571,956

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, together with the explanatory notes in this report.

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 audited 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 2022.

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 2022, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and Amendments to MFRSs:

Effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

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

MFRSs and Amendments to MFRSs issued but not yet effective

The following MFRSs and Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted.

Effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases - Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants*
- Amendments to MFRS 107, *Statement of Cash Flow* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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 or amendments is not expected to have any material financial impacts to the financial statements of the Group.

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2022.

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 had a material effect on the assets, liabilities, equity, net income or cash flows for the period.

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

6. Material Changes in Estimates

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

7. Debt and Equity Securities

There was repurchase of issued ordinary shares from the open market of 120,000 during the quarter. Cumulative total number of shares repurchased at the end of the financial quarter was 20,118,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group had redeemed RM5.0 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM25.8 million at the end of the financial quarter.

Under the Islamic Medium Term Notes ("Sukuk Murabahah") Programme of RM1.5 billion, the Group had completed the subsequent issuance of RM150.0 million nominal value of Sukuk Murabahah ("Series 2 Sukuk Murabahah") under the Sukuk Murabahah Programme on 20 June 2023. The Series 2 Sukuk Murabahah is rated A₊IS with a stable outlook by MARC Ratings Berhad. Proceeds from the issuance of the Series 2 Sukuk Murabahah would be utilised by the Group's subsidiaries for working capital requirements. The outstanding nominal value of Islamic Medium Term Notes stood at RM450 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. Dividends Paid

An interim single tier dividend of 1.0 sen per share for the financial year ending 31 December 2023 which amounted to RM6.52 million was declared on 24 May 2023 and paid on 30 June 2023 (2022: interim single tier dividend of 1.5 sen per share amounted to RM9.78 million, declared on 24 May 2022 and paid on 30 June 2022).

9. Segmental Reporting

(a) Business segment reporting for current quarter:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	595,563	794,412	15,853	16,492	7,775	3,376	619,191	814,280
Inter-segment revenue	299	104	5	4	17,163	21,190	17,467	21,298
Segment EBITDA	18,167	34,816	4,158	11,804	33,447	29,718	55,772	76,338

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

Reconciliation of reportable segment profit or loss:

	30.06.2023	30.06.2022
	RM'000	RM'000
Total EBITDA for reportable segments	55,772	76,338
Depreciation and amortisation	(43,934)	(37,190)
Interest expense	(14,802)	(14,005)
Interest income	4,147	2,497
Share of loss of equity-accounted investees not included in reportable segments	(170)	(806)
Unallocated corporate expenses	(9,062)	(5,457)
Consolidated (loss)/ profit before taxation	(8,049)	21,377

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

9. Segmental Reporting (continued)

(b) Business segment reporting for current year-to-date period:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,194,661	1,544,098	33,255	33,413	11,160	6,070	1,239,076	1,583,581
Inter-segment revenue	2,385	158	9	9	34,190	41,145	36,584	41,312
Segment EBITDA	60,984	51,154	10,887	20,153	35,143	40,904	107,014	112,211

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

	30.06.2023	30.06.2022
	RM'000	RM'000
Total EBITDA for reportable segments	107,014	112,211
Depreciation and amortisation	(75,588)	(73,408)
Interest expense	(29,957)	(23,333)
Interest income	9,195	3,941
Share of loss of equity-accounted investees not included in reportable segments	(772)	(707)
Unallocated corporate expenses	(15,392)	(10,644)
Consolidated (loss)/ profit before taxation	(5,500)	8,060

(c) Geographical segment reporting for current quarter:

	Malaysia		Vietnam		Others		Total	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	550,097	686,112	46,756	94,893	22,338	33,275	619,191	814,280
Segment EBITDA/ (LBITDA)	68,504	81,182	(10,136)	(405)	(2,596)	(4,439)	55,772	76,338

(d) Geographical segment reporting for current year-to-date period:

	Malaysia		Vietnam		Others		Total	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,107,038	1,336,104	86,615	160,547	45,423	86,930	1,239,076	1,583,581
Segment EBITDA/ (LBITDA)	125,072	134,117	(14,287)	(1,129)	(3,771)	(20,777)	107,014	112,211

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

10. Valuation of Property, Plant and Equipment and Investment Properties

The valuation of property, plant and equipment and investment properties was brought forward without amendment from the audited financial statements for the year ended 31 December 2022.

