



TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 DECEMBER 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2023 RM'000	Preceding Year Corresponding Quarter 31.12.2022 RM'000	Current Year To Date 31.12.2023 RM'000	Preceding Year Corresponding Period 31.12.2022 RM'000
Revenue	643,830	738,782	2,532,726	3,052,235
Operating (loss)/ profit	(52,196)	(28,602)	(78,085)	26,305
Interest expense	(16,776)	(14,991)	(62,901)	(51,720)
Interest income	5,368	5,164	20,377	11,989
Share of profit/(loss) of equity-accounted investees	292	477	(534)	(739)
Loss before taxation	(63,312)	(37,952)	(121,143)	(14,165)
Tax income/ (expense)	9,027	(5,238)	(12,708)	(40,696)
Loss for the period	(54,285)	(43,190)	(133,851)	(54,861)
(Loss)/ Profit attributable to:				
Equity holders of the Company	(54,847)	(44,711)	(128,742)	(51,110)
Non-controlling interests	562	1,521	(5,109)	(3,751)
	(54,285)	(43,190)	(133,851)	(54,861)
Loss per share (sen)				
(a) Basic	(8.41)	(6.86)	(19.75)	(7.84)
(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.



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 31 DECEMBER 2023
(THE FIGURES HAVE NOT BEEN AUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Corresponding Quarter 31.12.2023 RM'000	Preceding Year Corresponding Quarter 31.12.2022 RM'000	Current Year To Date 31.12.2023 RM'000	Preceding Year Corresponding Period 31.12.2022 RM'000
Loss for the period	(54,285)	(43,190)	(133,851)	(54,861)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Remeasurement of defined benefit liability	-	15,751	-	15,751
Revaluation of property, plant and equipment	-	141,638	-	141,638
Total items that will not be reclassified subsequently to profit or loss	-	157,389	-	157,389
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	4,636	14,384	(3,185)	(1,357)
Foreign currency translation differences for an equity-accounted associate	1,395	545	1,395	545
Cash flow hedge	(92)	6,095	3,751	(3,564)
Total items that are or may be reclassified subsequently to profit or loss	5,939	21,024	1,961	(4,376)
Other comprehensive income for the period, net of tax	5,939	178,413	1,961	153,013
Total comprehensive (loss)/ income for the period	(48,346)	135,223	(131,890)	98,152
Total comprehensive (loss)/ income attributable to:				
Equity holders of the Company	(49,296)	129,500	(125,276)	100,370
Non-controlling interests	950	5,723	(6,614)	(2,218)
	(48,346)	135,223	(131,890)	98,152

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
Registration No. 197201001333 (12969-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	(Unaudited)	(Audited)
	As at	As at
	31.12.2023	31.12.2022
	RM'000	RM'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment *	2,371,155	2,414,470
Investment properties	238,590	238,990
Intangible assets	95,534	13,006
Equity-accounted investees	66,456	70,480
Deferred tax assets	86,779	93,005
Hire purchase receivables	343,665	359,406
	3,202,179	3,189,357
<u>Current assets</u>		
Other investments	25,872	454
Inventories *	822,057	748,401
Contract assets	25,541	26,349
Current tax assets	29,497	19,292
Hire purchase receivables	108,315	104,817
Receivables, deposits and prepayments	384,743	388,290
Derivative financial assets	345	3,240
Cash and cash equivalents	511,579	558,160
	1,907,949	1,849,003
TOTAL ASSETS	5,110,128	5,038,360

* Included in this amount was the transfer of motor vehicles from property, plant and equipment to inventories during the financial year with a carrying value of RM31.4 million for the business of subscription plans in one of the subsidiaries of the Group (2022: Withdrawal of inventories of RM11.9 million).



