



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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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 2024
(THE FIGURES HAVE NOT BEEN AUDITED)

INDIVIDUAL/CUMULATIVE QUARTER

	Current Year Quarter 31.03.2024 RM'000	Preceding Year Corresponding Quarter 31.03.2023 RM'000
Revenue	563,700	619,885
Operating (loss)/ profit	(4,326)	13,258
Interest expense	(16,640)	(15,155)
Interest income	4,939	5,048
Share of loss of equity-accounted investees	(121)	(602)
(Loss)/ Profit before taxation	(16,148)	2,549
Tax expense	(3,569)	(8,294)
Loss for the period	(19,717)	(5,745)
Loss attributable to:		
Equity holders of the Company	(15,719)	(5,065)
Non-controlling interests	(3,998)	(680)
	(19,717)	(5,745)
Loss per share (sen)		
(a) Basic	(2.41)	(0.78)
(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 2023, 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 PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2024
(THE FIGURES HAVE NOT BEEN AUDITED)**

INDIVIDUAL/CUMULATIVE QUARTER

	Current Year Quarter 31.03.2024 RM'000	Preceding Year Corresponding Quarter 31.03.2023 RM'000
Loss for the period	(19,717)	(5,745)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(5,501)	(360)
Cash flow hedge	(807)	5,463
Total items that are or may be reclassified subsequently to profit or loss	(6,308)	5,103
Other comprehensive (expense)/ income for the period, net of tax	(6,308)	5,103
Total comprehensive expense for the period	(26,025)	(642)
Total comprehensive (expense)/ income attributable to:		
Equity holders of the Company	(22,480)	704
Non-controlling interests	(3,545)	(1,346)
	(26,025)	(642)

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 2023, 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 31 MARCH 2024

	(Unaudited) As at 31.03.2024 RM'000	(Audited) As at 31.12.2023 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	2,360,292	2,371,155
Investment properties	238,590	238,590
Intangible assets	99,552	100,888
Equity-accounted investees	65,099	66,456
Deferred tax assets	92,667	90,966
Hire purchase receivables	348,470	343,799
	<u>3,204,670</u>	<u>3,211,854</u>
<u>Current assets</u>		
Other investments	42,223	25,872
Inventories	795,087	822,057
Contract assets	28,126	25,541
Current tax assets	28,260	29,497
Hire purchase receivables	106,875	108,181
Receivables, deposits and prepayments	376,148	379,389
Derivative financial assets	178	345
Cash and cash equivalents	457,299	511,579
	<u>1,834,196</u>	<u>1,902,461</u>
TOTAL ASSETS	<u><u>5,038,866</u></u>	<u><u>5,114,315</u></u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024 (continued)

	(Unaudited)	(Audited)
	As at	As at
	31.03.2024	31.12.2023
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,407,954	2,430,434
Treasury shares	(26,342)	(26,294)
Total equity attributable to owners of the Company	2,717,612	2,740,140
Non-controlling interests	3,503	1,658
Total equity	2,721,115	2,741,798
<u>Non-current liabilities</u>		
Lease liabilities	60,327	67,929
Borrowings	450,000	450,000
Employee benefits	92,330	90,388
Deferred tax liabilities	245,472	243,850
Contract liabilities	52,529	51,312
	900,658	903,479
<u>Current liabilities</u>		
Borrowings	1,046,125	1,092,614
Lease liabilities	43,159	29,587
Derivative financial liabilities	973	807
Taxation	5,076	2,424
Contract liabilities	24,265	24,431
Payables and accruals	297,495	319,175
	1,417,093	1,469,038
Total liabilities	2,317,751	2,372,517
TOTAL EQUITY AND LIABILITIES	5,038,866	5,114,315
Net assets per share attributable to owners of the Company (RM)	4.17	4.20

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023, together with the explanatory notes in this report.



