



# **TAN CHONG MOTOR HOLDINGS BERHAD**

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

## **INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

### **CONTENTS**

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<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>	<b>1</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>3-4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>6-7</b>
<b>NOTES TO THE QUARTERLY FINANCIAL REPORT</b>	<b>8-21</b>



**TAN CHONG MOTOR HOLDINGS BERHAD**  
*Registration No. 197201001333 (12969-P)*  
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE QUARTER ENDED 30 JUNE 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Corresponding Quarter 30.06.2020 RM'000	Preceding Year Corresponding Quarter 30.06.2019 RM'000	Current Year Corresponding To Date 30.06.2020 RM'000	Preceding Year Corresponding Period 30.06.2019 RM'000
Revenue	512,892	1,066,674	1,247,179	2,147,279
Operating (loss)/ profit	(72,500)	54,768	(59,906)	94,810
Interest expense	(16,605)	(20,118)	(34,035)	(37,712)
Interest income	3,034	5,042	7,346	11,857
Share of (loss)/ profit of equity-accounted investees	(259)	1,115	464	1,579
(Loss)/ Profit before taxation	(86,330)	40,807	(86,131)	70,534
Tax income/ (expense)	1,808	(21,755)	(13,179)	(34,265)
(Loss)/ Profit for the period	(84,522)	19,052	(99,310)	36,269
(Loss)/ Profit attributable to:				
Equity holders of the Company	(79,360)	19,428	(88,621)	35,409
Non-controlling interests	(5,162)	(376)	(10,689)	860
	(84,522)	19,052	(99,310)	36,269
(Loss)/ Earning per share (sen)				
(a) Basic	(12.16)	2.98	(13.58)	5.43
(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 2019.



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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 JUNE 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2020 RM'000	Preceding Year Corresponding Quarter 30.06.2019 RM'000	Current Year To Date 30.06.2020 RM'000	Preceding Year Corresponding Period 30.06.2019 RM'000
<b>(Loss)/ Profit for the period</b>	(84,522)	19,052	(99,310)	36,269
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(1,200)	967	(4,004)	3,244
Cash flow hedge	6,481	(2,031)	(4,032)	1,798
<b>Total items that are or may be classified subsequently to profit or loss</b>	<u>5,281</u>	<u>(1,064)</u>	<u>(8,036)</u>	<u>5,042</u>
<b>Other comprehensive income/ (loss) for the period, net of tax</b>	5,281	(1,064)	(8,036)	5,042
<b>Total comprehensive (loss)/ income for the period</b>	<u>(79,241)</u>	<u>17,988</u>	<u>(107,346)</u>	<u>41,311</u>
<b>Total comprehensive (loss)/ income attributable to:</b>				
Equity holders of the Company	(74,054)	12,809	(96,869)	37,580
Non-controlling interests	(5,187)	5,179	(10,477)	3,731
	<u>(79,241)</u>	<u>17,988</u>	<u>(107,346)</u>	<u>41,311</u>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2019.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	<b>As at 30.06.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Property, plant and equipment	2,294,010	2,250,999
Investment properties	216,725	216,725
Intangible assets	759	759
Equity-accounted investees	60,307	61,811
Other investments	15,000	-
Deferred tax assets	97,026	95,741
Hire purchase receivables	500,036	551,779
	<u>3,183,863</u>	<u>3,177,814</u>
<b><u>Current assets</u></b>		
Other investments	175,856	12,166
Inventories	1,249,921	1,527,069
Contract assets	18,400	17,663
Current tax assets	22,866	16,145
Hire purchase receivables	92,570	95,430
Receivables, deposits and prepayments	494,054	575,003
Derivative financial assets	1,195	4,139
Cash and cash equivalents	533,006	407,786
	<u>2,587,868</u>	<u>2,655,401</u>
<b>TOTAL ASSETS</b>	<u><u>5,771,731</u></u>	<u><u>5,833,215</u></u>



