



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

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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 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2021 RM'000	Preceding Year Corresponding Quarter 30.09.2020 RM'000	Current Year To Date 30.09.2021 RM'000	Preceding Year Corresponding Period 30.09.2020 RM'000
Revenue	439,275	964,543	1,670,386	2,211,722
Operating (loss)/ profit	(30,910)	10,543	(5,219)	(49,363)
Interest expense	(13,355)	(13,616)	(40,386)	(47,651)
Interest income	2,404	3,887	8,467	11,233
Share of (loss)/ profit of equity-accounted investees	(813)	908	(1,724)	1,372
(Loss)/ Profit before taxation	(42,674)	1,722	(38,862)	(84,409)
Tax expense	(4,046)	(11,720)	(27,388)	(24,899)
Loss for the period	(46,720)	(9,998)	(66,250)	(109,308)
Loss attributable to:				
Equity holders of the Company	(44,202)	(7,334)	(58,677)	(95,955)
Non-controlling interests	(2,518)	(2,664)	(7,573)	(13,353)
	(46,720)	(9,998)	(66,250)	(109,308)
Loss per share (sen)				
(a) Basic	(6.78)	(1.12)	(9.00)	(14.71)
(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 2020.



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 30 SEPTEMBER 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2021 RM'000	Preceding Year Corresponding Quarter 30.09.2020 RM'000	Current Year To Date 30.09.2021 RM'000	Preceding Year Corresponding Period 30.09.2020 RM'000
Loss for the period	(46,720)	(9,998)	(66,250)	(109,308)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(4,885)	5,334	(16,650)	1,330
Cash flow hedge	(6,116)	8,687	(17,879)	4,655
Total items that are or may be classified subsequently to profit or loss	<u>(11,001)</u>	<u>14,021</u>	<u>(34,529)</u>	<u>5,985</u>
Other comprehensive (loss)/ income for the period, net of tax	(11,001)	14,021	(34,529)	5,985
Total comprehensive (loss)/ income for the	<u>(57,721)</u>	<u>4,023</u>	<u>(100,779)</u>	<u>(103,323)</u>
Total comprehensive (loss)/ income attributable to:				
Equity holders of the Company	(55,232)	5,355	(92,823)	(91,514)
Non-controlling interests	(2,489)	(1,332)	(7,956)	(11,809)
	<u>(57,721)</u>	<u>4,023</u>	<u>(100,779)</u>	<u>(103,323)</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 2020.



TAN CHONG MOTOR HOLDINGS BERHAD
Registration No. 197201001333 (12969-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment *	2,323,568	2,311,657
Investment properties	230,495	230,495
Intangible assets	759	759
Equity-accounted investees	71,776	75,969
Deferred tax assets	117,677	120,384
Hire purchase receivables	420,507	489,860
	<u>3,164,782</u>	<u>3,229,124</u>
<u>Current assets</u>		
Other investments	391,240	170,306
Inventories	977,865	772,706
Contract assets	13,350	19,377
Current tax assets	19,803	11,162
Hire purchase receivables	96,122	93,053
Receivables, deposits and prepayments	426,562	424,888
Derivative financial assets	146	17,914
Cash and cash equivalents	489,803	581,962
	<u>2,414,891</u>	<u>2,091,368</u>
TOTAL ASSETS	<u><u>5,579,673</u></u>	<u><u>5,320,492</u></u>

* Included in this amount was withdrawal of inventories with a carrying value of RM23 million (2020: RM105 million) for the business of subscription plans in one of the subsidiaries of the Group.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 (continued)

