



# **TAN CHONG MOTOR HOLDINGS BERHAD**

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

## **INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

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**TAN CHONG MOTOR HOLDINGS BERHAD**  
*Registration No. 197201001333 (12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE QUARTER ENDED 31 MARCH 2021**

**INDIVIDUAL/CUMULATIVE QUARTER**

	<b>Current Year Quarter 31.03.2021 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2020 RM'000</b>
Revenue	593,079	734,287
Operating profit	32,269	12,594
Interest expense	(13,151)	(17,430)
Interest income	3,071	4,312
Share of (loss)/ profit of equity-accounted investees	(89)	723
Profit before taxation	22,100	199
Tax expense	(16,699)	(14,987)
Profit/ (Loss) for the period	5,401	(14,788)
Profit/ (Loss) attributable to:		
Equity holders of the Company	7,735	(9,261)
Non-controlling interests	(2,334)	(5,527)
	5,401	(14,788)
Earning/ (Loss) per share (sen)		
(a) Basic	1.19	(1.42)
(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 2020.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 31 MARCH 2021**

	<b>INDIVIDUAL/CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.03.2021 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2020 RM'000</b>
<b>Profit/ (Loss) for the period</b>	5,401	(14,788)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(10,922)	(2,804)
Cash flow hedge	(1,385)	(10,513)
<b>Total items that are or may be classified subsequently to profit or loss</b>	<b>(12,307)</b>	<b>(13,317)</b>
<b>Other comprehensive loss for the period, net of tax</b>	<b>(12,307)</b>	<b>(13,317)</b>
<b>Total comprehensive loss for the period</b>	<b>(6,906)</b>	<b>(28,105)</b>
<b>Total comprehensive loss attributable to:</b>		
Equity holders of the Company	(3,472)	(22,815)
Non-controlling interests	(3,434)	(5,290)
	<b>(6,906)</b>	<b>(28,105)</b>

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 2020.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*Registration No. 197201001333 (12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**

	<b>As at</b>	<b>As at</b>
	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment *	2,329,642	2,311,657
Investment properties	230,495	230,495
Intangible assets	759	759
Equity-accounted investees	75,879	75,969
Deferred tax assets	120,287	120,384
Hire purchase receivables	501,957	489,860
	3,259,019	3,229,124
<b><u>Current assets</u></b>		
Other investments	141,177	170,306
Inventories	857,185	772,706
Contract assets	19,062	19,377
Current tax assets	21,692	11,162
Hire purchase receivables	69,543	93,053
Receivables, deposits and prepayments	508,659	424,888
Derivative financial assets	12,383	17,914
Cash and cash equivalents	475,853	581,962
	2,105,554	2,091,368
<b>TOTAL ASSETS</b>	<b>5,364,573</b>	<b>5,320,492</b>

\* Included in this amount was withdrawal of inventories with a carrying value of RM16 million (2020: RM105 million) for the business of subscription plans in one of the subsidiaries of the Group.



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021 (continued)**

	<b>As at 31.03.2021 RM'000</b>	<b>As at 31.12.2020 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity</u></b>		
Share capital	336,000	336,000
Reserves	2,528,080	2,531,552
Treasury shares	(25,901)	(25,866)
<b>Total equity attributable to owners of the Company</b>	<b>2,838,179</b>	<b>2,841,686</b>
Non-controlling interests	(20,429)	(16,995)
<b>Total equity</b>	<b>2,817,750</b>	<b>2,824,691</b>
<b><u>Non-current liabilities</u></b>		
Lease liabilities	79,891	74,894
Employee benefits	97,410	95,599
Deferred tax liabilities	208,817	208,989
Contract liabilities	52,853	52,899
	438,971	432,381
<b><u>Current liabilities</u></b>		
Borrowings	1,525,943	1,501,493
Lease liabilities	17,484	23,072
Derivative financial liabilities	946	2,980
Taxation	13,535	2,350
Contract liabilities	24,635	23,034
Payables and accruals	525,309	510,491
	2,107,852	2,063,420
<b>Total liabilities</b>	<b>2,546,823</b>	<b>2,495,801</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,364,573</b>	<b>5,320,492</b>
 Net assets per share attributable to owners of the Company (RM)	 4.35	 4.36