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020 (continued)**

	<b>As at 30.06.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity</u></b>		
Share capital	336,000	336,000
Reserves	2,612,075	2,708,944
Treasury shares	(25,566)	(25,364)
<b>Total equity attributable to owners of the Company</b>	<b>2,922,509</b>	<b>3,019,580</b>
Non-controlling interests	(22,025)	(11,548)
<b>Total equity</b>	<b>2,900,484</b>	<b>3,008,032</b>
<b><u>Non-current liabilities</u></b>		
Borrowings	499,468	499,286
Lease liabilities	71,474	72,754
Employee benefits	84,459	81,988
Deferred tax liabilities	209,949	213,100
Contract liabilities	56,112	59,670
	<b>921,462</b>	<b>926,798</b>
<b><u>Current liabilities</u></b>		
Borrowings	1,370,690	1,096,854
Lease liabilities	35,309	32,654
Derivative financial liabilities	1,689	690
Taxation	13,232	5,770
Contract liabilities	22,852	21,565
Payables and accruals	506,013	740,852
	<b>1,949,785</b>	<b>1,898,385</b>
<b>Total liabilities</b>	<b>2,871,247</b>	<b>2,825,183</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,771,731</b>	<b>5,833,215</b>
 Net assets per share attributable to owners of the Company (RM)	 4.48	 4.63

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019.



**TAN CHONG MOTOR HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2020**

	-----Attributable to owners of the Company-----							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	-----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			
<b>At 01.01.2019</b>	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)	-	-	-	-	-	-	(3,995)	(3,995)	-	(3,995)
<b>Adjusted 01.01.2019</b>	336,000	(25,283)	(14,284)	701,438	(1,467)	100	1,836,092	2,832,596	(17,733)	2,814,863
Other comprehensive income for the period, net of tax	-	-	373	-	1,798	-	-	2,171	2,871	5,042
Transfer of revaluation surplus on properties	-	-	-	(4,972)	-	-	4,972	-	-	-
Profit for the period	-	-	-	-	-	-	35,409	35,409	860	36,269
Total comprehensive income/ (loss) for the period	-	-	373	(4,972)	1,798	-	40,381	37,580	3,731	41,311
Dividend - 2018 final	-	-	-	-	-	-	(13,053)	(13,053)	-	(13,053)
<b>At 30.06.2019</b>	336,000	(25,283)	(13,911)	696,466	331	100	1,863,420	2,857,123	(14,002)	2,843,121
<b>At 01.01.2020</b>	336,000	(25,364)	(9,222)	841,201	3,537	100	1,873,328	3,019,580	(11,548)	3,008,032
Other comprehensive income for the period, net of tax	-	-	(4,216)	-	(4,032)	-	-	(8,248)	212	(8,036)
Transfer of revaluation surplus on properties	-	-	-	(6,657)	-	-	6,657	-	-	-
Loss for the period	-	-	-	-	-	-	(88,621)	(88,621)	(10,689)	(99,310)
Total comprehensive loss for the period	-	-	(4,216)	(6,657)	(4,032)	-	(81,964)	(96,869)	(10,477)	(107,346)
Purchase of treasury shares	-	(202)	-	-	-	-	-	(202)	-	(202)
<b>At 30.06.2020</b>	336,000	(25,566)	(13,438)	834,544	(495)	100	1,791,364	2,922,509	(22,025)	2,900,484

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

**CUMULATIVE QUARTER**

	<b>For the 6 months ended 30.06.2020 RM'000</b>	<b>For the 6 months ended 30.06.2019 RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/ Profit before taxation	(86,131)	70,534
Adjustments for:		
Non-cash and non-operating items	125,093	97,523
<b>Operating profit before working capital changes</b>	38,962	168,057
<b>Changes in working capital</b>		
Inventories	276,462	(293,990)
Hire purchase receivables	27,366	51,539
Receivables, deposits and prepayments	77,396	(66,481)
Payables and accruals	(232,316)	22,085
Contract assets	(737)	(1,136)
Contract liabilities	(2,271)	(1,538)
Cash from operations	184,862	(121,464)
Tax paid	(13,729)	(58,803)
Net interest paid	(24,436)	(22,268)
Employee benefits paid	(1,322)	(912)
<b>Net cash from/ (used in) operating activities</b>	145,375	(203,447)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(90,757)	(105,042)
Net (acquisitions of)/ proceeds from disposal of other investment	(178,690)	120,903
Dividend received from equity-accounted investee	1,450	-
Proceeds from disposal of property, plant and equipment	5,858	10,106
<b>Net cash (used in)/ from investing activities</b>	(262,139)	25,967



