



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Corresponding Quarter 30.06.2020 RM'000	Current Year To Date 30.06.2021 RM'000	Preceding Year Corresponding Period 30.06.2020 RM'000
Revenue	638,032	512,892	1,231,111	1,247,179
Operating (loss)/ profit	(6,578)	(72,500)	25,691	(59,906)
Interest expense	(13,880)	(16,605)	(27,031)	(34,035)
Interest income	2,992	3,034	6,063	7,346
Share of (loss)/ profit of equity-accounted investees	(822)	(259)	(911)	464
(Loss)/ Profit before taxation	(18,288)	(86,330)	3,812	(86,131)
Tax (expense)/ income	(6,643)	1,808	(23,342)	(13,179)
Loss for the period	(24,931)	(84,522)	(19,530)	(99,310)
Loss attributable to:				
Equity holders of the Company	(22,210)	(79,360)	(14,475)	(88,621)
Non-controlling interests	(2,721)	(5,162)	(5,055)	(10,689)
	(24,931)	(84,522)	(19,530)	(99,310)
Loss per share (sen)				
(a) Basic	(3.41)	(12.16)	(2.22)	(13.58)
(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 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Corresponding Quarter 30.06.2020 RM'000	Current Year To Date 30.06.2021 RM'000	Preceding Year Corresponding Year Period 30.06.2020 RM'000
Loss for the period	(24,931)	(84,522)	(19,530)	(99,310)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(843)	(1,200)	(11,765)	(4,004)
Cash flow hedge	(10,378)	6,481	(11,763)	(4,032)
Total items that are or may be classified subsequently to profit or loss	<u>(11,221)</u>	<u>5,281</u>	<u>(23,528)</u>	<u>(8,036)</u>
Other comprehensive (loss)/ income for the period, net of tax	(11,221)	5,281	(23,528)	(8,036)
Total comprehensive loss for the period	<u>(36,152)</u>	<u>(79,241)</u>	<u>(43,058)</u>	<u>(107,346)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(34,119)	(74,054)	(37,591)	(96,869)
Non-controlling interests	(2,033)	(5,187)	(5,467)	(10,477)
	<u>(36,152)</u>	<u>(79,241)</u>	<u>(43,058)</u>	<u>(107,346)</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 JUNE 2021

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment *	2,326,218	2,311,657
Investment properties	230,495	230,495
Intangible assets	759	759
Equity-accounted investees	73,908	75,969
Deferred tax assets	121,597	120,384
Hire purchase receivables	506,607	489,860
	3,259,584	3,229,124
<u>Current assets</u>		
Other investments	153,073	170,306
Inventories	935,659	772,706
Contract assets	17,304	19,377
Current tax assets	20,047	11,162
Hire purchase receivables	44,200	93,053
Receivables, deposits and prepayments	463,913	424,888
Derivative financial assets	427	17,914
Cash and cash equivalents	537,292	581,962
	2,171,915	2,091,368
TOTAL ASSETS	5,431,499	5,320,492

* Included in this amount was withdrawal of inventories with a carrying value of RM18 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 JUNE 2021 (continued)

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,484,179	2,531,552
Treasury shares	(25,901)	(25,866)
Total equity attributable to owners of the Company	2,794,278	2,841,686
Non-controlling interests	(22,462)	(16,995)
Total equity	2,771,816	2,824,691
<u>Non-current liabilities</u>		
Lease liabilities	69,349	74,894
Employee benefits	98,934	95,599
Deferred tax liabilities	207,728	208,989
Contract liabilities	46,267	52,899
	422,278	432,381
<u>Current liabilities</u>		
Borrowings	1,668,452	1,501,493
Lease liabilities	23,116	23,072
Derivative financial liabilities	1,894	2,980
Taxation	10,962	2,350
Contract liabilities	26,962	23,034
Payables and accruals	506,019	510,491
	2,237,405	2,063,420
Total liabilities	2,659,683	2,495,801
TOTAL EQUITY AND LIABILITIES	5,431,499	5,320,492
 Net assets per share attributable to owners of the Company (RM)	 4.28	 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 JUNE 2021**

