TAN CHONG MOTOR HOLDINGS BERHAD *(12969-P)*

(Incorporated in Malaysia)

INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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TAN CHONG MOTOR HOLDINGS BERHAD

(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE QUARTER ENDED 31 DECEMBER 2018

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	(Unaudited) Current Year Quarter 31.12.2018 RM'000	**(Audited) Preceding Year Corresponding Quarter 31.12.2017 RM'000**	**(Unaudited) Current Year To Date 31.12.2018 RM'000**	**(Audited) Preceding Year Corresponding Period 31.12.2017 RM'000**
Revenue	1,166,838	1,075,956	4,858,206	4,341,228
Operating profit/(loss)	96,013	27,066	226,798	(18,709)
Interest expense	(18,404)	(18,194)	(71,607)	(71,708)
Interest income	7,138	2,605	22,209	14,224
Share of profit of equity-accounted investees	(1,019)	1,114	1,186	3,382
Profit/(Loss) before taxation	83,728	12,591	178,586	(72,811)
Tax expense	(30,833)	(18,823)	(76,049)	(23,578)
Profit/(Loss) for the period	52,895	(6,232)	102,537	(96,389)
Profit/(Loss) attributable to:				
Equity holders of the Company	51,556	(7,189)	101,034	(88,597)
Non-controlling interests	1,339	957	1,503	(7,792)
	52,895	(6,232)	102,537	(96,389)
Earning/(Loss) per share (sen)				
(a) Basic	7.90	(1.10)	15.48	(13.57)
(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 2017.

TAN CHONG MOTOR HOLDINGS BERHAD

(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) Current Year Quarter 31.12.2018 RM'000	**(Audited) Preceding Year Corresponding Quarter 31.12.2017 RM'000**	**(Unaudited) Current Year To Date 31.12.2018 RM'000**	**(Audited) Preceding Year Corresponding Period 31.12.2017 RM'000**
Profit/(Loss) for the period	52,895	(6,232)	102,537	(96,389)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	(9,614)	3,245	(2,685)	5,696
Foreign currency translation differences for an equity-accounted associate	788	(226)	788	(226)
Cash flow hedge	(1,384)	11,686	(17,760)	21,355
Total items that are or may be classified subsequently to profit or loss	(10,210)	14,705	(19,657)	26,825
Other comprehensive (loss)/income for the period, net of tax	(10,210)	14,705	(19,657)	26,825
Total comprehensive income/(loss) for the period	42,685	8,473	82,880	(69,564)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	42,288	21,515	80,904	(64,305)
Non-controlling interests	397	(13,042)	1,976	(5,259)
	42,685	8,473	82,880	(69,564)

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 2017.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	(Unaudited) As at 31.12.2018 RM'000	(Audited) As at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,773,114	1,825,620
Investment properties	207,376	202,000
Prepaid lease payments	43,436	45,609
Equity-accounted investees	57,914	45,797
Other investments	1	1
Deferred tax assets	95,683	67,098
Hire purchase receivables	644,373	745,066
Intangible assets	759	14,592
Long term receivables	410	585
	2,823,066	2,946,368
Current assets		
Other investments	126,868	144,157
Hire purchase receivables	103,896	93,925
Receivables, deposits and prepayments	633,574	671,956
Current tax assets	9,057	38,882
Inventories	1,238,750	1,165,974
Contract assets	16,689	-
Derivative financial assets	295	16,375
Cash and cash equivalents	522,118	318,005
	2,651,247	2,449,274
TOTAL ASSETS	5,474,313	5,395,642

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (continued)

