TAN CHONG MOTOR HOLDINGS BERHAD

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

INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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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 2019

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	Current Year Quarter 31.12.2019 RM'000	**Preceding Year Corresponding Quarter 31.12.2018 RM'000**	**Current Year To Date 31.12.2019 RM'000**	**Preceding Year Corresponding Period 31.12.2018 RM'000**
Revenue	974,611	1,166,838	4,172,447	4,858,206
Operating profit	38,457	96,013	169,557	226,798
Interest expense	(20,800)	(18,404)	(78,777)	(71,607)
Interest income	4,742	7,138	21,223	22,209
Share of profit of equity-accounted investees	545	(1,019)	2,324	1,186
Profit before taxation	22,944	83,728	114,327	178,586
Tax expense	(20,437)	(30,833)	(67,635)	(76,049)
Profit for the period	2,507	52,895	46,692	102,537
Profit attributable to:				
Equity holders of the Company	(1,012)	56,454	43,645	105,932
Non-controlling interests	3,519	(3,559)	3,047	(3,395)
	2,507	52,895	46,692	102,537
Earning per share (sen)				
(a) Basic	(0.16)	8.65	6.69	16.23
(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 2018.

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 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000	Current Year To Date 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000
Profit for the period	2,507	52,895	46,692	102,537
Item that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gain	9,643	-	9,643	-
Effect of changes in tax rate on revalued property, plant and equipment	-	(15,334)	-	(15,334)
Revaluation of property, plant and equipment	153,079	-	153,079	-
Total item that will not be classified to profit or loss	162,722	(15,334)	162,722	(15,334)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	30	(9,613)	3,639	(2,684)
Foreign currency translation differences for an equity-accounted associate	1,823	787	1,823	787
Cash flow hedge	5,226	(1,384)	5,004	(17,760)
Total items that are or may be classified subsequently to profit or loss	7,079	(10,210)	10,466	(19,657)
Other comprehensive income/(loss) for the period, net of tax	169,801	(25,544)	173,188	(34,991)
Total comprehensive income/(loss) for the period	172,308	27,351	219,880	67,546
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	167,255	31,852	213,061	70,468
Non-controlling interests	5,053	(4,501)	6,819	(2,922)
	172,308	27,351	219,880	67,546

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	As at 31.12.2019 RM'000		As at 31.12.2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	2,250,999	*	1,773,114
Investment properties	216,725		207,376
Prepaid lease payments	-		43,436
Intangible assets	759		759
Equity-accounted investees	61,811		57,914
Other investments	-		1
Deferred tax assets	95,741		96,075
Hire purchase receivables	562,617		655,383
	3,188,652		2,834,058
Current assets			
Other investments	12,166		126,868
Inventories	1,527,068		1,238,750
Contract assets	14,159		16,689
Current tax assets	16,145		9,057
Hire purchase receivables	84,592		92,886
Receivables, deposits and prepayments	575,003		633,984
Derivative financial assets	4,139		295
Cash and cash equivalents	407,786		522,118
	2,641,058		2,640,647
TOTAL ASSETS	5,829,710		5,474,705

* Included in property, plant and equipment as at 31 December 2019 are right-of-use assets with net carrying amount of RM782,452,000.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (continued)

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	336,000	336,000
Reserves	2,710,536	2,525,874
Treasury shares	(25,364)	(25,283)
Total equity attributable to owners of the Company	3,021,172	2,836,591
Non-controlling interests	(11,548)	(17,733)
Total equity	3,009,624	2,818,858
Non-current liabilities		
Borrowings	499,286	498,933
Lease liabilities	72,754	-
Employee benefits	81,988	82,306
Deferred tax liabilities	213,100	175,476
Contract liabilities	59,670	48,003
	926,798	804,718
Current liabilities		
Borrowings	1,096,854	1,024,313
Lease liabilities	32,654	-
Derivative financial liabilities	690	1,527
Taxation	5,770	24,502
Contract liabilities	21,565	11,333
Payables and accruals	735,755	789,454
	1,893,288	1,851,129
Total liabilities	2,820,086	2,655,847
TOTAL EQUITY AND LIABILITIES	5,829,710	5,474,705
		-
Net assets per share attributable to owners of the Company (RM)	4.63	4.35