	-----Attributable to owners of the Company-----							-----Non-Distributable----- -----Distributable-----		
	Share capital	Treasury shares	Translation reserves	Revaluation reserve	Hedging reserves	Capitalisation of retained earnings	Retained earnings	Total	Non- controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	(4,216)	-	(4,032)	-	-	(8,248)	212	(8,036)
Transfer of revaluation surplus on properties	-	-	-	(6,657)	-	-	6,657	-	-	-
Loss for the period	-	-	-	-	-	-	(88,621)	(88,621)	(10,689)	(99,310)
Total comprehensive loss for the period	-	-	(4,216)	(6,657)	(4,032)	-	(81,964)	(96,869)	(10,477)	(107,346)
Purchase of treasury shares	-	(202)	-	-	-	-	-	(202)	-	(202)
At 30.06.2020	336,000	(25,566)	(13,438)	834,544	(495)	100	1,791,364	2,922,509	(22,025)	2,900,484
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	-	-	(11,353)	-	(11,763)	-	-	(23,116)	(412)	(23,528)
Transfer of revaluation surplus on properties	-	-	-	(6,658)	-	-	6,658	-	-	-
Loss for the period	-	-	-	-	-	-	(14,475)	(14,475)	(5,055)	(19,530)
Total comprehensive loss for the period	-	-	(11,353)	(6,658)	(11,763)	-	(7,817)	(37,591)	(5,467)	(43,058)
Purchase of treasury shares	-	(35)	-	-	-	-	-	(35)	-	(35)
Dividend - 2021 interim	-	-	-	-	-	-	(9,782)	(9,782)	-	(9,782)
At 30.06.2021	336,000	(25,901)	(15,385)	821,573	3,171	100	1,674,720	2,794,278	(22,462)	2,771,816

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.



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

CUMULATIVE QUARTER

	For the 6 months ended 30.06.2021 RM'000	For the 6 months ended 30.06.2020 RM'000
Cash flows from operating activities		
Profit/ (Loss) before taxation	3,812	(86,131)
Adjustments for:		
Non-cash and non-operating items	72,846	125,093
Operating profit before working capital changes	76,658	38,962
Changes in working capital		
Inventories	(180,796)	276,462
Hire purchase receivables	28,653	27,366
Receivables, deposits and prepayments	(49,184)	77,396
Payables and accruals	1,883	(232,316)
Contract assets	2,073	(737)
Contract liabilities	(2,704)	(2,271)
Cash (used in)/ from operations	(123,417)	184,862
Tax paid	(17,937)	(13,729)
Interest paid	(18,521)	(24,436)
Employee benefits paid	(592)	(1,322)
Net cash (used in)/ from operating activities	(160,467)	145,375
Cash flows from investing activities		
Acquisition of property, plant and equipment	(61,954)	(90,757)
Net proceeds from/ (acquisition of) disposal of other investment	17,233	(178,690)
Dividend received from equity-accounted investees	-	1,450
Proceeds from disposal of property, plant and equipment	16,057	5,858
Net cash used in investing activities	(28,664)	(262,139)



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

	CUMULATIVE QUARTER	
	For the 6 months ended	For the 6 months ended
	30.06.2021	30.06.2020
	RM'000	RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(9,782)	-
Purchase of own shares	(35)	(202)
Net proceeds from/ (repayment of) bills payable	97,816	(24,680)
Net proceeds from medium term notes, term loans and revolving credit	58,685	283,880
Payment of lease liabilities	(10,906)	(11,204)
Share subscription in subsidiary company by non-controlling interest shareholders	490	-
Net cash from financing activities	136,268	247,794
Net (decrease)/ increase in cash and cash equivalents	(52,863)	131,030
Effects of exchange rate fluctuations on cash and cash equivalents	8,193	(5,810)
Cash and cash equivalents at beginning of the period	581,962	407,786
Cash and cash equivalents at end of the period	537,292	533,006
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	255,855	268,912
Deposits with licensed banks	281,437	264,094
	537,292	533,006

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 quarter under review by approximately RM10.8 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 RM13.8 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM81.2 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

An interim single tier dividend of 1.5 sen per share for the financial year ending 31 December 2021 amounting to RM9.78 million was declared on 24 May 2021 and paid on 30 June 2021 (2020: interim single tier dividend of 1.5 sen per share amounted to RM9.78 million, declared on 24 November 2020 and paid on 28 December 2020).

