



TAN CHONG MOTOR HOLDINGS BERHAD

Registration No. 197201001333 (12969-P)

(Incorporated in Malaysia)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	1
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3-4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6-7
NOTES TO THE QUARTERLY FINANCIAL REPORT	8-19



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 31 MARCH 2020**

INDIVIDUAL/CUMULATIVE QUARTER

	Current Year Quarter 31.03.2020 RM'000	Preceding Year Corresponding Quarter 31.03.2019 RM'000
Revenue	734,287	1,080,605
Operating profit	12,594	40,042
Interest expense	(17,430)	(17,594)
Interest income	4,312	6,815
Share of profit of equity-accounted investees	723	464
Profit before taxation	199	29,727
Tax expense	(14,987)	(12,510)
(Loss)/Profit for the period	(14,788)	17,217
Profit attributable to:		
Equity holders of the Company	(9,261)	15,981
Non-controlling interests	(5,527)	1,236
	(14,788)	17,217
(Loss)/Earning per share (sen)		
(a) Basic	(1.42)	2.45
(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 2019.



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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2020**

	INDIVIDUAL/CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2020 RM'000	Preceding Year Corresponding Quarter 31.03.2019 RM'000
(Loss)/Profit for the period	(14,788)	17,217
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(2,804)	2,277
Cash flow hedge	(10,513)	3,829
Total items that are or may be classified subsequently to profit or loss	(13,317)	6,106
Other comprehensive (loss)/income for the period, net of tax	(13,317)	6,106
Total comprehensive (loss)/income for the period	(28,105)	23,323
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(22,815)	24,771
Non-controlling interests	(5,290)	(1,448)
	(28,105)	23,323

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 2019.



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	2,282,776	2,250,999
Investment properties	216,725	216,725
Intangible assets	759	759
Equity-accounted investees	62,016	61,811
Deferred tax assets	101,354	95,741
Hire purchase receivables	532,200	551,779
	<hr/>	<hr/>
	3,195,830	3,177,814
<u>Current assets</u>		
Other investments	254,119	12,166
Inventories	1,385,785	1,527,069
Contract assets	16,902	17,663
Current tax assets	18,347	16,145
Hire purchase receivables	99,829	95,430
Receivables, deposits and prepayments	472,970	575,003
Derivative financial assets	3,851	4,139
Cash and cash equivalents	546,995	407,786
	<hr/>	<hr/>
	2,798,798	2,655,401
	<hr/>	<hr/>
TOTAL ASSETS	5,994,628	5,833,215



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020 (continued)

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,686,129	2,708,944
Treasury shares	(25,566)	(25,364)
Total equity attributable to owners of the Company	2,996,563	3,019,580
Non-controlling interests	(16,838)	(11,548)
Total equity	2,979,725	3,008,032
<u>Non-current liabilities</u>		
Borrowings	499,377	499,286
Lease liabilities	72,755	72,754
Employee benefits	84,138	81,988
Deferred tax liabilities	212,067	213,100
Contract liabilities	57,815	59,670
	926,152	926,798
<u>Current liabilities</u>		
Borrowings	1,340,143	1,096,854
Lease liabilities	36,313	32,654
Derivative financial liabilities	9,862	690
Taxation	4,478	5,770
Contract liabilities	22,747	21,565
Payables and accruals	675,208	740,852
	2,088,751	1,898,385
Total liabilities	3,014,903	2,825,183
TOTAL EQUITY AND LIABILITIES	5,994,628	5,833,215
Net assets per share attributable to owners of the Company (RM)	4.59	4.63

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019.



