



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2022

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TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 31 MARCH 2022

INDIVIDUAL/CUMULATIVE QUARTER

	Current Year Quarter 31.03.2022 RM'000	Preceding Year Corresponding Quarter 31.03.2021 RM'000
Revenue	769,301	593,079
Operating (loss)/ profit	(5,532)	32,269
Interest expense	(9,328)	(13,151)
Interest income	1,444	3,071
Share of profit/ (loss) of equity-accounted investees	99	(89)
(Loss)/ Profit before taxation	(13,317)	22,100
Tax expense	(8,124)	(16,699)
(Loss)/ Profit for the period	(21,441)	5,401
(Loss)/ Profit attributable to:		
Equity holders of the Company	(19,521)	7,735
Non-controlling interests	(1,920)	(2,334)
	(21,441)	5,401
(Loss)/ Earning per share (sen)		
(a) Basic	(2.99)	1.19
(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 2021.



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2022**

	INDIVIDUAL/CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM'000	Preceding Year Corresponding Quarter 31.03.2021 RM'000
(Loss)/ Profit for the period	(21,441)	5,401
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	450	(10,922)
Cash flow hedge	(615)	(1,385)
Total items that are or may be classified subsequently to profit or loss	(165)	(12,307)
Other comprehensive loss for the period, net of tax	(165)	(12,307)
Total comprehensive loss for the period	(21,606)	(6,906)
Total comprehensive loss attributable to:		
Equity holders of the Company	(19,964)	(3,472)
Non-controlling interests	(1,642)	(3,434)
	(21,606)	(6,906)

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 2021.



TAN CHONG MOTOR HOLDINGS BERHAD
Registration No. 197201001333 (12969-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment *	2,281,732	2,317,945
Investment properties	229,500	229,500
Intangible assets	14,078	14,546
Equity-accounted investees	72,558	72,374
Deferred tax assets	103,386	107,809
Hire purchase receivables	385,157	406,161
	<u>3,086,411</u>	<u>3,148,335</u>
<u>Current assets</u>		
Other investments	161,692	2,081
Inventories	713,604	777,974
Contract assets	16,932	10,809
Current tax assets	20,257	19,323
Hire purchase receivables	102,837	101,047
Receivables, deposits and prepayments	464,194	420,182
Derivative financial assets	23	-
Cash and cash equivalents	765,509	514,487
	<u>2,245,048</u>	<u>1,845,903</u>
Asset classified as held for sale	1,689	1,689
	<u>2,246,737</u>	<u>1,847,592</u>
TOTAL ASSETS	<u><u>5,333,148</u></u>	<u><u>4,995,927</u></u>

* Included in this amount was withdrawal of inventories during the financial year with a carrying value of RM1.9 million (2021: RM25.8 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 2022 (continued)

	As at	As at
	31.03.2022	31.12.2021
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,461,459	2,481,423
Treasury shares	(25,901)	(25,901)
Total equity attributable to owners of the Company	2,771,558	2,791,522
Non-controlling interests	(23,492)	(21,850)
Total equity	2,748,066	2,769,672
<u>Non-current liabilities</u>		
Lease liabilities	64,612	70,451
Borrowings	300,000	-
Employee benefits	98,690	95,792
Deferred tax liabilities	204,526	206,125
Contract liabilities	38,376	44,620
	706,204	416,988
<u>Current liabilities</u>		
Borrowings	1,348,635	1,268,189
Lease liabilities	19,029	23,963
Derivative financial liabilities	1,498	544
Taxation	3,600	1,644
Contract liabilities	23,711	22,113
Payables and accruals	482,405	492,814
	1,878,878	1,809,267
Total liabilities	2,585,082	2,226,255
TOTAL EQUITY AND LIABILITIES	5,333,148	4,995,927
 Net assets per share attributable to owners of the Company (RM)	 4.25	 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 2021.