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 MARCH 2021**

	-----Attributable to owners of the Company-----							Total RM'000	-----Non-Distributable-----   -----Distributable-----	
	Share capital RM'000	Treasury shares RM'000	Translation reserves RM'000	Revaluation reserve RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000		Non- controlling interests RM'000	Total equity RM'000
<b>At 01.01.2020</b>	336,000	(25,364)	(9,222)	841,201	3,537	100	1,873,328	3,019,580	(11,548)	3,008,032
Other comprehensive (loss)/ income for the period, net of tax	-	-	(3,041)	-	(10,513)	-	-	(13,554)	237	(13,317)
Transfer of revaluation surplus on properties	-	-	-	(3,328)	-	-	3,328	-	-	-
Loss for the period	-	-	-	-	-	-	(9,261)	(9,261)	(5,527)	(14,788)
Total comprehensive (loss)/ income for the period	-	-	(3,041)	(3,328)	(10,513)	-	(5,933)	(22,815)	(5,290)	(28,105)
Purchase of treasury shares	-	(202)	-	-	-	-	-	(202)	-	(202)
<b>At 31.03.2020</b>	336,000	(25,566)	(12,263)	837,873	(6,976)	100	1,867,395	2,996,563	(16,838)	2,979,725
<b>At 01.01.2021</b>	336,000	(25,866)	(4,032)	828,231	14,934	100	1,692,319	2,841,686	(16,995)	2,824,691
Other comprehensive (loss)/ income for the period, net of tax	-	-	(9,822)	-	(1,385)	-	-	(11,207)	(1,100)	(12,307)
Transfer of revaluation surplus on properties	-	-	-	(3,329)	-	-	3,329	-	-	-
Profit for the period	-	-	-	-	-	-	7,735	7,735	(2,334)	5,401
Total comprehensive (loss)/ income for the period	-	-	(9,822)	(3,329)	(1,385)	-	11,064	(3,472)	(3,434)	(6,906)
Purchase of treasury shares	-	(35)	-	-	-	-	-	(35)	-	(35)
<b>At 31.03.2021</b>	336,000	(25,901)	(13,854)	824,902	13,549	100	1,703,383	2,838,179	(20,429)	2,817,750

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**CUMULATIVE QUARTER**

	<b>For the 3 months ended 31.03.2021 RM'000</b>	<b>For the 3 months ended 31.03.2020 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	22,100	199
Adjustments for:		
Non-cash and non-operating items	25,999	45,931
<b>Operating profit before working capital changes</b>	48,099	46,130
<b>Changes in working capital</b>		
Inventories	(99,912)	140,767
Hire purchase receivables	13,399	12,817
Receivables, deposits and prepayments	(88,599)	98,498
Payables and accruals	14,030	(71,608)
Contract assets	315	761
Contract liabilities	1,555	(673)
Cash from operations	(111,113)	226,692
Tax paid	(12,149)	(13,073)
Interest paid	(1,839)	(4,877)
Employee benefits paid	(234)	(617)
<b>Net cash (used in)/ from operating activities</b>	(125,335)	208,125
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(34,632)	(45,026)
Net proceeds from/ (acquisition of) disposal of other investment	29,129	(241,953)
Proceeds from disposal of property, plant and equipment	9,106	3,353
<b>Net cash from/ (used in) investing activities</b>	3,603	(283,626)



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

	<b>CUMULATIVE QUARTER</b>	
	<b>For the 3 months ended</b>	<b>For the 3 months ended</b>
	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Purchase of own shares	(35)	(202)
Net proceeds from/ (repayment of) bills payable	146,028	(52,088)
Net (repayment of)/ proceeds from medium term notes, term loans, and revolving credit	(132,143)	279,544
Payment of lease liabilities	(6,538)	(5,669)
<b>Net cash from financing activities</b>	7,312	221,585
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(114,420)	146,084
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	8,311	(6,875)
<b>Cash and cash equivalents at beginning of the period</b>	581,962	407,786
<b>Cash and cash equivalents at end of the period</b>	475,853	546,995
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	252,257	288,250
Deposits with licensed banks	223,596	258,745
	475,853	546,995

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020.