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,428,947	2,531,552
Treasury shares	(25,901)	(25,866)
Total equity attributable to owners of the Company	2,739,046	2,841,686
Non-controlling interests	(24,951)	(16,995)
Total equity	2,714,095	2,824,691
<u>Non-current liabilities</u>		
Lease liabilities	76,097	74,894
Employee benefits	100,714	95,599
Deferred tax liabilities	206,197	208,989
Contract liabilities	42,523	52,899
	425,531	432,381
<u>Current liabilities</u>		
Borrowings	1,820,115	1,501,493
Lease liabilities	21,984	23,072
Derivative financial liabilities	4,029	2,980
Taxation	9,972	2,350
Contract liabilities	26,765	23,034
Payables and accruals	557,182	510,491
	2,440,047	2,063,420
Total liabilities	2,865,578	2,495,801
TOTAL EQUITY AND LIABILITIES	5,579,673	5,320,492
Net assets per share attributable to owners of the Company (RM)	4.20	4.36

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



TAN CHONG MOTOR HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	-----Attributable to owners of the Company-----							Total	-----Non-Distributable----- --Distributable--	
	Share capital RM'000	Treasury shares RM'000	Translation reserves RM'000	Revaluation reserve RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000		Total RM'000	Non- controlling interests RM'000
At 01.01.2020	336,000	(25,364)	(9,222)	841,201	3,537	100	1,873,328	3,019,580	(11,548)	3,008,032
Other comprehensive (loss)/ income for the period, net of tax	-	-	(214)	-	4,655	-	-	4,441	1,544	5,985
Transfer of revaluation surplus on properties	-	-	-	(9,985)	-	-	9,985	-	-	-
Loss for the period	-	-	-	-	-	-	(95,955)	(95,955)	(13,353)	(109,308)
Total comprehensive (loss)/ income for the period	-	-	(214)	(9,985)	4,655	-	(85,970)	(91,514)	(11,809)	(103,323)
Purchase of treasury shares	-	(202)	-	-	-	-	-	(202)	-	(202)
Dividend - 2019 final	-	-	-	-	-	-	(13,049)	(13,049)	-	(13,049)
At 30.09.2020	336,000	(25,566)	(9,436)	831,216	8,192	100	1,774,309	2,914,815	(23,357)	2,891,458
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

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



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

CUMULATIVE QUARTER

	For the 9 months ended 30.09.2021 RM'000	For the 9 months ended 30.09.2020 RM'000
Cash flows from operating activities		
Loss before taxation	(38,862)	(84,409)
Adjustments for:		
Non-cash and non-operating items	122,265	166,728
Operating profit before working capital changes	83,403	82,319
Changes in working capital		
Inventories	(227,673)	664,249
Hire purchase receivables	55,135	40,315
Receivables, deposits and prepayments	11,057	143,254
Payables and accruals	17,523	(216,435)
Contract assets	6,027	(740)
Contract liabilities	(6,645)	(2,602)
Cash (used in)/ from operations	(61,173)	710,360
Tax paid	(19,353)	(12,229)
Interest paid	(23,549)	(28,241)
Employee benefits paid	(778)	(2,257)
Net cash (used in)/ from operating activities	(104,853)	667,633
Cash flows from investing activities		
Acquisition of property, plant and equipment	(74,352)	(145,973)
Net acquisition of disposal of other investment	(220,934)	(440,922)
Dividend received from equity-accounted investees	-	1,450
Proceeds from disposal of property, plant and equipment	19,779	12,407
Net cash used in investing activities	(275,507)	(573,038)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021 (continued)

	CUMULATIVE QUARTER	
	For the 9 months ended 30.09.2021 RM'000	For the 9 months ended 30.09.2020 RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(9,782)	(13,049)
Purchase of own shares	(35)	(202)
Net proceeds from/ (repayment of) bills payable	37,346	(132,902)
Net proceeds from medium term notes, term loans and revolving credit	267,149	240,003
Payment of lease liabilities	(19,461)	(16,161)
Share subscription in subsidiary company by non-controlling interest shareholders	980	-
Net cash from financing activities	276,197	77,689
Net (decrease)/ increase in cash and cash equivalents	(104,163)	172,284
Effects of exchange rate fluctuations on cash and cash equivalents	12,004	(167)
Cash and cash equivalents at beginning of the period	581,962	407,786
Cash and cash equivalents at end of the period	489,803	579,903

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

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

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of Tan Chong Motor Holdings Berhad (“TCMH”) and its subsidiaries, associates and joint venture (“the Group”) as at and for the year ended 31 December 2020.

