



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 30 SEPTEMBER 2022
(THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Corresponding Quarter 30.09.2021 RM'000	Current Year To Date 30.09.2022 RM'000	Preceding Year Corresponding Period 30.09.2021 RM'000
Revenue	729,872	439,275	2,313,453	1,670,386
Operating profit/ (loss)	26,748	(30,910)	54,907	(5,219)
Interest expense	(13,396)	(13,355)	(36,729)	(40,386)
Interest income	2,884	2,404	6,825	8,467
Share of loss of equity-accounted investees	(509)	(813)	(1,216)	(1,724)
Profit/ (Loss) before taxation	15,727	(42,674)	23,787	(38,862)
Tax expense	(10,367)	(4,046)	(35,458)	(27,388)
Profit/ (Loss) for the period	5,360	(46,720)	(11,671)	(66,250)
Profit/ (Loss) attributable to:				
Equity holders of the Company	6,878	(44,202)	(6,399)	(58,677)
Non-controlling interests	(1,518)	(2,518)	(5,272)	(7,573)
	5,360	(46,720)	(11,671)	(66,250)
Earning/ (Loss) per share (sen)				
(a) Basic	1.05	(6.78)	(0.98)	(9.00)
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the year ended 31 December 2021, together with the explanatory notes in this report.



TAN CHONG MOTOR HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2022
(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Corresponding Quarter 30.09.2021 RM'000	Current Year To Date 30.09.2022 RM'000	Preceding Year Corresponding Period 30.09.2021 RM'000
Profit/ (Loss) for the period	5,360	(46,720)	(11,671)	(66,250)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(7,262)	(4,885)	(15,741)	(16,650)
Cash flow hedge	(5,590)	(6,116)	(9,660)	(17,879)
Total items that are or may be classified to profit or loss	<u>(12,852)</u>	<u>(11,001)</u>	<u>(25,401)</u>	<u>(34,529)</u>
Other comprehensive loss for the period, net of tax	(12,852)	(11,001)	(25,401)	(34,529)
Total comprehensive loss for the period	<u>(7,492)</u>	<u>(57,721)</u>	<u>(37,072)</u>	<u>(100,779)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(4,957)	(55,232)	(29,130)	(92,823)
Non-controlling interests	(2,535)	(2,489)	(7,942)	(7,956)
	<u>(7,492)</u>	<u>(57,721)</u>	<u>(37,072)</u>	<u>(100,779)</u>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2021, 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 FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	(Unaudited)	(Audited)
	As at	As at
	30.09.2022	31.12.2021
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment *	2,298,745	2,317,945
Investment properties	228,235	229,500
Intangible assets	13,433	14,546
Equity-accounted investees	68,825	72,374
Deferred tax assets	102,288	107,809
Hire purchase receivables	366,806	406,161
	3,078,332	3,148,335
<u>Current assets</u>		
Other investments	1	2,081
Inventories	637,271	777,974
Contract assets	24,887	10,809
Current tax assets	16,953	19,323
Hire purchase receivables	106,392	101,047
Receivables, deposits and prepayments	438,964	420,182
Derivative financial assets	1,322	-
Cash and cash equivalents	640,319	514,487
	1,866,109	1,845,903
Assets classified as held for sale	1,265	1,689
	1,867,374	1,847,592
TOTAL ASSETS	4,945,706	4,995,927

* Included in this amount was withdrawal of inventories during the financial period with a carrying value of RM5.3 million (2021: RM18.0 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 30 SEPTEMBER 2022 (continued)

	(Unaudited)	(Audited)
	As at	As at
	30.09.2022	31.12.2021
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,442,511	2,481,423
Treasury shares	(25,953)	(25,901)
Total equity attributable to owners of the Company	2,752,558	2,791,522
Non-controlling interests	(29,792)	(21,850)
Total equity	2,722,766	2,769,672
<u>Non-current liabilities</u>		
Lease liabilities	69,230	70,451
Borrowings	300,000	-
Employee benefits	104,963	95,792
Deferred tax liabilities	211,099	206,125
Contract liabilities	45,714	44,620
	731,006	416,988
<u>Current liabilities</u>		
Borrowings	901,037	1,268,189
Lease liabilities	10,176	23,963
Derivative financial liabilities	15,169	544
Taxation	7,278	1,644
Contract liabilities	27,792	22,113
Payables and accruals	530,482	492,814
	1,491,934	1,809,267
Total liabilities	2,222,940	2,226,255
TOTAL EQUITY AND LIABILITIES	4,945,706	4,995,927
Net assets per share attributable to owners of the Company (RM)	4.22	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, 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 CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2022
(THE FIGURES HAVE NOT BEEN AUDITED)