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (continued)**

	<b>CUMULATIVE QUARTER</b>	
	<b>For the 6 months ended 30.06.2020</b>	<b>For the 6 months ended 30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company	-	(13,053)
Purchase of own shares	(202)	-
Net (repayment of)/ proceeds from bills payable	(24,680)	46,818
Net proceeds from/ (repayment of) medium term notes, term loans, and revolving credit	283,880	(26,508)
Payment of lease liabilities	(11,204)	(8,764)
<b>Net cash from/ (used in) financing activities</b>	<b>247,794</b>	<b>(1,507)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	131,030	(178,987)
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	(5,810)	(1,210)
<b>Cash and cash equivalents at beginning of the period</b>	407,786	522,118
<b>Cash and cash equivalents at end of the period</b>	<b>533,006</b>	<b>341,921</b>
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	268,912	233,104
Deposits with licensed banks	264,094	108,817
	533,006	341,921

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019.



## 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 2019.

### 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 2019, except the adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretations:

#### ***Effective for annual periods beginning on or after 1 January 2020***

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 7, *Financial Instruments: Disclosures*, MFRS 9, *Financial Instruments*, and MFRS 139, *Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

#### ***Effective for annual periods beginning on or after 1 June 2020***

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

#### ***Effective for annual periods beginning on or after 17 August 2020***

- Extension of the *Temporary Exemption from Applying MFRS 9* (Amendments to MFRS 4, *Insurance Contracts*)

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

#### **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 2022***

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

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

- MFRS 17, *Insurance Contracts* \*
- Amendments to MFRS 17, *Insurance Contracts* \*
- Amendments to MFRS 101, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*

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

**2. Changes in Accounting Policies (continued)**

*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 2019.

**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**

There was no repurchase of issued ordinary shares from the open market during the quarter. Cumulative total number of shares repurchased at the end of the financial quarter was 19,550,000. 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 RM9.9 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM134.4 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 outstanding nominal value of Medium Term Notes stood at 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 30 June 2020.

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

**9. Segmental Reporting**

(a) Business segment reporting for the current quarter:

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	492,716	1,041,676	15,490	20,957	4,686	4,041	512,892	1,066,674
Inter-segment revenue	275	1,331	1,075	5	20,255	18,469	21,605	19,805
Segment EBITDA*	(17,470)	80,380	(16,786)	6,899	618	5,455	(33,638)	92,734

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

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

	30.06.2020	30.06.2019
	RM'000	RM'000
Total EBITDA for reportable segments	(33,638)	92,734
Depreciation and amortisation	(36,595)	(33,474)
Interest expense	(16,605)	(20,118)
Interest income	3,034	5,042
Share of profit of equity-accounted investees not included in reportable segments	(259)	1,115
Unallocated corporate expenses	(2,267)	(4,492)
Consolidated (loss)/ profit before taxation	(86,330)	40,807

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

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,202,207	2,096,615	34,493	43,337	10,479	7,327	1,247,179	2,147,279
Inter-segment revenue	680	1,770	2,293	12	40,949	36,132	43,922	37,914
Segment EBITDA*	10,298	149,554	(12,952)	12,820	16,861	2,838	14,207	165,212

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

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

	30.06.2020	30.06.2019
	RM'000	RM'000
Total EBITDA for reportable segments	14,207	165,212
Depreciation and amortisation	(66,801)	(60,430)
Interest expense	(34,035)	(37,712)
Interest income	7,346	11,857
Share of profit of equity-accounted investees not included in reportable segments	464	1,579
Unallocated corporate expenses	(7,312)	(9,972)
Consolidated (loss)/ profit before taxation	(86,131)	70,534

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

9. Segmental Reporting (continued)

(c) Geographical segment reporting for the current quarter:

	Malaysia		Vietnam		Others		Total	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	374,241	788,157	88,449	193,903	50,202	84,614	512,892	1,066,674
Segment EBITDA	(23,703)	94,254	(16,672)	(9,364)	6,737	7,844	(33,638)	92,734

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

	Malaysia		Vietnam		Others		Total	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	960,229	1,618,516	141,358	342,679	145,592	186,084	1,247,179	2,147,279
Segment EBITDA	39,688	159,791	(39,478)	(9,445)	13,997	14,866	14,207	165,212

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 year ended 31 December 2019.

11. Valuation of Investment Properties

The valuation of investment properties was brought forward without amendment from the audited financial statements for the year ended 31 December 2019.