In preceding quarter, the Group had changed its accounting estimates with respect to residual value of its motor vehicles from NIL to 30% of the cost of the assets. This change in accounting estimates has been applied prospectively from 1 January 2021 and has been accounted for in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The change in accounting estimates has the effect of reducing the depreciation charge for the current year-to-date period under review by approximately RM16.2 million. The effect in future periods is not disclosed as estimating it is impracticable.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

Effective for annual periods beginning on or after 1 January 2021

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

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

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

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

Effective for annual periods beginning on or after 1 January 2023

- 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 April 2021

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

Effective for annual periods beginning on or after 1 January 2022

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

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

2. Changes in Accounting Policies (continued)

Effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts* *
- Amendments to MFRS 17, *Insurance Contracts* *
- Amendments to MFRS 101, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*

Effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group.

3. Audit Qualifications

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

4. Seasonal or Cyclical Factors

During the quarter, the business of the Group had not been affected by any significant seasonal or cyclical factors, apart from the general economic environment in which it operated.

5. Unusual Items

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flows for the period.

6. Material Changes in Estimates

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

7. Debt and Equity Securities

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 RM8.0 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM73.2 million at the end of the financial quarter.

Under the combined aggregate nominal value of RM1.5 billion of Commercial Papers and Medium Term Notes Programmes, the outstanding nominal value of Medium Term Notes stood at RM500.0 million at the end of the financial quarter.

Save for the above, there were no other issuance and repayment of debt securities, share cancellation and resale of treasury shares during the period.

8. Dividend Paid

No dividends were paid during the quarter ended 30 September 2021.

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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	420,766	940,266	15,889	18,485	2,620	5,792	439,275	964,543
Inter-segment revenue	27	524	142	585	16,337	17,616	16,506	18,725
Segment EBITDA/ (LBITDA)*	16,024	55,425	(1,111)	14,286	(8,572)	(8,973)	6,341	60,738

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

Reconciliation of reportable segment profit or loss:

	30.09.2021	30.09.2020
	RM'000	RM'000
Total EBITDA for reportable segments	6,341	60,738
Depreciation and amortisation	(34,005)	(42,152)
Interest expense	(13,355)	(13,616)
Interest income	2,404	3,887
Share of (loss)/ profit of equity-accounted investees not included in reportable segments	(813)	908
Unallocated corporate expenses	(3,246)	(8,043)
Consolidated (loss)/ profit before taxation	(42,674)	1,722

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

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,611,354	2,142,473	51,148	52,978	7,884	16,271	1,670,386	2,211,722
Inter-segment revenue	471	1,204	889	2,878	57,154	58,565	58,514	62,647
Segment EBITDA	65,787	65,723	14,447	1,334	26,872	7,888	107,106	74,945

Reconciliation of reportable segment profit or loss:

	30.09.2021	30.09.2020
	RM'000	RM'000
Total EBITDA for reportable segments	107,106	74,945
Depreciation and amortisation	(102,313)	(108,953)
Interest expense	(40,386)	(47,651)
Interest income	8,467	11,233
Share of (loss)/ profit of equity-accounted investees not included in reportable segments	(1,724)	1,372
Unallocated corporate expenses	(10,012)	(15,355)
Consolidated loss before taxation	(38,862)	(84,409)

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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	375,017	780,434	29,869	117,555	34,389	66,554	439,275	964,543
Segment EBITDA/(LBITDA)	13,383	78,786	(1,849)	(24,672)	(5,193)	6,624	6,341	60,738

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

	Malaysia		Vietnam		Others		Total	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,381,931	1,740,663	193,948	258,913	94,507	212,146	1,670,386	2,211,722
Segment EBITDA/(LBITDA)	120,510	118,474	(5,333)	(64,150)	(8,071)	20,621	107,106	74,945

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

The valuation of property, plant and equipment and investment properties was brought forward without amendment from the audited financial statements for the year ended 31 December 2020.