## 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 2020.

During the quarter under review, the Group had changed its accounting estimates with respect to residual value of its motor vehicles from NIL to 30% of the cost of the assets. This change in accounting estimates has been applied prospectively from 1 January 2021 and has been accounted for in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The change in accounting estimates has the effect of reducing the depreciation charge for the current quarter under review by approximately RM5.0 million. The effect in future periods is not disclosed as estimating it is impracticable.

### 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 2020, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

#### *Effective for annual periods beginning on or after 1 January 2021*

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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

#### **MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective**

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted other than marked “\*” which are not applicable to the Group:-

#### *Effective for annual periods beginning on or after 1 April 2021*

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

#### *Effective for annual periods beginning on or after 1 January 2022*

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 – 2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)*
- Amendments to MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018 – 2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts-Cost of fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)* \*

#### *Effective for annual periods beginning on or after 1 January 2023*

- MFRS 17, *Insurance Contracts* \*
- Amendments to MFRS 17, *Insurance Contracts* \*
- 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*

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

**2. Changes in Accounting Policies (continued)**

*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.

**3. Audit Qualifications**

There were no audit qualifications in the annual financial statements for the year ended 31 December 2020.

**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.

**7. Debt and Equity Securities**

During the quarter under review, the Company repurchased 30,000 units of its issued ordinary shares from the open market at an average price of RM1.18. Total consideration paid for the repurchase including transaction cost was approximately RM35,304 and this was financed by internally generated funds. Cumulative total number of shares repurchased at the end of the financial quarter was 19,839,000. 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 RM12.3 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM95.0 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 value of Medium Term Notes stood at RM500.0 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 2021.

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

**9. Segmental Reporting**

(a) Business segment reporting:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	571,768	709,491	18,804	19,003	2,507	5,793	593,079	734,287
Inter-segment revenue	158	405	419	1,218	22,009	20,694	22,586	22,317
Segment EBITDA*	38,835	27,768	12,334	3,834	20,413	16,243	71,582	47,845

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

**Reconciliation of reportable segment profit or loss:**

	31.03.2021	31.03.2020
	RM'000	RM'000
Total EBITDA for reportable segments	71,582	47,845
Depreciation and amortisation	(35,831)	(30,206)
Interest expense	(13,151)	(17,430)
Interest income	3,071	4,312
Share of (loss)/ profit of equity-accounted investees not included in reportable segments	(89)	723
Unallocated corporate expenses	(3,482)	(5,045)
Consolidated profit before taxation	22,100	199

(b) Geographical segment reporting:

	Malaysia		Vietnam		Others		Total	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	501,430	585,988	57,176	52,909	34,473	95,390	593,079	734,287
Segment EBITDA	74,810	63,391	(4,946)	(22,806)	1,718	7,260	71,582	47,845

**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 2020.

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

**11. Other Investments**

	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>		
Liquid investments in quoted unit trusts with licensed financial institutions	141,177	170,306
Total	<u>141,177</u>	<u>170,306</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 changes in the composition of the Group for the quarter under review.

However, on 16 April 2021, WariTan Automobile Sdn. Bhd., a new indirect wholly-owned subsidiary of the Group was incorporated under the Companies Act, 2016 with the principal activity of assembly, sales and distribution of motor vehicles, sales of spare parts and provision of after-sales services.

**14. Changes in Contingent Liabilities or Contingent Assets**

There were no contingent liabilities or contingent assets as at 31 March 2021 except as disclosed in Part B, Note 9 of the Announcement.

