



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED 30 SEPTEMBER 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2023 RM'000	Preceding Year Corresponding Quarter 30.09.2022 RM'000	Current Year To Date 30.09.2023 RM'000	Preceding Year Corresponding Period 30.09.2022 RM'000
Revenue	649,820	729,872	1,888,896	2,313,453
Operating (loss)/ profit	(41,923)	26,748	(25,889)	54,907
Interest expense	(16,168)	(13,396)	(46,125)	(36,729)
Interest income	5,814	2,884	15,009	6,825
Share of loss of equity-accounted investees	(54)	(509)	(826)	(1,216)
(Loss)/ Profit before taxation	(52,331)	15,727	(57,831)	23,787
Tax expense	(1,473)	(10,367)	(21,735)	(35,458)
(Loss)/ Profit for the period	(53,804)	5,360	(79,566)	(11,671)
(Loss)/ Profit attributable to:				
Equity holders of the Company	(50,696)	6,878	(73,895)	(6,399)
Non-controlling interests	(3,108)	(1,518)	(5,671)	(5,272)
	(53,804)	5,360	(79,566)	(11,671)
 (Loss)/ Earning per share (sen)				
(a) Basic	(7.78)	1.05	(11.33)	(0.98)
(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 2022, together with the explanatory notes in this report.



Registration No. 197201001333 (12969-P)
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Corresponding Quarter 30.09.2023 RM'000	Preceding Year Corresponding Quarter 30.09.2022 RM'000	Current Year Corresponding To Date 30.09.2023 RM'000	Preceding Year Corresponding Period 30.09.2022 RM'000
(Loss)/ Profit for the period	(53,804)	5,360	(79,566)	(11,671)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(5,517)	(7,262)	(7,821)	(15,741)
Cash flow hedge	(894)	(5,590)	3,843	(9,660)
Total items that are or may be classified to profit or loss	<u>(6,411)</u>	<u>(12,852)</u>	<u>(3,978)</u>	<u>(25,401)</u>
Other comprehensive (loss)/ income for the period, net of tax	(6,411)	(12,852)	(3,978)	(25,401)
Total comprehensive loss for the period	<u>(60,215)</u>	<u>(7,492)</u>	<u>(83,544)</u>	<u>(37,072)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(58,622)	(4,957)	(75,980)	(29,130)
Non-controlling interests	(1,593)	(2,535)	(7,564)	(7,942)
	<u>(60,215)</u>	<u>(7,492)</u>	<u>(83,544)</u>	<u>(37,072)</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 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 30 SEPTEMBER 2023

	(Unaudited)	(Audited)
	As at	As at
	30.09.2023	31.12.2022
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	2,423,803	2,414,470
Investment properties	238,990	238,990
Intangible assets	52,484	13,006
Equity-accounted investees	68,677	70,480
Deferred tax assets	81,532	93,005
Hire purchase receivables	344,723	359,406
	3,210,209	3,189,357
<u>Current assets</u>		
Other investments	463	454
Inventories	820,790	748,401
Contract assets	32,999	26,349
Current tax assets	33,920	19,292
Hire purchase receivables	109,364	104,817
Receivables, deposits and prepayments	411,481	388,290
Derivative financial assets	1,486	3,240
Cash and cash equivalents	483,223	558,160
	1,893,726	1,849,003
TOTAL ASSETS	5,103,935	5,038,360



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023 (continued)