TAN CHONG MOTOR HOLDINGS BERHAD
Registration No. 197201001333 (12969-P)
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 MARCH 2022**

|-----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	Total equity RM'000
At 01.01.2021	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 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/ (Loss) 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)
At 31.03.2021	336,000	(25,901)	(13,854)	824,902	13,549	100	1,703,383	2,838,179	(20,429)	2,817,750
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 income/ (loss) for the period, net of tax	-	-	172	-	(615)	-	-	(443)	278	(165)
Transfer of revaluation surplus on properties	-	-	-	(3,329)	-	-	3,329	-	-	-
Loss for the period	-	-	-	-	-	-	(19,521)	(19,521)	(1,920)	(21,441)
Total comprehensive income/ (loss) for the period	-	-	172	(3,329)	(615)	-	(16,192)	(19,964)	(1,642)	(21,606)
At 31.03.2022	336,000	(25,901)	(13,338)	811,605	(1,133)	100	1,664,225	2,771,558	(23,492)	2,748,066

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021.



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022

CUMULATIVE QUARTER

	For the 3 months ended 31.03.2022 RM'000	For the 3 months ended 31.03.2021 RM'000
Cash flows from operating activities		
(Loss)/ Profit before taxation	(13,317)	22,100
Adjustments for:		
Non-cash and non-operating items	43,342	25,999
Operating profit before working capital changes	30,025	48,099
Changes in working capital		
Inventories	63,375	(99,912)
Hire purchase receivables	17,284	13,399
Receivables, deposits and prepayments	1,025	(88,599)
Payables and accruals	(38,841)	14,030
Contract assets	(6,123)	315
Contract liabilities	(4,646)	1,555
Cash from/ (used in) operations	62,099	(111,113)
Tax paid	(7,475)	(12,149)
Interest paid	(7,244)	(1,839)
Employee benefits paid	(447)	(234)
Net cash from/ (used in) operating activities	46,933	(125,335)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18,711)	(34,632)
Net (acquisition of)/ proceeds from disposal of other investment	(159,611)	29,129
Dividend received from equity-accounted investees	200	-
Proceeds from disposal of property, plant and equipment	8,194	9,106
Net cash (used in)/ from investing activities	(169,928)	3,603



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022 (continued)

	CUMULATIVE QUARTER	
	For the 3 months ended 31.03.2022 RM'000	For the 3 months ended 31.03.2021 RM'000
Cash flows from financing activities		
Purchase of own shares	-	(35)
Net proceeds from bankers' acceptance	49,689	146,028
Net proceeds from/ (repayment of) medium term notes, term loans and revolving credit	329,960	(132,143)
Payment of lease liabilities	(4,874)	(6,538)
Net cash from financing activities	374,775	7,312
Net increase/ (decrease) in cash and cash equivalents	251,780	(114,420)
Effects of exchange rate fluctuations on cash and cash equivalents	(758)	8,311
Cash and cash equivalents at beginning of the period	514,487	581,962
Cash and cash equivalents at end of the period	765,509	475,853

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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 2021.

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 2021, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and Amendments to MFRSs other than marked “*” which are not applicable to the Group:

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 Illustrative Examples accompanying 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) **

The adoption of the above pronouncement 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 other than marked “*” which are not applicable to the Group:-

Effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts **
- Amendments to MFRS 17, *Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information **
- 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*

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.

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

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2021.

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.

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 no repurchase of issued ordinary shares from the open market during the quarter. 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 RM7.6 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM56.5 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 inaugural issuance of RM300.0 million nominal value of Sukuk Murabahah ("Series 1 Sukuk Murabahah") under the Sukuk Murabahah Programme. The Series 1 Sukuk Murabahah is rated A₊IS with a stable outlook by MARC Ratings Berhad. Proceeds from the issuance of the Series 1 Sukuk Murabahah would be utilised by the Group's subsidiaries for working capital requirements.

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

No dividends were paid during the quarter ended 31 March 2022.