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 2020**

	-----Attributable to owners of the Company-----							Total	Non- controlling interests	Total equity
	-----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	RM'000	RM'000	RM'000
At 01.01.2019	336,000	(25,283)	(14,284)	701,438	(1,467)	100	1,840,087	2,836,591	(17,733)	2,818,858
Adjustment on adoption of MFRS 16 (net of tax)	-	-	-	-	-	-	(3,114)	(3,114)	-	(3,114)
Adjusted 01.01.2019	336,000	(25,283)	(14,284)	701,438	(1,467)	100	1,836,973	2,833,477	(17,733)	2,815,744
Other comprehensive income for the period, net of tax	-	-	4,961	-	3,829	-	-	8,790	(2,684)	6,106
Transfer of revaluation surplus on properties	-	-	-	(2,486)	-	-	2,486	-	-	-
Profit for the period	-	-	-	-	-	-	15,981	15,981	1,236	17,217
Total comprehensive income/(loss) for the period	-	-	4,961	(2,486)	3,829	-	18,467	24,771	(1,448)	23,323
At 31.03.2019	336,000	(25,283)	(9,323)	698,952	2,362	100	1,855,440	2,858,248	(19,181)	2,839,067
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 income for the period, net of tax	-	-	(3,041)	-	(10,513)	-	-	(13,554)	237	(13,317)
Transfer of revaluation surplus on properties	-	-	-	(3,328)	-	-	3,328	-	-	-
Loss for the period	-	-	-	-	-	-	(9,261)	(9,261)	(5,527)	(14,788)
Total comprehensive loss for the period	-	-	(3,041)	(3,328)	(10,513)	-	(5,933)	(22,815)	(5,290)	(28,105)
Purchase of treasure share	-	(202)	-	-	-	-	-	(202)	-	(202)
At 31.03.2020	336,000	(25,566)	(12,263)	837,873	(6,976)	100	1,867,395	2,996,563	(16,838)	2,979,725

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019.



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

CUMULATIVE QUARTER

	For the 3 months ended 31.03.2020 RM'000	For the 3 months ended 31.03.2019 RM'000
Cash flows from operating activities		
Profit before taxation	199	29,727
Adjustments for:		
Non-cash and non-operating items	45,931	49,219
Operating profit before working capital changes	46,130	78,946
Changes in working capital		
Inventories	140,767	(242,868)
Hire purchase receivables	12,817	26,843
Receivables, deposits and prepayments	98,498	(69,769)
Payables and accruals	(71,608)	56,726
Contract assets	761	(2,532)
Contract liabilities	(673)	(3,391)
Cash from operations	226,692	(156,045)
Tax paid	(13,073)	(38,613)
Net interest (paid)/received	(4,877)	1,186
Employee benefits paid	(617)	(511)
Net cash from/(used in) operating activities	208,125	(193,983)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(45,026)	(34,516)
Net (acquisitions of)/proceeds from disposal of other investment	(241,953)	121,648
Proceeds from disposal of property, plant and equipment	3,353	3,259
Net cash (used in)/generated from investing activities	(283,626)	90,391



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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020 (continued)

	CUMULATIVE QUARTER	
	For the 3 months ended 31.03.2020 RM'000	For the 3 months ended 31.03.2019 RM'000
Cash flows from financing activities		
Purchase of own shares	(202)	-
Net (repayment of)/proceeds from bills payable	(52,088)	10,606
Net proceeds from medium term notes, term loans, and revolving credit	279,544	38,727
Payment of lease liabilities	(5,669)	(3,997)
Net cash from financing activities	221,585	45,336
Net increase/(decrease) in cash and cash equivalents	146,084	(58,256)
Effects of exchange rate fluctuations on cash and cash equivalents	(6,875)	(4,012)
Cash and cash equivalents at beginning of the period	407,786	522,118
Cash and cash equivalents at end of the period	546,995	459,850
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	288,250	345,680
Deposits with licensed banks	258,745	114,170
	546,995	459,850

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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 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 2019.

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 2019, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations with effect from 1 January 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 7, *Financial Instruments: Disclosures*, MFRS 9, *Financial Instruments*, and MFRS 139, *Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

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

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

Effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

Effective for annual periods beginning on or after 1 January 2021(IASB has deferred the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023; MASB has yet to announce the change of date)

- MFRS 17, *Insurance Contracts* *

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 – 2020)*
- 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 141, *Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)* *
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- 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*

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.

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 2019.

4. Seasonal or Cyclical Factors

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

5. Unusual Items

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

6. Material Changes in Estimates

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

7. Debt and Equity Securities

During the quarter under review, the Company repurchased 150,000 units of its issued ordinary shares from the open market at an average price of RM1.35. Total consideration paid for the repurchase including transaction cost was RM201,763 and this was financed by internally generated funds. Cumulative total number of shares repurchased at the end of the financial quarter was 19,550,000. 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 has redeemed RM13.6 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM144.3 million at the end of the financial quarter.

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

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

8. Dividend Paid

No dividends were paid during the quarter ended 31 March 2020.