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company									
	Non-Distributable					Distributable				
	Share capital RM'000	Treasury shares RM'000	Translation reserves RM'000	Revaluation reserve RM'000	Hedging reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 01.01.2018	336,000	(25,282)	(11,914)	726,716	16,293	100	1,753,966	2,795,879	(14,511)	2,781,368
Adjustment on adoption of MFRS 9 (net of tax)	-	-	-	-	-	-	(3,445)	(3,445)	-	(3,445)
Adjustment on adoption of MFRS 15 (net of tax)	-	-	-	-	-	-	(6,730)	(6,730)	-	(6,730)
Adjusted 01.01.2018	336,000	(25,282)	(11,914)	726,716	16,293	100	1,743,791	2,785,704	(14,511)	2,771,193
Other comprehensive income for the period, net of tax	-	-	(2,370)	-	(17,760)	-	-	(20,130)	473	(19,657)
Effect of changes in tax rates	-	-	-	(15,334)	-	-	-	(15,334)	-	(15,334)
Transfer of revaluation surplus on properties	-	-	-	(9,944)	-	-	9,944	-	-	-
Profit for the period	-	-	-	-	-	-	105,932	105,932	(3,395)	102,537
Total comprehensive income/(loss) for the period	-	-	(2,370)	(25,278)	(17,760)	-	115,876	70,468	(2,922)	67,546
Purchase of treasury shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Dividend - 2017 final	-	-	-	-	-	-	(6,527)	(6,527)	-	(6,527)
Dividend - 2018 interim	-	-	-	-	-	-	(13,053)	(13,053)	(300)	(13,353)
At 31.12.2018	336,000	(25,283)	(14,284)	701,438	(1,467)	100	1,840,087	2,836,591	(17,733)	2,818,858
At 01.01.2019	336,000	(25,283)	(14,284)	701,438	(1,467)	100	1,840,087	2,836,591	(17,733)	2,818,858
Adjustment on adoption of MFRS 16 (net of tax)	-	-	-	-	-	-	(2,293)	(2,293)	(334)	(2,627)
Adjusted 01.01.2019	336,000	(25,283)	(14,284)	701,438	(1,467)	100	1,837,794	2,834,298	(18,067)	2,816,231
Other comprehensive income for the period, net of tax	-	-	5,062	-	5,004	-	9,643	19,709	400	20,109
Revaluation of property, plant and euqipment	-	-	-	149,707	-	-	-	149,707	3,372	153,079
Transfer of revaluation surplus on properties	-	-	-	(9,944)	-	-	9,944	-	-	-
Profit for the period	-	-	-	-	-	-	43,645	43,645	3,047	46,692
Total comprehensive income/(loss) for the period	-	-	5,062	139,763	5,004	-	63,232	213,061	6,819	219,880
Purchase of treasury shares	-	(81)	-	-	-	-	-	(81)	-	(81)
Dividend - 2018 final	-	-	-	-	-	-	(13,053)	(13,053)	-	(13,053)
Dividend - 2019 interim	-	-	-	-	-	-	(13,053)	(13,053)	(300)	(13,353)
At 31.12.2019	336,000	(25,364)	(9,222)	841,201	3,537	100	1,874,920	3,021,172	(11,548)	3,009,624

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

TAN CHONG MOTOR HOLDINGS BERHAD
Registration No. 197201001333 (12969-P)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	CUMULATIVE QUARTER	
	For the 12 months ended 31.12.2019 RM'000	**For the 12 months ended 31.12.2018 RM'000**
Cash flows from operating activities		
Profit before taxation	114,327	178,586
Adjustments for:		
Non-cash and non-operating items	188,037	236,367
Operating profit before working capital changes	302,364	414,953
Changes in working capital		
Inventories	(288,385)	(111,932)
Hire purchase receivables	105,061	74,899
Receivables, deposits and prepayments	24,618	11,422
Payables and accruals	14,081	218,273
Contract assets	2,530	982
Contract liabilities	21,899	21,516
Cash from operations	182,168	630,113
Tax paid	(86,721)	(55,161)
Interest paid	(57,554)	(46,001)
Employee benefits paid	(2,315)	(2,565)
Net cash from operating activities	35,578	526,386
Cash flows from investing activities		
Acquisition of property, plant and equipment	(296,877)	(71,939)
Acquisition of prepaid lease payments	-	(1,066)
Acquisition of subsidiary company	-	(200)
Net proceeds from disposal/(additions) of liquid investments with licensed financial institutions	114,702	17,289
Acquisition of share in equity-accounted investees	-	(13,244)
Dividend received from equity-accounted investee	250	3,100
Proceeds from disposal of property, plant and equipment	23,975	18,958
Net cash used in investing activities	(157,950)	(47,102)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