11. Other Investments

	30.09.2021	31.12.2020
	RM'000	RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	391,240	170,306
Total	391,240	170,306

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.

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 30 September 2021 except as disclosed in Part B, Note 9 of the Announcement.

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

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

	30.09.2021	31.12.2020
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	206,440	133,006
Authorised and contracted for		
In Malaysia	21,085	29,346
Outside Malaysia	115,275	101,740
Total	<u>342,800</u>	<u>264,092</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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Purchases	(10,178)	(6,400)	(36,726)	(19,599)
Sales	8,541	5,473	21,510	11,921
Travel agency and car rental services	-	(202)	(143)	(1,958)
Contract assembly services	253	1,464	2,971	3,403
With APM Group				
Purchases	(2,360)	(7,179)	(9,783)	(26,520)
Sales	226	231	480	2,616
With TCIL Group				
Sales	2,865	2,508	8,026	8,779
Contract assembly services	1,306	630	2,751	4,404

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

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

	Individual Quarter		Cumulative Quarter	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Purchases	(91,327)	(88,979)	(495,024)	(420,551)

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

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

16. Significant Related Party Transactions (continued)

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

	Individual Quarter		Cumulative Quarter	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Purchases	(113,456)	(628)	(305,370)	(34,740)
Sales	1,519	4,142	6,169	4,839

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

The Group's operations in Malaysia and the region were affected by the movement control restrictions during most part of the quarter under review. As a result, the Group recorded a lower revenue of RM439.3 million during the quarter ended 30 September 2021, reduced by 54.5% compared to the same period preceding year. Consequently, the Group recorded Loss Before Tax ("LBT") of RM42.7 million in the current quarter under review compared to Profit Before Tax ("PBT") of RM1.7 million in the same period preceding year.

For the 9 months period ended 30 September 2021, the Group recorded a revenue of RM1,670.4 million, 24.5% lower compared to the same period preceding year as the Group's operations in Malaysia and the region experienced a longer period of movement control restrictions in the current period under review. However, the Group recorded a reduced LBT of RM38.9 million in the current year-to-date period compared to LBT of RM84.4 million in the same period preceding year. The reduced LBT was mainly due to better sales mix, lower operating expenses, lower impairment on hire purchase receivables and higher unrealised foreign exchange ("forex") gain in the current year-to-date period.

As at 30 September 2021, the Group's retained earnings was RM1.63 billion. The net assets per share as at 30 September 2021 was RM4.20, lower compared to RM4.36 as at 31 December 2020. Further analysis of the performance of the business segments is as follows:

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

The automotive division recorded a lower revenue of RM420.8 million in the current quarter under review (-55.3% compared to same period last year ("YoY")) and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of RM16.0 million (-71.1% YoY). The weaker performance in the current quarter under review was mainly due to the movement control restrictions imposed in Malaysia and Indochina markets during the quarter.

As for the 9 months period ended 30 September 2021, the automotive division recorded revenue of RM1,611.4 million (-24.8% YoY) and EBITDA of RM65.8 million (+0.1% YoY). EBITDA increased marginally in the current year-to-date period mainly due to favourable sales mix and lower operating expenses.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM15.9 million in the current quarter under review (-14.0% YoY) and Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA") of RM1.1 million (-107.8% YoY).

