



# **TAN CHONG MOTOR HOLDINGS BERHAD**

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

## **INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022**

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Corresponding Quarter 30.06.2021 RM'000	Current Year To Date 30.06.2022 RM'000	Preceding Year Corresponding Period 30.06.2021 RM'000
Revenue	814,280	638,032	1,583,581	1,231,111
Operating profit/ (loss)	33,691	(6,578)	28,159	25,691
Interest expense	(14,005)	(13,880)	(23,333)	(27,031)
Interest income	2,497	2,992	3,941	6,063
Share of loss of equity-accounted investees	(806)	(822)	(707)	(911)
Profit/ (Loss) before taxation	21,377	(18,288)	8,060	3,812
Tax expense	(16,967)	(6,643)	(25,091)	(23,342)
Profit/ (Loss) for the period	4,410	(24,931)	(17,031)	(19,530)
Profit/ (Loss) attributable to:				
Equity holders of the Company	6,244	(22,210)	(13,277)	(14,475)
Non-controlling interests	(1,834)	(2,721)	(3,754)	(5,055)
	4,410	(24,931)	(17,031)	(19,530)
Earning/ (Loss) per share (sen)				
(a) Basic	0.96	(3.41)	(2.04)	(2.22)
(b) Fully diluted	N/A	N/A	N/A	N/A

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



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*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 2022  
(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Corresponding Quarter 30.06.2021 RM'000	Current Year To Date 30.06.2022 RM'000	Preceding Year Corresponding Period 30.06.2021 RM'000
<b>Profit/ (Loss) for the period</b>	4,410	(24,931)	(17,031)	(19,530)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(8,929)	(843)	(8,479)	(11,765)
Cash flow hedge	(3,455)	(10,378)	(4,070)	(11,763)
<b>Total items that are or may be classified to profit or loss</b>	<u>(12,384)</u>	<u>(11,221)</u>	<u>(12,549)</u>	<u>(23,528)</u>
<b>Other comprehensive loss for the period, net of tax</b>	(12,384)	(11,221)	(12,549)	(23,528)
<b>Total comprehensive loss for the period</b>	<u>(7,974)</u>	<u>(36,152)</u>	<u>(29,580)</u>	<u>(43,058)</u>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(4,209)	(34,119)	(24,173)	(37,591)
Non-controlling interests	(3,765)	(2,033)	(5,407)	(5,467)
	<u>(7,974)</u>	<u>(36,152)</u>	<u>(29,580)</u>	<u>(43,058)</u>

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



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*Registration No. 197201001333 (12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment *	2,309,046	2,317,945
Investment properties	228,235	229,500
Intangible assets	13,879	14,546
Equity-accounted investees	69,902	72,374
Deferred tax assets	102,177	107,809
Hire purchase receivables	375,099	406,161
	3,098,338	3,148,335
<b><u>Current assets</u></b>		
Other investments	272,442	2,081
Inventories	581,926	777,974
Contract assets	19,253	10,809
Current tax assets	20,050	19,323
Hire purchase receivables	106,760	101,047
Receivables, deposits and prepayments	444,123	420,182
Derivative financial assets	439	-
Cash and cash equivalents	571,956	514,487
	2,016,949	1,845,903
Assets classified as held for sale	1,265	1,689
	2,018,214	1,847,592
<b>TOTAL ASSETS</b>	<b>5,116,552</b>	<b>4,995,927</b>

\* Included in this amount was withdrawal of inventories during the financial period with a carrying value of RM3.5 million (2021: RM18.0 million) for the business of subscription plans in one of the subsidiaries of the Group.



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022 (continued)**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>As at</b>	<b>As at</b>
	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity</u></b>		
Share capital	336,000	336,000
Reserves	2,447,468	2,481,423
Treasury shares	(25,953)	(25,901)
<b>Total equity attributable to owners of the Company</b>	<b>2,757,515</b>	<b>2,791,522</b>
Non-controlling interests	(27,257)	(21,850)
<b>Total equity</b>	<b>2,730,258</b>	<b>2,769,672</b>
<b><u>Non-current liabilities</u></b>		
Lease liabilities	70,051	70,451
Borrowings	300,000	-
Employee benefits	101,716	95,792
Deferred tax liabilities	209,695	206,125
Contract liabilities	40,173	44,620
	<b>721,635</b>	<b>416,988</b>
<b><u>Current liabilities</u></b>		
Borrowings	1,132,691	1,268,189
Lease liabilities	17,832	23,963
Derivative financial liabilities	6,608	544
Taxation	9,108	1,644
Contract liabilities	26,414	22,113
Payables and accruals	472,006	492,814
	<b>1,664,659</b>	<b>1,809,267</b>
<b>Total liabilities</b>	<b>2,386,294</b>	<b>2,226,255</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,116,552</b>	<b>4,995,927</b>
Net assets per share attributable to owners of the Company (RM)	4.23	4.28