	CUMULATIVE QUARTER	
	For the 12 months ended 31.12.2019 RM'000	For the 12 months ended 31.12.2018 RM'000
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(26,106)	(19,580)
Dividends paid to non-controlling interests	(300)	(300)
Purchase of own shares	(81)	(1)
Net proceeds from/(repayment of) bills payable	163,630	(49,051)
Net repayment of medium term notes, term loans, and revolving credit	(103,336)	(207,432)
Payment of lease liabilities	(24,242)	-
Net cash from/(used in) financing activities	9,565	(276,364)
Net (decrease)/increase in cash and cash equivalents	(112,807)	202,920
Effects of exchange rate fluctuations on cash and cash equivalents	(1,525)	1,193
Cash and cash equivalents at beginning of the period	522,118	318,005
Cash and cash equivalents at end of the period	407,786	522,118
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	201,509	350,731
Deposits with licensed banks	206,277	171,387
	407,786	522,118

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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 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 2018.

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 2018, except the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretations with effect from 1 January 2019:

- MFRS 16, *Leases*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests In Associates and Joint Ventures*
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle:
  - Amendments to MFRS 3, *Business Combinations* and MFRS 11, *Joint Arrangements – Previously Held Interest in a Joint Operation*
  - Amendments to MFRS 112, *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to MFRS 123, *Borrowing costs – Borrowing Costs Eligible for Capitalisation*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group, except for the following:

MFRS 16, *Leases*

The Group has adopted MFRS 16, *Leases* from 1 January 2019.

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under MFRS 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

I. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 5 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under MFRS 16, a contract is, or contains, a lease of the contract which conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

2. Changes in Accounting Policies (continued)

MFRS 16, *Leases* (continued)

I. Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lease, the Group has elected not to separate non-lease components and instead accounted for the lease and non-lease components as a single lease component.

II. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under MFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

a) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group’s incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

b) Transition

Previously, the Group classifies property leases as operating leases under MFRS 117.

At transition, for leases classified as operating leases under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if MFRS 16 has been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application.

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

2. Changes in Accounting Policies (continued)

MFRS 16, *Leases* (continued)

II. As a lessee (continued)

b) Transition (continued)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating leases under MFRS 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs for measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

III. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under MFRS 117. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to MFRS 16 for leases in which it acts as a lessor. However, the Group has applied MFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Group sub-leases some of its properties. Under MFRS 117, the head lease and sub-lease contracts were classified as operating leases. On transition to MFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value on transition to MFRS 16. The sub-lease contracts are classified as operating leases under MFRS 16.

IV. Impact on financial statements

a) Impact on transition

On transition to MFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Group

	Impact of adopting MFRS 16 at 1 January 2019 RM'000
Right-of-use assets	155,985
Prepaid lease payments	(43,436)
Lease liabilities	(116,005)
Deferred tax assets	829
Non-controlling interests	334
Retained earnings	2,293

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

2. Changes in Accounting Policies (continued)

MFRS 16, *Leases* (continued)

IV. Impact on financial statements (continued)

a) Impact on transition (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5%.

b) Impact for the financial year

As a result of applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RM236,963,000 of right-of-use assets which includes a revaluation surplus of RM67,142,000 and lease liabilities of RM105,408,000 as at 31 December 2019.

Also, in relation to those right-of-use assets, the Group has recognised depreciation and interest costs, instead of operating lease expense. For the financial year ended 31 December 2019, the Group recognised RM25,458,000 of depreciation charges and RM2,986,000 of interest costs for these right-of-use assets.

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted other than marked "*" which are not applicable to the Group:-

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Shared-Based Payment (Amendments to References to the Conceptual Framework in MFRS Standards)* *
- Amendments to MFRS 3, *Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources (Amendments to References to the Conceptual Framework in MFRS Standards)* *
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Interest Rate Benchmark Reform)* *
- Amendments to MFRS 9, *Financial Instruments (Interest Rate Benchmark Reform)* *
- Amendments to MFRS 14, *Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards)* *
- Amendments to MFRS 101, *Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 134, *Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 138, *Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform)* *
- Amendments to IC Interpretation 12, *Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards)* *
- Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to References to the Conceptual Framework in MFRS Standards)* *
- Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)*
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)*

2. Changes in Accounting Policies (continued)

Effective for annual periods beginning on or after 1 January 2020 (continued)
- Amendments to IC Interpretation 132, *Intangible Assets – Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards) **

Effective for annual periods beginning on or after 1 January 2021
- MFRS 17, *Insurance Contracts **

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

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

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2018.