	-----Attributable to owners of the Company-----						-----Distributable-----	-----Distributable-----	Non-controlling interests	Total equity
	Share capital	Treasury shares	Translation reserve	Revaluation reserve	Hedging reserve	Capitalisation of retained earnings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	(16,267)	-	(17,879)	-	-	(34,146)	(383)	(34,529)
Transfer of revaluation surplus on properties	-	-	-	(9,987)	-	-	9,987	-	-	-
Loss for the period	-	-	-	-	-	-	(58,677)	(58,677)	(7,573)	(66,250)
Total comprehensive loss for the period	-	-	(16,267)	(9,987)	(17,879)	-	(48,690)	(92,823)	(7,956)	(100,779)
Purchase of treasury shares	-	(35)	-	-	-	-	-	(35)	-	(35)
Dividend - 2021 interim	-	-	-	-	-	-	(9,782)	(9,782)	-	(9,782)
At 30.09.2021	336,000	(25,901)	(20,299)	818,244	(2,945)	100	1,633,847	2,739,046	(24,951)	2,714,095
At 01.01.2022	336,000	(25,901)	(13,510)	814,934	(518)	100	1,680,417	2,791,522	(21,850)	2,769,672
Other comprehensive loss for the period, net of tax	-	-	(13,071)	-	(9,660)	-	-	(22,731)	(2,670)	(25,401)
Transfer of revaluation surplus on properties	-	-	-	(9,987)	-	-	9,987	-	-	-
Loss for the period	-	-	-	-	-	-	(6,399)	(6,399)	(5,272)	(11,671)
Total comprehensive (loss)/ income for the period	-	-	(13,071)	(9,987)	(9,660)	-	3,588	(29,130)	(7,942)	(37,072)
Purchase of treasury shares	-	(52)	-	-	-	-	-	(52)	-	(52)
Dividend - 2022 interim	-	-	-	-	-	-	(9,782)	(9,782)	-	(9,782)
At 30.09.2022	336,000	(25,953)	(26,581)	804,947	(10,178)	100	1,674,223	2,752,558	(29,792)	2,722,766

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, 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 30 SEPTEMBER 2022
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 9 months ended 30.09.2022	For the 9 months ended 30.09.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit/ (Loss) before taxation	23,787	(38,862)
Adjustments for:		
Non-cash and non-operating items	114,946	122,265
Operating profit before working capital changes	138,733	83,403
Changes in working capital		
Inventories	158,791	(227,673)
Hire purchase receivables	34,076	55,135
Receivables, deposits and prepayments	(18,359)	11,057
Payables and accruals	3,015	17,523
Contract assets	(14,078)	6,027
Contract liabilities	6,773	(6,645)
Cash generated from/ (used in) operations	308,951	(61,173)
Tax paid	(18,361)	(19,353)
Interest paid	(29,434)	(23,549)
Employee benefits paid	(1,331)	(778)
Net cash from/ (used in) operating activities	259,825	(104,853)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(69,135)	(74,352)
Acquisition of intangible assets	(303)	-
Net proceeds from disposal of other investments	2,080	-
Net acquisition of other investments	-	(220,934)
Dividend received from equity-accounted investees	1,700	-
Proceeds from disposal of property, plant and equipment	20,064	19,779
Net cash used in investing activities	(45,594)	(275,507)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (continued)
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 9 months ended 30.09.2022 RM'000	For the 9 months ended 30.09.2021 RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(9,782)	(9,782)
Purchase of own shares	(52)	(35)
Net (repayment of)/ proceeds from bankers' acceptance	(97,931)	37,346
Net proceeds from medium term notes, term loans and revolving credit	18,002	267,149
Payment of lease liabilities	(14,456)	(19,461)
Share subscription in subsidiary company by non-controlling interest shareholders	-	980
Net cash (used in)/ from financing activities	(104,219)	276,197
Net increase/ (decrease) in cash and cash equivalents	110,012	(104,163)
Effects of exchange rate fluctuations on cash and cash equivalents	15,820	12,004
Cash and cash equivalents at beginning of the period	514,487	581,962
Cash and cash equivalents at end of the period	640,319	489,803