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

	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Property, plant and equipment</i>		
Authorised but not contracted for	136,548	150,318
Authorised and contracted for		
In Malaysia	72,276	50,972
Outside Malaysia	100,254	130,652
Total	<u>309,078</u>	<u>331,942</u>

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

**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:

	<b>Individual/Cumulative Quarter</b>	
	<b>31.03.2021</b>	<b>30.03.2020</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>With WTCH Group</b>		
Purchases	(15,927)	(4,817)
Sales	9,795	2,593
Travel agency and car rental services	(79)	(519)
Contract assembly services	2,164	991
	<u>2,164</u>	<u>991</u>
<b>With APM Group</b>		
Purchases	(4,125)	(14,964)
Sales	67	2,153
	<u>67</u>	<u>2,153</u>
<b>With TCIL Group</b>		
Sales	2,516	3,097
Contract assembly services	-	2,259
	<u>-</u>	<u>2,259</u>

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:

	<b>Individual/Cumulative Quarter</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM’000</b>	<b>RM’000</b>
Purchases	(203,338)	(174,807)
	<u>(203,338)</u>	<u>(174,807)</u>

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

- (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:

	<b>Individual/Cumulative Quarter</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM’000</b>	<b>RM’000</b>
Purchases	(86,217)	(6,903)
Sales	2,783	18
	<u>2,783</u>	<u>18</u>

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 31 March 2021, the Group recorded a lower revenue of RM593.1 million compared to the same period preceding year. However, Profit Before Tax (“PBT”) improved significantly to RM22.1 million compared to RM0.2 million in the same period preceding year, mainly due to better sales mix, lower operating expenses, reversal of impairment on hire purchase receivables and unrealised foreign exchange (“forex”) gain during the current quarter under review.

As at 31 March 2021, the Group’s retained earnings was RM1.70 billion. The net assets per share as at 31 March 2021 was RM4.35, marginally lower compared to RM4.36 as at 31 December 2020. 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 revenue of RM571.8 million in the current quarter under review (-19.4% year-on-year (“YoY”)) and Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM38.8 million (+39.9% YoY). The higher EBITDA was mainly due to better sales mix as the sales of all-new Almera Turbo had partly contributed to the better margin achieved during the quarter under review. In addition, lower operating expenses in the local and overseas markets had also contributed to the higher EBITDA during the quarter under review.

**(b) Financial Services (Hire Purchase and Insurance)**

The financial services division recorded a marginally lower revenue of RM18.8 million in the current quarter under review (-1.0% YoY). However, EBITDA of RM12.3 million improved by 221.7% YoY, mainly due to the reversal of impairment on hire purchase receivables and lower repossession expenses recognised during the quarter under review.

**(c) Other Operations (Investments and Properties)**

Revenue from Other Operations was lower at RM2.5 million in the current quarter under review (-56.7% YoY). However, EBITDA was higher at RM20.4 million (+25.7% YoY), mainly contributed by higher net forex gain which mainly arose from transactions and outstanding balances denominated in foreign currencies and lower expenses from cost rationalisation exercise.

**2. Comparison with Preceding Quarter’s Results**

	<b>Current Quarter 31.03.2021 RM'000</b>	<b>Immediate Preceding Quarter 31.12.2020 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	593,079	747,897	(154,818)	-20.7%
Profit/ (Loss) before tax	22,100	(76,889)	98,989	128.7%
<b><u>External Revenue</u></b>				
Vehicles assembly, manufacturing, distribution and after-sales services	571,768	727,627	(155,859)	-21.4%
Financial services	18,804	17,085	1,719	10.1%
Other operations	2,507	3,185	(678)	-21.3%
	<u>593,079</u>	<u>747,897</u>	(154,818)	-20.7%
<b><u>Segment EBITDA/ (LBITDA)</u></b>				
Vehicles assembly, manufacturing, distribution and after-sales services	38,835	(44,105)	82,940	188.1%
Financial services	12,334	19,563	(7,229)	-37.0%
Other operations	20,413	(9,934)	30,347	305.5%
	<u>71,582</u>	<u>(34,476)</u>	106,058	307.6%

**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 (continued)**

The Group recorded revenue of RM593.1 million in the current quarter ended 31 March 2021, lower by RM154.8 million or 20.7% compared to RM747.9 million in the preceding quarter. Despite the reduction in revenue, the Group's PBT in the current quarter under review improved to RM22.1 million compared to Loss Before Tax ("LBT") of RM76.9 million in the preceding quarter. The Group's LBT in the preceding quarter was mainly due to the impact which arose from the settlement of the Bills of Demand from Royal Malaysian Customs Department.