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

9. Segmental Reporting

(a) Business segment

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	709,491	1,054,939	19,003	22,380	5,793	3,286	734,287	1,080,605
Inter-segment revenue	405	439	1,218	7	20,694	17,663	22,317	18,109
Segment EBITDA*	27,768	69,174	3,834	5,921	16,243	(2,617)	47,845	72,478

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

	31.03.2020	31.03.2019
	RM'000	RM'000
Total EBITDA for reportable segments	47,845	72,478
Depreciation and amortisation	(30,206)	(26,956)
Interest expense	(17,430)	(17,594)
Interest income	4,312	6,815
Share of profit of equity-accounted investees not included in reportable segments	723	464
Unallocated corporate expenses	(5,045)	(5,480)
Consolidated profit before taxation	199	29,727

(b) Geographical segment

	Malaysia		Vietnam		Others		Total	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	585,988	830,359	52,909	148,776	95,390	101,470	734,287	1,080,605
Segment EBITDA	63,391	65,537	(22,806)	(81)	7,260	7,022	47,845	72,478

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment was brought forward without amendment from the audited financial statements for the year ended 31 December 2019.

11. Valuation of Investment Properties

The valuation of investment properties was brought forward without amendment from the audited financial statements for the year ended 31 December 2019.

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

12. Subsequent Event

There are no other item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group in the interval between the end of this reporting period and the date of this announcement except for the following:

On 27 May 2020, the Board of Directors has announced to the Bursa Malaysia that a subsidiary of the Company, namely Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA"), has on 22 May 2020 received bills of demand dated 15 May 2020 from the Royal Malaysian Customs Department ("RMCD") amounting to RM180 million for excise duty in respect of period from 1 November 2016 to 31 October 2019.

TCMA does not admit to any liability on the bills of demand made by RMCD and has filed an appeal to the Director General of RMCD on this matter. In view of discussions with RMCD that are still ongoing and as allowed under paragraph 92 of MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*, the Company is not in a position to disclose any further information on grounds that it can be prejudicial to the outcome of the discussions.

13. Changes in Composition of the Group

The Group has incorporated a few wholly-owned subsidiaries under the Labuan Companies Act, 1990 during the quarter ended 31 March 2020. These companies are principally engaged in investment holding and are summarised below:

	Date of Incorporation	Name of Subsidiaries
i)	2 January 2020	Tan Chong Construction (Labuan) Pte Ltd
ii)	11 March 2020	TC Overseas Assets Holdings Labuan Pte Ltd
iii)	23 March 2020	TC Overseas Assets Labuan (C) Pte Ltd

Save for the above, there were no other 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 31 March 2020 except as disclosed in Part B, Note 9 of the Announcement.

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

	31.03.2020	31.03.2019
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	150,318	131,947
Authorised and contracted for		
In Malaysia	50,972	31,090
Outside Malaysia	130,652	33,432
TOTAL	331,942	196,469

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	
	31.03.2020	31.03.2019
	RM'000	RM'000
With WTCH Group		
Purchases	(4,817)	(16,480)
Sales	2,593	63,443
Travel agency and car rental services	(519)	(1,110)
Contract assembly services	991	4,077
<hr/> <hr/>		
With APM Group		
Purchases	(14,964)	(27,113)
Sales	2,153	13,260
<hr/> <hr/>		
With TCIL Group		
Sales	3,097	457
Contract assembly services	2,259	7,334
<hr/> <hr/>		

These transactions have been entered into in the normal course of business and have 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	
	31.03.20	31.03.19
	RM'000	RM'000
Purchases	174,807	529,899
<hr/> <hr/>		

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

- (c) Significant transactions with Auto Dunia Sdn. Bhd., a company connected to a Director of the Company, namely Dato' Tan Heng Chew by virtue of Section 197 of the Companies Act, 2016, are as follows:

	Individual/Cumulative Quarter	
	31.03.2020	31.03.2019
	RM'000	RM'000
Purchases	(6,903)	(177,209)
Sales	18	18,445
<hr/> <hr/>		

These transactions have been entered into in the normal course of business and have 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 2020, the Group recorded a revenue of RM734.3 million and profit before tax of RM0.2 million, a decrease of 32.0% and 99.3% respectively compared to the same quarter of preceding year. As at 31 March 2020, the Group's retained earnings was RM1.87 billion. The net assets per share as at 31 March 2020 was RM4.59, compared to RM4.38 as at 31 March 2019. Further analysis of the segments is explained below:

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

The automotive division recorded a lower revenue of RM709.5 million (-32.7% year-on-year ("YoY")) and lower Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") of RM27.8 million (-59.9% YoY). The lower revenue was due to the Covid-19 pandemic which has plagued global economic activities.

b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded a lower revenue of RM19.0 million (-15.0% YoY) and EBITDA of RM3.8 million (-35.2% YoY). The reduction was due to lower loan book size as at 31 March 2020 compared to previous year.

c) Other Operations (Investments and Properties)

Revenue from other operations was higher at RM5.8 million in the quarter under review compared to RM3.3 million in the same quarter previous year. EBITDA improved from a loss of RM2.6 million in the same quarter previous year to a profit of RM16.2 million in the current quarter under review. The increase in EBITDA was mainly due to net foreign exchange gain in the quarter ended 31 March 2020 compared with net foreign exchange loss in the same quarter of preceding year which mainly arose from transactions and outstanding balances denominated in foreign currencies.

2. Comparison with Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Changes	
	31.03.2020	31.12.2019	RM'000	%
	RM'000	RM'000		
Revenue	734,287	974,611	(240,324)	-24.7%
Profit before tax	199	22,944	(22,745)	-99.1%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after sale services	709,491	949,912	(240,421)	-25.3%
Financial services	19,003	18,617	386	2.1%
Other operations	5,793	6,082	(289)	-4.8%
	<u>734,287</u>	<u>974,611</u>	(240,324)	-24.7%
<u>Segment EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after sale services	27,768	85,347	(57,579)	-67.5%
Financial services	3,834	6,524	(2,690)	-41.2%
Other operations	16,243	(12,366)	28,609	231.4%
	<u>47,845</u>	<u>79,505</u>	(31,660)	-39.8%

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

2. Comparison with Immediate Preceding Quarter's Results (continued)

The Group recorded revenue of RM734.3 million in the first quarter ended 31 March 2020, lower by RM240.3 million or 24.7% compared to RM974.6 million in the immediate preceding quarter. In line with the reduction in revenue, Profit Before Tax decreased by 99.1% from RM22.9 million to RM0.2 million in the current quarter under review.

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

For the quarter under review, automotive division recorded revenue of RM709.5 million (-25.3% current quarter compared to preceding quarter ("QoQ")) and RM27.8 million in segment EBITDA (-67.5% QoQ). Revenue and EBITDA were lower due to lower vehicle sales which was impacted by the highly competitive business in the domestic and overseas market as well as weaker consumer sentiment caused by the Covid-19 pandemic.

b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM19.0 million in the current quarter under review (+2.1% QoQ) and EBITDA of RM3.8 million (-41.2% QoQ). The lower EBITDA was due to higher impairment made for hire purchase receivables in Q1 2020 compared to the immediate preceding quarter.

c) Other Operations (Investments and Properties)

Revenue from other operations for the quarter under review was RM5.8 million compared to RM6.1 million in the immediate preceding quarter. EBITDA improved to RM16.2 million in Q1 2020 from a loss of RM12.4 million in Q4 2019, mainly due to net foreign exchange gain in the quarter ended 31 March 2020 which mainly arose from transactions and outstanding balances denominated in foreign currencies.

3. Current Year Prospects

The impact caused by the Covid-19 global pandemic has been unprecedented and has far reaching consequences on the local and global economy.

The domestic automotive industry is expected to be subdued as consumer spending is anticipated to be cautious and demand for big ticket items such as motor vehicle is expected to remain weak. However, with the recent announcement of sales tax exemption by the government, it is hoped that it could mitigate the impact by providing the impetus for consumer spending. We have adjusted the selling prices of the locally assembly passenger vehicles distributed by the Group. We will monitor and implement the appropriate sales and marketing strategies to respond to market demands.

Following the business continuity plans activated by the Group during the movement control order (MCO) in Malaysia, our business units in Malaysia and regional countries have implemented the business recovery plans to regain customers and market position in the new normal economic conditions.

The Group will continue to take active measures to improve its competitiveness in all the markets we operate in and maintain our focus on the key business strategies to drive business growth and achieve operational sustainability.

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

4. Comparison with Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual/Cumulative Quarter	
	31.03.2020	31.03.2019
	RM'000	RM'000
Current year	(10,457)	(20,865)
Prior year	(3,918)	10
Deferred tax	(612)	8,345
	<u>(14,987)</u>	<u>(12,510)</u>

The effective tax rate of the Group for the current quarter was higher than the statutory rate of 24% due to certain expenses being disallowed for tax purposes and the absence of group relief.