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	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	749,686	571,768	16,921	18,804	2,694	2,507	769,301	593,079
Inter-revenue	54	158	5	419	19,955	22,009	20,014	22,586
Segment EBITDA *	16,338	38,835	8,349	12,334	11,186	20,413	35,873	71,582

*Segment earnings/ (losses) before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

	31.03.2022	31.03.2021
	RM'000	RM'000
Total EBITDA for reportable segments	35,873	71,582
Depreciation and amortisation	(36,218)	(35,831)
Interest expense	(9,328)	(13,151)
Interest income	1,444	3,071
Share of profit/ (loss) of equity-accounted investees not included in reportable	99	(89)
Unallocated corporate expenses	(5,187)	(3,482)
Consolidated (loss)/ profit before taxation	(13,317)	22,100

(b) Geographical segment reporting:

	Malaysia		Vietnam		Others		Total	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	649,992	501,430	65,654	57,176	53,655	34,473	769,301	593,079
Segment EBITDA/ (LBITDA)	52,935	74,810	(724)	(4,946)	(16,338)	1,718	35,873	71,582

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 2021.

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

11. Other Investments

	31.03.2022	31.12.2021
	RM'000	RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	161,692	2,081
Total	<u>161,692</u>	<u>2,081</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 13 April 2022, the wholly-owned subsidiaries mentioned below were struck off from the register of Companies Commission of Malaysia following the Group's application pursuant to Section 550 of the Companies Act 2016:

Name of Subsidiaries	Country of Incorporation	Principal Activities
(a) Tan Chong Higher Education Sdn. Bhd.	Malaysia	Dormant
(b) TC Industrial Lands (Serendah) Sdn. Bhd.	Malaysia	Dormant

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 31 March 2022 except as disclosed in Part B, Note 9 of the Announcement.

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

	31.03.2022	31.12.2021
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	164,228	240,511
Authorised and contracted for		
In Malaysia	15,865	13,027
Outside Malaysia	79,563	84,965
Total	<u>259,656</u>	<u>338,503</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:

	Individual/Cumulative Quarter	
	31.03.2022	30.03.2021
	RM’000	RM’000
With WTCH Group		
Purchases	(12,682)	(15,927)
Sales	21,392	9,795
Travel agency and car rental services	(83)	(79)
Contract assembly services	1,042	2,164
With APM Group		
Purchases	(8,702)	(4,125)
Sales	1,343	67
With TCIL Group		
Sales	2,010	2,516
Contract assembly services	3,804	-

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/Cumulative Quarter	
	31.03.2022	31.03.2021
	RM’000	RM’000
Purchases	(110,251)	(203,338)

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:

	Individual/Cumulative Quarter	
	31.03.2022	31.03.2021
	RM’000	RM’000
Purchases	(167,611)	(86,217)
Sales	5,344	2,783

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 2022, the Group recorded a higher revenue of RM769.3 million, an increase of 29.7% compared to the same period preceding year. However, the Group recorded a Loss Before Tax (“LBT”) of RM13.3 million in the current quarter under review, compared to Profit Before Tax (“PBT”) of RM22.1 million in the same period preceding year. The Group’s LBT of RM13.3 million in the current quarter under review was mainly due to unfavourable sales mix, lower foreign exchange (“forex”) gain, higher operating expenses and impact arising from the compensation for litigation as disclosed under note B9(a).

As at 31 March 2022, the Group’s retained earnings was RM1.66 billion. The net assets per share as at 31 March 2022 decreased to RM4.25 compared to net assets per share of RM4.28 as at 31 December 2021. 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 a higher revenue of RM749.7 million in the current quarter under review (+31.1% compared to same period last year (“YoY”)) and Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM16.3 million (-57.9% YoY). The lower EBITDA was mainly due to sales mix, higher operating expenses and impact arising from the compensation for litigation as disclosed under note B9(a).