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

For the current quarter under review, the automotive division recorded a lower revenue of RM571.8 million, a decrease of 21.4% compared to the preceding quarter ("QoQ"). However, the division recorded higher EBITDA of RM38.8 million (+188.1% QoQ). The higher EBITDA was contributed by better sales mix as the higher sales of all-new Almera Turbo had partly contributed to the better margin achieved during the quarter under review. In addition, lower operating expenses had also contributed to the higher EBITDA during the quarter under review. As explained above, the impact from the settlement of the Bills of Demand from Royal Malaysian Customs Department had resulted in a Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA") for the division in the preceding quarter.

**(b) Financial Services (Hire Purchase and Insurance)**

The financial services division recorded revenue of RM18.8 million (+10.1% QoQ) and EBITDA of RM12.3 million (-37.0% QoQ) in the current quarter under review. The reduction in EBITDA was mainly due to lower reversal of impairment loss on hire purchase receivables recognised in the current quarter under review.

**(c) Other Operations (Investments and Properties)**

Other Operations division recorded revenue of RM2.5 million (-21.3% QoQ) and EBITDA of RM20.4 million (+305.5% QoQ) in the current quarter under review. EBITDA improved mainly due to net forex gain in the current quarter under review compared with net foreign exchange loss in the preceding quarter which arose from transactions and outstanding balances denominated in foreign currencies.

**3. Future Prospects**

The Malaysian automotive industry remains highly competitive despite weakened consumer sentiment in an economy severely impacted by the pandemic. The Malaysian Government's incentive of full sales tax exemption for locally assembled vehicles and 50% exemption for imported completely-built-up ("CBU") vehicles has been extended to 30 June 2021 and is expected to continue benefitting the industry for the first half of 2021.

Movement Control Order ("MCO") 2.0 was enforced in Malaysia from 13 January 2021 to 5 March 2021 and a nation-wide MCO was re-imposed in Malaysia from 12 May 2021 to 7 June 2021. This will certainly cause further headwinds in the economy already grappling with various disruptions from the pandemic.

Despite the challenging environment arising from the pandemic, the Group continued to introduce new models to excite the market and remain competitive. Following closely on the all-new Nissan Almera Turbo, the Group launched the face-lifted Nissan Navara MC in Malaysia in April 2021. The new model MG ZS MCE was also launched in the fast-growing sports utility vehicles ("SUV") segment in Vietnam in January 2021. All these new models have been well received in their respective markets. The Group will continue to take appropriate actions to penetrate the domestic and regional markets with other new product launches moving forward.

The Group will continue to monitor the development in Myanmar closely and navigate through the challenges by adjusting its business recovery plan accordingly in order to minimise the impacts to the Group.

The Group will remain resilient and implement various cost containment measures and maintain our focus on rationalising the operations and conserve cash in order to maintain a sustainable financial position and drive further business growth.

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

**4. Comparison with Profit Forecast**

This is not applicable to the Group.

**5. Taxation**

	<b>Individual/Cumulative Quarter</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Current year	(15,424)	(10,829)
Deferred tax	(1,275)	(4,158)
	<u>(16,699)</u>	<u>(14,987)</u>

The effective tax rate of the Group for the current quarter under review was higher than the statutory tax rate as there were tax charges in certain profitable subsidiaries of the Company and the absence of Group Tax Relief to utilise some of the tax losses in the subsidiaries of the Company. In addition, certain expenses being disallowed for tax purposes had also caused the higher effective tax rate for the current quarter under review.