	(Unaudited)	(Audited)
	As at	As at
	30.09.2023	31.12.2022
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,479,730	2,562,229
Treasury shares	(26,259)	(25,953)
Total equity attributable to owners of the Company	2,789,471	2,872,276
Non-controlling interests	(9,092)	(22,598)
Total equity	2,780,379	2,849,678
<u>Non-current liabilities</u>		
Lease liabilities	84,398	71,109
Borrowings	450,000	300,000
Employee benefits	85,783	80,902
Deferred tax liabilities	245,554	244,806
Contract liabilities	46,176	45,974
	911,911	742,791
<u>Current liabilities</u>		
Borrowings	1,014,155	974,027
Lease liabilities	17,420	18,702
Derivative financial liabilities	2,263	7,312
Taxation	4,832	3,070
Contract liabilities	24,983	27,643
Payables and accruals	347,992	415,137
	1,411,645	1,445,891
Total liabilities	2,323,556	2,188,682
TOTAL EQUITY AND LIABILITIES	5,103,935	5,038,360
Net assets per share attributable to owners of the Company (RM)	4.28	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 30 SEPTEMBER 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	
At 01.01.2022	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	-	-	(13,071)	-	(9,660)	-	-	(22,731)	(2,670)	(25,401)
Transfer of revaluation surplus on properties	-	-	-	(9,987)	-	-	9,987	-	-	-
Loss for the period	-	-	-	-	-	-	(6,399)	(6,399)	(5,272)	(11,671)
Total comprehensive loss for the period	-	-	(13,071)	(9,987)	(9,660)	-	3,588	(29,130)	(7,942)	(37,072)
Purchase of treasury shares	-	(52)	-	-	-	-	-	(52)	-	(52)
Dividend - 2022 interim	-	-	-	-	-	-	(9,782)	(9,782)	-	(9,782)
At 30.09.2022	336,000	(25,953)	(26,581)	804,947	(10,178)	100	1,674,223	2,752,558	(29,792)	2,722,766
At 01.01.2023	336,000	(25,953)	(13,361)	939,782	(4,082)	100	1,639,790	2,872,276	(22,598)	2,849,678
Other comprehensive (loss)/ income for the period, net of tax	-	-	(5,928)	-	3,843	-	-	(2,085)	(1,893)	(3,978)
Transfer of revaluation surplus on properties	-	-	-	(13,207)	-	-	13,207	-	-	-
Loss for the period	-	-	-	-	-	-	(73,895)	(73,895)	(5,671)	(79,566)
Total comprehensive (loss)/ income for the period	-	-	(5,928)	(13,207)	3,843	-	(60,688)	(75,980)	(7,564)	(83,544)
Purchase of treasury shares	-	(306)	-	-	-	-	-	(306)	-	(306)
Dividend - 2023 interim	-	-	-	-	-	-	(6,519)	(6,519)	-	(6,519)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	21,070	21,070
At 30.09.2023	336,000	(26,259)	(19,289)	926,575	(239)	100	1,572,583	2,789,471	(9,092)	2,780,379

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 30 SEPTEMBER 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 9 months ended 30.09.2023	For the 9 months ended 30.09.2022
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/ Profit before taxation	(57,831)	23,787
Adjustments for:		
Non-cash and non-operating items	111,450	114,946
Operating profit before working capital changes	53,619	138,733
Changes in working capital		
Inventories	(56,337)	158,791
Hire purchase receivables	32,893	34,076
Receivables, deposits and prepayments	(49,123)	(18,359)
Payables and accruals	(71,221)	3,015
Contract assets	(6,650)	(14,078)
Contract liabilities	(2,458)	6,773
Cash (used in)/ generated from operations	(99,277)	308,951
Tax paid	(22,375)	(18,361)
Interest paid	(25,190)	(29,434)
Employee benefits paid	(922)	(1,331)
Net cash (used in)/ from operating activities	(147,764)	259,825
Cash flows from investing activities		
Acquisition of property, plant and equipment	(88,446)	(69,135)
Acquisition of intangible assets	(40,503)	(303)
Net proceeds from other investments	1,123	2,080
Dividend received from equity-accounted investees	1,150	1,700
Proceeds from disposal of property, plant and equipment	10,810	20,064
Net cash used in investing activities	(115,866)	(45,594)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (continued)
(THE FIGURES HAVE NOT BEEN AUDITED)