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



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2022**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	-----Attributable to owners of the Company-----					-----Distributable-----				
	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Hedging reserve RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<b>At 01.01.2021</b>	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)
<b>At 30.06.2021</b>	<b>336,000</b>	<b>(25,901)</b>	<b>(15,385)</b>	<b>821,573</b>	<b>3,171</b>	<b>100</b>	<b>1,674,720</b>	<b>2,794,278</b>	<b>(22,462)</b>	<b>2,771,816</b>
<b>At 01.01.2022</b>	336,000	(25,901)	(13,510)	814,934	(518)	100	1,680,417	2,791,522	(21,850)	2,769,672
Other comprehensive loss for the period, net of tax	-	-	(6,826)	-	(4,070)	-	-	(10,896)	(1,653)	(12,549)
Transfer of revaluation surplus on properties	-	-	-	(6,658)	-	-	6,658	-	-	-
Loss for the period	-	-	-	-	-	-	(13,277)	(13,277)	(3,754)	(17,031)
Total comprehensive loss for the period	-	-	(6,826)	(6,658)	(4,070)	-	(6,619)	(24,173)	(5,407)	(29,580)
Purchase of treasury shares	-	(52)	-	-	-	-	-	(52)	-	(52)
Dividend - 2022 interim	-	-	-	-	-	-	(9,782)	(9,782)	-	(9,782)
<b>At 30.06.2022</b>	<b>336,000</b>	<b>(25,953)</b>	<b>(20,336)</b>	<b>808,276</b>	<b>(4,588)</b>	<b>100</b>	<b>1,664,016</b>	<b>2,757,515</b>	<b>(27,257)</b>	<b>2,730,258</b>

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



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

	<b>CUMULATIVE QUARTER</b>	
	<b>For the 6 months ended 30.06.2022</b>	<b>For the 6 months ended 30.06.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	8,060	3,812
Adjustments for:		
Non-cash and non-operating items	77,817	72,846
<b>Operating profit before working capital changes</b>	85,877	76,658
<b>Changes in working capital</b>		
Inventories	193,184	(180,796)
Hire purchase receivables	27,906	28,653
Receivables, deposits and prepayments	(23,509)	(49,184)
Payables and accruals	(32,859)	1,883
Contract assets	(8,444)	2,073
Contract liabilities	(146)	(2,704)
Cash from/ (used in) operations	242,009	(123,417)
Tax paid	(11,596)	(17,937)
Interest paid	(14,867)	(18,521)
Employee benefits paid	(872)	(592)
<b>Net cash from/ (used in) operating activities</b>	214,674	(160,467)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(43,481)	(61,954)
Acquisition of intangible assets	(194)	-
Net (acquisition of)/ proceeds from disposal of other investments	(270,361)	17,233
Dividend received from equity-accounted investees	1,700	-
Proceeds from disposal of property, plant and equipment	14,070	16,057
<b>Net cash used in investing activities</b>	(298,266)	(28,664)



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

	<b>CUMULATIVE QUARTER</b>	
	<b>For the 6 months ended 30.06.2022</b>	<b>For the 6 months ended 30.06.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company	(9,782)	(9,782)
Purchase of own shares	(52)	(35)
Net (repayment of)/ proceeds from bankers' acceptance	(59,131)	97,816
Net proceeds from medium term notes, term loans and revolving credit	210,892	58,685
Payment of lease liabilities	(9,443)	(10,906)
Share subscription in subsidiary company by non-controlling interest shareholders	-	490
<b>Net cash from financing activities</b>	<b>132,484</b>	<b>136,268</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	48,892	(52,863)
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	8,577	8,193
<b>Cash and cash equivalents at beginning of the period</b>	514,487	581,962
<b>Cash and cash equivalents at end of the period</b>	<b>571,956</b>	<b>537,292</b>

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



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

### 1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of Tan Chong Motor Holdings Berhad (“TCMH”) and its subsidiaries, associates and joint venture (“the Group”) as at and for the year ended 31 December 2021.