4. Seasonal or Cyclical Factors

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

5. Unusual Items

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

6. Material Changes in Estimates

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

7. Debt and Equity Securities

During the quarter under review, the Company repurchased 60,000 units of its issued ordinary shares from the open market at an average price of RM1.34. Total consideration paid for the repurchase including transaction cost was RM80,540 and this was financed by internally generated fund. Cumulative total number of shares repurchased at the end of the financial quarter was 19,400,000. 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 has redeemed RM17.50 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM157.80 million at the end of the financial quarter.

Under the combined aggregate nominal value of RM1.5 billion of Commercial Papers and Medium Term Notes Programmes, the Group has redeemed RM250.00 million nominal values of Medium Term Notes. The outstanding nominal values of Medium Term Notes was RM500.0 million at the end of the financial quarter.

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

8. Dividend Paid

No dividends were paid during the quarter ended 31 December 2019.

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

9. Segmental Reporting

(a) Business segment

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	4,073,667	4,751,143	80,857	91,885	17,923	15,178	4,172,447	4,858,206
Inter-segment revenue	2,713	7,882	1,526	53	69,581	71,264	73,820	79,199
Segment EBITDA*	300,979	308,492	26,394	23,266	1,187	17,318	328,560	349,076

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

Reconciliation of reportable segment profit or loss:	31.12.2019	31.12.2018
	RM'000	RM'000
Total EBITDA for reportable segments	328,560	349,076
Depreciation and amortisation	(137,418)	(100,354)
Interest expense	(78,777)	(71,607)
Interest income	21,223	22,209
Share of profit of equity-accounted investees not included in reportable segments	2,324	1,186
Unallocated corporate expenses	(21,585)	(21,924)
Consolidated profit before taxation	114,327	178,586

(b) Geographical segment

	Malaysia		Vietnam		Others		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,261,845	3,954,608	560,892	654,470	349,710	249,128	4,172,447	4,858,206
Segment EBITDA	318,640	324,603	(12,260)	12,429	22,180	12,044	328,560	349,076

10. Valuation of Property, Plant and Equipment

Pursuant to the revaluation model applied for land and buildings, the Group's land and buildings are subsequently measured at fair value less accumulated depreciation and any accumulated impairment losses. The fair value loss (net of deferred tax) of RM9.77 million and revaluation surplus (net of deferred tax) of RM153.08 million has been incorporated into the consolidated financial statements for the year ended 31 December 2019, of which RM149.71 million and RM3.37 million is recognised in the revaluation reserve and non-controlling interests respectively.

The recognition of the revaluation surplus, net of deferred tax, of RM149.71 million has resulted in an increase in the net assets per share by RM0.23 as at 31 December 2019.

The valuations were carried out by independent firms of professional valuers, Rahim & Co Chartered Surveyors Sdn Bhd, CBRE (Vietnam) Co. Ltd and Agency for Real Estate Affairs, using open market value with existing use basis.

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

11. Valuation of Investment Properties

Pursuant to the fair value model applied for investment properties, the fair value gain (net of deferred tax) of RM0.52 million has been incorporated into the current year profit or loss.

The valuation were carried out by independent firm of professional valuer, Rahim & Co. using open market value with existing use basis.

12. Valuation of Right-of-Use Assets

For the purpose of subsequent measurement of leases of land recognised as right-of-use assets and that they are not held as investment properties, the Group has applied the revaluation model in accordance with MFRS 116 *Property, Plant and Equipment*. Pursuant thereto, these classes of right-of-use assets are subsequently measured at fair value less accumulated depreciation and any accumulated impairment losses.

13. Subsequent Event

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

A subsidiary in the Group is currently engaged in discussions with the Malaysian Customs on certain audit findings. Based on legal advice sought, the Management is of the view there are valid legal grounds to object and disagree with the audit findings. Management has rejected the audit findings and the matter has yet to be concluded at the time of the issuance of this quarterly report.

14. Changes in Composition of the Group

On 28 November 2019, the Group has incorporated seven wholly-owned subsidiaries under the Labuan Companies Act, 1990. These companies are principally engaged in investment holding and summarised as below:

(a) TC Services Labuan (C) Pte. Ltd.;
(b) TC Services Labuan (L) Pte. Ltd.;
(c) TC Services Labuan (MM) Pte. Ltd.;
(d) TC Manufacturing (V) Pte. Ltd.;
(e) TC Manufacturing (C) Pte. Ltd.;
(f) TC Manufacturing (L) Pte. Ltd.; and
(g) TC Manufacturing (MM) Pte. Ltd.