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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2024
(THE FIGURES HAVE NOT BEEN AUDITED)

	-----Attributable to owners of the Company-----					-----Non-Distributable-----		-----Distributable-----		Non- controlling interests RM'000	Total equity RM'000
	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			
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/ (expense) for the period, net of tax	-	-	306	-	5,463	-	-	5,769	(666)	5,103	
Transfer of revaluation surplus on properties	-	-	-	(4,402)	-	-	4,402	-	-	-	
Loss for the period	-	-	-	-	-	-	(5,065)	(5,065)	(680)	(5,745)	
Total comprehensive income/ (expense) for the period	-	-	306	(4,402)	5,463	-	(663)	704	(1,346)	(642)	
Purchase of treasury shares	-	(130)	-	-	-	-	-	(130)	-	(130)	
At 31.03.2023	336,000	(26,083)	(13,055)	935,380	1,381	100	1,639,127	2,872,850	(23,944)	2,848,906	
At 01.01.2024	336,000	(26,294)	(13,646)	922,173	(331)	100	1,522,138	2,740,140	1,658	2,741,798	
Other comprehensive (expense)/ income for the period, net of tax	-	-	(5,954)	-	(807)	-	-	(6,761)	453	(6,308)	
Transfer of revaluation surplus on properties	-	-	-	(4,402)	-	-	4,402	-	-	-	
Loss for the period	-	-	-	-	-	-	(15,719)	(15,719)	(3,998)	(19,717)	
Total comprehensive expense for the period	-	-	(5,954)	(4,402)	(807)	-	(11,317)	(22,480)	(3,545)	(26,025)	
Purchase of treasury shares	-	(48)	-	-	-	-	-	(48)	-	(48)	
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	5,390	5,390	
At 31.03.2024	336,000	(26,342)	(19,600)	917,771	(1,138)	100	1,510,821	2,717,612	3,503	2,721,115	

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 2023, together with the explanatory notes in this report.



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 3 months	For the 3 months
	ended	ended
	31.03.2024	31.03.2023
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/ Profit before taxation	(16,148)	2,549
Adjustments for:		
Non-cash and non-operating items	32,967	34,503
Operating profit before working capital changes	16,819	37,052
Changes in working capital		
Inventories	29,478	(87,640)
Hire purchase receivables	(8,456)	12,722
Receivables, deposits and prepayments	14,270	(56,398)
Payables and accruals	(21,426)	(30,610)
Contract assets	(2,585)	(6,934)
Contract liabilities	1,051	(5,510)
Cash generated from/ (used in) operations	29,151	(137,318)
Tax refunded/ (paid)	416	(12,564)
Interest paid	(7,692)	(8,465)
Employee benefits paid	(201)	(306)
Net cash from/ (used in) operating activities	21,674	(158,653)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(15,799)	(34,938)
Acquisition of intangible assets	(125)	-
Net acquisition of other investments	(16,025)	(3)
Dividend received from equity-accounted investees	250	400
Proceeds from disposal of property, plant and equipment	6,487	1,596
Net cash used in investing activities	(25,212)	(32,945)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024 (continued)
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 3 months ended	For the 3 months ended
	31.03.2024	31.03.2023
	RM'000	RM'000
Cash flows from financing activities		
Purchase of own shares	(48)	(130)
Net repayment of bankers' acceptance	(2,028)	(21,700)
Net (repayment of)/ proceeds from term loans and revolving credit	(46,501)	45,605
Payment of lease liabilities	(7,899)	(5,815)
Share subscription in a subsidiary company by non-controlling interest shareholders	5,390	-
Net cash (used in)/ from financing activities	(51,086)	17,960
Net decrease in cash and cash equivalents	(54,624)	(173,638)
Effects of exchange rate fluctuations on cash and cash equivalents	344	1,377
Cash and cash equivalents at beginning of the period	511,579	558,160
Cash and cash equivalents at end of the period	457,299	385,899

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023, 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 2023.

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 2023, 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 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 and Classification of Liabilities as Current of Non-current*
- Amendments to MFRS 107, *Statement of Cash Flow* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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 financial year ended 31 December 2023.

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.

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

7. Debt and Equity Securities

There was repurchase of issued ordinary shares from the open market of 50,000 during the quarter. Cumulative total number of shares repurchased at the end of the financial quarter was 20,243,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Under the Islamic Medium Term Notes (“Sukuk Murabahah”) Programme of RM1.5 billion, 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

No dividends were paid during the quarter ended 31 March 2024.