	CUMULATIVE QUARTER	
	For the 9 months ended 30.09.2023	For the 9 months ended 30.09.2022
	RM'000	RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(6,519)	(9,782)
Purchase of own shares	(306)	(52)
Net proceeds from/ (repayment of) bankers' acceptance	17,340	(97,931)
Net proceeds from medium term notes	150,000	300,000
Net proceeds from/ (repayment of) term loans and revolving credit	16,160	(281,998)
Payment of lease liabilities	(16,745)	(14,456)
Share subscription in a subsidiary company by non-controlling interest shareholders	21,070	-
Net cash from/ (used in) financing activities	181,000	(104,219)
Net (decrease)/ increase in cash and cash equivalents	(82,630)	110,012
Effects of exchange rate fluctuations on cash and cash equivalents	7,693	15,820
Cash and cash equivalents at beginning of the period	558,160	514,487
Cash and cash equivalents at end of the period	483,223	640,319

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 and International Tax Reform – Pillar Two Model Rules*

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*
- Amendments to MFRS 107, *Statement of Cash Flow* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

Effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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.

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

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

There was repurchase of issued ordinary shares from the open market of 40,000 during the quarter. Cumulative total number of shares repurchased at the end of the financial quarter was 20,158,000. 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 fully redeemed RM25.8 million nominal value of MTN on 29 September 2023.

Under the Islamic Medium Term Notes ("Sukuk Murabahah") Programme of RM1.5 billion, the outstanding nominal value of Islamic Medium Term Notes stood at RM450 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 30 September 2023.

9. Segmental Reporting

(a) Business segment reporting for current quarter:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	591,888	709,951	16,056	16,290	41,876	3,631	649,820	729,872
Inter-segment revenue	1,918	267	4	5	19,989	21,459	21,911	21,731
Segment (LBITDA)/ EBITDA	(19,769)	25,561	3,403	4,625	7,268	36,126	(9,098)	66,312

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

Reconciliation of reportable segment profit or loss:

	30.09.2023	30.09.2022
	RM'000	RM'000
Total (LBITDA)/ EBITDA for reportable segments	(9,098)	66,312
Depreciation and amortisation	(31,490)	(34,373)
Interest expense	(16,168)	(13,396)
Interest income	5,814	2,884
Share of loss of equity-accounted investees not included in reportable segments	(54)	(509)
Unallocated corporate expenses	(1,335)	(5,191)
Consolidated (loss)/ profit before taxation	(52,331)	15,727

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

9. Segmental Reporting (continued)

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

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,786,549	2,254,049	49,311	49,703	53,036	9,701	1,888,896	2,313,453
Inter-segment revenue	4,303	425	13	14	54,179	62,604	58,495	63,043
Segment EBITDA	41,215	76,715	14,290	24,778	42,411	77,030	97,916	178,523

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

	30.09.2023	30.09.2022
	RM'000	RM'000
Total EBITDA for reportable segments	97,916	178,523
Depreciation and amortisation	(107,078)	(107,781)
Interest expense	(46,125)	(36,729)
Interest income	15,009	6,825
Share of loss of equity-accounted investees not included in reportable segments	(826)	(1,216)
Unallocated corporate expenses	(16,727)	(15,835)
Consolidated (loss)/ profit before taxation	(57,831)	23,787

(c) Geographical segment reporting for current quarter:

	Malaysia		Vietnam		Others		Total	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	574,581	652,309	57,317	55,489	17,922	22,074	649,820	729,872
Segment EBITDA/ (LBITDA)	10,419	79,489	(18,111)	(9,744)	(1,406)	(3,433)	(9,098)	66,312

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

	Malaysia		Vietnam		Others		Total	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,681,619	1,988,413	143,932	216,036	63,345	109,004	1,888,896	2,313,453
Segment EBITDA/ (LBITDA)	135,491	213,606	(32,398)	(10,873)	(5,177)	(24,210)	97,916	178,523

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

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

	30.09.2023	31.12.2022
	RM'000	RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	463	454
Total	<u>463</u>	<u>454</u>

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 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 September 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

	30.09.2023	31.12.2022
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	40,913	166,228
Authorised and contracted for		
In Malaysia	46,969	2,586
Outside Malaysia	14,731	21,511
Total	102,613	190,325