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

	(Unaudited)	(Audited)
	As at	As at
	31.12.2023	31.12.2022
	RM'000	RM'000
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	336,000	336,000
Reserves	2,430,434	2,562,229
Treasury shares	(26,294)	(25,953)
Total equity attributable to owners of the Company	2,740,140	2,872,276
Non-controlling interests	1,658	(22,598)
Total equity	2,741,798	2,849,678
<u>Non-current liabilities</u>		
Lease liabilities	67,929	71,109
Borrowings	450,000	300,000
Employee benefits	90,388	80,902
Deferred tax liabilities	239,663	244,806
Contract liabilities	51,312	45,974
	899,292	742,791
<u>Current liabilities</u>		
Borrowings	1,092,614	974,027
Lease liabilities	29,587	18,702
Derivative financial liabilities	807	7,312
Taxation	2,424	3,070
Contract liabilities	24,431	27,643
Payables and accruals	319,175	415,137
	1,469,038	1,445,891
Total liabilities	2,368,330	2,188,682
TOTAL EQUITY AND LIABILITIES	5,110,128	5,038,360
Net assets per share attributable to owners of the Company (RM)	4.20	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
Registration No. 197201001333 (12969-P)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 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			
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 income/ (loss) for the period, net of tax	-	-	149	139,380	(3,564)	-	15,515	151,480	1,533	153,013
Transfer of revaluation surplus on properties	-	-	-	(13,316)	-	-	13,316	-	-	-
Loss for the period	-	-	-	-	-	-	(51,110)	(51,110)	(3,751)	(54,861)
Total comprehensive income/ (loss) for the period	-	-	149	126,064	(3,564)	-	(22,279)	100,370	(2,218)	98,152
Purchase of treasury shares	-	(52)	-	-	-	-	-	(52)	-	(52)
Dividend - 2022 interim	-	-	-	-	-	-	(19,564)	(19,564)	-	(19,564)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	1,470	1,470
Transfer upon the disposal of asset classified as held for sale	-	-	-	(1,216)	-	-	1,216	-	-	-
At 31.12.2022	336,000	(25,953)	(13,361)	939,782	(4,082)	100	1,639,790	2,872,276	(22,598)	2,849,678
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	-	-	(285)	-	3,751	-	-	3,466	(1,505)	1,961
Transfer of revaluation surplus on properties	-	-	-	(17,609)	-	-	17,609	-	-	-
Loss for the period	-	-	-	-	-	-	(128,742)	(128,742)	(5,109)	(133,851)
Total comprehensive (loss)/ income for the period	-	-	(285)	(17,609)	3,751	-	(111,133)	(125,276)	(6,614)	(131,890)
Purchase of treasury shares	-	(341)	-	-	-	-	-	(341)	-	(341)
Dividend - 2023 interim	-	-	-	-	-	-	(6,519)	(6,519)	-	(6,519)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	30,870	30,870
At 31.12.2023	336,000	(26,294)	(13,646)	922,173	(331)	100	1,522,138	2,740,140	1,658	2,741,798

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.



TAN CHONG MOTOR HOLDINGS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2023
(THE FIGURES HAVE NOT BEEN AUDITED)

CUMULATIVE QUARTER

	For the 12 months ended 31.12.2023 RM'000	For the 12 months ended 31.12.2022 RM'000
Cash flows from operating activities		
Loss before taxation	(121,143)	(14,165)
Adjustments for:		
Non-cash and non-operating items	187,478	190,078
Operating profit before working capital changes	66,335	175,913
Changes in working capital		
Inventories	(33,389)	40,937
Hire purchase receivables	31,653	41,257
Receivables, deposits and prepayments	(27,543)	33,160
Payables and accruals	(115,047)	(114,704)
Contract assets	808	(15,540)
Contract liabilities	2,126	6,884
Cash (used in)/ generated from operations	(75,057)	167,907
Tax paid	(21,775)	(32,881)
Interest paid	(33,747)	(31,061)
Employee benefits paid	(1,276)	(1,584)
Net cash (used in)/ from operating activities	(131,855)	102,381
Cash flows from investing activities		
Acquisition of property, plant and equipment	(112,296)	(59,766)
Acquisition of intangible assets	(69,043)	(324)
Net proceeds (used in)/ from other investments	(23,880)	1,627
Dividend received from equity-accounted investees	1,886	1,700
Proceeds from disposal of property, plant and equipment	17,070	26,547
Net cash used in investing activities	(186,263)	(30,216)