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM16.9 million in the current quarter under review (-10.0% YoY) and EBITDA of RM8.3 million (-32.3% YoY). The lower EBITDA was mainly due to impairment loss on hire purchase receivables recognised in the current quarter under review compared to a reversal of impairment loss on hire purchase receivables recognised in the same period preceding year and higher operating expenses.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was higher at RM2.7 million in the current quarter under review (+7.5% YoY). However, EBITDA was lower at RM11.2 million (-45.2% YoY), mainly due to lower net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

2. Comparison with Preceding Quarter’s Results

	Current Quarter 31.03.2022 RM’000	Immediate Preceding Quarter 31.12.2021 RM’000	Changes	
			RM’000	%
Revenue	769,301	866,921	(97,620)	-11.3%
(Loss)/ Profit before tax	(13,317)	57,996	(71,313)	>-100.0%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	749,686	844,881	(95,195)	-11.3%
Financial services	16,921	18,447	(1,526)	-8.3%
Other operations	2,694	3,593	(899)	-25.0%
	<u>769,301</u>	<u>866,921</u>	(97,620)	-11.3%
<u>Segment EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	16,338	62,800	(46,462)	-74.0%
Financial services	8,349	17,414	(9,065)	-52.1%
Other operations	11,186	24,264	(13,078)	-53.9%
	<u>35,873</u>	<u>104,478</u>	(68,605)	-65.7%

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 a lower revenue of RM769.3 million in the current quarter under review, a decrease of RM97.6 million or 11.3% compared to RM866.9 million in the preceding quarter. LBT of RM13.3 million was recorded in the current quarter under review compared to PBT of RM58.0 million in the preceding quarter.

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

The automotive division recorded a lower revenue of RM749.7 million in the current quarter under review, a decrease of 11.3% compared to the preceding quarter ("QoQ"), partly contributed by the more prevalent stock shortages arising from the supply chain disruptions during the quarter. EBITDA decreased to RM16.3 million in the current quarter under review (-74.0% QoQ), in line with the decrease in revenue as well as the impact arising from the compensation for litigation as disclosed under note B9(a).

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM16.9 million (-8.3% QoQ) and EBITDA of RM8.3 million in the current quarter under review (-52.1% QoQ). EBITDA was lower in the current quarter under review mainly due to the impairment loss on hire purchase receivables compared to a reversal of impairment loss recognised in the preceding quarter.

(c) Other Operations (Investments and Properties)

The division recorded revenue of RM2.7 million (-25.0% QoQ) and EBITDA of RM11.2 million (-53.9% QoQ) in the current quarter under review. EBITDA was lower mainly due to higher operating expenses and lower net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

3. Future Prospects

With the nation transitioning into endemicity since 1 April 2022, we expect the economy to continue to pick up pace and provide the cushion to counter the downside risks of global supply chain disruptions arising from the ongoing Russia-Ukraine conflict and the new wave of Covid-19 infections in China. Consumer spending is expected to rise in tandem with the country's economic recovery. On the back of the aforementioned and the global economies progressively reopening, Bank Negara Malaysia had announced a projected Gross Domestic Product growth of 5.3% to 6.3%¹ in 2022.

The Malaysian Automotive Association's ("MAA") forecast for 2022 automotive sales of 600,000 units remains intact, 18% higher than last year's total. The expected increase is mainly driven by the sales tax exemption which has been extended to 30 June 2022 and the full tax exemptions for electric vehicles which started on 1 January 2022.

The Group will continue to take appropriate actions to stay competitive in the domestic as well as Indochina markets, with new model launches in Malaysia and Vietnam expected to be the catalysts for sales growth in 2022. The Group will be launching the face-lifted Nissan Serena and the latest version of fully electrified Nissan Leaf equipped with a new charging port which allows the use of more public charging facilities in the second half of 2022. The launch of the new C-segment sedan MG5 in Vietnam in March 2022 has been very well received and we expect the performance in Vietnam to go from strength to strength.

Moving ahead, the Group will continue to improve efficiency and productivity in our business operations as we continue our journey towards business recovery. In addition, stringent controls over new investments and more efficient management of working capital are expected to better conserve the cash within the Group. Through these principles of prudent resources management, the Group expects to navigate through the challenging times ahead arising from global supply chain disruptions, rising interest rates and material costs as well as the strengthening of US Dollar and strive to deliver long term operational and financial sustainability.

¹ Bank Negara Malaysia's Quarterly Report dated 13 May 2022.