16. Significant Related Party Transactions

- (a) Significant transactions with Warisan TC Holdings Berhad (“WTCH”), APM Automotive Holdings Berhad (“APM”) and Tan Chong International Limited (“TCIL”) Groups, companies in which a Director of the Company, namely Dato’ Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
With WTCH Group				
Purchases	(13,273)	(16,018)	(41,608)	(45,279)
Sales	7,618	13,056	23,920	55,329
Travel agency and car rental services	(353)	(133)	(874)	(352)
Contract assembly services	597	1,048	2,352	3,049
With APM Group				
Purchases	(6,129)	(9,634)	(17,524)	(26,992)
Sales	620	991	1,501	3,298
With TCIL Group				
Sales	2,914	2,347	8,272	8,083
Contract assembly services	-	5,340	14,133	14,864

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

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

	Individual Quarter		Cumulative Quarter	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Purchases	(119,512)	(185,669)	(422,284)	(459,624)

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 a Director of a subsidiary of the Company, namely Datuk Abdullah bin Abdul Wahab, has substantial financial interests; and
 - ii. a company connected with a Director of the Company, Dato' Tan Heng Chew, by virtue of Section 197 of the Companies Act, 2016,
- are as follows:

	Individual Quarter		Cumulative Quarter	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Purchases	(146,871)	(111,265)	(396,023)	(330,032)
Sales	3,817	3,188	12,086	14,220

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 September 2023, the Group recorded revenue of RM649.8 million, 11.0% lower compared to the same period preceding year, largely due to persistent soft market sentiments driven by inflationary pressures and stiffer competition faced in the local and overseas markets. In line with the lower revenue and adverse movement of foreign exchange rates, the Group recorded Loss Before Tax (“LBT”) of RM52.3 million in the current quarter under review, compared to Profit Before Tax (“PBT”) of RM15.7 million in the same period preceding year.

For the 9 months period ended 30 September 2023, the Group recorded revenue of RM1.89 billion, 18.4% lower compared to the same period preceding year. As a result, the Group recorded LBT of RM57.8 million in current year-to-date period compared to PBT of RM23.8 million in the same period preceding year. The reduction in profitability was mainly due to lower sales, lower margin resulting from weaker Ringgit and lower net foreign exchange gain which arose from transactions and outstanding balances denominated in foreign currencies.

As at 30 September 2023, the Group’s retained earnings was RM1.57 billion. The net assets per share as at 30 September 2023 was RM4.28, marginally lower 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 RM591.9 million in the current quarter under review, 16.6% lower compared to same period last year (“YoY”), which was impacted by the persistent soft market sentiments and stiffer competition faced in the local and overseas markets. Loss Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of RM19.8 million decreased by 177.3% YoY, mainly due to lower revenue, unfavourable sales mix and higher product cost due to weaker Ringgit during the current quarter under review.

For the 9 months period ended 30 September 2023, the automotive division recorded revenue of RM1,786.5 million (-20.7% YoY) and EBITDA of RM41.2 million (-46.3% YoY). The EBITDA was lower due to the same reasons as explained in the preceding paragraph.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded revenue of RM16.1 million in the current quarter under review (-1.4% YoY) and EBITDA of RM3.4 million (-26.4% YoY). EBITDA was lower due to higher provision for impairment loss on hire purchase receivables in the current quarter under review compared to the same period preceding year.

For the 9 months period ended 30 September 2023, the financial services division recorded a lower revenue of RM49.3 million (-0.8% YoY) with a lower EBITDA of RM14.3 million (-42.3% YoY). EBITDA was lower due to the provision for impairment loss on hire purchase receivables in current year-to-date period compared to a reversal of impairment loss in the same period preceding year.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was higher at RM41.9 million in the current quarter under review (+1,053.3% YoY) but EBITDA of RM7.3 million was lower by 79.9% YoY mainly due to net foreign exchange loss which arose from transactions and outstanding balances denominated in foreign currencies.