11. Other Investments

	30.06.2023	31.12.2022
	RM'000	RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	460	454
Total	<u>460</u>	<u>454</u>

12. Material Events

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 other changes in the composition of the Group for the quarter under the review.

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 30 June 2023 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 (continued)

15. Commitments Outstanding not provided for in the Interim Financial Report

	30.06.2023 RM'000	31.12.2022 RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	125,512	166,228
Authorised and contracted for		
In Malaysia	13,035	2,586
Outside Malaysia	15,934	21,511
Total	<u>154,481</u>	<u>190,325</u>

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	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
With WTCH Group				
Purchases	(10,823)	(16,579)	(28,335)	(29,261)
Sales	9,163	20,881	16,302	42,273
Travel agency and car rental services	(403)	(136)	(521)	(219)
Contract assembly services	945	959	1,755	2,001
With APM Group				
Purchases	(5,896)	(8,656)	(11,395)	(17,358)
Sales	565	964	881	2,307
With TCIL Group				
Sales	2,323	3,726	5,358	5,736
Contract assembly services	7,601	5,720	14,133	9,524

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

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

	Individual Quarter		Cumulative Quarter	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Purchases	(114,323)	(163,704)	(302,772)	(273,955)

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

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

16. Significant Related Party Transactions (continued)

- (c) Significant transactions with Auto Dunia Sdn. Bhd.:
- i. a company in which Directors of certain subsidiaries of the Company, namely Datuk Yaacob bin Wan Ibrahim and Datuk Abdullah bin Abdul Wahad, have substantial financial interests; and
 - ii. a company connected with a Director of the Company, Dato' Tan Heng Chew, by virtue of Section 197 of the Companies Act, 2016,
- are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Purchases	(154,665)	(51,156)	(249,152)	(218,767)
Sales	4,785	5,688	8,269	11,032

These transactions had been entered into in the normal course of business and had 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

For the quarter ended 30 June 2023, the Group recorded revenue of RM619.2 million, 24.0% lower compared to the same period preceding year, largely due to prolonged supply chain disruptions which affected certain models and stiffer competition faced in the local and overseas markets. In line with the lower revenue, the Group recorded Loss Before Tax (“LBT”) of RM8.0 million in the current quarter under review, compared to Profit Before Tax (“PBT”) of RM21.4 million in the same period preceding year.

For the 6 months period ended 30 June 2023, the Group recorded revenue of RM1.24 billion, 21.8% lower compared to the same period preceding year. As a result, the Group recorded LBT of RM5.5 million in current year-to-date period compared to PBT of RM8.1 million in the same period preceding year. The decrease in profitability was mainly due to lower sales, weaker Ringgit and higher operating expenses.

As at 30 June 2023, the Group’s retained earnings was RM1.62 billion. The net assets per share as at 30 June 2023 was RM4.37, marginally lower compared to RM4.40 as at 31 December 2022.

Further analysis of the performance of the business segments is as follows:

(a) Vehicles Assembly, Manufacturing, Distribution & After-Sales Services (Automotive)

The automotive division recorded lower revenue of RM595.6 million in the current quarter under review (-25.0%) compared to same period last year (“YoY”), which was impacted by the prolonged supply chain disruptions and stiffer competition faced in the local and overseas markets. Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM18.2 million decreased by 47.8% YoY, mainly due to lower revenue, weaker Ringgit as well as higher operating expenses during the quarter under review.

For the 6 months period ended 30 June 2023, the automotive division recorded revenue of RM1,194.7 million (-22.6% YoY) and EBITDA of RM61.0 million (+19.2% YoY). The EBITDA was higher despite revenue being lower as there was a provision for litigation compensation for Narita case in Cambodia amounted to RM17.6 million in the same period preceding year.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM15.9 million in the current quarter under review (-3.9% YoY) and EBITDA of RM4.2 million (-64.8% YoY). EBITDA was lower as there was a provision for impairment loss on hire purchase receivables in the current quarter under review compared to a reversal of impairment loss in the same period preceding year.