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

CUMULATIVE QUARTER

	For the 12 months ended 31.12.2023 RM'000	For the 12 months ended 31.12.2022 RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(6,519)	(19,564)
Purchase of own shares	(341)	(52)
Net proceeds from/ (repayment of) bankers' acceptance	46,620	(51,681)
Net proceeds from medium term notes	150,000	300,000
Net proceeds from/ (repayment of) term loans and revolving credit	69,125	(241,023)
Payment of lease liabilities	(23,357)	(24,279)
Share subscription in a subsidiary company by non-controlling interest shareholders	30,870	1,470
Net cash from/ (used in) financing activities	266,398	(35,129)
Net (decrease)/ increase in cash and cash equivalents	(51,720)	37,036
Effects of exchange rate fluctuations on cash and cash equivalents	5,139	6,637
Cash and cash equivalents at beginning of the period	558,160	514,487
Cash and cash equivalents at end of the period	511,579	558,160

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 and Classification of Liabilities as Current of Non-current*
- 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 financial 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 35,000 during the quarter. Cumulative total number of shares repurchased at the end of the financial quarter was 20,193,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

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 31 December 2023.

9. Segmental Reporting

(a) Business segment reporting for current quarter:

	Vehicles assembly, manufacturing, distribution and after-sales services		Financial services		Other operations		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	579,059	718,161	17,073	16,665	47,698	3,956	643,830	738,782
Inter-segment revenue	369	86	3	4	20,338	15,932	20,710	16,022
Segment (LBITDA)/ EBITDA	(6,358)	56,159	1,512	2,715	(7,700)	(46,971)	(12,546)	11,903

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

Reconciliation of reportable segment profit or loss:

	31.12.2023	31.12.2022
	RM'000	RM'000
Total (LBITDA)/ EBITDA for reportable segments	(12,546)	11,903
Depreciation and amortisation	(35,176)	(40,664)
Interest expense	(16,776)	(14,991)
Interest income	5,368	5,164
Share of profit of equity-accounted investees not included in reportable segments	292	477
Unallocated corporate (expenses)/ income	(4,474)	159
Consolidated loss before taxation	(63,312)	(37,952)

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,365,608	2,972,210	66,384	66,368	100,734	13,657	2,532,726	3,052,235
Inter-segment revenue	4,672	511	16	18	74,517	78,536	79,205	79,065
Segment EBITDA	34,857	132,874	15,802	27,493	34,711	30,059	85,370	190,426

*Segment earnings before interest, taxation, depreciation and amortisation

Reconciliation of reportable segment profit or loss:

	31.12.2023	31.12.2022
	RM'000	RM'000
Total EBITDA for reportable segments	85,370	190,426
Depreciation and amortisation	(142,254)	(148,445)
Interest expense	(62,901)	(51,720)
Interest income	20,377	11,989
Share of loss of equity-accounted investees not included in reportable segments	(534)	(739)
Unallocated corporate expenses	(21,201)	(15,676)
Consolidated loss before taxation	(121,143)	(14,165)

(c) Geographical segment reporting for current quarter:

	Malaysia		Vietnam		Others		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	606,682	613,435	7,894	104,007	29,254	21,340	643,830	738,782
Segment (LBITDA)/ EBITDA	(5,734)	13,930	(7,704)	2,439	892	(4,466)	(12,546)	11,903

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

	Malaysia		Vietnam		Others		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,288,301	2,601,848	151,826	320,043	92,599	130,344	2,532,726	3,052,235
Segment EBITDA/ (LBITDA)	129,757	227,536	(40,102)	(8,434)	(4,285)	(28,676)	85,370	190,426

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

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment was brought forward without amendment from the audited financial statements for the financial year ended 31 December 2022.

11. Valuation of Investment Properties

Pursuant to the fair value model applied for investment properties, the fair value loss (net of deferred tax) of RM0.4 million has been incorporated into the current year profit or loss.

The valuation was carried out by an independent firm of professional valuer, LaurelCap Sdn Bhd, using open market value with existing use basis.

12. Other Investments

	31.12.2023	31.12.2022
	RM'000	RM'000
Current		
Liquid investments in quoted unit trusts with licensed financial institutions	25,872	454
Total	<u>25,872</u>	<u>454</u>

13. 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.