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

15. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 31 December 2019 except as disclosed in Part B, Note 9 of the Announcement.

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

(i) Capital commitment

	31.12.2019 RM'000	31.12.2018 RM'000
Property, plant and equipment		
Authorised but not contracted for	148,366	110,455
Authorised and contracted for		
In Malaysia	54,764	36,406
Outside Malaysia	133,560	34,358
TOTAL	336,690	181,219

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

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

(ii) Non-cancellable operating lease commitment

	31.12.2019 RM'000	31.12.2018 RM'000
Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:		
Not later than 1 year	-	1,699
More than 1 year but not later than 5 years	-	6,796
More than 5 years	-	100,093
TOTAL	-	108,588

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	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
With WTCH Group				
Purchases	(14,382)	(8,029)	(50,722)	(28,370)
Sales	(12,262)	(21,031)	57,578	46,558
Travel agency and car rental services	822	(5,093)	(3,203)	(7,546)
Contract assembly services	583	3,201	7,701	9,806
With APM Group				
Purchases	(29,776)	(47,016)	(107,612)	(110,048)
Sales	1,301	(2,166)	24,927	28,496
With TCIL Group				
Contract assembly services	1,945	6,835	17,931	26,698

These transactions have been entered into in the normal course of business and have 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	
	31.12.19 RM'000	31.12.18 RM'000	31.12.19 RM'000	31.12.2018 RM'000
Purchases	(326,286)	(671,200)	(1,541,013)	(1,832,116)

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

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

17. Significant Related Party Transactions (continued)

(c) Significant transactions with Auto Dunia Sdn. Bhd., a company connected to a Director of the Company, namely Dato' Tan Heng Chew by virtue of Section 197 of the Companies Act, 2016, are as follows:

	Individual Quarter		Cumulative Quarter	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Purchases	(109,775)	(143,275)	(461,856)	(544,384)
Sales	978	8,790	21,671	25,346

These transactions have been entered into in the normal course of business and have 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

The Group recorded a revenue of RM4.17 billion and profit before tax of RM114.3 million for the year ended 31 December 2019, a decrease of 14.1% and 36.0% respectively as compared to the preceding year. As at 31 December 2019, the Group's retained earnings stood at RM1.87 billion. The net assets per share increased 28 sen to RM4.63 as compared to the year ended 31 December 2018. Further analysis of the segments is explained as follows:

a) Vehicles Assembly, Manufacturing, Distribution & After Sales Service (automotive)

The automotive division recorded a lower revenue of RM4.07 billion (-14.3% YoY) and lower EBITDA of RM300.9 million (-2.4% YoY) due to the highly competitive business environment experienced in 2019. It was also noted that the revenue was higher in the previous year due to higher number of vehicles sold during the one-off "tax holiday" sales period.

b) Financial Services (hire purchase and insurance)

Although the financial services division recorded a lower revenue of RM80.9 million (-12.0% YoY), there was an improvement in the EBITDA amounting to RM26.4 million (+13.4% YoY). The reduction in revenue was due to lower hire purchase receivables as of 31 December 2019 compared to previous year. The lower impairment for hire purchase receivables in 2019 as compared to the preceding year also contributed to the EBITDA improvement.

c) Other Operations (investments and properties)

Revenue from other operations was higher at RM17.9 million as compared to RM15.2 million in the previous year. EBITDA decreased from RM17.3 million in the preceding year to RM1.2 million. The reduction in EBITDA was mainly due to net foreign exchange loss amounting to RM2.9 million recognised in the year ended 31 December 2019 which arose from financing overseas entities denominated in foreign currencies compared with net foreign exchange gain of RM16.6 million recognised in the preceding year.

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

2. Comparison with Preceding Quarter's Results

	Current Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Changes RM'000	%
Revenue	974,611	1,050,557	(75,946)	-7.2%
Profit before tax	22,944	20,849	2,095	10.0%
External Revenue				
Vehicles assembly, manufacturing, distribution and after sale services	949,912	1,027,140	(77,228)	-7.5%
Financial services	18,617	18,903	(286)	-1.5%
Other operations	6,082	4,514	1,568	34.7%
	974,611	1,050,557	(75,946)	-7.2%
Segment EBITDA				
Vehicles assembly, manufacturing, distribution and after sale services	85,347	66,078	19,269	29.2%
Financial services	6,524	7,050	(526)	-7.5%
Other operations	(12,366)	10,715	(23,081)	-215.4%
	79,505	83,843	(4,338)	-5.2%