As for the 9 months period ended 30 September 2021, the financial services division recorded a lower revenue of RM51.1 million (-3.5% YoY). However, EBITDA improved to RM14.4 million (+983.0% YoY). The improvement was mainly due to lower impairment on hire purchase receivables recognised in the current year-to-date period.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was lower at RM2.6 million in the current quarter under review (-54.8% YoY). However, LBITDA was lower at RM8.6 million (+4.5% YoY), mainly due to net foreign exchange gain in the current quarter under review compared with net foreign exchange loss in the same period preceding year.

As for the 9 months period ended 30 September 2021, revenue from Other Operations was lower at RM7.9 million (-51.5% YoY). However, EBITDA was higher at RM26.9 million (+240.7% YoY), mainly contributed by higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

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

2. Comparison with Preceding Quarter's Results

	Current Quarter 30.09.2021 RM'000	Immediate Preceding Quarter 30.06.2021 RM'000	Changes	
			RM'000	%
Revenue	439,275	638,032	(198,757)	-31.2%
Loss before tax	(42,674)	(18,288)	(24,386)	>-100.0%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	420,766	618,820	(198,054)	-32.0%
Financial services	15,889	16,455	(566)	-3.4%
Other operations	2,620	2,757	(137)	-5.0%
	<u>439,275</u>	<u>638,032</u>	(198,757)	-31.2%
<u>Segment EBITDA/ (LBITDA)</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	16,024	10,928	5,096	46.6%
Financial services	(1,111)	3,224	(4,335)	>-100.0%
Other operations	(8,572)	15,031	(23,603)	>-100.0%
	<u>6,341</u>	<u>29,183</u>	(22,842)	-78.3%

As explained above, the Group's businesses were affected by the movement control restrictions. As a result, the Group recorded lower revenue of RM439.3 million in the current quarter under review, reduced by RM198.8 million or 31.2% compared to RM638.0 million in the preceding quarter and a LBT of RM42.7 million in the current quarter under review compared to LBT of RM18.3 million in the preceding quarter.

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

Despite the automotive division recording a lower revenue of RM420.8 million in the current quarter under review, lower by 32.0% compared to the preceding quarter ("QoQ"), EBITDA improved to RM16.0 million (+46.6% QoQ). EBITDA was higher during the quarter under review mainly due to favourable sales mix and lower operating expenses.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM15.9 million (-3.4% QoQ) and LBITDA of RM1.1 million (-134.5% QoQ) in the current quarter under review. LBITDA was registered as a result of higher impairment loss on hire purchase receivables recognised in the current quarter under review.

(c) Other Operations (Investments and Properties)

The division recorded revenue of RM2.6 million (-5.0% QoQ) and LBITDA of RM8.6 million (-157.0% QoQ) in the current quarter under review. LBITDA was registered as a result of lower net forex gain which arose from transactions and outstanding balances denominated in foreign currencies in the current quarter under review.

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

3. Future Prospects

As Malaysia gradually eased the Covid-19 lockdown restrictions, it has been observed that economic activities have been picking up pace. The Group commenced business recovery operations post the gradual easing of the movement control restrictions since mid-August 2021. Car showrooms were allowed to re-open subject to fulfilling certain health and safety conditions. The Group has also encouraged and initiated Covid-19 vaccination programme for the staff force as part of our social responsibility. We expect to make further progress in our business operations recovery during the remainder of 2021.

Looking ahead, the sales tax exemption in Malaysia which has been extended to 30 June 2022 is expected to continue benefitting the automotive industry in the first half of 2022. The Group also welcomes the announcement of the tax exemptions on Electric Vehicles by the Malaysian government as we look towards building our competitive edge in this segment. The Group is one of the earliest industry players in the sales and distribution of fully electrified vehicles in Malaysia, with the latest generation of Nissan Leaf in our product line-up now.

Whilst there are still uncertainties surrounding the global economic recovery, the Group expects the economic recovery in Malaysia and the region to continue making progress. Riding on the back of a projected economic growth of 5.5% to 6.5% in 2022 domestically and barring any unforeseen circumstances, the Group is cautiously optimistic of a satisfactory recovery in our business operations. Coupled with the progressive reopening of the economies in the region, the Group expects to deliver better overall operational performance in 2022.