### 2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and Amendments to MFRSs. MFRSs and Amendments to MFRSs marked with “\*” are not applicable to the Group.

#### ***Effective for annual periods beginning on or after 1 January 2022***

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

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

#### **MFRSs and Amendments to MFRSs issued but not yet effective**

The following MFRSs and Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted. MFRSs and Amendments to MFRSs marked with “\*” are not applicable to the Group.

#### ***Effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts* \*
- Amendments to MFRS 17, *Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information* \*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### ***Effective for a date yet to be confirmed***

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

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

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

**3. Audit Qualifications**

There were no audit qualifications in the annual financial statements for the year ended 31 December 2021.

**4. Seasonal or Cyclical Factors**

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

**5. Unusual Items**

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

**6. Material Changes in Estimates**

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

**7. Debt and Equity Securities**

During the quarter under review, the Company repurchased 44,000 units of its issued ordinary shares from the open market at an average price of RM1.18. Total consideration paid for the repurchase including transaction cost was RM51,906 and this was financed by internally generated funds. Cumulative total number of shares repurchased at the end of the financial quarter was 19,883,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group had redeemed RM8.3 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM48.2 million at the end of the financial quarter.

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

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

**8. Dividends Paid**

An interim single tier dividend of 1.5 sen per share for the financial year ending 31 December 2022 which amounted to RM9.78 million was declared on 24 May 2022 and paid on 30 June 2022 (2021: interim single tier dividend of 1.5 sen per share amounted to RM9.78 million, declared on 24 May 2021 and paid on 30 June 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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	794,412	618,820	16,492	16,455	3,376	2,757	814,280	638,032
Inter-segment revenue	104	286	4	328	21,190	18,808	21,298	19,422
Segment EBITDA/ (LBITDA)*	34,816	10,928	11,804	3,224	29,718	15,031	76,338	29,183

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

**Reconciliation of reportable segment profit or loss:**

	30.06.2022	30.06.2021
	RM'000	RM'000
Total EBITDA for reportable segments	76,338	29,183
Depreciation and amortisation	(37,190)	(32,477)
Interest expense	(14,005)	(13,880)
Interest income	2,497	2,992
Share of loss of equity-accounted investees not included in reportable segments	(806)	(822)
Unallocated corporate expenses	(5,457)	(3,284)
Consolidated profit/ (loss) before taxation	21,377	(18,288)

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

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,544,098	1,190,588	33,413	35,259	6,070	5,264	1,583,581	1,231,111
Inter-segment revenue	158	444	9	747	41,145	40,817	41,312	42,008
Segment EBITDA	51,154	49,763	20,153	15,558	40,904	35,444	112,211	100,765

**Reconciliation of reportable segment profit or loss:**

	30.06.2022	30.06.2021
	RM'000	RM'000
Total EBITDA for reportable segments	112,211	100,765
Depreciation and amortisation	(73,408)	(68,308)
Interest expense	(23,333)	(27,031)
Interest income	3,941	6,063
Share of loss of equity-accounted investees not included in reportable segments	(707)	(911)
Unallocated corporate expenses	(10,644)	(6,766)
Consolidated profit before taxation	8,060	3,812

**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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	686,112	505,484	94,893	106,903	33,275	25,645	814,280	638,032
Segment EBITDA/(LBITDA)	81,182	32,317	(405)	1,462	(4,439)	(4,596)	76,338	29,183

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

	Malaysia		Vietnam		Others		Total	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,336,104	1,006,914	160,547	164,079	86,930	60,118	1,583,581	1,231,111
Segment EBITDA/(LBITDA)	134,117	107,127	(1,129)	(3,484)	(20,777)	(2,878)	112,211	100,765

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

The valuation of property, plant and equipment and investment properties was brought forward without amendment from the audited financial statements for the year ended 31 December 2021.

**11. Other Investments**

	30.06.2022	31.12.2021
	RM'000	RM'000
<b>Current</b>		
Liquid investments in quoted unit trusts with licensed financial institutions	272,442	2,081
Total	272,442	2,081

**12. Material Events**

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group.

