



# **TAN CHONG MOTOR HOLDINGS BERHAD**

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

## **INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023**

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**TAN CHONG MOTOR HOLDINGS BERHAD**  
*Registration No. 197201001333 (12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE QUARTER ENDED 31 MARCH 2023**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

**INDIVIDUAL/CUMULATIVE QUARTER**

	<b>Current Year Quarter 31.03.2023 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2022 RM'000</b>
Revenue	619,885	769,301
Operating profit/ (loss)	13,258	(5,532)
Interest expense	(15,155)	(9,328)
Interest income	5,048	1,444
Share of (loss)/ profit of equity-accounted investees	(602)	99
Profit/ (Loss) before taxation	2,549	(13,317)
Tax expense	(8,294)	(8,124)
Loss for the period	(5,745)	(21,441)
Loss attributable to:		
Equity holders of the Company	(5,065)	(19,521)
Non-controlling interests	(680)	(1,920)
	(5,745)	(21,441)
Loss per share (sen)		
(a) Basic	(0.78)	(2.99)
(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 2022, together with the explanatory notes in this report.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 31 MARCH 2023  
(THE FIGURES HAVE NOT BEEN AUDITED)**

**INDIVIDUAL/CUMULATIVE QUARTER**

	<b>Current Year Quarter 31.03.2023 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2022 RM'000</b>
<b>Loss for the period</b>	(5,745)	(21,441)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(360)	450
Cash flow hedge	5,463	(615)
<b>Total items that are or may be classified to profit or loss</b>	5,103	(165)
<b>Other comprehensive income/ (loss) for the period, net of tax</b>	5,103	(165)
<b>Total comprehensive loss for the period</b>	(642)	(21,606)
<b>Total comprehensive income/ (loss) attributable to:</b>		
Equity holders of the Company	704	(19,964)
Non-controlling interests	(1,346)	(1,642)
	(642)	(21,606)

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, together with the explanatory notes in this report.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2023**

	(Unaudited) As at 31.03.2023 RM'000	(Audited) As at 31.12.2022 RM'000
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	2,422,152	2,414,470
Investment properties	238,990	238,990
Intangible assets	12,686	13,006
Equity-accounted investees	69,826	70,480
Deferred tax assets	88,643	93,005
Hire purchase receivables	344,238	359,406
	<u>3,176,535</u>	<u>3,189,357</u>
<b><u>Current assets</u></b>		
Other investments	457	454
Inventories	846,959	748,401
Contract assets	33,283	26,349
Current tax assets	28,617	19,292
Hire purchase receivables	105,452	104,817
Receivables, deposits and prepayments	469,054	388,290
Derivative financial assets	4,045	3,240
Cash and cash equivalents	385,899	558,160
	<u>1,873,766</u>	<u>1,849,003</u>
<b>TOTAL ASSETS</b>	<u><u>5,050,301</u></u>	<u><u>5,038,360</u></u>



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2023 (continued)**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>As at</b>	<b>As at</b>
	<b>31.03.2023</b>	<b>31.12.2022</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	2,562,933	2,562,229
Treasury shares	(26,083)	(25,953)
<b>Total equity attributable to owners of the Company</b>	<b>2,872,850</b>	<b>2,872,276</b>
Non-controlling interests	(23,944)	(22,598)
<b>Total equity</b>	<b>2,848,906</b>	<b>2,849,678</b>
<b><u>Non-current liabilities</u></b>		
Lease liabilities	66,435	71,109
Borrowings	300,000	300,000
Employee benefits	84,559	80,902
Deferred tax liabilities	242,175	244,806
Contract liabilities	41,867	45,974
	<b>735,036</b>	<b>742,791</b>
<b><u>Current liabilities</u></b>		
Borrowings	997,305	974,027
Lease liabilities	24,444	18,702
Derivative financial liabilities	2,499	7,312
Taxation	4,722	3,070
Contract liabilities	26,240	27,643
Payables and accruals	411,149	415,137
	<b>1,466,359</b>	<b>1,445,891</b>
<b>Total liabilities</b>	<b>2,201,395</b>	<b>2,188,682</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,050,301</b>	<b>5,038,360</b>
Net assets per share attributable to owners of the Company (RM)	4.41	4.40