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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	618,820	492,716	16,455	15,490	2,757	4,686	638,032	512,892
Inter-segment revenue	286	275	328	1,075	18,808	20,255	19,422	21,605
Segment EBITDA/ (LBITDA)*	10,928	(17,470)	3,224	(16,786)	15,031	618	29,183	(33,638)

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

Reconciliation of reportable segment profit or loss:

	30.06.2021	30.06.2020
	RM'000	RM'000
Total EBITDA/ (LBITDA) for reportable segments	29,183	(33,638)
Depreciation and amortisation	(32,477)	(36,595)
Interest expense	(13,880)	(16,605)
Interest income	2,992	3,034
Share of loss of equity-accounted investees not included in reportable segments	(822)	(259)
Unallocated corporate expenses	(3,284)	(2,267)
Consolidated loss before taxation	(18,288)	(86,330)

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

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,190,588	1,202,207	35,259	34,493	5,264	10,479	1,231,111	1,247,179
Inter-segment revenue	444	680	747	2,293	40,817	40,949	42,008	43,922
Segment EBITDA/ (LBITDA)	49,763	10,298	15,558	(12,952)	35,444	16,861	100,765	14,207

Reconciliation of reportable segment profit or loss:

	30.06.2021	30.06.2020
	RM'000	RM'000
Total EBITDA for reportable segments	100,765	14,207
Depreciation and amortisation	(68,308)	(66,801)
Interest expense	(27,031)	(34,035)
Interest income	6,063	7,346
Share of (loss)/ profit of equity-accounted investees not included in reportable segments	(911)	464
Unallocated corporate expenses	(6,766)	(7,312)
Consolidated profit/ (loss) before taxation	3,812	(86,131)

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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	505,484	374,241	106,903	88,449	25,645	50,202	638,032	512,892
Segment EBITDA/(LBITDA)	32,317	(23,703)	1,462	(16,672)	(4,596)	6,737	29,183	(33,638)

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

	Malaysia		Vietnam		Others		Total	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,006,914	960,229	164,079	141,358	60,118	145,592	1,231,111	1,247,179
Segment EBITDA/(LBITDA)	107,127	39,688	(3,484)	(39,478)	(2,878)	13,997	100,765	14,207

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

	30.06.2021 RM'000	31.12.2020 RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	153,073	170,306
Total	153,073	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 June 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

	30.06.2021 RM'000	31.12.2020 RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	206,006	133,006
Authorised and contracted for		
In Malaysia	60,164	29,346
Outside Malaysia	115,019	101,740
Total	<u>381,189</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	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
With WTCH Group				
Purchases	(10,621)	(8,382)	(26,548)	(13,199)
Sales	3,174	3,855	12,969	6,448
Travel agency and car rental services	(64)	(1,237)	(143)	(1,756)
Contract assembly services	554	948	2,718	1,939
With APM Group				
Purchases	(3,298)	(4,377)	(7,423)	(19,341)
Sales	187	232	254	2,385
With TCIL Group				
Sales	2,645	3,174	5,161	6,271
Contract assembly services	1,445	1,515	1,445	3,774

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	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Purchases	(200,359)	(156,765)	(403,697)	(331,572)

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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Purchases	(105,697)	(27,209)	(191,914)	(34,112)
Sales	1,867	679	4,650	697

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 June 2021, the Group recorded a higher revenue of RM638.0 million compared to the same period preceding year. Consequently, Loss Before Tax (“LBT”) reduced from RM86.3 million in the same period preceding year to LBT of RM18.3 million in the current quarter under review.

For the 6 months period ended 30 June 2021, the Group recorded a lower revenue of RM1,231.1 million, 1.3% lower compared to the same period preceding year. However, the Group recorded Profit Before Tax (“PBT”) of RM3.8 million in current year-to-date period compared to LBT of RM86.1 million in the same period preceding year. The improvement in profitability 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 June 2021, the Group’s retained earnings was RM1.67 billion. The net assets per share as at 30 June 2021 was RM4.28, 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 higher revenue of RM618.8 million in the current quarter under review (+25.6% compared to same period last year (“YoY”)) and Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM10.9 million (+162.6% YoY).

As for the 6 months period ended 30 June 2021, the automotive division recorded revenue of RM1,190.6 million (-1.0% YoY) and EBITDA of RM49.8 million (+383.2% YoY).

The higher EBITDA in both the current quarter under review and year-to-date period was mainly due to better sales mix as the sales of all-new Almera Turbo and the recently launched Navara MC had partly contributed to the better margin achieved. In addition, lower operating expenses in the local and overseas markets had also contributed to the higher EBITDA in the current year-to-date period.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM16.5 million in the current quarter under review (+6.2% YoY) and an improved EBITDA of RM3.2 million (+119.2% YoY).