For the 6 months period ended 30 June 2023, the financial services division recorded a lower revenue of RM33.3 million (-0.5% YoY) with a lower EBITDA of RM10.9 million (-46.0% YoY). EBITDA was lower due to the same reason as explained in the paragraph above.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was higher at RM7.8 million in the current quarter under review (+130.3% YoY) and EBITDA of RM33.4 million improved by 12.5% YoY mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

For the 6 months period ended 30 June 2023, revenue from Other Operations was higher at RM11.2 million (+83.9% YoY) and EBITDA of RM35.1 million was lower by 14.1% YoY, mainly due to higher operating expenses in current year-to-date period, offset by higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

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

2. Comparison with Preceding Quarter's Results

	Current Quarter 30.06.2023 RM'000	Immediate Preceding Quarter 31.03.2023 RM'000	Changes	
			RM'000	%
Revenue	619,191	619,885	(694)	-0.1%
(Loss)/ Profit before tax	(8,049)	2,549	(10,598)	>-100.0%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	595,563	599,098	(3,535)	-0.6%
Financial services	15,853	17,402	(1,549)	-8.9%
Other operations	7,775	3,385	4,390	129.7%
	<u>619,191</u>	<u>619,885</u>	(694)	-0.1%
<u>Segment EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	18,167	42,817	(24,650)	-57.6%
Financial services	4,158	6,729	(2,571)	-38.2%
Other operations	33,447	1,696	31,751	1872.1%
	<u>55,772</u>	<u>51,242</u>	4,530	8.8%

The Group recorded revenue of RM619.2 million in the current quarter under review, lower by RM0.7 million or 0.1% compared to RM619.9 million in the preceding quarter. The Group recorded LBT of RM8.0 million in the current quarter under review compared to PBT of RM2.5 million in the preceding quarter. The LBT of RM8.0 million was mainly due to lower margins from the automotive division during the current quarter under review, as a result of weaker Ringgit.

(a) Vehicles Assembly, Manufacturing, Distribution & After-Sales Services (Automotive)

The automotive division recorded lower revenue of RM595.6 million in the current quarter under review, a decrease of 0.6% compared to the preceding quarter ("QoQ"), mainly due to prolonged supply chain disruptions which affected certain models and stiffer competition in the local and overseas markets. EBITDA of RM18.2 million was lower by 57.6% QoQ, in line with the lower sales and lower margins in the current quarter under review.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded lower revenue of RM15.9 million (-8.9% QoQ) and lower EBITDA of RM4.2 million in the current quarter under review (-38.2% QoQ). EBITDA was lower mainly due to lower revenue and higher impairment loss on hire purchase receivables recognised during the current quarter under review.

(c) Other Operations (Investments and Properties)

The division recorded higher revenue of RM7.8 million (+129.7% QoQ) and EBITDA improved to RM33.4 million (+1,872.1% QoQ) in the current quarter under review. The improvement in EBITDA was mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

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

3. Future Prospects

Gross domestic product (“GDP”) in Malaysia expanded moderately by 2.9% in the second quarter of 2023 after 5.6% expansion in the preceding quarter, mainly resulted from weaker external demand. The nation’s economy is expected to continue to expand amid challenging external environment with a forecasted GDP growth of 4%-5% in 2023¹. The potential downside risks to economic growth remain with expectations of a weaker-than-expected global economic growth as well as continued geopolitical tensions on a global scale. The impacts of inflationary pressures, high interest rate environment, weakening ringgit against major foreign currencies, and uncertainties surrounding the domestic and global economic environment will continue to pose challenges to the industry.

The Group has launched the latest versions of the fully electrified Nissan Leaf and Renault Zoe in 2023 as part of our efforts to raise the level of Electric Vehicles (“EV”) adoption in the country either through direct retailing or offering customers a more affordable option of accessing an EV through the subscription mode. The Group is also on target to meet the commissioning date of end December 2023 for the 20MW floating solar plant under the Large Scale Solar (LSS) Cycle 4. Once completed, the solar plant is expected to supply 883,000MWh of green electricity to Tenaga Nasional Berhad under a 25-year Power Purchase Agreement, contributing to a reduction of 728,500 tonnes of CO₂ emissions to the environment, or equivalent to reducing 158,000 units of cars on the roads.

In Vietnam, the Group will be introducing the locally assembled light truck licensed by SAIC-GM-Wuling Automobile Co., Ltd. – N300P in quarter 4 of 2023. The new model will be using a Euro 5 engine and rebadged under the Group’s own TruckQuip (“TQ”) brand. The new model will be assembled at the Group’s assembly plant in Danang and will be the Group’s first foray into locally assembled commercial vehicle, which is one of the fastest growing segments in Vietnam.