12. Other Investments

	30.06.2020	31.12.2019
	RM'000	RM'000
<b>Non-current</b>		
Investments in unquoted shares	15,000	-
Total	15,000	-
<b>Current</b>		
Liquid investments in quoted unit trusts with licensed financial institutions	175,856	12,166
Total	175,856	12,166

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

**13. Material Subsequent Event**

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 except for the following:

- (a) TCIEV Vietnam Pte Ltd (“TCIEV”), an indirect wholly-owned subsidiary of TCMH, had received from Nissan Motor Co., Ltd. (“NML”) letters dated 31 March 2020 and 2 June 2020 on the non-renewal of the Distribution Agreement dated 20 September 2012 executed between TCIEV and NML (“Distribution Agreement”) for the Nissan Sunny and X-Trail models (“Nissan CKD Models”) in Vietnam. Following this, TCIEV’s appointment as the exclusive distributor and after-sales service provider of the Nissan CKD Models under the Distribution Agreement will expire on 19 September 2020.

Notwithstanding the above, the Technical Assistance Agreement dated 30 May 2012 executed between TCIEV and NML for the rendering of technical assistance to TCIEV by NML for the assembly of the Nissan CKD Models will continue to remain in force. TCIEV and NML are in open dialogue on the continuity and the alternative distribution channels for the Nissan CKD Models in Vietnam.

The expiry of the Distribution Agreement has no significant financial and operational impact on the Group for the current financial year.

- (b) On 27 May 2020, the Board of Directors has announced to the Bursa Malaysia that a subsidiary of the Company, namely Tan Chong Motor Assemblies Sdn. Bhd. (“TCMA”), has on 22 May 2020 received bills of demand dated 15 May 2020 from the Royal Malaysian Customs Department (“RMCD”) amounting to RM180 million for excise duty in respect of period from 1 November 2016 to 31 October 2019.

On 11 June 2020, TCMA had made an application with the Director-General of RMCD (“DG”) for the review of the Bills of Demand (“Review Application”). On 12 August 2020, RMCD had informed that the DG has maintained the Bills of Demand. Based on the legal advice obtained from our tax solicitors, TCMA is of the view that it has a good basis in law to contend that the Bills of Demand were erroneously raised by the RMCD. Accordingly, TCMA will be appealing against the Bills of Demand the soonest.

On 21 August 2020, the Shah Alam High Court had fixed the hearing of the leave application on 25 November 2020 and had granted an interim stay of all further proceedings including the enforcement of the Bills of Demand until 3 September 2020. The interim stay is to be renewed upon its expiry.

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

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 30 June 2020 except as disclosed in Part B, Note 9 of the Announcement.

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

	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM’000</b>	<b>RM’000</b>
<i>Property, plant and equipment</i>		
Authorised but not contracted for	121,864	128,850
Authorised and contracted for		
In Malaysia	49,698	35,325
Outside Malaysia	148,637	21,292
Total	<u>320,199</u>	<u>185,467</u>

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

**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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM’000	RM’000	RM’000	RM’000
<b>With WTCH Group</b>				
Purchases	(8,382)	(6,912)	(13,199)	(23,392)
Sales	3,855	6,136	6,448	69,579
Travel agency and car rental services	(1,237)	(807)	(1,756)	(1,917)
Contract assembly services	948	1,178	1,939	5,255
<b>With APM Group</b>				
Purchases	(4,377)	(25,827)	(19,341)	(52,940)
Sales	232	5,772	2,385	19,032
<b>With TCIL Group</b>				
Sales	3,174	3,480	6,271	3,937
Contract assembly services	1,515	5,201	3,774	12,535

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	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM’000	RM’000	RM’000	RM’000
Purchases	156,765	369,517	331,572	899,416

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

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

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM’000	RM’000	RM’000	RM’000
Purchases	(27,209)	(65,312)	(34,112)	(242,521)
Sales	679	5,026	697	23,471

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**

For the quarter ended 30 June 2020, the Group recorded revenue of RM512.9 million and loss before tax of RM86.3 million, a decrease of 51.9% and 311.6% respectively compared to the same quarter preceding year.

For the 6 months period ended 30 June 2020, the Group recorded revenue of RM1,247.2 million and loss before tax of RM86.1 million, a decrease of 41.9% and 222.1% respectively compared to the same period preceding year.