14. Changes in Composition of the Group

There were no other changes in the composition of the Group for the quarter under the review.

15. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 31 December 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)

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

	31.12.2023 RM'000	31.12.2022 RM'000
<i>Property, plant and equipment</i>		
Authorised but not contracted for	38,373	166,228
Authorised and contracted for		
In Malaysia	20,571	2,586
Outside Malaysia	6,427	21,511
Total	<u>65,371</u>	<u>190,325</u>

17. 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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
With WTCH Group				
Purchases	(10,813)	(10,280)	(52,421)	(55,559)
Sales	4,971	6,193	28,891	61,522
Travel agency and car rental services	(1,395)	(250)	(2,269)	(602)
Contract assembly services	742	313	3,094	3,362
With APM Group				
Purchases	(4,896)	(7,080)	(22,420)	(34,072)
Sales	401	246	1,902	3,544
With TCIL Group				
Sales	1,592	2,346	9,864	10,429
Contract assembly services	(1)	3,780	14,132	18,644

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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Purchases	(162,778)	(235,385)	(585,062)	(695,009)

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)

18. 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Purchases	(80,494)	(80,705)	(476,517)	(410,737)
Sales	3,993	4,509	16,079	18,729

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 December 2023, the Group recorded revenue of RM643.8 million, a reduction of 12.9% compared to the same period preceding year, largely due to continued challenges arising from supply chain constraints, lack of timely refreshed product line-up and stiffer competition faced in the local and overseas markets. In line with the lower revenue and lower margin, the Group recorded Loss Before Tax (“LBT”) of RM63.3 million in the current quarter under review, compared to LBT of RM38.0 million in the same period preceding year.

For the financial year ended (“FYE”) 31 December 2023, the Group recorded revenue of RM2.53 billion, 17.0% lower compared to the same period preceding year. As a result, the Group recorded LBT of RM121.1 million in current year-to-date period compared to LBT of RM14.2 million in the same period preceding year. The reduction in profitability was mainly due to lower sales and lower margin resulting from a weaker Ringgit.

As at 31 December 2023, the Group’s retained earnings was RM1.52 billion. The net assets per share as at 31 December 2023 was lower at RM4.20, 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 RM579.1 million in the current quarter under review, a reduction of 19.4% compared to same period last year (“QoQ”). The reduction in sales was mainly due to stiffer competition faced in the local and overseas markets. Loss Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of RM6.4 million varied by -111.3% QoQ, mainly due to lower revenue and lower margin arising from weaker Ringgit during the current quarter under review.

For the FYE 31 December 2023, the automotive division recorded revenue of RM2,365.6 million (-20.4% YoY) and EBITDA of RM34.9 million (-73.8% 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 RM17.1 million in the current quarter under review (+2.4% QoQ) and EBITDA of RM1.5 million (-44.3% QoQ). EBITDA was lower mainly 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 FYE 31 December 2023, the financial services division revenue remained at RM66.4 million compared to last year. However, EBITDA was lower at RM15.8 million (-42.5% YoY), mainly due to higher impairment loss on hire purchase receivables recognised in current year-to-date period compared to the same period preceding year.

(c) Other Operations (Investments and Properties)

Revenue from Other Operations was higher at RM47.7 million in the current quarter under review (+1,105.7% QoQ) and registered an improved LBITDA of RM7.7 million in the current quarter compared to LBITDA of RM47.0 million in the same period preceding year (+83.6% QoQ), mainly due to lower net foreign exchange loss which arose from transactions and outstanding balances denominated in foreign currencies.