The Group remains positive on the long-term prospects of our businesses, given that we have built strong fundamentals to remain resilient and well positioned to capitalise on growth opportunities. Moving ahead, the Group will continue to focus on driving better operational efficiencies, efficient cost management and cash flow management to place the Group in a better position to deliver long term operational and financial sustainability.

¹ Bank Negara Malaysia Quarterly Report dated 18 August 2023.

4. Comparison with Profit Forecast

This is not applicable to the Group.

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

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Current year	(5,038)	(10,155)	(10,088)	(17,557)
- Prior year	(347)	108	(348)	191
	<u>(5,385)</u>	<u>(10,047)</u>	<u>(10,436)</u>	<u>(17,366)</u>
Deferred taxation				
- Current year	(6,583)	(7,576)	(9,826)	(8,381)
- Prior year	-	656	-	656
	<u>(6,583)</u>	<u>(6,920)</u>	<u>(9,826)</u>	<u>(7,725)</u>
	<u><u>(11,968)</u></u>	<u><u>(16,967)</u></u>	<u><u>(20,262)</u></u>	<u><u>(25,091)</u></u>

The Group recorded tax charges of RM12.0 million during the current quarter under review, with the effective tax rate above the statutory tax rate. This was mainly due to tax charges in certain profitable subsidiaries of the Group, certain expenses being disallowed for tax purposes and deferred tax assets not recognised for some of the loss making subsidiaries.

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:

	30.06.2023	31.12.2022
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	227,210	158,950
- Revolving credit	674,706	749,135
- Short term loan	14,119	65,942
- Medium term notes	450,000	300,000
Total borrowings	<u>1,366,035</u>	<u>1,274,027</u>
Comprising :		
Amount repayable within one year	916,035	974,027
Amount repayable after one year	450,000	300,000
	<u>1,366,035</u>	<u>1,274,027</u>

Group borrowings breakdown by currencies:

		30.06.2023	31.12.2022
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,319,210	1,087,949
RM	USD	32,706	144,923
VND	VND	14,119	41,155
		<u>1,366,035</u>	<u>1,274,027</u>

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

8. Financial Instruments

Derivatives

As at 30 June 2023, 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	104,692	220	Less than 1 year

Forward foreign exchange contracts are entered into with locally incorporated licensed banks to hedge certain portion of the Group's purchases from exchange rate movements and repayments from overseas subsidiaries. As the exchange rates are predetermined under such contracts, in the event of exchange rate movement, exposure to opportunity gain/ (loss) is expected. Given that the contracts are entered into with locally incorporated licensed banks, we are of the view that credit risk and the counterparty risk are minimal. Apart from a small fee payable to the banks, there are no cash requirements for the forward contracts.

It is the Group's policy not to enter into hedging contracts which, in the aggregate, relate to volumes that exceed the expected commercial requirements for imports.

9. Changes in Material Litigation

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 ("the Plaintiffs' Claim"), a sealed copy of a Notice of Application for, inter alia, an injunction dated 12 August 2017 ("the Application") and Affidavit in Support dated 11 August 2017 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 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 owed TCIE outstanding rentals and service bills amounting to RM32,920,575.06 ("Debt").

After lengthy negotiations, the Debtors and KTB mutually agreed to enter into a Settlement Agreement with TCIE on 4 July 2016 ("Settlement Agreement") with the following, inter alia, terms:

- i. to settle the Debt by transferring a piece of land held under H.S.(D) 87546, PT No. 7929, Bandar Ampang, Daerah Ulu Langat, Negeri Selangor ("Land") from MHSB to TCIE at an agreed price of RM16,000,000.00 and repayment the balance debt of RM16,920,575.06 in cash in several instalments ("Balance Debt"); and
- ii. in the event of breach of the Settlement Agreement, TCIE was entitled to terminate the Settlement Agreement and repossess the vehicles.

Pursuant to the Settlement Agreement, a Sale and Purchase Agreement was entered into between MHSB and TCIE on 4 July 2016 for the sale of the Land.