As for the 6 months period ended 30 June 2021, the financial services division recorded a marginally higher revenue of RM35.3 million (+2.2% YoY) and an improved EBITDA of RM15.6 million (+220.1% 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 RM2.8 million in the current quarter under review (-41.2% YoY). However, EBITDA was higher at RM15.0 million (+2,332.2% 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 6 months period ended 30 June 2021, revenue from Other Operations was lower at RM5.3 million (-49.8% YoY). However, EBITDA was higher at RM35.4 million (+110.2% YoY), mainly contributed by higher net foreign exchange gain which mainly 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 30.06.2021 RM'000	Immediate Preceding Quarter 31.03.2021 RM'000	Changes	
			RM'000	%
Revenue	638,032	593,079	44,953	7.6%
(Loss)/ Profit before tax	(18,288)	22,100	(40,388)	>-100.0%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	618,820	571,768	47,052	8.2%
Financial services	16,455	18,804	(2,349)	-12.5%
Other operations	2,757	2,507	250	10.0%
	<u>638,032</u>	<u>593,079</u>	44,953	7.6%
<u>Segment EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	10,928	38,835	(27,907)	-71.9%
Financial services	3,224	12,334	(9,110)	-73.9%
Other operations	15,031	20,413	(5,382)	-26.4%
	<u>29,183</u>	<u>71,582</u>	(42,399)	-59.2%

The Group recorded revenue of RM638.0 million in the current quarter ended 30 June 2021, higher by RM44.9 million or 7.6% compared to RM593.1 million in the preceding quarter. However, the Group recorded a LBT of RM18.3 million in the current quarter under review compared to PBT of RM22.1 million in the preceding quarter.

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

Despite the automotive division recording a higher revenue of RM618.8 million in the current quarter under review, an increase of 8.2% compared to the preceding quarter ("QoQ"), EBITDA of RM10.9 million was lower by -71.9% QoQ. EBITDA was lower during the quarter mainly due to unfavourable sales mix and timing of operating expenditure.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM16.5 million (-12.5% QoQ) and EBITDA of RM3.2 million (-73.9% QoQ) in the current quarter under review. The reduction in EBITDA was mainly due to impairment loss on hire purchase receivables recognised in the current quarter under review compared to reversal of impairment loss on hire purchase receivables recognised in preceding quarter.

(c) Other Operations (Investments and Properties)

The division recorded revenue of RM2.8 million (+10.0% QoQ) and EBITDA of RM15.0 million (-26.4% QoQ) in the current quarter under review. EBITDA decreased mainly due to 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

The lockdown restrictions imposed as a result of the Covid-19 pandemic during most part of 2021 in Malaysia had impacted the local automotive industry adversely. MAA has reduced its 2021 total industry volume (“TIV”) forecast to 500,000 units from 570,000 units earlier in view of the disruptions caused by the prolonged lockdown, 5.6% lower compared to 529,434 units registered in 2020. The sales outlook in the second half of 2021 hinges on the easing of the lockdown restrictions as the country will be moving into various stages of the National Recovery Plan and to a large extent the sales tax exemption which has been extended further to 31 December 2021, which is expected to spur vehicle sales for the remainder of the year.

With the surging Covid-19 cases in Malaysia as well as in the Indochina region, the Group expects challenging conditions ahead in view of the uncertainties surrounding the economic recovery in the region. Notwithstanding, the Group remains confident with its refreshed product line up and will be taking active measures to improve on its market competitiveness as well as implementing various business recovery plans at full speed when the conditions permit.

Moving forward, the Group will continue to focus on its priorities to rationalise its operations and further mitigate the adverse impact through various cost containment measures and conserving its cash in ensuring a sustainable financial position.

4. Comparison with Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM’000	RM’000	RM’000	RM’000
Current year	(4,849)	(4,917)	(20,273)	(15,746)
Prior year	-	(567)	-	(567)
Deferred tax	(1,794)	7,292	(3,069)	3,134
	<u>(6,643)</u>	<u>1,808</u>	<u>(23,342)</u>	<u>(13,179)</u>

For the current quarter under review, the Group had a tax charge of RM6.6 million despite recording 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:

	30.06.2021	31.12.2020
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	154,640	56,824
- Revolving credit	942,398	884,811
- Short term loan	71,569	60,202
- Medium term notes	499,845	499,656
Total borrowings	<u>1,668,452</u>	<u>1,501,493</u>
Comprising :		
Amount repayable within one year	1,668,452	1,501,493
Amount repayable after one year	-	-
	<u>1,668,452</u>	<u>1,501,493</u>

Group borrowings breakdown by currencies:

		30.06.2021	31.12.2020
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,367,485	1,214,480
RM	USD	229,398	214,596
VND	VND	71,569	72,417
		<u>1,668,452</u>	<u>1,501,493</u>

8. Financial Instruments

Derivatives

As at 30 June 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	350,080	(1,467)	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 hearing at the Court of Appeal on the points dismissed by the Supreme Court initially fixed on 26 July 2021 has been postponed to a later date to be determined.