**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:

	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured :		
- Bills payable	202,852	56,824
- Revolving credit	757,569	884,811
- Short term loan	65,772	60,202
- Medium term notes	499,750	499,656
Total borrowings	<u>1,525,943</u>	<u>1,501,493</u>
Comprising :		
Amount repayable within one year	1,525,943	1,501,493
Amount repayable after one year	-	-
	<u>1,525,943</u>	<u>1,501,493</u>

Group borrowings breakdown by currencies:

		<b>31.03.2021</b>	<b>31.12.2020</b>
		<b>RM'000</b>	<b>RM'000</b>
Functional currency	Denominated in		
RM	RM	1,207,602	1,214,480
RM	USD	252,569	214,596
VND	VND	65,772	72,417
		<u>1,525,943</u>	<u>1,501,493</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 31 March 2021, 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	438,597	11,437	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**

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

On 26 April 2017, Narita filed a Motion to Add and Correct Complaint and a counter claim complaint to, amongst others, order ETCM (C) Pty Ltd ("ETCM (C)") and TCM (Cambodia) Pty Ltd ("TCMC") to pay damages and compensation of USD6,550,000 to Narita, USD200,000 each to Mr. Long Narith and Ms. Pich Sokhom. On 9 May 2017, ETCM (C) and TCMC jointly filed their defence to the Motion to Add and Correct Complaint and ordered Narita, Mr. Long Narith and Ms. Pich Sokhom to pay ETCM (C) and TCMC damages with approximately USD33,000,000 for actual losses and emotional damages. On 26 November 2017, the Court of First Instance in Phnom Penh has ruled in favour of ETCM (C) and TCMC and ordered Narita, Mr. Long Narith and Ms. Pich Sokhom to compensate ETCM (C) and TCMC approximately USD8,037,818 for actual losses and emotional damages ("Damages"). Subsequently, Narita, Mr. Long Narith and Ms. Pich Sokhom have filed an appeal with Court of Appeal against the decision made in November 2017.

On 2 May 2018, the Court of Appeal upheld the decision of the Court of First Instance in Phnom Penh which ruled in favour of ETCM (C) and TCMC but cancelled the Damages to ETCM (C) and TCMC and instead ordered ETCM (C) and TCMC to pay USD329,208 to Narita, represented by Mr. Long Narith and Ms. Pich Sokhom ("COA's Award"). On 28 May 2018, solicitors for both ETCM (C) and TCMC filed an appeal against COA's Award at the Supreme Court.

The Supreme Court had, on 5 June 2019, concurred with the Court of Appeal's decision on the non-existence of agreement between ETCM (C) and TCMC with Narita but dismissed the Court of Appeal's decision and made a ruling to return the appeal case to the Court of Appeal on the COA's Award. Currently, ETCM (C) and TCMC are awaiting the summon from the Court of Appeal for hearing on the points dismissed by the Supreme Court.

**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)**

**(b) 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 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”).

After lengthy negotiations, the Debtors and KTB mutually agreed to enter into a Settlement Agreement with TCIE on 4 July 2016 to settle the Debt 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”).

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.

As a result, the Plaintiffs filed the Action seeking, amongst others, an injunction to restrain TCIE from:

- i. proceeding with the repossession and disposal of the vehicles and
- ii. entering into any dealing in relation to the Land, as well as a declaration that the value of the Land was RM55,600,000 and repayment of the sum of RM22,679,425 to MHSB (“Plaintiffs’ Claim”).

TCIE filed a Defence and application to strike out the Plaintiffs’ Claim.

On 4 January 2018, the High Court allowed TCIE’s application to strike out the Plaintiffs’ Claim and dismissed the Plaintiffs’ injunction application with costs of RM5,000 (“the High Court Striking Out Order”).

On 15 November 2018, the Court of Appeal had allowed the Plaintiffs’ Appeal with costs in the cause and set aside the High Court Striking Out Order of 4 January 2018 (“the Court of Appeal Order”).

On 27 December 2018, TCIE filed an application for leave at the Federal Court to appeal against the Court of Appeal Order dated 15 November 2018 (“the Leave Application”).

On 13 December 2018, the Plaintiffs withdrew their injunction application against TCIE with no order to costs.