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021, 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 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. MFRSs and Amendments to MFRSs marked with “*” 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. MFRSs and Amendments to MFRSs marked with “*” 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 annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases - Lease Liability in a Sale and Leaseback*

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 19,883,000. 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 RM6.4 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM41.8 million at the end of the financial quarter.

Under the Islamic Medium Term Notes ("Sukuk Murabahah") Programme of RM1.5 billion, the outstanding nominal value of Islamic Medium Term Notes stood at RM300.0 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. Dividends Paid

No dividends were paid during the quarter ended 30 September 2022.

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

9. Segmental Reporting

(a) Business segment reporting for current quarter:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	709,951	420,766	16,290	15,889	3,631	2,620	729,872	439,275
Inter-segment revenue	267	27	5	142	21,459	16,337	21,731	16,506
Segment EBITDA/ (LBITDA)*	25,561	16,024	4,625	(1,111)	36,126	(8,572)	66,312	6,341

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

Reconciliation of reportable segment profit or loss:

	30.09.2022	30.09.2021
	RM'000	RM'000
Total EBITDA for reportable segments	66,312	6,341
Depreciation and amortisation	(34,373)	(34,005)
Interest expense	(13,396)	(13,355)
Interest income	2,884	2,404
Share of loss of equity-accounted investees not included in reportable segments	(509)	(813)
Unallocated corporate expenses	(5,191)	(3,246)
Consolidated profit/ (loss) before taxation	15,727	(42,674)

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

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,254,049	1,611,354	49,703	51,148	9,701	7,884	2,313,453	1,670,386
Inter-segment revenue	425	471	14	889	62,604	57,154	63,043	58,514
Segment EBITDA	76,715	65,787	24,778	14,447	77,030	26,872	178,523	107,106

Reconciliation of reportable segment profit or loss:

	30.09.2022	30.09.2021
	RM'000	RM'000
Total EBITDA for reportable segments	178,523	107,106
Depreciation and amortisation	(107,781)	(102,313)
Interest expense	(36,729)	(40,386)
Interest income	6,825	8,467
Share of loss of equity-accounted investees not included in reportable segments	(1,216)	(1,724)
Unallocated corporate expenses	(15,835)	(10,012)
Consolidated profit/ (loss) before taxation	23,787	(38,862)

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

9. Segmental Reporting (continued)

(c) Geographical segment reporting for current quarter:

	Malaysia		Vietnam		Others		Total	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	652,309	375,017	55,489	29,869	22,074	34,389	729,872	439,275
Segment EBITDA/ (LBITDA)	79,489	13,383	(9,744)	(1,849)	(3,433)	(5,193)	66,312	6,341

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

	Malaysia		Vietnam		Others		Total	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,988,413	1,381,931	216,036	193,948	109,004	94,507	2,313,453	1,670,386
Segment EBITDA/ (LBITDA)	213,606	120,510	(10,873)	(5,333)	(24,210)	(8,071)	178,523	107,106

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.

11. Other Investments

	30.09.2022 RM'000	31.12.2021 RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	1	2,081
Total	1	2,081

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.

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

13. Changes in Composition of the Group

During the quarter under review, Tan Chong Technology Development (Taiwan) Co., Ltd., an indirect wholly-owned subsidiary of the Group was incorporated on 31 August 2022 under the Company Act of Taiwan with the principal activities of research and development service, industry innovation and incubation services, energy technical services and other consulting services.

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 30 September 2022 except as disclosed in Part B, Note 9 of the Announcement.