The Group recorded revenue of RM0.97 billion for Q4 2019 which is lower by RM75.9 million or 7.2% as compared to RM1.05 billion for the preceding quarter. Profit before tax increased by 10.0% from RM20.8 million to RM22.9 million for the current quarter under review.

a) Vehicles Assembly, Manufacturing, Distribution & After Sales Service (automotive)

The automotive division recorded a lower revenue of RM949.9 million (-7.5% QoQ) and EBITDA had increased by 29.2% to RM85.3 million for Q4 2019. The lower revenue was due to stiff competition in the automotive market.

b) Financial Services (hire purchase and insurance)

The financial services division had recorded a slight lower revenue of RM18.6 million (-1.5% QoQ) and lower EBITDA of RM6.5 million (-7.5% QoQ) for the quarter under review. The lower EBITDA was due to higher impairment made for hire purchase receivables in Q4 2019 as compared to Q3 2019.

c) Other Operations (investments and properties)

Revenue from other operations for the quarter under review was RM6.1 million compared to RM4.5 million in the preceding quarter. EBITDA had decreased from RM10.7 million in Q3 2019 to loss of RM12.4 million in Q4 2019 due to foreign exchange loss of RM8.7 million recognised in Q4 2019 which was derived from financing overseas entities denominated in foreign currencies.

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

3. Current Year Prospects

The domestic automotive industry outlook is expected to be subdued in 2020 as consumers' spending is anticipated to be cautious due to the current economic and market uncertainties. Business confidence and consumers sentiment are also impacted by the on-going Covid-19 virus outbreak that has thus far plagued regional and global economic activities. Following the recent announcement of the National Automotive Policy 2020, the Group will study the outlined measures as well as potential implications from the recent ruling on automotive excise duties.

We will continue to monitor these developments and the potential impact to our business and implement the relevant mitigation efforts to sustain business operations.

The Group has been taking active measures to improve its competitiveness in the domestic market with the expected launch of new models in the coming quarters. At the same time, we will continue to strengthen the sales operations in the domestic and overseas market. Notwithstanding these, the Group will maintain its cautious position under this climate to ensure business sustainability.

4. Comparison with Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		**Cumulative Quarter**	
	31.12.2019 RM'000	**31.12.2018 RM'000**	**31.12.2019 RM'000**	**31.12.2018 RM'000**
Current year	17,806	33,170	69,965	97,537
Prior year	(8)	(239)	(890)	575
Deferred tax	2,639	(2,098)	(1,440)	(22,063)
	20,437	30,833	67,635	76,049

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory rate of 24% due to certain expenses disallowed for tax purposes and absence of group relief.

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:

	31.12.2019 RM'000	**31.12.2018 RM'000**
Unsecured :		
- Bills payable	171,886	8,256
- Revolving credit	924,968	757,243
- Short term loan	-	9,029
- Medium term notes	499,286	748,718
Total borrowings	1,596,140	1,523,246
Comprising :		
Amount repayable within one year	1,096,854	1,024,313
Amount repayable after one year	499,286	498,933
	1,596,140	1,523,246

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

7. Group Borrowings (continued)

Group borrowings breakdown by currencies:

Functional currency	Denominated in	31.12.2019 RM'000	31.12.2018 RM'000
RM	RM	1,300,606	1,152,973
RM	USD	225,707	234,514
VND	VND	60,758	132,740
VND	USD	9,069	3,019
		1,596,140	1,523,246

8. Financial Instruments

Derivatives

As at 31 December 2019, 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	181,461	3,449	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

(a) Motion to Correct Counter Claim from Narita Motorcare (Cambodia) Co. Ltd ("Narita") and Others

On 26 April 2017, Narita filed a Motion to Add and Correct Complaint and a counter claim complaint to, amongst others, order ETCM (C) Pty Ltd ("ETCM (C)") and TCM (Cambodia) Pty Ltd ("TCMC") to pay damages and compensation of USD6,550,000 to Narita, USD200,000 each to Mr Long Narith and Ms Pich Sokhom. On 9 May 2017, ETCM (C) and TCMC jointly filed their defence to the Motion to Add and Correct Complaint and ordered Narita, Mr Long Narith and Ms Pich Sokhom to pay ETCM (C) and TCMC damages with approximately USD33,000,000 for actual losses and emotional damages. On 26 November 2017, the Court of First Instance in Phnom Penh has ruled in favour of ETCM (C) and TCMC and ordered Narita, Mr Long Narith and Ms Pich Sokhom to compensate ETCM (C) and TCMC approximately USD8,037,818 for actual losses and emotional damages ("Damages"). Subsequently, Narita, Mr Long Narith and Ms Pich Sokhom have filed an appeal with Court of Appeal against the decision made in November 2017.