9. Segmental Reporting

(a) Business segment reporting:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	538,377	599,098	18,671	17,402	6,652	3,385	563,700	619,885
Inter-segment revenue	3,265	2,086	-	4	21,327	17,027	24,592	19,117
Segment EBITDA	2,467	42,817	4,369	6,729	25,296	1,696	32,132	51,242

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

Reconciliation of reportable segment profit or loss:

	31.03.2024	31.03.2023
	RM'000	RM'000
Total EBITDA for reportable segments	32,132	51,242
Depreciation and amortisation	(35,448)	(31,654)
Interest expense	(16,640)	(15,155)
Interest income	4,939	5,048
Share of loss of equity-accounted investees not included in reportable segments	(121)	(602)
Unallocated corporate expenses	(1,010)	(6,330)
Consolidated (loss)/ profit before taxation	(16,148)	2,549

(b) Geographical segment reporting:

	Malaysia		Vietnam		Others		Total	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	535,060	556,941	2,188	39,859	26,452	23,085	563,700	619,885
Segment EBITDA/ (LBITDA)	44,810	56,568	(12,052)	(4,151)	(626)	(1,175)	32,132	51,242

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 financial year ended 31 December 2023.

11. Other Investments

	31.03.2024	31.12.2023
	RM'000	RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	42,223	25,872
Total	<u>42,223</u>	<u>25,872</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 31 March 2024 except as disclosed in Part B, Note 9 of the Announcement.

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

	31.03.2024	31.12.2023
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	57,880	38,373
Authorised and contracted for		
In Malaysia	24,766	20,571
Outside Malaysia	6,607	6,427
Total	<u>89,253</u>	<u>65,371</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	
	31.03.2024	31.03.2023
	RM’000	RM’000
With WTCH Group		
Purchases	(13,860)	(17,512)
Sales	4,845	7,139
Travel agency and car rental services	(556)	(118)
Contract assembly services	2,900	810
<hr/> <hr/>		
With APM Group		
Purchases	(4,675)	(5,499)
Sales	352	316
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With TCIL Group		
Sales	2,657	3,035
Contract assembly services	-	6,532
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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	
	31.03.2024	31.03.2023
	RM’000	RM’000
Purchases	(119,281)	(188,449)
<hr/> <hr/>		

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)

17. Significant Related Party Transactions (continued)

- (c) Significant transactions with Auto Dunia Sdn. Bhd.:
- i. a company in which a Director of a subsidiary of the Company, namely Datuk Abdullah bin Abdul Wahab, has 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	
	31.03.2024	31.03.2023
	RM'000	RM'000
Purchases	(44,501)	(94,487)
Sales	4,307	3,484

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 2024, the Group recorded revenue of RM563.7 million, a reduction of 9.1% compared to the same period preceding year, largely due to softer consumer sentiments and highly competitive business landscape in the local and overseas markets. In line with the lower revenue and lower margin, the Group recorded Loss Before Tax (“LBT”) of RM16.1 million in the current quarter under review, compared to Profit Before Tax (“PBT”) of RM2.5 million in the same period preceding year.

As at 31 March 2024, the Group’s retained earnings was RM1.51 billion. The net assets per share as at 31 March 2024 was lower at RM4.17, compared to RM4.20 as at 31 December 2023.

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 RM538.4 million in the current quarter under review, a reduction of 10.1% compared to same period last year (“YoY”). The reduction in sales was mainly due to stiffer competition faced in the local and overseas markets. Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM2.5 million varied by -94.2% YoY, mainly due to lower revenue and lower margin arising from weaker Ringgit during the current quarter under review.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM18.7 million in the current quarter under review (+7.3% YoY) and EBITDA of RM4.4 million (-35.1% YoY). EBITDA was lower mainly due to higher provision for impairment loss on hire purchase receivables in the current quarter under review compared to the same period preceding year.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was higher at RM6.7 million in the current quarter under review (+96.5% YoY) and registered a higher EBITDA of RM25.3 million in the current quarter compared to EBITDA of RM1.7 million in the same period preceding year (+1,391.5% QoQ), 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)