For the 9 months period ended 30 September 2023, revenue from Other Operations was higher at RM53.0 million (+446.7% YoY) but EBITDA of RM42.4 million was lower by 44.9% 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

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.09.2023 RM'000	30.06.2023 RM'000	RM'000	%
Revenue	649,820	619,191	30,629	4.9%
Loss before tax	(52,331)	(8,049)	(44,282)	>-100.0%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	591,888	595,563	(3,675)	-0.6%
Financial services	16,056	15,853	203	1.3%
Other operations	41,876	7,775	34,101	438.6%
	<u>649,820</u>	<u>619,191</u>	30,629	4.9%
<u>Segment (LBITDA)/ EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	(19,769)	18,167	(37,936)	-208.8%
Financial services	3,403	4,158	(755)	-18.2%
Other operations	7,268	33,447	(26,179)	-78.3%
	<u>(9,098)</u>	<u>55,772</u>	(64,870)	>-100.0%

The Group recorded revenue of RM649.8 million in the current quarter under review, higher by RM30.6 million or 4.9% compared to RM619.2 million in the preceding quarter. Despite the higher revenue, the Group recorded LBT of RM52.3 million in the current quarter under review compared to LBT of RM8.0 million in the preceding quarter due to a net foreign exchange loss of RM6.2 million in the current quarter compared to net foreign exchange gain of RM35.0 million in the preceding quarter which arose from transactions and outstanding balances denominated in foreign currencies.

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

The automotive division recorded lower revenue of RM591.9 million in the current quarter under review, a decline of 0.6% compared to the preceding quarter ("QoQ"), mainly due to persistent soft market sentiments driven by the inflationary pressures and stiffer competition in the local and overseas markets. The Group registered LBITDA at RM19.8 million for the current quarter as compared to EBITDA of RM18.2 million (-208.8% QoQ) resulted mainly from the lower sales and lower margins in the current quarter under review.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded higher revenue of RM16.1 million (+1.3% QoQ) but EBITDA of RM3.4 million in the current quarter under review was lower by 18.2% QoQ. EBITDA was lower mainly due to higher impairment loss on hire purchase receivables recognised during the current quarter under review.

(c) Other Operations (Investments and Properties)

The division recorded higher revenue of RM41.9 million (+438.6% QoQ) but EBITDA decreased to RM7.3 million (-78.3% QoQ) in the current quarter under review. Revenue was higher mainly due to the recognition of revenue in the solar energy division while the decrease in EBITDA was mainly due to a net foreign exchange loss in the current quarter compared to net foreign exchange gain in the preceding quarter.

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

3. Future Prospects

The nation's economy is expected to expand at a moderate pace in 2023 and 2024 amid challenging external environment with a forecasted GDP growth of 4%-5% in 2023¹, mainly driven by resilient domestic consumption. The economic growth outlook remains weighed down by inflationary pressures, escalation of geopolitical tensions and weakening Ringgit against major foreign currencies. Despite the uncertainties surrounding the domestic and global economic environment which pose persistent challenges to the industry, the total industry volume ("TIV") in Malaysia for YTD September 2023 of 571,767 units was 11% higher compared with 514,449 units in the same period preceding year.

The Nissan Business Stream of the Group has been recognised as the region's top performer in sales and aftersales in the Nissan Global Award 2023 program, recognising the Group's efforts in improving customers experience and fulfilling our promise of "Nissan – Discover Excitement" which positions the Group to compete well in the market.

The Group has launched the new UD Euro 5 Trucks comprising the well-established Quester (heavy-duty) and Croner (medium-duty) trucks in October 2023, featuring the Selective Catalytic Reduction (SCR) technology to significantly boost environmental protection and fuel economy, in line with the aim of building a sustainable future through introducing more efficient and cleaner emission trucks that provide customers the leverage they can depend on for furthering their business productivity, while minimising their environmental impact and helping businesses to stay competitive.

The locally assembled light truck licensed by SAIC-GM-Wuling Automobile Co., Ltd. – N300P was launched in Vietnam on 8 November 2023. The new model which uses an Euro 5 engine under the Group's own TruckQuip ("TQ") brand is now being assembled at the Group's assembly plant in Danang, Vietnam and represents the Group's first foray into locally assembled commercial vehicle in Vietnam.