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:

	31.03.2020	31.12.2019
	RM'000	RM'000
Unsecured :		
- Bills payable	119,798	171,886
- Revolving credit	1,220,345	924,968
- Medium term notes	499,377	499,286
Total borrowings	<u>1,839,520</u>	<u>1,596,140</u>
Comprising :		
Amount repayable within one year	1,340,143	1,096,854
Amount repayable after one year	499,377	499,286
	<u>1,839,520</u>	<u>1,596,140</u>

Group borrowings breakdown by currencies:

		31.03.2020	31.12.2019
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,443,609	1,300,606
RM	USD	315,847	225,707
VND	VND	59,849	60,758
VND	USD	20,215	9,069
		<u>1,839,520</u>	<u>1,596,140</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 2020, 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	153,193	(6,011)	Less than 1 year

Forward foreign exchange contracts are entered into with locally incorporated licensed banks to hedge certain portion of the Group's purchases from exchange rate movements and repayments from overseas subsidiaries. As the exchange rates are predetermined under such contracts, in the event of exchange rate movement, exposure to opportunity gain/(loss) is expected. Given that the contracts are entered into with locally incorporated licensed banks, we are of the view that credit risk and the counterparty risk are minimal. Apart from a small fee payable to the banks, there are no cash requirements for the forward contracts.

It is the Group's policy not to enter into hedging contracts, which in the aggregate, relate to volumes that exceed the expected commercial requirements for imports.

9. Changes in Material Litigation

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

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

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

The Supreme Court in Phnom Penh had, on 5 June 2019, vide oral judgment, upheld and concurred with the decision of the Court of Appeal as follows:

- (a) the non-existence of the agreement between ETCM (C) and TCMC with Narita;
- (b) Narita is to stop harassing ETCM (C) and TCMC in all manners; and
- (c) Narita is to stop using the Nissan mark in all its business operations and remove the Nissan mark and stop using it in the billboards and advertisements of any kind.

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

9. Changes in Material Litigation (continued)

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

However, the Supreme Court had:

- (i) dismissed the Court of Appeal’s decision on the following:
 - a) that ETCM (C) and TCMC were to pay damages to Narita of the amount of USD329,207 based on the reason that such decision is unclear; and
 - b) Narita should not incur the entire litigation cost based on the reason that this order is not within the provision of the Cambodian legal provisions;
- (ii) also considered the Court of Appeal had omitted to decide on the compensation claimed by ETCM (C) and TCMC.

As such, the Supreme Court had made a ruling to return the appeal case to the Court of Appeal to hear and make a new decision based on reasons of the Supreme Court as above. Currently, ETCM (C) and TCMC are awaiting the summon from the Court of Appeal for hearing on the above points dismissed by 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, a sealed copy of a Notice of Application for Injunction dated 12 August 2017 and supporting Affidavit dated 11 August 2017 (“the action”) from the solicitors acting for Transnasional Express Sdn. Bhd. (“Transnasional”), Plusliner Sdn. Bhd. (“Plusliner”), Syarikat Kenderaan Melayu Kelantan Berhad (“SKMK”), Syarikat Rembau Tampin Sdn. Bhd. (“SRT”), Kenderaan Langkasuka Sdn. Bhd. (“Langkasuka”), Konsortium Transnasional Berhad (“KTB”) and MHSB Properties Sdn Bhd (“MHSB”) (collectively known as “Plaintiffs”).

TCIE entered into a series of lease agreements with Transnasional, Plusliner and SKMK and a series of service maintenance agreements with Transnasional, Plusliner, SKMK, SRT and Langkasuka (collectively known as “Debtors”) for the lease and service maintenance of the vehicles. The Debtors were owing to TCIE outstanding rentals and service bills amounting to RM32,920,575 (“Debt”).

TCIE negotiated with the Debtors on the settlement of the Debt on many occasions and after lengthy negotiations, the Debtors and KTB mutually agreed to enter into a Settlement Agreement with TCIE on 4 July 2016 to settle the same by way of (i) repayment of the amount of RM16,920,575 in cash in several instalments; and (ii) transfer of a piece of land held under H.S.(D) 87546, PT No. 7929, Bandar Ampang, Daerah Ulu Langat, Negeri Selangor (“Land”) owned by MHSB to TCIE for the settlement of the balance Debt of RM16,000,000 (“Balance Debt”) (“Settlement Agreement”).