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

	30.09.2022	31.12.2021
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	182,100	240,511
Authorised and contracted for		
In Malaysia	4,664	13,027
Outside Malaysia	27,028	84,965
Total	<u>213,792</u>	<u>338,503</u>

16. Significant Related Party Transactions

- (a) Significant transactions with Warisan TC Holdings Berhad (“WTCH”), APM Automotive Holdings Berhad (“APM”) and Tan Chong International Limited (“TCIL”) Groups, companies in which a Director of the Company, namely Dato’ Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Purchases	(16,018)	(10,178)	(45,279)	(36,726)
Sales	13,056	8,541	55,329	21,510
Travel agency and car rental services	(133)	-	(352)	(143)
Contract assembly services	1,048	253	3,049	2,971
With APM Group				
Purchases	(9,634)	(2,360)	(26,992)	(9,783)
Sales	991	226	3,298	480
With TCIL Group				
Sales	2,347	2,865	8,083	8,026
Contract assembly services	5,340	1,306	14,864	2,751

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

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

16. Significant Related Party Transactions (continued)

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

	Individual Quarter		Cumulative Quarter	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Purchases	(185,669)	(91,327)	(459,624)	(495,024)

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 Quarter		Cumulative Quarter	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Purchases	(111,265)	(113,456)	(330,032)	(305,370)
Sales	3,188	1,519	14,220	6,169

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

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

1. Analysis of Performance of All Operating Segments

For the quarter ended 30 September 2022, the Group recorded a higher revenue of RM729.9 million, an increase of 66.2% compared to the same period preceding year, which was impacted by the Covid-19 lockdown. Consequently, the Group recorded a Profit Before Tax (“PBT”) of RM15.7 million in the current quarter under review, compared to Loss Before Tax (“LBT”) of RM42.7 million in the same period preceding year.

For the 9 months period ended 30 September 2022, the Group recorded revenue of RM2.31 billion, 38.5% higher compared to the same period preceding year. As a result, the Group recorded PBT of RM23.8 million in current year-to-date period compared to LBT of RM38.9 million in the same period preceding year

As at September 2022, the Group’s retained earnings was RM1.67 billion. The net assets per share as at 30 September 2022 was RM4.22, marginally lower compared to 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 RM710.0 million in the current quarter under review (+68.7% compared to same period last year (“YoY”)), which was impacted by the Covid-19 lockdown. In line with the higher revenue, Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM25.6 million improved by 59.5% YoY.

For the 9 months period ended 30 September 2022, the automotive division recorded revenue of RM2,254.0 million (+39.9% YoY) and EBITDA of RM76.7 million (+16.6%). The higher EBITDA was mainly due to higher sales, partly offset by the compensation for litigation paid in the current year-to-date period.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM16.3 million in the current quarter under review (+2.5% YoY) and EBITDA of RM4.6 million (+516.3% YoY). EBITDA was higher mainly due to lower impairment loss on hire purchase receivables recognised in the current quarter under review.

As for the 9 months period ended 30 September 2022, the financial services division recorded a lower revenue of RM49.7 million (-2.8% YoY). However, EBITDA improved to RM24.8 million (+71.5% YoY), mainly due to reversal of impairment loss on hire purchase receivables recognised in the current year-to-date period.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was higher at RM3.6 million in the current quarter under review (+38.6% YoY) and EBITDA of RM36.1 million improved by 521.4% YoY mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

For the 9 months period ended 30 September 2022, revenue from Other Operations was higher at RM9.7 million (+23.1% YoY) and EBITDA of RM77.0 million improved by 186.7% YoY, mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies and lower operating expenses arising from cost rationalisation exercise.

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

2. Comparison with Preceding Quarter's Results

	Current Quarter 30.09.2022 RM'000	Immediate Preceding Quarter 30.06.2022 RM'000	Changes	
			RM'000	%
Revenue	729,872	814,280	(84,408)	-10.4%
Profit before tax	<u>15,727</u>	<u>21,377</u>	(5,650)	-26.4%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	709,951	794,412	(84,461)	-10.6%
Financial services	16,290	16,492	(202)	-1.2%
Other operations	<u>3,631</u>	<u>3,376</u>	255	7.6%
	<u>729,872</u>	<u>814,280</u>	(84,408)	-10.4%
<u>Segment EBITDA/ (LBITDA)</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	25,561	34,816	(9,255)	-26.6%
Financial services	4,625	11,804	(7,179)	-60.8%
Other operations	<u>36,126</u>	<u>29,718</u>	6,408	21.6%
	<u>66,312</u>	<u>76,338</u>	(10,026)	-13.1%

The Group recorded revenue of RM729.9 million in the current quarter under review, lower by RM84.4 million or 10.4% compared to RM814.3 million in the preceding quarter. PBT of RM15.7 million in the current quarter under review was lower by 26.4% compared to PBT of RM21.4 million in the preceding quarter.