As at 30 June 2020, the Group's retained earnings was RM1.79 billion. The net assets per share as at 30 June 2020 was RM4.48, compared to RM4.38 as at 30 June 2019. Further analysis of the segments is as follows:

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

The automotive division recorded a lower revenue of RM492.7 million in the current quarter under review (-52.7% year-on-year ("YoY")) and a Loss Before Interest, Tax, Depreciation and Amortization ("LBITDA") of RM17.5 million (-121.7% YoY).

As for the 6 months period ended 30 June 2020, the automotive division recorded a lower revenue of RM1,202.2 million (-42.7% YoY) and lower Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") of RM10.3 million (-93.1% YoY).

The performance was significantly affected by the COVID-19 pandemic which has plagued global and local economic activities. The local businesses were unable to operate during the Movement Control Order ("MCO") period. The showrooms and after-sales service centres resumed operations after the MCO in beginning of May 2020. Similarly, the businesses in the overseas markets have also been affected by the pandemic, albeit to a lesser extent. These disruptions have led to a decline in revenue and EBITDA compared to preceding year.

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

The financial services division recorded a lower revenue of RM15.5 million in the current quarter under review (-26.1% YoY) and a LBITDA of RM16.8 million (-343.3% YoY).

As for the 6 months period ended 30 June 2020, the financial services division recorded a lower revenue of RM34.5 million (-20.4% YoY) and LBITDA of RM13.0 million (-201.0% YoY). The loss suffered by the division was mainly due to higher impairment loss on hire purchase receivables recognised during the quarter as collections were significantly lower during the MCO period.

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

Revenue from Other Operations was slightly higher at RM4.7 million in the current quarter under review (+16.0% YoY) but EBITDA was lower at RM0.6 million (-88.7% YoY), mainly caused by a lower net foreign exchange gain in the current quarter.

As for the 6 months period ended 30 June 2020, revenue from Other Operations was higher at RM10.5 million (+43.0% YoY) and EBITDA improved to RM16.9 million (+494.1% YoY). The increase in EBITDA was mainly due to net foreign exchange gain in the current year compared with net foreign exchange loss in the preceding year which mainly arose from transactions and outstanding balances denominated in foreign currencies.

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

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

	<b>Current Quarter 30.06.2020 RM'000</b>	<b>Immediate Preceding Quarter 31.03.2020 RM'000</b>	<b>Changes</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	512,892	734,287	(221,395)	-30.2%
(Loss)/ Profit before tax	<u>(86,330)</u>	<u>199</u>	(86,529)	>-100.0%
<b><u>External Revenue</u></b>				
Vehicles assembly, manufacturing, distribution and after sale services	492,716	709,491	(216,775)	-30.6%
Financial services	15,490	19,003	(3,513)	-18.5%
Other operations	4,686	5,793	(1,107)	-19.1%
	<u>512,892</u>	<u>734,287</u>	(221,395)	-30.2%
<b><u>Segment EBITDA</u></b>				
Vehicles assembly, manufacturing, distribution and after sale services	(17,470)	27,768	(45,238)	>-100.0%
Financial services	(16,786)	3,834	(20,620)	>-100.0%
Other operations	618	16,243	(15,625)	-96.2%
	<u>(33,638)</u>	<u>47,845</u>	(81,483)	>-100.0%

The Group recorded revenue of RM512.9 million in the current quarter ended 30 June 2020, lower by RM221.4 million or 30.2% compared to RM734.3 million in the preceding quarter. In line with the reduction in revenue, Profit Before Tax decreased from RM0.2 million to Loss Before Tax of RM86.3 million in the current quarter under review.

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

For the current quarter under review, the automotive division recorded revenue of RM492.7 million in current quarter, a reduction of 30.6% compared to the preceding quarter ("QoQ") and LBITDA of RM17.5 million (-162.9% QoQ). Revenue and EBITDA were lower due to significant decline in vehicle sales which was impacted by the MCO and weak consumer sentiment following the COVID-19 pandemic in the Malaysian market and regional markets we operate in.

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

The financial services division recorded revenue of RM15.5 million (-18.5% QoQ) and LBITDA of RM16.8 million (-537.8% QoQ) in the current quarter under review. The LBITDA was due to higher impairment made for hire purchase receivables in Q2 2020 compared to the immediate preceding quarter.