On other Environmental, Social and Governance initiatives, the Group is on track to meet the commissioning date of end December 2023 for the 20MW floating solar plant under the Large Scale Solar (LSS) Cycle 4. Once completed, the solar plant is expected to supply 1,043,114MWh of green electricity to Tenaga Nasional Berhad under a 25-year Power Purchase Agreement, contributing to a reduction of 567,454 tonnes of CO₂ emissions to the environment, or equivalent to reducing 123,359 units of cars on the roads.

Despite all the headwinds and heightened competition, the Group's aim of building a sustainable business continues to be the top priority and will continue to exercise prudence in managing our resources and drive better operational efficiencies, efficient cost management and cash flow management, firmly placing the Group in a better position to achieve long term operational and financial sustainability.

¹ *Bank Negara Malaysia Quarterly Report dated 17 November 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

	Individual Quarter		Cumulative Quarter	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Current year	392	(7,366)	(9,696)	(24,923)
- Prior year	1,148	(917)	800	(726)
	<u>1,540</u>	<u>(8,283)</u>	<u>(8,896)</u>	<u>(25,649)</u>
Deferred taxation				
- Current year	(2,449)	(2,235)	(12,275)	(10,616)
- Prior year	(564)	151	(564)	807
	<u>(3,013)</u>	<u>(2,084)</u>	<u>(12,839)</u>	<u>(9,809)</u>
	<u>(1,473)</u>	<u>(10,367)</u>	<u>(21,735)</u>	<u>(35,458)</u>

The Group recorded tax charges of RM1.5 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:

	30.09.2023	31.12.2022
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	176,290	158,950
- Revolving credit	837,865	749,135
- Short term loan	-	65,942
- Medium term notes	450,000	300,000
Total borrowings	<u>1,464,155</u>	<u>1,274,027</u>
Comprising :		
Amount repayable within one year	1,014,155	974,027
Amount repayable after one year	450,000	300,000
	<u>1,464,155</u>	<u>1,274,027</u>

Group borrowings breakdown by currencies:

		30.09.2023	31.12.2022
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,431,290	1,087,949
RM	USD	32,865	144,923
VND	VND	-	41,155
		<u>1,464,155</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 30 September 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	87,444	(777)	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"), Epicon Berhad (formerly known as Konsortium Transnasional Berhad) 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 7th 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 dated 15 July 2021”)

On 21 July 2021, TCIE filed the Notice of Appeal against the High Court Judgment dated 15 July 2021 to the Court of Appeal.

Separately 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 High Court Judgement dated 15 July 2021 pending the disposal of TCIE's appeal to the Court of Appeal.

On 16 November 2023, the Court of Appeal allowed TCIE’s appeal and set aside the High Court Judgement dated 15 July 2021.

The Court of Appeal has also awarded RM120,000.00 in costs to TCIE for the costs of the appeal and the costs of the High Court, subject to allocatur fees.

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

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

10. Dividend

No dividend has been proposed for the second quarter ended 30 September 2023.

11. (Loss)/ Earnings per Share

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

	Individual Quarter		Cumulative Quarter	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
(Loss)/ Profit attributable to the owners of the Company (RM'000)	(50,696)	6,878	(73,895)	(6,399)
Weighted average number of ordinary shares ('000)	651,855	652,117	651,954	652,133
Basic (Loss)/ Earnings per share (sen)	<u>(7.78)</u>	<u>1.05</u>	<u>(11.33)</u>	<u>(0.98)</u>

12. Total Comprehensive Income

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(31,490)	(34,373)	(107,078)	(107,781)
Foreign exchange (Loss)/ Gain	(6,236)	23,844	32,164	46,849
(Loss)/ Gain on derivatives	(894)	(5,617)	3,843	(9,660)
Gain on disposal of property, plant and equipment	758	1,619	2,214	4,042
(Provision for)/ Reversal and (write-off) of receivables	(3,973)	(2,414)	(7,827)	1,903
Property, plant and equipment written off	(57)	(203)	(124)	(932)
Reversal/ (Provision for) and (write-off) of inventories	2,677	286	10,599	533
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

27 November 2023