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, 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 31 MARCH 2023**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

|-----Attributable to owners of the Company-----|  
|-----Non-Distributable-----| |-----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 01.01.2022</b>	336,000	(25,901)	(13,510)	814,934	(518)	100	1,680,417	2,791,522	(21,850)	2,769,672
Other comprehensive income/ (loss) for the period, net of tax	-	-	172	-	(615)	-	-	(443)	278	(165)
Transfer of revaluation surplus on properties	-	-	-	(3,329)	-	-	3,329	-	-	-
Loss for the period	-	-	-	-	-	-	(19,521)	(19,521)	(1,920)	(21,441)
Total comprehensive income/ (loss) for the period	-	-	172	(3,329)	(615)	-	(16,192)	(19,964)	(1,642)	(21,606)
<b>At 31.03.2022</b>	336,000	(25,901)	(13,338)	811,605	(1,133)	100	1,664,225	2,771,558	(23,492)	2,748,066
<b>At 01.01.2023</b>	336,000	(25,953)	(13,361)	939,782	(4,082)	100	1,639,790	2,872,276	(22,598)	2,849,678
Other comprehensive income/ (loss) for the period, net of tax	-	-	306	-	5,463	-	-	5,769	(666)	5,103
Transfer of revaluation surplus on properties	-	-	-	(4,402)	-	-	4,402	-	-	-
Loss for the period	-	-	-	-	-	-	(5,065)	(5,065)	(680)	(5,745)
Total comprehensive income/ (loss) for the period	-	-	306	(4,402)	5,463	-	(663)	704	(1,346)	(642)
Purchase of treasury shares	-	(130)	-	-	-	-	-	(130)	-	(130)
<b>At 31.03.2023</b>	336,000	(26,083)	(13,055)	935,380	1,381	100	1,639,127	2,872,850	(23,944)	2,848,906

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, together with the explanatory notes in this report.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2023**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	<b>CUMULATIVE QUARTER</b>	
	<b>For the 3 months ended 31.03.2023</b>	<b>For the 3 months ended 31.03.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit/ (Loss) before taxation	2,549	(13,317)
Adjustments for:		
Non-cash and non-operating items	34,503	43,342
<b>Operating profit before working capital changes</b>	37,052	30,025
<b>Changes in working capital</b>		
Inventories	(87,640)	63,375
Hire purchase receivables	12,722	17,284
Receivables, deposits and prepayments	(56,398)	1,025
Payables and accruals	(30,610)	(38,841)
Contract assets	(6,934)	(6,123)
Contract liabilities	(5,510)	(4,646)
Cash (used in)/ generated from operations	(137,318)	62,099
Tax paid	(12,564)	(7,475)
Interest paid	(8,465)	(7,244)
Employee benefits paid	(306)	(447)
<b>Net cash (used in)/ from operating activities</b>	(158,653)	46,933
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(34,938)	(18,711)
Net acquisition of other investments	(3)	(159,611)
Dividend received from equity-accounted investees	400	200
Proceeds from disposal of property, plant and equipment	1,596	8,194
<b>Net cash used in from investing activities</b>	(32,945)	(169,928)



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2023 (continued)**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	<b>CUMULATIVE QUARTER</b>	
	<b>For the 3 months ended 31.03.2023 RM'000</b>	<b>For the 3 months ended 31.03.2022 RM'000</b>
<b>Cash flows from financing activities</b>		
Purchase of own shares	(130)	-
Net (repayment of)/ proceeds from bankers' acceptance	(21,700)	49,689
Net proceeds from medium term notes, term loans and revolving credit	45,605	329,960
Payment of lease liabilities	(5,815)	(4,874)
<b>Net cash from financing activities</b>	<b>17,960</b>	<b>374,775</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(173,638)</b>	<b>251,780</b>
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	<b>1,377</b>	<b>(758)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>558,160</b>	<b>514,487</b>
<b>Cash and cash equivalents at end of the period</b>	<b>385,899</b>	<b>765,509</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022, 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 2022.

### 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 2022, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and Amendments to MFRSs:

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

- 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*

The adoption of the above Pronouncements 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.

#### *Effective for annual periods beginning on or after 1 January 2024*

- Amendments to MFRS 16, *Leases - Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants*

#### *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.

### 3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2022.

### 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.

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

**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 repurchase of issued ordinary shares from the open market of 115,000 during the quarter. Cumulative total number of shares repurchased at the end of the financial quarter was 19,998,000. 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 RM5.0 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM30.8 million at the end of the financial quarter.

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

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

**8. Dividends Paid**

No dividends were paid during the quarter ended 31 March 2023.