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

Revenue from Other Operations was RM4.7 million (-19.1% QoQ) and recorded EBITDA of RM0.6 million (-96.2%) in the current quarter under review. EBITDA was lower mainly due to net foreign exchange loss in the quarter ended 30 June 2020 which mainly arose from transactions and outstanding balances denominated in foreign currencies.



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

### 3. Current Year Prospects

In the second quarter of 2020, Malaysia's Gross Domestic Product ("GDP") contracted 17.1% due to the unprecedented impact of the COVID-19 pandemic.

The MCO imposed by the Government of Malaysia on 18 March 2020 and Conditional MCO from 4 May 2020 to 9 June 2020, have impacted the Group's business operations nationwide. Similarly, in the other countries where we have operations, namely Vietnam, Myanmar, Laos and Cambodia, varying degrees of lockdown measures have also been implemented. Our performance in these countries were also affected as a result of the lockdown, albeit to a lesser extent compared to the local market in Malaysia.

Following the Malaysian Government's announcement of the "Pelan Jana Semula Ekonomi Negara" (PENJANA) to help stimulate the economy which includes full sales tax exemption for locally assembled vehicles from 15 June 2020 to 31 December 2020, this has brought back customers' interests to purchase new vehicles. If the customers' buying interests can gain sustainable traction, this may point to some recovery of motor vehicles sales in the second half of the year.

In response to the challenging conditions caused by the pandemic, the Group has since rationalised its operations and expects to further mitigate the adverse impact through other cost containment initiatives in order to maintain a sustainable financial position.

The Group will continue to take active measures to improve its competitiveness in all the markets we operate in and maintain our focus on the key business strategies to drive business growth and achieve operational sustainability.

### 4. Comparison with Profit Forecast

This is not applicable to the Group.

### 5. Taxation

	Individual Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Current year	4,917	17,044	15,746	37,909
Prior year	567	18	567	8
Deferred tax	(7,292)	4,693	(3,134)	(3,652)
	<u>(1,808)</u>	<u>21,755</u>	<u>13,179</u>	<u>34,265</u>

The effective tax rate of the Group for the 6 months period ended 30 June 2020 was higher than the statutory rate of 24% due to certain expenses being disallowed for tax purposes and the absence of Group Tax Relief to utilise some of the tax losses in the subsidiaries of the Company.

### 6. Status of Corporate Proposals

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

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

**7. Group Borrowings**

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

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured :		
- Bills payable	147,206	171,886
- Revolving credit	1,223,484	924,968
- Medium term notes	499,468	499,286
Total borrowings	<u>1,870,158</u>	<u>1,596,140</u>
Comprising :		
Amount repayable within one year	1,370,690	1,096,854
Amount repayable after one year	499,468	499,286
	<u>1,870,158</u>	<u>1,596,140</u>

Group borrowings breakdown by currencies:

Functional currency	Denominated in	<b>30.06.2020</b>	<b>31.12.2019</b>
		<b>RM'000</b>	<b>RM'000</b>
RM	RM	1,486,108	1,300,606
RM	USD	314,109	225,707
VND	VND	56,150	60,758
VND	USD	13,791	9,069
		<u>1,870,158</u>	<u>1,596,140</u>

**8. Financial Instruments**

**Derivatives**

As at 30 June 2020, 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	322,003	(494)	Less than 1 year

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

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

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

**9. Changes in Material Litigation**

**(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.

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 Supreme Court in Phnom Penh had, on 5 June 2019, 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 based on the reason 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 reasons of the Supreme Court as above. Currently, 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) Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (continued)**

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

**(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”).

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 Balance 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 sought, amongst others, an injunction to restrain TCIE from proceeding with the repossession and disposal of the vehicles and to restrain TCIE from entering into any dealing in relation to the Land, as well as a declaration that the value of the Land was RM55,600,000 and repayment of the sum of RM22,679,425 to MHSB (“Plaintiffs’ Claim”).

TCIE subsequently filed a Defence and application to strike out the Plaintiffs’ 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 (“the High Court Striking Out Order”).

On 9 January 2018, the Plaintiffs filed an appeal with the Court of Appeal against the High Court Striking Out Order (“Plaintiff’s Appeal”).