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

**13. Changes in Composition of the Group**

During the quarter under review, the following wholly-owned subsidiaries were struck off from the register of Companies Commission of Malaysia following the Group's application pursuant to Section 550 of the Companies Act 2016:

<b>Name of Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Principal Activities</b>
(a) Tan Chong Higher Education Sdn. Bhd.	Malaysia	Dormant
(b) TC Industrial Lands (Serendah) Sdn. Bhd.	Malaysia	Dormant
(c) Tan Chong Private Education Sdn. Bhd.	Malaysia	Dormant

Save for the above, there were no other changes in the composition of the Group for the quarter under the review.

**14. Changes in Contingent Liabilities or Contingent Assets**

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

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

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Property, plant and equipment</i>		
Authorised but not contracted for	185,125	240,511
Authorised and contracted for		
In Malaysia	9,329	13,027
Outside Malaysia	24,319	84,965
<b>Total</b>	<b>218,773</b>	<b>338,503</b>

**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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>With WTCH Group</b>				
Purchases	(16,579)	(10,621)	(29,261)	(26,548)
Sales and leasing of goods and services	20,881	3,174	42,273	12,969
Travel agency and car rental services	(136)	(64)	(219)	(143)
Contract assembly services	959	554	2,001	2,718
<b>With APM Group</b>				
Purchases	(8,656)	(3,298)	(17,358)	(7,423)
Sales	964	187	2,307	254
<b>With TCIL Group</b>				
Sales	3,726	2,645	5,736	5,161
Contract assembly services	5,720	1,445	9,524	1,445

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

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

**16. Significant Related Party Transactions (continued)**

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	(163,704)	(200,359)	(273,955)	(403,697)

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

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchases	(51,156)	(105,697)	(218,767)	(191,914)
Sales	5,688	1,867	11,032	4,650

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 2022, the Group recorded a higher revenue of RM814.2 million, an increase of 27.6% compared to the same period preceding year. Consequently, the Group recorded a Profit Before Tax (“PBT”) of RM21.4 million in the current quarter under review, compared to Loss Before Tax (“LBT”) of RM18.3 million in the same period preceding year.

For the 6 months period ended 30 June 2022, the Group recorded revenue of RM1.58 billion, 28.6% higher compared to the same period preceding year. As a result, the Group recorded PBT of RM8.1 million in current year-to-date period compared to PBT of RM3.8 million in the same period preceding year. The improvement in profitability was mainly due to higher sales, partly offset by the provision for litigation compensation for the Narita case in Cambodia.

As at June 2022, the Group’s retained earnings was RM1.66 billion. The net assets per share as at 30 June 2022 was RM4.23, marginally lower compared to RM4.28 as at 31 December 2021. Further analysis of the performance of the business segments is as follows:

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

The automotive division recorded a higher revenue of RM794.4 million in the current quarter under review (+28.4% compared to same period last year (“YoY”). In line with the higher revenue, Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM34.8 million improved by 218.6% YoY.

For the 6 months period ended 30 June 2022, the automotive division recorded revenue of RM1,544.1 million (+29.7% YoY) and EBITDA of RM51.2 million (+2.8%). The higher EBITDA was mainly due to higher sales, partly offset by the compensation for litigation as mentioned above.

#### **(b) Financial Services (Hire Purchase and Insurance)**

The financial services division recorded revenue of RM16.5 million in the current quarter under review (+0.2% YoY) and EBITDA of RM11.8 million (+266.1% YoY). The higher EBITDA was mainly due to reversal of impairment loss on hire purchase receivables recognised in the current quarter under review compared to the impairment loss on hire purchase receivable recognised in the same period preceding year.

For the 6 months period ended 30 June 2022, the financial services division recorded a lower revenue of RM33.4 million (-5.2% YoY) with an improved EBITDA of RM20.2 million (+29.5% YoY). EBITDA was higher due to the same reason as explained in the paragraph above.

#### **(c) Other Operations (Investments and Properties)**

Revenue from Other Operations was higher at RM3.4 million in the current quarter under review (+22.5% YoY) and EBITDA of RM29.7 million improved by 97.7% YoY.

For the 6 months period ended 30 June 2022, revenue from Other Operations was higher at RM6.1 million (+15.3% YoY) and EBITDA of RM40.9 million improved by 15.4% YoY, mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies and lower operating expenses arising from cost rationalisation exercise.