The Group will continue to drive further rationalisation of its business operations and maintain its focus on the key business improvement strategies to drive business growth and deliver operational and financial sustainability.

4. Comparison with Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Current year	3,157	(12,353)	(17,116)	(28,099)
- Prior year	(1,781)	(455)	(1,781)	(1,022)
	<u>1,376</u>	<u>(12,808)</u>	<u>(18,897)</u>	<u>(29,121)</u>
Deferred taxation				
- Current year	(5,422)	240	(8,433)	4,784
- Prior year	-	848	(58)	(562)
	<u>(5,422)</u>	<u>1,088</u>	<u>(8,491)</u>	<u>4,222</u>
	<u>(4,046)</u>	<u>(11,720)</u>	<u>(27,388)</u>	<u>(24,899)</u>

The Group recorded tax charges of RM4.0 million and RM27.4 million for the current quarter under review and current year-to-date period respectively 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.

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

7. Group Borrowings

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

	30.09.2021	31.12.2020
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	94,170	56,824
- Revolving credit	1,166,304	884,811
- Short term loan	59,698	60,202
- Medium term notes	499,943	499,656
Total borrowings	<u>1,820,115</u>	<u>1,501,493</u>
Comprising :		
Amount repayable within one year	1,820,115	1,501,493
Amount repayable after one year	-	-
	<u>1,820,115</u>	<u>1,501,493</u>

Group borrowings breakdown by currencies:

		30.09.2021	31.12.2020
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,529,113	1,214,480
RM	USD	231,304	214,596
VND	VND	59,698	72,417
		<u>1,820,115</u>	<u>1,501,493</u>

8. Financial Instruments

Derivatives

As at 30 September 2021, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets/ (Liabilities) RM'000	Maturity
Forward foreign exchange contracts	319,298	(3,883)	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

(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 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 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.

The Court of Appeal had decided as follows:

- i. order to ETCM (C) and TCMC to pay damages of USD3,953,130 to Narita; and
- ii. litigation cost shall be borne by each party. (collectively “Court of Appeal Decision”)

ETCM (C) and TCMC, through the Solicitors, had on 19 October 2021 filed the appeal against the Court of Appeal Decision at the Supreme Court.

The Court of Appeal Decision that ETCM (C) and TCMC are to pay damages of USD3,953,130 to Narita would not be executed pending the outcome of the appeal to the Supreme Court.

(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”).

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)

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;
- 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 is 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 and hearing of the appeal on 9 May 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

No dividend has been proposed for the third quarter ended 30 September 2021.

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 Quarter		Cumulative Quarter	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Loss attributable to the owners of the Company (RM'000)	(44,202)	(7,334)	(58,677)	(95,955)
Weighted average number of ordinary shares ('000)	652,161	652,450	652,162	652,462
Basic Loss per share (sen)	(6.78)	(1.12)	(9.00)	(14.71)

12. Total Comprehensive Income

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

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(34,005)	(42,152)	(102,313)	(108,953)
(Provision for)/ reversal and (write off) of receivables	(6,671)	6,248	(10,102)	(21,632)
Reversal/ (Provision for) and (write off) of inventories	552	(1,058)	617	(1,744)
Foreign exchange gain/ (loss)	6,907	(16,309)	37,701	246
Gain on disposal of properties, plant and equipment	687	2,415	3,324	4,285
Property, plant and equipment written off	(405)	(81)	(1,449)	(723)
(Loss)/ Gain on derivatives	(6,116)	8,687	(17,879)	4,655
Gain/ (Loss) on disposal of investment	-	-	-	-
Impairment on property, plant and equipment	-	-	-	-
Other income including investment income	-	-	-	-

BY ORDER OF THE BOARD

HO WAI MING
Company Secretary
Kuala Lumpur
23 November 2021