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

The automotive division recorded a lower revenue of RM710.0 million in the current quarter under review, a decrease of 10.6% compared to the preceding quarter ("QoQ"), largely due to lower sales in the domestic market after the expiration of the sales tax exemption at the end of June 2022. EBITDA of RM25.6 million was lower by 26.6% QoQ mainly due to lower sales, unfavourable sales mix and higher purchase cost due to the strengthening of the US Dollar.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded a lower revenue of RM16.3 million (-1.2% QoQ) and EBITDA of RM4.6 million in the current quarter under review (-60.8% QoQ). EBITDA was lower in the current quarter under review mainly due to impairment loss on hire purchase receivables recognised during the quarter.

(c) Other Operations (Investments and Properties)

The division recorded a higher revenue of RM3.6 million (+7.6% QoQ) and EBITDA of RM36.1 million (+21.6% QoQ) in the current quarter under review. EBITDA was higher mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

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

3. Future Prospects

With the nation's continued recovery in the endemicity phase, Gross Domestic Product ("GDP") continued to register a growth of 14.2%¹ in Quarter 3, 2022 compared to 8.9% in the preceding quarter. Despite the headwinds arising from the heightened geopolitical tensions in Europe and rising fear of global recession led by the downturns in major economies like United States and across Europe, Malaysia's GDP is estimated to further expand at a more moderate pace in Quarter 4, 2022 and grow at 4.0%-5.0% in 2023¹.

Despite four consecutive increases in Overnight Bank Policy Rate ("OPR") to its current level of 2.75%, the Malaysian Automotive Association ("MAA") has estimated the total industry volume ("TIV") to reach 630,000 units for the year of 2022. The TIV growth of 23.8% compared to the low base in 2021 is largely driven by the strong demand during the first half of 2022 as well as the government's decision to extend the deadline for car registration until 31 March 2023, for buyers with a confirmed booking by 30 June 2022 qualifying for sales tax exemption.

The recently launched New Nissan Serena S-Hybrid has been well received in Malaysia and continues to receive better than expected bookings even post the sales tax exemption period. The demand for the popular New Nissan Serena S-Hybrid, Almera Turbo and Navara has been very encouraging but we continue to see sales momentum being dampened by shortage of stock supply, which is expected to improve in 2023. In Vietnam, the sales for MG cars were affected by the shortage of stock supply from China due to the intermittent Covid-19 lockdowns but supply is expected to gradually normalise during the remainder of the year. The Group expects the new C-segment model MG5 and the popular B-segment sports utility vehicle MG ZS to continue its sales momentum and be the catalysts for sales growth in Vietnam.

The Group has continued with its electrification plan through the rolling out of more electric vehicles via its GoEV sharing and subscription platform, ahead of the planned introduction of the latest version of the fully electrified Nissan Leaf and Renault Zoe in the first quarter of 2023.

The Group takes cognizance of the threats from new variants of Covid-19, rising interest rates, weakened regional currencies against US dollar, rising material cost and stock shortages led by prolonged global supply chain disruptions and will take proactive measures to counter the adverse impacts and deliver financial and operational sustainability.

¹ Bank Negara Malaysia's Quarterly Report dated 11 November 2022.