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

**2. Comparison with Preceding Quarter's Results**

	<b>Current Quarter 30.06.2022 RM'000</b>	<b>Immediate Preceding Quarter 31.03.2022 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	814,280	769,301	44,979	5.8%
Profit/ (Loss) before tax	21,377	(13,317)	34,694	260.5%
<b><u>External Revenue</u></b>				
Vehicles assembly, manufacturing, distribution and after-sales services	794,412	749,686	44,726	6.0%
Financial services	16,492	16,921	(429)	-2.5%
Other operations	3,376	2,694	682	25.3%
	<u>814,280</u>	<u>769,301</u>	44,979	5.8%
<b><u>Segment EBITDA</u></b>				
Vehicles assembly, manufacturing, distribution and after-sales services	34,816	16,338	18,478	113.1%
Financial services	11,804	8,349	3,455	41.4%
Other operations	29,718	11,186	18,532	165.7%
	<u>76,338</u>	<u>35,873</u>	40,465	112.8%

The Group recorded revenue of RM814.3 million in the current quarter under review, higher by RM45.0 million or 5.8% compared to RM769.3 million in the preceding quarter. PBT of RM21.4 million was recorded in the current quarter under review compared to LBT of RM13.3 million in the preceding quarter.

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

The automotive division recorded a higher revenue of RM794.4 million in the current quarter under review, an increase of 6.0% compared to the preceding quarter ("QoQ"), EBITDA of RM34.8 million was higher by 113.1% QoQ. EBITDA was higher during the quarter mainly due to favourable sales mix and higher net foreign exchange gain. Worth to note that the automotive division recorded a lower EBITDA in the preceding quarter due to the compensation for litigation as mentioned above.

**(b) Financial Services (Hire Purchase and Insurance)**

The financial services division recorded revenue of RM16.5 million (-2.5% QoQ) and EBITDA of RM11.8 million in the current quarter under review (+41.4% QoQ). EBITDA was higher in the current quarter under review mainly due to the reversal of impairment loss compared to the impairment loss on hire purchase receivable recognised in the preceding quarter.

**(c) Other Operations (Investments and Properties)**

The division recorded revenue of RM3.4 million (+25.3% QoQ) and EBITDA of RM29.7 million (+165.7% QoQ) in the current quarter under review. EBITDA was higher mainly due to higher net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.



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

**3. Future Prospects**

Despite the lingering uncertainties around the world, Malaysia's Gross Domestic Product ("GDP") expanded by 8.9% in the second quarter of 2022 and the full year's forecast of 5.3% to 6.3%<sup>1</sup> GDP growth in 2022 remains intact. With the reopening of borders, the nation's economy is projected to improve with expected recovery in domestic demand and expansion in exports. However, there are further downside risks due to the continuous global supply chain disruptions arising from the ongoing geopolitical tensions in Europe, rising inflation and interest rates across the globe and the contagion effects of a slowdown in China's economy.

The Malaysian Automotive Association ("MAA") had revised upwards its forecast of total industry volume ("TIV") for 2022 to 630,000 units from earlier estimated 600,000 units, 24% higher than last year's TIV. The expected increase is in line with the strong car sales performance in the first half of the year. Additionally, the Ministry of Finance's decision to allow car buyers with confirmed bookings before 30 June 2022 the extended deadline for car registration that qualifies for sales tax exemption until 31 March 2023 has also contributed to the positive outlook for the full year.

The Group launched the New Nissan Serena S-Hybrid in July 2022 and has been receiving encouraging responses from the market. The demand for New Nissan Serena S-Hybrid, Navara and Almera Turbo has been robust, with considerable bookings received even after the sales tax exemption had ended on 30 June 2022 due to the value propositions and advanced specifications offered. For the remainder of the year, the Group will work towards fulfilling the outstanding bookings received before the sales tax exemption period which ended on 30 June 2022. In addition, the demand for MG cars in Vietnam remains strong mainly driven by the new model MG5 and the popular B-segment sports utility vehicle MG ZS. The Group will continue to take appropriate actions to stay competitive in the markets we operate in, with new model launches in Malaysia and Vietnam expected to be the catalysts for sales growth.

The focus will be on driving productivity improvement and exercising stringent controls in cost and cash management in navigating the headwinds moving forward. These prudent resource management principles will cushion the negative impacts arising from the strengthening of US Dollar, stock shortages arising from global supply chain disruptions, rising material and interest costs.

<sup>1</sup> Bank Negara Malaysia's Quarterly Report dated 12 August 2022.