**9. Segmental Reporting**

(a) Business segment reporting:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	599,098	749,686	17,402	16,921	3,385	2,694	619,885	769,301
Inter-segment revenue	2,086	54	4	5	17,027	19,955	19,117	20,014
Segment EBITDA	42,817	16,338	6,729	8,349	1,696	11,186	51,242	35,873

*\*Segment earnings before interest, taxation, depreciation and amortisation*

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

	31.03.2023	31.03.2022
	RM'000	RM'000
Total EBITDA for reportable segments	51,242	35,873
Depreciation and amortisation	(31,654)	(36,218)
Interest expense	(15,155)	(9,328)
Interest income	5,048	1,444
Share of (loss)/ profit of equity-accounted investees not included in reportable segments	(602)	99
Unallocated corporate expenses	(6,330)	(5,187)
Consolidated profit/ (loss) before taxation	2,549	(13,317)

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

**9. Segmental Reporting (continued)**

(b) Geographical segment reporting:

	Malaysia		Vietnam		Others		Total	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	556,941	649,992	39,859	65,654	23,085	53,655	619,885	769,301
Segment EBITDA/ (LBITDA)	56,568	52,935	(4,151)	(724)	(1,175)	(16,338)	51,242	35,873

**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 2022.

**11. Other Investments**

	31.03.2023	31.12.2022
	RM'000	RM'000
<b>Current</b>		
Liquid investments in quoted unit trusts with licensed financial institutions	457	454
Total	457	454

**12. Material Events**

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

On 7 April 2023, the Board of Directors announced to Bursa Malaysia that TC Services Vietnam Co., Ltd. ("TCSV"), a wholly-owned indirect subsidiary of Tan Chong Motor Holdings ("TCMH"), had received from SAIC Motor International Co., Ltd. ("SMIL"), wholly-owned subsidiary of SAIC Motor Corporation Limited ("SAIC"), a notice of termination of the Overseas Distribution Agreement dated 18 May 2020 supplemented by Supplementary Agreements dated 30 June 2020, 18 December 2020 and 23 June 2021 (collectively, "ODA") executed between TCSV and SMIL due to SAIC's overall global strategic adjustments. The ODA is to regulate the appointment of TCSV as the sole and exclusive importer and distributor for the sale of Completely-Built-Up ("CBU") MG brand vehicles and after-sales spare parts, and provider of after-sales services for the CBU MG brand vehicles, including the appointment of dealers to perform these obligations and activities in Vietnam. The ODA will terminate on 30 June 2023 and has no material financial and operational impact on the Group for the current financial year.

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

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 31 March 2023 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

	31.03.2023 RM'000	31.12.2022 RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	149,957	166,228
Authorised and contracted for		
In Malaysia	22,756	2,586
Outside Malaysia	17,095	21,511
Total	<u>189,808</u>	<u>190,325</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:

	<b>Individual/ Cumulative Quarter</b>	
	31.03.2023 RM'000	31.03.2022 RM'000
<b>With WTCH Group</b>		
Purchases	(17,512)	(12,682)
Sales	7,139	21,392
Travel agency and car rental services	(118)	(83)
Contract assembly services	810	1,042
<b>With APM Group</b>		
Purchases	(5,499)	(8,702)
Sales	316	1,343
<b>With TCIL Group</b>		
Sales	3,035	2,010
Contract assembly services	6,532	3,804

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:

	<b>Individual/ Cumulative Quarter</b>	
	31.03.2023 RM'000	31.03.2022 RM'000
Purchases	<u>(188,449)</u>	<u>(110,251)</u>

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:

	<b>Individual Quarter</b>	
	<b>31.03.2023</b>	<b>31.03.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchases	(94,487)	(167,611)
Sales	3,484	5,344

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 31 March 2023, the Group recorded revenue of RM619.9 million, 19.4% lower compared to the same period preceding year, largely due to prolonged supply chain disruptions and stiffer competition faced in the local and overseas markets during the festive seasons. Nevertheless, the Group recorded a Profit Before Tax (“PBT”) of RM2.5 million in the current quarter under review, compared to Loss Before Tax (“LBT”) of RM13.3 million in the same period preceding year, mainly due to higher margins from the automotive division. Note that there was a one-off legal compensation of RM17.1 million charged out in the same period preceding year.

As at 31 March 2023, the Group’s retained earnings was RM1.64 billion. The net assets per share as at 31 March 2023 was RM4.41, marginally higher compared to RM4.40 as at 31 December 2022.

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 lower revenue of RM599.1 million in the current quarter under review (-20.1%) compared to same period last year (“YoY”), which was impacted by the prolonged global supply chain disruptions as well as stiffer competition in local and overseas markets. Despite the lower revenue recorded, Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM42.8 million increased by 162.1% YoY, mainly due to favourable sales mix and lower operating expenses during the quarter under review.