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

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

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

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

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

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

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)

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.

Subsequently, 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.

TCIE filed a Defence and an 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 struck out the Plaintiffs’ Claim with costs of RM5,000.00 (“the High Court Striking Out Order”).

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”).

On 27 December 2018, TCIE filed an application for leave at the Federal Court for leave to appeal against the Court of Appeal Order dated 15 November 2018 (“the Leave Application”).

On 13 December 2018, the Plaintiffs withdrew their injunction application against TCIE with no order to costs.

On 8 April 2019, the Plaintiffs filed an application for discovery and the decision in respect of the discovery application was delivered on 11 July 2019. The High Court allowed the Plaintiff’s application for discovery in part (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 to the Court of Appeal against the High Court Discovery Order.

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 (“Application for Stay of the High Court Discovery Order”). The Application for Stay of the High Court Discovery Order was allowed by the High Court.

On 29 September 2020, the Court of Appeal dismissed with costs TCIE’s appeal against the High Court Discovery Order with costs.

On 2 October 2020, the High Court had during the case management of the Plaintiffs’ Claim re-fixed the trial dates from 22 to 24 December 2020.

On 7 October 2020, the Federal Court dismissed with cost TCIE’s application for leave to appeal against the Court of Appeal Order regarding TCIE’s application to strike out the Plaintiffs’ Claim with cost.

On 2 November 2020, the Plaintiffs filed an application to amend the pleadings in the High Court. The matter was initially fixed for hearing on 4 December 2020 and was re-fixed on 14 December 2020, where the High Court allowed the Plaintiff’s’ Amendment Application, with costs in the sum of RM1,000.00 to be paid by the Plaintiffs to TCIE.

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)

Pursuant to the Order of the High Court dated 14 December 2020, the Plaintiffs filed and served the Amended Writ and Amended Statement of Claim on 30 December 2020 and TCIE filed and served the Amended Defence on 8 January 2021. The trial was heard before the High Court on 10, 11 and 12 March 2021 and on 2 and 14 April 2021.

Upon conclusion of the trial on 14 April 2021, the Plaintiffs and the Defendant had filed their respective Written Submissions on 19 May 2021. The Plaintiffs filed their Submissions in Reply on 24 May 2021 and Defendant filed their Submissions in Reply on 27 May 2021. In addition, as instructed by the High Court, the Plaintiffs filed the notes of proceedings on 20 April 2021 and 5 May 2021 respectively.

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;
- (ii) the return of the land acquisition compensation sum of RM877,000.00 by TCIE to the Plaintiffs;
- (iii) 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.

On 22 July 2021, TCIE applied for a Stay of Execution of the High Court Judgment which is now fixed for hearing on 9 September 2021.

Save for the above, there were no other pending material litigations against the Group as at the date of this report.

10. Dividend

No dividend has been proposed for the second quarter ended 30 June 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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Loss attributable to the owners of the Company (RM'000)	(22,210)	(79,360)	(14,475)	(88,621)
Weighted average number of ordinary shares ('000)	652,161	652,640	652,162	652,462
Basis Loss per share (sen)	<u>(3.41)</u>	<u>(12.16)</u>	<u>(2.22)</u>	<u>(13.58)</u>

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 Year 30.06.2021 RM'000	Preceding Year Corresponding Quarter 30.06.2020 RM'000	Current Year To Date 30.06.2021 RM'000	Preceding Year Corresponding Period 30.06.2020 RM'000
Depreciation and amortisation	(32,477)	(36,595)	(68,308)	(66,801)
Provision for/ and write off of receivables	(5,440)	(25,475)	(3,431)	(27,880)
Reversal/ (Provision for)/ and (write off) of inventories	78	(169)	65	(686)
Foreign exchange gain/ (loss)	12,521	(424)	30,794	16,555
Gain/ (loss) on disposal of properties, plant and equipment	1,305	(36)	2,637	1,870
Property, plant and equipment written off	-	-	(1,044)	(642)
(Loss)/ Gain on derivatives	(10,378)	6,481	(11,763)	(4,032)
Gain/ (Loss) on disposal of investment	-	-	-	-
Impairment on property, plant and equipment	-	-	-	-
Other income including investment income	-	-	-	-

BY ORDER OF THE BOARD

WONG POH CHUN

Company Secretary

Kuala Lumpur

24 August 2021