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

Pursuant to the Action, the Plaintiffs sought, amongst others, an injunction to restrain TCIE from proceeding with the repossession and disposal of the vehicles and to restrain TCIE from entering into any dealing in relation to the Land, as well as a declaration that the value of the Land was RM55,600,000 and repayment of the sum of RM22,679,425 to MHSB (“Plaintiffs’ Claim”).

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

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

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

9. Changes in Material Litigation (continued)

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

On 9 January 2018, the Plaintiffs filed an appeal with the Court of Appeal against the High Court Striking Out Order (“Plaintiff’s Appeal”).

On 15 November 2018, the Court of Appeal had allowed the Plaintiffs’ Appeal with costs in the cause and set aside the High Court Striking Out Order of 4 January 2018 (“the Court of Appeal Order”). The Court of Appeal further directed the Plaintiffs’ Claim to be re-fixed for case management on 27 November 2018 in the High Court for a full trial.

On 27 December 2018, TCIE filed an application for leave at the Federal Court to appeal against the Court of Appeal Order dated 15 November 2018 (“the Leave Application”). At the hearing of the Leave Application on 13 May 2019, the Federal Court directed for the grounds of judgment of the Court of Appeal to be obtained and for parties to attend before the Federal Court Registrar to fix the next hearing date.

On 8 July 2019, the Federal Court stated that a hearing date would only be fixed after the grounds of judgment of the Court of Appeal had been obtained. During the case management on 17 June 2020, the Federal Court has re-fixed the next case management date for 29 July 2020 and instructed the parties to file the written submissions on the same day. The next hearing date of the Leave Application has been fixed on 26 August 2020.

On 13 December 2018, during the case management for the Plaintiffs’ Claim before the High Court:

1. the Plaintiffs withdrew their injunction application with no order as to costs; and
2. the High Court has fixed the next case management on 29 January 2019 and the trial dates on September 10, 11, 12 and 13, 2019 being the earliest dates available for trial.

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

On 16 July 2019, TCIE filed the Notice of Appeal with the Court of Appeal against the High Court Discovery Order. The Court of Appeal has fixed the hearing against the High Court Discovery Order on 23 July 2020 and the next case management was fixed on 13 July 2020, for parties to file written submissions.

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

On 5 September 2019, the High Court decided the following:-

1. Allowed the Stay Application pending the disposal of TCIE’s appeal to the Court of Appeal against the High Court Discovery Order and TCIE’s Leave Application to the Federal Court; and
2. Initial trial date fixed on 10 September 2019 was vacated and re-fixed for 27 November 2019.

The latest case management was fixed on 15 April 2020 to update the High Court on the status of TCIE’s appeal to the Court of Appeal against the High Court Discovery Order and TCIE’s Leave Application to the Federal Court but was deferred due to the Movement Control Order. The case management is now re-fixed on 30 June 2020.

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 first quarter ended 31 March 2020.

A final single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2019 to shareholders whose names appear in the Register of Members on 21 August 2020 was proposed by the Directors. The dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting scheduled on 6 August 2020.

11. Earnings per Share

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

Weighted average number of ordinary shares	Individual/Cumulative Quarter	
	2020	2019
	('000)	('000)
Issued ordinary shares at beginning of the period	652,640	652,660
Effect of shares buyback during the period	(165)	(20)
Weighted average number of ordinary shares	<u>652,475</u>	<u>652,640</u>

12. Total Comprehensive Income

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

	Individual/Cumulative Quarter	
	(Unaudited)	(Unaudited)
	Current	Preceding
	Year	Year
	Quarter	Corresponding
	31.03.2020	Quarter
	RM'000	31.03.2019
		RM'000
Depreciation and amortisation	(30,206)	(26,956)
(Provision for)/reversal and (write off) of receivables	(2,405)	(2,029)
(Provision for)/reversal and (write off) of inventories	(517)	3
Gain on disposal of properties, plant and equipment	1,906	944
Property, plant and equipment written off	(642)	(24)
Foreign exchange gain/(loss)	16,979	(9,268)
(Loss)/Gain on derivatives	(10,513)	4,259
Impairment loss on property, plant and equipment	-	-
Other income including investment income	-	-

BY ORDER OF THE BOARD

WONG POH CHUN

Company Secretary

Kuala Lumpur

19 June 2020