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

	Individual/Cumulative Quarter	
	31.03.2022	31.03.2021
	RM'000	RM'000
Taxation		
- Current year	(7,402)	(15,424)
- Prior year	83	-
	<u>(7,319)</u>	<u>(15,424)</u>
Deferred tax		
- Current year	(805)	(1,217)
- Prior year	-	(58)
	<u>(805)</u>	<u>(1,275)</u>
	<u><u>(8,124)</u></u>	<u><u>(16,699)</u></u>

The Group recorded tax charges of RM8.1 million in the current quarter under review despite a Loss Before Tax position. 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:

	31.03.2022	31.12.2021
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	260,320	210,631
- Revolving credit	1,053,723	994,230
- Short term loan	34,592	63,328
- Medium term notes	300,000	-
Total borrowings	<u>1,648,635</u>	<u>1,268,189</u>
Comprising :		
Amount repayable within one year	1,348,635	1,268,189
Amount repayable after one year	300,000	-
	<u>1,648,635</u>	<u>1,268,189</u>

Group borrowings breakdown by currencies:

		31.03.2022	31.12.2021
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,405,320	997,631
RM	USD	208,723	207,230
VND	VND	34,592	63,328
		<u>1,648,635</u>	<u>1,268,189</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 2022, 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	393,702	(1,475)	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 USD6,550,000.00 to Narita, USD200,000.00 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 USD33,000,000.00 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 USD8,037,818.00 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 USD329,208.00.00 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.

On 29 July 2021, the Court of Appeal had decided as follows:

- i. order to ETCM (C) and TCMC to pay damages of USD3,953,130.00 to Narita; and
- ii. litigation cost shall be borne by each party. (collectively "Court of Appeal Decision")

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)

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

ETCM (C) and TCMC had instructed the Solicitors to file for Satuk Appeal on 19 October 2021 against the Court of Appeal’s Decision at the Supreme Court for, amongst others:

- i. the miscalculation of damages granted by the Court of Appeal to Narita against ETCM(C) and TCMC; and
- ii. the omission of the Court of Appeal in deciding on the issue of emotional distress compensation as claimed by ETCM(C) and TCMC, as ordered by the Supreme Court.

Pending the outcome of the appeal to the Supreme Court, the Court of Appeal Decision that ETCM (C) and TCMC are to pay damages of USD3,953,130.00 to Narita would not be executed.

On 16 May 2022, the Supreme Court had upheld the Court of Appeal Decision as follows and ruled that ETCM(C) and TCMC are not entitled to any damages:

- i. ETCM(C) and TCMC to pay damages of USD3,953,130.00 to Narita; and
- ii. litigation cost shall be borne by ETCM(C) and TCMC.

In view of the material event stated above and for accounting purposes, the above amounts have been provided for in the current quarter’s financial results.

(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 (“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)

(b) 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;
- 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;
- 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.

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.

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

The Board has declared an interim single tier dividend of 1.5 sen per share for the financial year ending 31 December 2022 to be paid on 30 June 2022 to shareholders whose names appear in the Register of Members on 10 June 2022.

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 2022 in respect of ordinary transfer;
- (b) shares deposited into the depositor's securities account before 12.30 p.m. on 8 June 2022 in respect of shares exempted from mandatory deposit; and

shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

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/Cumulative Quarter	
	31.03.2022	31.03.2021
(Loss)/ Earnings attributable to the owners of the Company (RM'000)	(19,521)	7,735
Weighted average number of ordinary shares ('000)	652,161	652,164
Basic (Loss)/ Earnings per share (sen)	<u>(2.99)</u>	<u>1.19</u>

12. Total Comprehensive Income

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

	Individual/Cumulative Quarter	
	Current Year	Preceding Year
	Quarter	Corresponding Quarter
	31.03.2022	31.03.2021
	RM'000	RM'000
Depreciation and amortisation	(36,218)	(35,831)
(Provision for) and (write-off)/ reversal of receivables	(288)	2,009
Reversal/ (Provision for) and (write-off) of inventories	894	(13)
Foreign exchange gain	4,566	18,273
Gain on disposal of properties, plant and equipment	1,044	1,332
Property, plant and equipment written off	(652)	(1,044)
Loss on derivatives	(615)	(1,385)
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

24 May 2022