For the FYE 31 December 2023, revenue from Other Operations was higher at RM100.7 million (+637.6% YoY) and EBITDA of RM34.7 million was higher by 15.5% YoY, 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)

2. Comparison with Preceding Quarter's Results

	Current Quarter 31.12.2023 RM'000	Immediate Preceding Quarter 30.09.2023 RM'000	Changes RM'000 %	
Revenue	643,830	649,820	(5,990)	-0.9%
Loss before tax	(63,312)	(52,331)	(10,981)	-21.0%
<u>External Revenue</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	579,059	591,888	(12,829)	-2.2%
Financial services	17,073	16,056	1,017	6.3%
Other operations	47,698	41,876	5,822	13.9%
	<u>643,830</u>	<u>649,820</u>	(5,990)	-0.9%
<u>Segment (LBITDA)/ EBITDA</u>				
Vehicles assembly, manufacturing, distribution and after-sales services	(6,358)	(19,769)	13,411	67.8%
Financial services	1,512	3,403	(1,891)	-55.6%
Other operations	(7,700)	7,268	(14,968)	-205.9%
	<u>(12,546)</u>	<u>(9,098)</u>	(3,448)	-37.9%

The Group recorded revenue of RM643.8 million in the current quarter under review, lower by RM6.0 million or 0.9% compared to RM649.8 million in the preceding quarter. The Group recorded LBT of RM63.3 million in the current quarter under review compared to LBT of RM52.3 million in the preceding quarter (-21.0% QoQ), mainly due to higher operating expenses and higher net foreign exchange loss in the current quarter under review.

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

The automotive division recorded lower revenue of RM579.1 million in the current quarter under review, a reduction of 2.2% compared to the preceding quarter ("QoQ"), mainly due to stiffer competition faced in the local and overseas markets. However, the automotive division registered LBITDA of RM6.4 million in the current quarter compared to LBITDA of RM19.8 million in preceding quarter (+67.8% QoQ), mainly due to higher margins arising from better sales mix in the current quarter under review.

(b) Financial Services (Hire Purchase and Insurance)

The financial services division recorded higher revenue of RM17.1 million (+6.3% QoQ) but EBITDA of RM1.5 million in the current quarter under review was lower by 55.6% 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 RM47.7 million (+13.9% QoQ) but turned into LBITDA of RM7.7 million (-205.9% 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 higher net foreign exchange loss in the current quarter compared to 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 global economy has been resilient in its recovery from the COVID-19 pandemic, projected to grow by 3% in 2024 amid escalation of geopolitical tension and inflationary pressures. On the domestic front, the economy expanded by 3%¹ in the fourth quarter of 2023 and is expected to expand further by 4%-5% in 2024, supported by recovery in exports and domestic consumption. The Malaysian Automotive Association (“MAA”) projected a lower total industry volume of 740,000 units in 2024 given the uncertainty in the global economy and consumer spending may slow down due to the rising cost of living, implementation of proposed High Value Goods Tax and higher service tax rate for certain services including motor vehicles repair and maintenance.

The Group had recently launched the New Nissan Almera KURO (Black Edition) for the local market with enhanced aesthetics that exude a higher level of sporty sophistication and poise. This is in line with the Group’s aspiration to offer high-tech, high-value products that are affordable and economical to run. The Group has also planned for other new models to be introduced in the months ahead, and these will be the catalysts for future sales growth in the local market.

In Vietnam, the Group had in November 2023 launched the locally assembled (“CKD”) version of the Wuling N300P light truck which was branded under Tan Chong’s own Truckquip (“TQ”) brand. On another note, the Group had also entered into an Agreement of Distribution and Service (“Agreement”) with GAC Motor International Co., Ltd., a subsidiary of Guangzhou Automobile Group Co., Ltd. (“GAC Group”) as a distributor to import, distribute and sell GAC vehicles, spare parts, and provide after-sales services. Both CKD TQ light truck sales and GAC distributorship will provide the Group with the opportunity to re-establish its foothold in the automotive industry in Vietnam.

For Laos and Cambodia markets, we will be launching the new Nissan X-Trail e-POWER in February 2024 and early March 2024. The early response and feedback from the markets has been promising and is expected to add further strength to existing sales momentum in the said markets.

The Group’s first Floating Large-Scale Solar Photovoltaic (LSSPV) plant in Serendah, Selangor has successfully commenced operations in providing green, renewable energy on 5 January 2024. The floating solar plant built on Sungai Rawang - Serendah Lake is expected to supply 1,043,114 MWh of green energy to Tenaga Nasional Berhad under a 25-year Power Purchase Agreement (PPA). This will contribute to a reduction of 610,221 tonnes of CO₂ (Carbon Dioxide) emissions to the atmosphere, equivalent to removing 132,656 units of cars from the road, or the planting of 29,058,175 trees. The Group will continue to pursue other renewable energy segments as part of its ESG efforts, contributing to the energy transition in Malaysia and the global markets.