2. Comparison with Preceding Quarter's Results

	Current Quarter 31.03.2024 RM'000	Immediate Preceding Quarter 31.12.2023 RM'000	Changes	
			RM'000	%
Revenue	563,700	643,830	(80,130)	-12.4%
Loss before tax	(16,148)	(63,312)	47,164	74.5%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	538,377	579,059	(40,682)	-7.0%
Financial services	18,671	17,073	1,598	9.4%
Other operations	6,652	47,698	(41,046)	-86.1%
	<u>563,700</u>	<u>643,830</u>	(80,130)	-12.4%
<u>Segment EBITDA/ (LBITDA)</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	2,467	(5,846)	8,313	142.2%
Financial services	4,369	1,512	2,857	189.0%
Other operations	25,296	(6,919)	32,215	465.6%
	<u>32,132</u>	<u>(11,253)</u>	43,385	385.5%

The Group recorded revenue of RM563.7 million in the current quarter under review, lower by RM80.1 million or 12.4% compared to RM643.8 million in the preceding quarter (QoQ). The Group recorded an improved LBT of RM16.1 million in the current quarter under review compared to LBT of RM63.3 million in the preceding quarter (+74.5% QoQ), mainly due to higher net foreign exchange gain in the current quarter under review, compared to net foreign exchange loss in the preceding quarter.

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

The automotive division recorded lower revenue of RM538.4 million in the current quarter under review, a reduction of 7.0% compared to the preceding quarter, mainly due to stiffer competition faced in the local and overseas markets. Nevertheless, the automotive division registered EBITDA of RM2.5 million in the current quarter compared to LBITDA of RM5.8 million in preceding quarter (+142.2% QoQ), mainly due to lower operating expenses in the current quarter under review.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded higher revenue of RM18.7 million (+9.4% QoQ) with higher EBITDA of RM4.4 million in the current quarter under review (+189.0% QoQ), mainly due to lower impairment loss on hire purchase receivables recognised during the current quarter under review.

(c) Other Operations (Investments and Properties)

The division recorded lower revenue of RM6.7 million (-86.1% QoQ) but with higher EBITDA of RM25.3 million (+465.6% QoQ) in the current quarter under review. Revenue was lower mainly due to higher revenue recognised in the solar energy division in preceding quarter while the increase in EBITDA was mainly due to higher net foreign exchange gain in the current quarter compared to the preceding quarter.

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

3. Future Prospects

The global economy remains resilient, with growth holding steady as inflation returns to target. On the domestic front, Malaysia's economy is projected to expand at a higher rate of 4.3% in 2024 (2023: 3.7%), supported by resilient domestic expenditure, continued improvements in labour market conditions and wage growth, as well as continuing rise in international tourist arrivals from the surrounding region. Nevertheless, the Malaysian Automotive Association projected a lower total industry volume for 2024 at 740,000 units in view of the anticipated slowing down of consumer spending due to rising cost of living and targeted subsidy rationalisation.

The Group continued to improve the showrooms and service centres as part of the Group's commitment to provide elevated customer experience and customer service, to reinforce the Group's position as a leader in customer experience within the automotive retail journey.

In Vietnam, the Group continued to focus on expanding the sales and distribution channels across the country through the commercial vehicles offerings of King Long buses, the locally assembled ("CKD") version of Wuling N300P light truck branded under Tan Chong's own brand, Truckquip ("TQ"). As announced, our Vietnam subsidiary was appointed to import, distribute and sell GAC vehicles, spare parts and provide after-sales service in Vietnam commencing in the second half of 2024. With the above, the Group is expected to reinforce its foothold in the automotive industry in Vietnam, one of the fastest growing economies in the region. For Laos and Cambodia markets, the Group launched the new Nissan X-Trail e-POWER in February 2024 and March 2024 respectively to excite the market and to continue building the sales momentum. The responses for the new models have been promising and are expected to be well received in Laos and Cambodia markets.

For the Malaysian market, the Group will continue with more customer-centric engagement programmes as part of Nissan "Discover Excitement" branding. As part of the Group's efforts to offer innovative driving technology, the Group is on schedule to introduce new models with the e-Power technology in the second half of 2024 that will revolutionise a new way of driving. Separately, our first floating Large-Scale Solar Photovoltaic plant in Serendah, Selangor had commenced operation in January 2024 and will contribute positively to our revenue stream.