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

The financial services division recorded revenue of RM17.4 million in the current quarter under review (+2.8% YoY) and EBITDA of RM6.7 million (-19.4% YoY). EBITDA was lower mainly due to reversal of impairment loss on hire purchase receivables recognised in the same period preceding year and higher operating expenses recognised in the current quarter under review.

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

Revenue from Other Operations was higher at RM3.4 million in the current quarter under review (+25.6% YoY) and EBITDA of RM1.7 million reduced by 84.8% YoY mainly due to lower net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

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

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

	<b>Current Quarter 31.03.2023 RM'000</b>	<b>Immediate Preceding Quarter 31.12.2022 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	619,885	738,782	(118,897)	-16.1%
Profit/ (Loss) before tax	2,549	(37,952)	40,501	106.7%
<b><u>External Revenue</u></b>				
Vehicles assembly, manufacturing, distribution and after-sales services	599,098	718,161	(119,063)	-16.6%
Financial services	17,402	16,665	737	4.4%
Other operations	3,385	3,956	(571)	-14.4%
	<u>619,885</u>	<u>738,782</u>	(118,897)	-16.1%
<b><u>Segment EBITDA/ (LBITDA)</u></b>				
Vehicles assembly, manufacturing, distribution and after-sales services	42,817	56,159	(13,342)	-23.8%
Financial services	6,729	2,715	4,014	147.8%
Other operations	1,696	(46,971)	48,667	103.6%
	<u>51,242</u>	<u>11,903</u>	39,339	330.5%

The Group recorded revenue of RM619.9 million in the current quarter under review, lower by RM118.9 million or 16.1% compared to RM738.8 million in the preceding quarter. PBT of RM2.5 million in the current quarter under review improved by 106.7% compared to LBT of RM38.0 million in the preceding quarter. The improved PBT of RM2.5 million was mainly due to higher margins from the automotive division during the current quarter under review.

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

The automotive division recorded lower revenue of RM599.1 million in the current quarter under review, a decrease of 16.6% compared to the preceding quarter ("QoQ"), mainly due to stiffer competition in the local and overseas markets and shortage of supply from the principals arising from prolonged global supply chain disruptions. EBITDA of RM42.8 million was lower by 23.8% QoQ, in line with the lower sales in the current quarter under review.

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

The financial services division recorded higher revenue of RM17.4 million (+4.4% QoQ) and higher EBITDA of RM6.7 million in the current quarter under review (+147.8% QoQ). EBITDA was higher in the current quarter under review mainly due to lower operating expenses recognised during the quarter.

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

The division recorded lower revenue of RM3.4 million (-14.4% QoQ), however, EBITDA improved to RM1.7 million (+103.6% QoQ) in the current quarter under review. The improvement in EBITDA was mainly due to lower net foreign exchange loss 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**

Gross domestic product (“GDP”) in Malaysia expanded by 5.6% in the first quarter of 2023 after 7% expansion in the preceding quarter, mainly driven by domestic demand. The nation’s economy is expected to continue to expand amid challenging external environment with a forecasted GDP growth of 4%-5% in 2023<sup>1</sup>. The growth will be driven by domestic demand, supported by improving labour market conditions, higher tourism activity and further progress of multiyear investment projects. The potential downside risks to economic growth remain with expectations of a weaker-than-expected global economic growth as well as continued geopolitical tensions on a global scale.

Total industry volume (“TIV”) in Malaysia rebounded to register 192,474 units of new vehicles in the first quarter of 2023, higher by 20% compared to 159,846 units in the same period last year. However, the Malaysian Automotive Association (“MAA”) has forecasted the TIV to decline to 650,000 units for the full year of 2023, 9.8% lower compared to the all-time high of 720,658 units in 2022 even though the Malaysian economy is expected to withstand the headwinds from the growing concerns of global economic slowdown. High interest rate environment and prolonged supply chain disruptions are also expected to stifle the growth of automobile sales and dampen the consumer’s demand. Nevertheless, the Group will continue to take active measures to rejuvenate the product line-up and raise our customer service level on fulfilling our promise of “Nissan – Discover Excitement” to position ourselves to compete well in the market.

The Group welcomes the extension of tax exemption on electric vehicles (“EV”) and will play a part in driving up EV adoption in the country either through direct retailing or offering customers a more affordable option of accessing an EV through the subscription mode. The Group has already launched two new EV models during the year, the latest version being the fully electrified Nissan Leaf equipped with a new universal charging port in March 2023 and the improved Renault Zoe in May 2023, a model that will be among the most affordable EVs in the market.