Amid all the challenges faced, the Group remains steadfast in its focus to build a sustainable business by driving better operational efficiencies, efficient cost management and cash flow management, firmly placing the Group in a strong position to achieve long term operational and financial sustainability.

¹ Bank Negara Malaysia Quarterly Report dated 16 February 2024.

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Current year	(3,587)	(9,253)	(13,283)	(34,176)
- Prior year	415	1,136	1,215	410
	<u>(3,172)</u>	<u>(8,117)</u>	<u>(12,068)</u>	<u>(33,766)</u>
Deferred taxation				
- Current year	12,149	4,413	(126)	(6,203)
- Prior year	50	(1,534)	(514)	(727)
	<u>12,199</u>	<u>2,879</u>	<u>(640)</u>	<u>(6,930)</u>
	<u>9,027</u>	<u>(5,238)</u>	<u>(12,708)</u>	<u>(40,696)</u>

The Group recorded net tax income of RM9.0 million during the current quarter under review mainly due to the recognition of deferred tax asset. The effective tax rate for FYE 31 December 2023 was higher than the statutory tax rate 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:

	31.12.2023	31.12.2022
	RM'000	RM'000
Unsecured :		
- Bankers' acceptances	205,570	158,950
- Revolving credit	887,044	749,135
- Short term loan	-	65,942
- Medium term notes	450,000	300,000
Total borrowings	<u>1,542,614</u>	<u>1,274,027</u>
Comprising :		
Amount repayable within one year	1,092,614	974,027
Amount repayable after one year	450,000	300,000
	<u>1,542,614</u>	<u>1,274,027</u>

Group borrowings breakdown by currencies:

		31.12.2023	31.12.2022
		RM'000	RM'000
Functional currency	Denominated in		
RM	RM	1,510,570	1,087,949
RM	USD	32,044	144,923
VND	VND	-	41,155
		<u>1,542,614</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 December 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	74,904	(462)	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.

On 7 December 2023, the Plaintiffs filed a Notice of Motion for leave to appeal to the Federal Court against the decision of Court of Appeal of 16 November 2023. A case management date before the Federal Court has been fixed on 23 April 2024. The hearing of the application for leave to appeal to the Federal Court is fixed on 7 May 2024.

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 fourth quarter ended 31 December 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loss attributable to the owners of the Company (RM'000)	(54,847)	(44,711)	(128,742)	(51,110)
Weighted average number of ordinary shares ('000)	651,827	652,117	651,922	652,129
Basic Loss per share (sen)	(8.41)	(6.86)	(19.75)	(7.84)

12. Total Comprehensive (Loss)/ Income

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2023 RM'000	Preceding Year Corresponding Quarter 31.12.2022 RM'000	Current Year To Date 31.12.2023 RM'000	Preceding Year Corresponding Period 31.12.2022 RM'000
Fair value (Loss)/ Gain on investment properties	(400)	15	(400)	15
Depreciation and amortisation	(35,176)	(40,664)	(142,254)	(148,445)
Foreign exchange (Loss)/ Gain	(13,210)	(45,208)	18,954	1,641
(Loss)/ Gain on derivatives	(92)	6,096	3,751	(3,564)
(Loss)/ Gain on disposal of property, plant and equipment	(2,306)	7,830	(92)	11,872
(Provision for)/ Reversal and (write-off) of receivables	(395)	(1,184)	(8,222)	719
Property, plant and equipment written off	44	113	(80)	(819)
(Provision for)/ Reversal and (write-down) of inventories	(1,649)	(3,021)	8,950	(2,488)
Gain on disposal of investment properties	-	155	-	155
Reversal of impairment loss on property, plant and equipment	-	792	-	792
Impairment loss on investment in equity-accounted investees	(3,000)	-	(3,000)	-
Other income including investment income	-	-	-	-

BY ORDER OF THE BOARD

CHONG CHOON YENG

CHIN YOON LENG

Company Secretaries

Kuala Lumpur

29 February 2024