4. Comparison with Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Current year	(7,366)	3,157	(24,923)	(17,116)
- Prior year	(917)	(1,781)	(726)	(1,781)
	<u>(8,283)</u>	<u>1,376</u>	<u>(25,649)</u>	<u>(18,897)</u>
Deferred taxation				
- Current year	(2,235)	(5,422)	(10,616)	(8,433)
- Prior year	151	-	807	(58)
	<u>(2,084)</u>	<u>(5,422)</u>	<u>(9,809)</u>	<u>(8,491)</u>
	<u>(10,367)</u>	<u>(4,046)</u>	<u>(35,458)</u>	<u>(27,388)</u>

The Group recorded tax charges of RM10.4 million and RM35.5 million for the current quarter under review and current year-to-date period respectively, with the effective tax rate above the statutory tax rate. This was mainly due to tax charges in certain profitable subsidiaries of the Group, certain expenses being disallowed for tax purposes and deferred tax assets not recognised for some of the loss making subsidiaries.

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

6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at reporting date.

7. Group Borrowings

Group borrowings as at the end of the reporting period are as follows:

	30.09.2022	31.12.2021
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	112,700	210,631
- Revolving credit	777,392	994,230
- Short term loan	10,945	63,328
- Medium term notes	300,000	-
Total borrowings	<u>1,201,037</u>	<u>1,268,189</u>
Comprising :		
Amount repayable within one year	901,037	1,268,189
Amount repayable after one year	300,000	-
	<u>1,201,037</u>	<u>1,268,189</u>

Group borrowings breakdown by currencies:

		30.09.2022	31.12.2021
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,105,700	997,631
RM	USD	84,392	207,230
VND	VND	10,945	63,328
		<u>1,201,037</u>	<u>1,268,189</u>

8. Financial Instruments

Derivatives

As at 30 September 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	340,692	(13,847)	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.

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

9. Changes in Material Litigation

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

On 15 August 2017, TCIE, a wholly-owned subsidiary of the Company received a sealed Writ of Summons dated 12 August 2017 and Statement of Claim dated 11 August 2017 (“the Plaintiffs’ Claim”), a sealed copy of a Notice of Application for, inter alia, an injunction dated 12 August 2017 (“the Application”) and Affidavit in Support dated 11 August 2017 from the solicitors acting for Transnasional Express Sdn. Bhd. (“Transnasional”), Plusliner Sdn. Bhd. (“Plusliner”), Syarikat Kenderaan Melayu Kelantan Berhad (“SKMK”), Syarikat Rembau Tampin Sdn. Bhd. (“SRT”), Kenderaan Langkasuka Sdn. Bhd. (“Langkasuka”), Konsortium Transnasional Berhad (“KTB”) and MHSB Properties Sdn Bhd (“MHSB”) (collectively known as “Plaintiffs”).

TCIE entered into a series of lease agreements with Transnasional, Plusliner and SKMK and a series of service maintenance agreements with Transnasional, Plusliner, SKMK, SRT and Langkasuka (collectively known as “Debtors”) for the lease and service maintenance of the vehicles. The Debtors owed TCIE outstanding rentals and service bills amounting to RM32,920,575.06 (“Debt”).

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

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

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

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

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

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

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

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

(collectively known as “High Court Judgment”)

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

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

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

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.

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 23 December 2022 to shareholders whose names appear in the Register of Members on 9 December 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 9 December 2022 in respect of ordinary transfer;
- (b) shares deposited into the depositor's securities account before 12.30 p.m. on 7 December 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. Earnings/ (Loss) per Share

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

	Individual Quarter		Cumulative Quarter	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit/ (Loss) attributable to the owners of the Company (RM'000)	6,878	(44,202)	(6,399)	(58,677)
Weighted average number of ordinary shares ('000)	652,117	652,161	652,133	652,162
Basic Earnings/ (Loss) per share (sen)	1.05	(6.78)	(0.98)	(9.00)

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

12. Total Comprehensive Income

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

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year	Year
	Corresponding	Corresponding	To Date	Corresponding
	Quarter	Quarter	To Date	Period
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(34,373)	(34,005)	(107,781)	(102,313)
(Provision for)/ reversal and (write off) of				
receivables	(2,414)	(6,671)	1,903	(10,102)
Reversal of impairment on inventories	286	552	533	617
Foreign exchange gain	23,844	6,907	46,849	37,701
Gain on disposal of properties, plant and				
equipment	1,619	687	4,042	3,324
Property, plant and equipment written off	(203)	(405)	(932)	(1,449)
Loss on derivatives	(5,617)	(6,116)	(9,660)	(17,879)
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

22 November 2022