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

9. Changes in Material Litigation

(a) Motion to Correct Counter Claim from Narita Motorcare (Cambodia) Co. Ltd ("Narita") and Others (continued)

On 2 May 2018, the Court of Appeal upheld the decision of the Court of First Instance in Phnom Penh which ruled in favour of ETCM (C) and TCMC but cancelled the Damages to ETCM (C) and TCMC and instead ordered ETCM (C) and TCMC to pay USD329,208 to Narita, represented by Mr Long Narith and Ms Pich Sokhom ("COA's Award").

On 28 May 2018, solicitors for both ETCM (C) and TCMC filed an appeal against COA's Award at the Supreme Court.

The solicitors had, on 5 June 2019, advised that the Supreme Court in Phnom Penh had, vide oral judgment, upheld and concurred with the decision of the Court of Appeal as follows:

(a) the non-existence of the agreement between ETCM(C) and TCMC with Narita;

(b) Narita is to stop harassing ETCM(C) and TCMC in all manners; and

(c) Narita is to stop using the Nissan mark in all its business operations and remove the Nissan mark and stop using it in the billboards and advertisements of any kind.

However, the Supreme Court had: -

(i) dismissed the Court of Appeal's decision on the following:

a) that ETCM(C) and TCMC were to pay damages to Narita of the amount of USD329,207.932 based on the reason being is that such decision is unclear; and

b) Narita should not incur the entire litigation cost based on the reason that this order is not within the provision of the Cambodian legal provisions;

(ii) also considered the Court of Appeal had omitted to decide on the compensation claimed by ETCM(C) and TCMC.

As such, the Supreme Court had made a ruling to return the appeal case to the Court of Appeal to hear and make a new decision based on reasonings of the Supreme Court as above.

Both ETCM(C) and TCMC are awaiting the summon from the Court of Appeal for hearing on the above points dismissed by the Supreme Court.

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

On 15 August 2017, TCIE, a wholly-owned subsidiary of the Company received a sealed Writ of Summons dated 12 August 2017 and Statement of Claim dated 11 August 2017, a sealed copy of a Notice of Application for Injunction dated 12 August 2017 and supporting Affidavit dated 11 August 2017 ("the action") 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 were owing to TCIE outstanding rentals and service bills amounting to RM32,920,575 ("Debt").

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

9. Changes in Material Litigation (continued)

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

TCIE negotiated with the Debtors on the settlement of the Debt on many occasions and after lengthy negotiations, the Debtors and KTB mutually agreed to enter into a Settlement Agreement with TCIE on 4 July 2016 to settle the same by way of (i) repayment of the amount of RM16,920,575 in cash in several instalments; and (ii) transfer of a piece of land held under H.S.(D) 87546, PT No. 7929, Bandar Ampang, Daerah Ulu Langat, Negeri Selangor ("Land") owned by MHSB to TCIE for the settlement of the balance Debt of RM16,000,000 ("Balance Debt") ("Settlement Agreement").

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

Pursuant to the action, the Plaintiffs are seeking an injunction to restrain TCIE from entering into any dealing in relation to the Land and a declaration pertaining to the value of the Land of MHSB is RM55,600,000 and repayment of the sum of RM22,679,425 ("Plantiffs' Claim").

On 4 January 2018, the High Court allowed TCIE's application to strike out the Plaintiffs' Claim and dismissed the Plaintiffs' injunction application with costs of RM5,000 ("Injunction Application").

On 9 January 2018, the Plaintiffs filed an appeal with the Court of Appeal against the judgment of the High Court ("Plaintiff's Appeal").

The Court of Appeal has fixed final case management on 2 November 2018 and hearing of the Plaintiff's Appeal on 15 November 2018.

On 15 November 2018, TCIE's solicitors informed that the Court of Appeal, after hearing submissions of both parties, had allowed the Plaintiffs' Appeal with no order as to costs and set aside the High Court Striking Out Order of 4 January 2018. The Court of Appeal further directed the Plaintiffs' Claim to be re-fixed for case management on 27 November 2018 in the High Court for a full trial.

On 27 November 2018, the case management for the Plaintiffs' Claim in the High Court has been re-fixed on 13 December 2018.