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

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

9. Changes in Material Litigation (continued)

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

On 11 August 2017, the Plaintiffs filed the Plaintiffs Claim seeking, amongst others:

- i. an injunction to restrain TCIE from proceeding with the repossession and disposal of the vehicles, taking any legal action under the Settlement Agreement until the disposal of the Plaintiffs’ Claim and entering into any dealing in relation to the Land;
- ii. a declaration that the value of the Land was RM55,600,000.00;
- iii. payment of the sum of RM22,679,424.94 to MHSB;
- iv. the return of the vehicles to the Plaintiffs; and
- v. payment of the sum of RM877,000.00 being compensation paid by the Government of Malaysia for acquisition of part of the Land to the Plaintiffs.

On 15 July 2021, the High Court allowed the Plaintiffs’ Claim which included orders, inter alia, for: -

- i. a declaration that the value of the Land was RM55,600,000.00;
- ii. repayment of the sum of RM22,679,424.94, with interest at the rate of 5% per annum, to be paid by TCIE to MHSB, the 7th Plaintiff;
- iii. the return of the land acquisition compensation sum of RM877,000.00 by TCIE to the Plaintiffs; and
- iv. the return of all the buses by TCIE to the Plaintiffs; and costs in the sum of RM80,000.00, subject to allocatur, to be paid by TCIE to the Plaintiffs.

(collectively known as “High Court Judgment”)

On 21 July 2021, TCIE filed the Notice of Appeal against the High Court Judgment to the Court of Appeal. Case management before the Court of Appeal was fixed on 6 September 2021. Subsequently, the next Case Management was re-fixed on 8 November 2021.

On 8 November 2021, the Court of Appeal had during the case management further directed for parties to file Written Submissions by 24 April 2022 and fixed the next case management on 25 April 2022. The hearing of the appeal initially fixed on 9 May 2022 has been vacated and converted to case management. The Court of Appeal has re-fixed the hearing of the appeal to 9 August 2022. The Court of Appeal has further directed that parties are to file Reply Submissions and any additional Bundle of Authorities to be filed by 25 July 2022 and fixed a further case management on 26 July 2022.

The hearing of the appeal fixed on 9 August 2022 was converted to case management and later re-fixed on 25 October 2022. The hearing of the appeal re-fixed on 19 October 2022 was vacated. The Court of Appeal has fixed further case management on 9 March 2023 and re-fixed the hearing of the appeal on 23 March 2023. The hearing of the appeal fixed on 23 March 2023 was vacated and the Court has re-fixed the hearing of the appeal on 13 July 2023. The Court has further re-fixed the case management on 2 November 2023 and the hearing of the appeal on 16 November 2023.

On 22 July 2021, TCIE applied for a Stay of Execution of the High Court Judgment which was fixed for hearing on 9 September 2021, where the High Court granted a stay of execution/ enforcement proceedings in relation to the Judgment of the High Court dated 15 July 2021 pending the disposal of TCIE’s appeal to the Court of Appeal.

Based on the legal opinion obtained from the legal counsel of TCIE, the Board is of the view that TCIE has reasonable prospects of obtaining an order in its favour at the Court of Appeal.

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

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

10. Dividend

No dividend has been proposed for the second quarter ended 30 June 2023.

11. (Loss)/ Earnings per Share

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

	Individual Quarter		Cumulative Quarter	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
(Loss)/ Profit attributable to the owners of the Company (RM'000)	(18,134)	6,244	(23,199)	(13,277)
Weighted average number of ordinary shares ('000)	651,930	652,120	652,003	652,141
Basic (Loss)/ Earnings per share (sen)	<u>(2.78)</u>	<u>0.96</u>	<u>(3.56)</u>	<u>(2.04)</u>

12. Total Comprehensive Income

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(43,934)	(37,190)	(75,588)	(73,408)
Foreign exchange gain	35,017	18,439	38,400	23,005
(Loss)/ Gain on derivatives	(726)	(3,428)	4,737	(4,043)
Gain on disposal of property, plant and equipment	1,256	1,379	1,456	2,423
(Provision for)/ Reversal and (write-off) of receivables	(2,210)	4,605	(3,854)	4,317
Property, plant and equipment written off	(30)	(77)	(67)	(729)
Reversal/ (Provision for) and (write-off) of inventories	1,680	(647)	7,922	247
Gain/ (Loss) on disposal of investment	-	-	-	-
Impairment on property, plant and equipment	-	-	-	-
Other income including investment income	-	-	-	-

BY ORDER OF THE BOARD

CHONG CHOON YENG

CHIN YOON LENG

Company Secretaries

Kuala Lumpur

28 August 2023