**4. Comparison with Profit Forecast**

This is not applicable to the Group.

**5. Taxation**

	Individual Quarter		Cumulative Quarter	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Taxation				
- Current year	(10,155)	(4,849)	(17,557)	(20,273)
- Prior year	108	-	191	-
	<u>(10,047)</u>	<u>(4,849)</u>	<u>(17,366)</u>	<u>(20,273)</u>
Deferred tax				
- Current year	(7,576)	(1,794)	(8,381)	(3,011)
- Prior year	656	-	656	(58)
	<u>(6,920)</u>	<u>(1,794)</u>	<u>(7,725)</u>	<u>(3,069)</u>
	<u><u>(16,967)</u></u>	<u><u>(6,643)</u></u>	<u><u>(25,091)</u></u>	<u><u>(23,342)</u></u>

The Group recorded tax charges of RM17.0 million and RM25.1 million for the current quarter under review and current year-to-date period respectively, with the effective tax rate above the statutory tax rate. This was mainly due to tax charges in certain profitable subsidiaries of the Group, certain expenses being disallowed for tax purposes and deferred tax assets not recognised for some of the loss making subsidiaries.

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

**6. Status of Corporate Proposals**

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

**7. Group Borrowings**

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

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured :		
- Bankers' acceptances	151,500	210,631
- Revolving credit	929,113	994,230
- Short term loan	52,078	63,328
- Medium term notes	300,000	-
Total borrowings	<u>1,432,691</u>	<u>1,268,189</u>
Comprising :		
Amount repayable within one year	1,132,691	1,268,189
Amount repayable after one year	300,000	-
	<u>1,432,691</u>	<u>1,268,189</u>
Group borrowings breakdown by currencies:		
Functional currency	Denominated in	
RM	RM	1,186,500
RM	USD	203,188
VND	VND	43,003
		<u>1,432,691</u>
		<u>1,268,189</u>

**8. Financial Instruments**

**Derivatives**

As at 30 June 2022, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

Type of Derivatives	Notional Amount RM'000	Net Fair Value Assets/ (Liabilities) RM'000	Maturity
Forward foreign exchange contracts	316,623	(6,169)	Less than 1 year

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

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

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

**9. Changes in Material Litigation**

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

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

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

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

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

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

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

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

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

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

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

(collectively known as “High Court Judgment”)

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

**9. Changes in Material Litigation (continued)**

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

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

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

The hearing of the appeal fixed on 9 August 2022 was converted to case management and later vacated. The Court of Appeal has re-fixed the hearing of the appeal on 19 October 2022. The Court of Appeal has further directed that parties are to file any further submission by 4 October 2022 and re-fixed further case management on 5 October 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.

**10. Dividend**

No dividend has been proposed for the second quarter ended 30 June 2022.

**11. Earnings/ (Loss) per Share**

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

	Individual Quarter		Cumulative Quarter	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Profit/ (Loss) attributable to the owners of the Company (RM'000)	6,244	(22,210)	(13,277)	(14,475)
Weighted average number of ordinary shares ('000)	652,120	652,161	652,141	652,162
Basic Earnings/ (Loss) per share (sen)	<u>0.96</u>	<u>(3.41)</u>	<u>(2.04)</u>	<u>(2.22)</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 30.06.2022 RM'000	Preceding Year Corresponding Quarter 30.06.2021 RM'000	Current Year To Date 30.06.2022 RM'000	Preceding Year Corresponding Period 30.06.2021 RM'000
Depreciation and amortisation	(37,190)	(32,477)	(73,408)	(68,308)
Reversal/ (Provision for) and (write-off) of receivables	4,605	(5,440)	4,317	(3,431)
(Provision for) and (write-off)/ reversal of inventories	(647)	78	247	65
Foreign exchange gain	18,439	12,521	23,005	30,794
Gain on disposal of properties, plant and equipment	1,379	1,305	2,423	2,637
Property, plant and equipment written off	(77)	-	(729)	(1,044)
Loss on derivatives	(3,428)	(10,378)	(4,043)	(11,763)
Gain/ (Loss) on disposal of investment	-	-	-	-
Impairment on property, plant and equipment	-	-	-	-
Other income including investment income	-	-	-	-

**BY ORDER OF THE BOARD**

CHONG CHOON YENG

CHIN YOON LENG

Company Secretaries

Kuala Lumpur

29 August 2022