On 15 November 2018, the Court of Appeal had allowed the Plaintiffs’ Appeal with costs in the cause and set aside the High Court Striking Out Order of 4 January 2018 (“the Court of Appeal Order”). 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 December 2018, TCIE filed an application for leave at the Federal Court to appeal against the Court of Appeal Order dated 15 November 2018 (“the Leave Application”). At the hearing of the Leave Application on 13 May 2019, the Federal Court directed for the grounds of judgment of the Court of Appeal to be obtained and for parties to attend before the Federal Court Registrar to fix the next hearing date.

**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)**

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

On 8 July 2019, the Federal Court stated that a hearing date would only be fixed after the grounds of judgment of the Court of Appeal had been obtained. During the case management on 17 June 2020, the Federal Court has re-fixed the next case management date for 29 July 2020 and instructed the parties to file the written submissions on the same day. The next hearing date of the Leave Application has been fixed on 26 August 2020.

On 13 December 2018, during the case management for the Plaintiffs’ Claim before the High Court:

1. the Plaintiffs withdrew their injunction application with no order as to costs; and
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 Plaintiffs then filed an application for discovery application on 8 April 2019 and the decision in respect of the said discovery application was delivered on 11 July 2019. The High Court allowed, in part, the Plaintiff’s application for discovery (i.e. which required production of copies of the 3 valuation reports as referred to in the minutes dated 24 May 2016) and dismissed the application for the production of documents relating to Form 14A of the Sale and Purchase Agreement and copies of all documents relating to the stamp duty adjudication and appeal (“High Court Discovery Order”).

On 16 July 2019, TCIE filed the Notice of Appeal with the Court of Appeal against the High Court Discovery Order. The Court of Appeal has fixed the hearing against the High Court Discovery Order on 23 July 2020 but it was subsequently vacated and the matter was fixed for case management on 13 July 2020 for parties to file written submissions. Thereafter, the hearing of the said appeal has been re-fixed on 29 September 2020.

On 17 July 2019, TCIE filed an application for a stay of proceedings and a stay of execution of the High Court Discovery Order pending TCIE’s appeal to the Court of Appeal on the same and TCIE’s Leave Application to the Federal Court (“Stay Application”).

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

1. Allowed the Stay Application pending the disposal of TCIE’s appeal to the Court of Appeal against the High Court Discovery Order and TCIE’s Leave Application to the Federal Court; and
2. Initial trial date fixed on 10 September 2019 was vacated and re-fixed for 27 November 2019.

The latest case management was fixed on 15 April 2020 to update the High Court on the status of TCIE’s appeal to the Court of Appeal against the High Court Discovery Order and TCIE’s Leave Application to the Federal Court but was deferred due to the Movement Control Order. The case management was re-fixed on 30 June 2020. On 30 June 2020, High Court re-fixed the case management on 2 September 2020 and also fixed the trial dates from 12 October 2020 to 16 October 2020 in the event the application for leave to the Federal Court is dismissed.

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

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

**10. Dividend**

No dividend has been proposed for the second quarter ended 30 June 2020.

**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:

Weighted average number of ordinary shares	Individual Quarter		Cumulative Quarter	
	2020 ('000)	2019 ('000)	2020 ('000)	2019 ('000)
Issued ordinary shares at beginning of the period	652,450	652,660	652,600	652,660
Effect of shares buyback during the period	-	-	(138)	-
Weighted average number of ordinary shares	<u>652,450</u>	<u>652,660</u>	<u>652,462</u>	<u>652,660</u>

**12. Total Comprehensive Income**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2020 RM'000	Preceding Year Corresponding Quarter 30.06.2019 RM'000	Current Year To Date 30.06.2020 RM'000	Preceding Year Corresponding Period 30.06.2019 RM'000
Depreciation and amortisation	(36,595)	(33,474)	(66,801)	(60,430)
(Provision for)/ reversal and (write off) of receivables	(25,475)	(1,701)	(27,880)	(3,730)
(Provision for)/ reversal and (write off) of inventories	(169)	1	(686)	4
(Loss)/ Gain on disposal of properties, plant and equipment	(36)	1,644	1,870	2,588
Property, plant and equipment written off	-	(49)	(642)	(73)
Foreign exchange (loss)/ gain	(424)	3,243	16,555	(6,025)
Gain/ (Loss) on derivatives	6,481	(2,461)	(4,032)	1,798
Impairment loss on property, plant and equipment	-	-	-	-
Other income including investment income	-	-	-	-

**BY ORDER OF THE BOARD**

WONG POH CHUN

Company Secretary

Kuala Lumpur

25 August 2020