On 8 April 2019, the Plaintiffs filed an application for discovery and the decision in respect of the discovery application was delivered on 11 July 2019. The High Court allowed the Plaintiff’s application for discovery in part (i.e. which required production of copies of the 3 valuation reports as referred to in the minutes dated 24 May 2016) and dismissed the application for the production of documents relating to Form 14A of the Sale and Purchase Agreement and copies of all documents relating to the stamp duty adjudication and appeal (“High Court Discovery Order”).

**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)**

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

On 16 July 2019, TCIE filed the Notice of Appeal to the Court of Appeal against the High Court Discovery Order.

On 17 July 2019, TCIE filed an application for a stay of proceedings and a stay of execution of the High Court Discovery Order pending TCIE’s appeal to the Court of Appeal on the same and TCIE’s Leave Application to the Federal Court (“Stay Application”). The Stay Application was allowed by the High Court.

On 29 September 2020, the Court of Appeal dismissed with costs TCIE’s appeal against the High Court Discovery Order.

On 2 October 2020, the High Court had during the case management of the Plaintiffs’ Action re-fixed the trial dates from 22 to 24 December 2020.

On 7 October 2020, the Federal Court dismissed with cost TCIE’s application for leave to appeal against the Court of Appeal Order regarding TCIE’s application to strike out the Plaintiffs’ Claim.

On 2 November 2020, the Plaintiffs filed an application to amend the pleadings in the High Court. The matter is fixed for hearing on 4 December 2020 and re-fixed on 14 December 2020, the High Court allowed the Plaintiff’s’ Amendment Application, with costs in the sum of RM1,000.00 to be paid by Plaintiffs to TCIE.

Pursuant to the Order of the High Court dated 14 December 2020, the Plaintiffs filed and served the Amended Writ and Amended Statement of Claim on 30 December 2020 and TCIE filed and served the Amended Defence on 8 January 2021. The trial was heard before the High Court on 10,11 and 12 March 2021 and on 2 and 14 April 2021.

Upon conclusion of the trial on 14 April 2021, the Plaintiffs and the Defendant had filed their respective Written Submissions on 19 May 2021 and further directed by the High Court to file the Reply Submissions by 27 May 2021. In addition, as instructed by the High Court, the notes of proceedings was filed on 5 May 2021.

A case management has been fixed before the High Court on 10 June 2021 for both parties to update the Court on the status of the case and for the Court to give further directions.

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

**10. Dividend**

The Board has declared an interim single tier dividend of 1.5 sen per share for the financial year ending 31 December 2021 to be paid on 30 June 2021 to shareholders whose names appear in the Register of Members on 10 June 2021.

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

- (a) shares transferred into the depositor’s securities account before 4.30 p.m. on 10 June 2021 in respect of ordinary transfer;
- (b) shares deposited into the depositor’s securities account before 12.30 p.m. on 8 June 2021 in respect of shares exempted from mandatory deposit; and
- (c) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

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

**11. Earnings per Share**

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

Weighted average number of ordinary shares	Individual/Cumulative Quarter	
	31.03.2021 ('000)	31.03.2020 ('000)
Issued ordinary shares at beginning of the period	652,191	652,640
Effect of shares buyback during the period	(27)	(165)
Weighted average number of ordinary shares	<u>652,164</u>	<u>652,475</u>

**12. Total Comprehensive Income**

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

	Individual/Cumulative Quarter	
	Current Year Quarter 31.03.2021 RM'000	Preceding Year Corresponding Quarter 31.03.2020 RM'000
Depreciation and amortisation	(35,831)	(30,206)
(Provision for)/ reversal and (write off) of receivables	2,009	(2,405)
(Provision for)/ reversal and (write off) of inventories	(13)	(517)
Foreign exchange gain	18,273	16,979
Gain on disposal of properties, plant and equipment	1,332	1,906
Property, plant and equipment written off	(1,044)	(642)
Loss on derivatives	(1,385)	(10,513)
Gain/ (Loss) on disposal of investment	-	-
Impairment on property, plant and equipment	-	-
Other income including investment income	-	-

**BY ORDER OF THE BOARD**

WONG POH CHUN

Company Secretary

Kuala Lumpur

24 May 2021