The Group has manoeuvred through the pandemic and challenging business environment by managing the resources prudently to cushion the impact of margin compression. Additionally, the Group has an established network of more than 275 sales distribution and after-sales service outlets throughout ASEAN to support the Group’s growth strategy. We are confident that the Group is well positioned to create a sustainable business, focusing on its core strategies of driving productivity, cost management, as well as efficient cash flow management to navigate through the challenging business environment ahead. On top of that, the Group will continue to drive digitalization and other business improvement strategies to deliver long term operational and financial sustainability.

<sup>1</sup> *Bank Negara Malaysia Quarterly Report dated 12 May 2023.*

**4. Comparison with Profit Forecast**

This is not applicable to the Group.



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

**5. Taxation**

	<b>Individual/ Cumulative Quarter</b>	
	<b>31.03.2023</b>	<b>31.03.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Taxation		
- Current year	(5,050)	(7,402)
- Prior year	(1)	83
	<u>(5,051)</u>	<u>(7,319)</u>
Deferred taxation		
- Current year	(3,243)	(805)
- Prior year	-	-
	<u>(3,243)</u>	<u>(805)</u>
	<u>(8,294)</u>	<u>(8,124)</u>

The Group recorded tax charges of RM8.3 million during the current quarter under review, 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.

**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>31.03.2023</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured :		
- Bankers' acceptances	137,250	158,950
- Revolving credit	781,919	749,135
- Short term loan	78,136	65,942
- Medium term notes	300,000	300,000
Total borrowings	<u>1,297,305</u>	<u>1,274,027</u>
Comprising :		
Amount repayable within one year	997,305	974,027
Amount repayable after one year	300,000	300,000
	<u>1,297,305</u>	<u>1,274,027</u>

Group borrowings breakdown by currencies:

		<b>31.03.2023</b>	<b>31.12.2022</b>
		<b>RM'000</b>	<b>RM'000</b>
Functional currency	Denominated in		
RM	RM	1,188,250	1,087,949
RM	USD	55,790	144,923
VND	VND	53,265	41,155
		<u>1,297,305</u>	<u>1,274,027</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 2023, 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	293,185	1,546	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**

**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.

**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 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”)

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

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

The hearing of the appeal fixed on 9 August 2022 was converted to case management and later re-fixed on 25 October 2022. The hearing of the appeal re-fixed on 19 October 2022 was vacated. The Court of Appeal has fixed further case management on 9 March 2023 and re-fixed the hearing of the appeal on 23 March 2023. The hearing of the appeal fixed on 23 March 2023 was vacated and the Court has re-fixed the hearing of the appeal on 13 July 2023.

On 22 July 2021, TCIE applied for a Stay of Execution of the High Court Judgment which was fixed for hearing on 9 September 2021, where the High Court granted a stay of execution/ enforcement proceedings in relation to the Judgment of the High Court dated 15 July 2021 pending the disposal of TCIE’s appeal to the Court of Appeal.

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

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

**10. Dividend**

The Board has declared an interim single tier dividend of 1.0 sen per share for the financial year ending 31 December 2023 to be paid on 30 June 2023 to shareholders whose names appear in the Register of Members on 9 June 2023.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares transferred into the depositor's securities account before 4.30 p.m. on 9 June 2023 in respect of ordinary transfer;
- (b) shares deposited into the depositor's securities account before 12.30 p.m. on 7 June 2023 in respect of shares exempted from mandatory deposit; and

shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

**11. 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:

	<b>Individual/ Cumulative Quarter</b>	
	<b>31.03.2023</b>	<b>31.03.2022</b>
Loss attributable to the owners of the Company (RM'000)	(5,065)	(19,521)
Weighted average number of ordinary shares ('000)	652,077	652,161
Basic Loss per share (sen)	<u>(0.78)</u>	<u>(2.99)</u>

**12. Total Comprehensive Income**

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

	<b>Individual/ Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding</b>
	<b>Year</b>	<b>Year</b>
	<b>Quarter</b>	<b>Corresponding</b>
	<b>31.03.2023</b>	<b>31.03.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Depreciation and amortisation	(31,654)	(36,218)
Foreign exchange gain	3,383	4,566
Gain/ (loss) on derivatives	5,463	(615)
Gain on disposal of property, plant and equipment	200	1,044
Provision for and write-off of receivables	(1,644)	(288)
Property, plant and equipment written off	(37)	(652)
Reversal of write-down of inventories	6,242	894
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

24 May 2023