On 13 December 2018, during the case management before the High Court:-

1. the Plaintiffs have withdrawn its Injunction Application with no order as to costs;
2. the High Court has fixed the next case management on 29 January 2019 and the trial dates on September 10, 11, 12 and 13, 2019 being the earliest dates available for trial.

The next case management before the High Court was fixed for 14 March 2019 for compliance of pre-trial directions by the parties. The Plaintiffs' solicitors filed for discovery application on 8 April 2019 and the decision for the hearing for the discovery application for the Plaintiffs' Claim was delivered on 11 July 2019.

The High Court allowed in part the Plaintiff's application for discovery (i.e. requires production of copies of the 3 valuation reports as referred to in the minutes dated 24 May 2016) and dismissed the application for the documents relating to Form 14A of the Sale and Purchase Agreement and copies of all documents relating to the stamp duty adjudication and appeal ("Order of Discovery").

On 16 July 2019, TCIE filed the Notice of Appeal with the Court of Appeal against the Order of Discovery. The Court of Appeal had re-fixed case management further to 11 February 2020 pending the delivery of the Grounds of Judgement from the High Court on the Plaintiff's Claim.

Subsequently, on 28 January 2020, the High Court had delivered the grounds of judgment and notes of proceedings of the High Court in respect of the Order of Discovery.

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

9. Changes in Material Litigation (continued)

(b) Writ of Summons and Statement of Claim served on Tan Chong Industrial Equipment Sdn Bhd ("TCIE") (continued)

On 17 July 2019, TCIE filed the application for stay on the Order of Discovery pending the appeal to Court of Appeal on the same and hearing of the leave application to the Federal Court ("Stay Application against Order of Discovery").

On 5 September 2019, the High Court decided the following: -

1. allow the Stay Application Against Order of Discovery and stay of proceedings at the High Court pending disposal of the leave application to the Federal Court against the decision of the Court of Appeal ("Leave Application to Federal Court") and Notice of Appeal with the Court of Appeal against the Order of Discovery;
2. the trial date initially fixed on 10 September 2019 be vacated;
3. the trial date be fixed for 27 November 2019 subject to the determination of dates for the Leave Application to Federal Court and Notice of Appeal to the Court of Appeal against the Order of Discovery.

On 27 December 2018, TCIE has filed for leave application with the Federal Court to appeal against the decision of the Court of Appeal which allowed for the Plaintiff's Appeal ("Leave Application to Federal Court"). The hearing of TCIE's Leave Application to Federal Court initially fixed on 23 July 2019 had been vacated.

The Federal Court stated that a hearing date will only be fixed after the Grounds of Judgment of the Court of Appeal have been obtained. The case management is now re-fixed further to 13.4.2020 pending the delivery of the Grounds of Judgement from the Court of Appeal.

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

10. Dividend

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the Board recommends a final single tier dividend of 2 sen per share for the year ended 31 December 2019 (2018: single tier 2 sen per share). The net amount payable is RM13.05 million (2018: RM13.05 million).

The entitlement and payment dates for the final dividend will be announced at a later date.

11. Earnings per Share

The calculation of basic earnings per share for the periods is based on the net 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**	
Weighted average number of ordinary shares	**31.12.2019 ('000)**	**31.12.2018 ('000)**	**31.12.2019 ('000)**	**31.12.2018 ('000)**
Issued ordinary shares at beginning of the period	652,660	652,660	652,660	652,661
Effect of shares buyback during the period	(20)	-	(6)	(1)
Weighted average number of ordinary shares	652,640	652,660	652,654	652,660

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

12. Total Comprehensive Income

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000	Current Year To Date 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000
Depreciation and amortisation	(34,500)	(24,885)	(137,418)	(100,354)
(Provision for)/reversal and (write off) of receivables	22,247	(31,675)	19,530	(53,527)
(Provision for)/reversal and (write off) of inventories	(82)	(16,221)	(67)	(24,442)
Gain on disposal of properties, plant and equipment	2,177	2,749	7,485	6,261
Property, plant and equipment written off	(288)	(597)	(920)	(1,129)
Foreign exchange gain/(loss)	(9,046)	5,065	(7,893)	13,738
(Loss)/Gain on derivatives	5,226	(3,549)	5,004	(19,011)
Fair value adjustment on investment properties	519	3,826	519	3,826
Impairment loss on goodwill	-	(13,944)	-	(13,944)
Impairment loss on property, plant and equipment	(9,769)	(11,580)	(9,769)	(11,580)
Other income including investment income	-	-	-	-

BY ORDER OF THE BOARD
WONG POH CHUN
Company Secretary
Kuala Lumpur
28 February 2020