Moving forward, the Group remains steadfast in its focus of building a sustainable business by driving better operational efficiencies, prudent management of its resources to navigate the challenging times ahead and deliver long-term operational and financial sustainability.

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/ Cumulative Quarter	
	31.03.2024	31.03.2023
	RM'000	RM'000
Taxation		
- Current year	(4,155)	(5,050)
- Prior year	-	(1)
	<u>(4,155)</u>	<u>(5,051)</u>
Deferred taxation		
- Current year	(460)	(3,243)
- Prior year	1,046	-
	<u>586</u>	<u>(3,243)</u>
	<u>(3,569)</u>	<u>(8,294)</u>

The Group recorded tax expense of RM3.6 million during the current quarter under review. The effective tax rate was higher than the statutory tax rate 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:

	31.03.2024	31.12.2023
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	203,542	205,570
- Revolving credit	842,583	887,044
- Medium term notes	450,000	450,000
Total borrowings	<u>1,496,125</u>	<u>1,542,614</u>
Comprising :		
Amount repayable within one year	1,046,125	1,092,614
Amount repayable after one year	450,000	450,000
	<u>1,496,125</u>	<u>1,542,614</u>

Group borrowings breakdown by currencies:

Functional currency	Denominated in	31.03.2024	31.12.2023
		RM'000	RM'000
RM	RM	1,362,042	1,510,570
RM	USD	134,083	32,044
		<u>1,496,125</u>	<u>1,542,614</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 2024, 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	178,697	(795)	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"), Epicon Berhad (formerly known as 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 claiming, 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 dated 15 July 2021”)

On 21 July 2021, TCIE filed the Notice of Appeal against the High Court Judgment dated 15 July 2021 to the Court of Appeal.

Separately on 22 July 2021, TCIE applied for a Stay of Execution of the High Court Judgment which was fixed for hearing on 23 September 2021, where the High Court granted a stay of execution/ enforcement proceedings in relation to the High Court Judgement dated 15 July 2021 pending the disposal of TCIE's appeal to the Court of Appeal.

On 16 November 2023, the Court of Appeal allowed TCIE’s appeal and set aside the High Court Judgement dated 15 July 2021.

The Court of Appeal has also awarded RM120,000.00 in costs to TCIE for the costs of the appeal and the costs of the High Court, subject to allocatur fees.

On 7 December 2023, the Plaintiffs filed a Notice of Motion for leave to appeal to the Federal Court against the decision of Court of Appeal of 16 November 2023. On 7 May 2024, the Federal Court allowed the Plaintiffs’ application for leave to appeal to the Federal Court against the decision of Court of Appeal of 16 November 2023 and ordered for costs in the cause. The Plaintiffs have filed the notice of appeal against the decision of Court of Appeal of 16 November 2023 on 17 May 2024 and to file all appeal records by 5 August 2024. A date for the hearing of the appeal before the Federal Court will thereafter be fixed by the Registrar of the Federal Court.

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 1.0 sen per share for the financial year ending 31 December 2024 to be paid on 28 June 2024 to shareholders whose names appear in the Register of Members on 7 June 2024.

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 7 June 2024 in respect of ordinary transfer;
- (b) shares deposited into the depositor's securities account before 12.30 p.m. on 5 June 2024 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 per Share

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

	Individual/ Cumulative Quarter	
	31.03.2024	31.03.2023
Loss attributable to the owners of the Company (RM'000)	(15,719)	(5,065)
Weighted average number of ordinary shares ('000)	651,783	652,077
Basic Loss per share (sen)	<u>(2.41)</u>	<u>(0.78)</u>

12. Total Comprehensive (Expense)/ Income

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

	Individual/ Cumulative Quarter	
	Current	Preceding
	Year	Year
	Quarter	Corresponding
	31.03.2024	31.03.2023
	RM'000	RM'000
Depreciation and amortisation	(35,448)	(31,654)
Foreign exchange Gain	13,030	3,383
(Loss)/ Gain on derivatives	(807)	5,463
Gain on disposal of property, plant and equipment	1,865	200
Reversal of impairment/ (Provision for impairment/ Write off) of receivables	717	(1,644)
Property, plant and equipment written off	(16)	(37)
Reversal of write-down of inventories	817	6,242
Gain on disposal of investment	-	-
Impairment loss 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 2024