	(Unaudited)	**(Audited)**
	As at	**As at**
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
EQUITY AND LIABILITIES		
Equity		
Share capital	336,000	336,000
Reserves	2,536,310	2,485,161
Treasury shares	(25,283)	(25,282)
Total equity attributable to owners of the Company	2,847,027	2,795,879
Non-controlling interests	(12,835)	(14,511)
Total equity	2,834,192	2,781,368
Non-current liabilities		
Borrowings	748,718	748,147
Employee benefits	82,306	70,192
Deferred tax liabilities	159,750	162,172
Contract liabilities	26,363	5,593
	1,017,137	986,104
Current liabilities		
Borrowings	774,528	1,029,736
Derivative financial liabilities	1,527	373
Taxation	24,502	11,376
Contract liabilities	2,095	60
Payables and accruals	820,332	586,625
	1,622,984	1,628,170
Total liabilities	2,640,121	2,614,274
TOTAL EQUITY AND LIABILITIES	5,474,313	5,395,642
	-	
Net assets per share attributable to owners of the Company (RM)	4.36	4.28

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	|------------------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 01.01.2017	336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290
Other comprehensive income for the period, net of tax	-	-	2,937	-	21,355	-	-	24,292	2,533	26,825
Transfer of revaluation surplus on properties	-	-	-	(9,944)	-	-	9,944	-	-	-
Loss for the period	-	-	-	-	-	-	(88,597)	(88,597)	(7,792)	(96,389)
Total comprehensive income/(loss) for the period	-	-	2,937	(9,944)	21,355	-	(78,653)	(64,305)	(5,259)	(69,564)
Purchase of treasury shares	-	(4)	-	-	-	-	-	(4)	-	(4)
Dividend - 2016 final	-	-	-	-	-	-	(6,527)	(6,527)	-	(6,527)
Dividend - 2017 interim	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
At 31.12.2017	336,000	(25,282)	(11,914)	726,716	16,293	100	1,753,966	2,795,879	(14,511)	2,781,368
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 chages in tax rates	-	-	-	(15,334)	-	-	15,334	-	-	-
Transfer of revaluation surplus on properties	-	-	-	(9,944)	-	-	9,944	-	-	-
Profit for the period	-	-	-	-	-	-	101,034	101,034	1,503	102,537
Total comprehensive income/(loss) for the period	-	-	(2,370)	(25,278)	(17,760)	-	126,312	80,904	1,976	82,880
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	1,850,523	2,847,027	(12,835)	2,834,192

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

TAN CHONG MOTOR HOLDINGS BERHAD
(Company No: 12969-P)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	CUMULATIVE QUARTER	
	(Unaudited) For the 12 months ended 31.12.2018 RM'000	**(Audited) For the 12 months ended 31.12.2017 RM'000**
Cash flows from operating activities		
Profit/(Loss) before taxation	178,586	(72,811)
Adjustments for:		
Non-cash and non-operating items	219,636	232,269
Operating profit before working capital changes	398,222	159,458
Changes in working capital		
Inventories	(97,218)	580,114
Hire purchase receivables	90,553	(316,208)
Receivables, deposits and prepayments	(4,302)	117,434
Payables and accruals	245,384	(105,266)
Cash from operations	632,639	435,532
Tax paid	(55,161)	(35,694)
Interest paid	(46,001)	(53,354)
Employee benefits paid	(2,565)	(1,094)
Net cash from operating activities	528,912	345,390
Cash flows from investing activities		
Acquisition of property, plant and equipment	(75,036)	(110,782)
Acquisition of prepaid lease payments	(1,066)	(955)
Acquisition of share in equity-accounted investees	(13,244)	-
Acquisition of a subsidiary	(200)	-
Net proceeds from disposal/(acquisitions) of other investment	17,289	(141,156)
Dividend received from equity-accounted investee	3,100	250
Proceeds from disposal of property, plant and equipment	18,958	21,104
Net cash used in investing activities	(50,199)	(231,539)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

	CUMULATIVE QUARTER	
	(Unaudited) For the 12 months ended 31.12.2018 RM'000	**(Audited) For the 12 months ended 31.12.2017 RM'000**
Cash flows from financing activities		
Dividends paid to shareholders of the Company	(19,580)	(13,054)
Dividends paid to non-controlling interests	(300)	(300)
Purchase of own shares	(1)	(4)
Net (repayment of)/proceeds from bills payable	(49,051)	32,916
Net repayment of medium term notes, term loans, and revolving credit	(206,861)	(34,522)
Net cash used in financing activities	(275,793)	(14,964)
Net increase in cash and cash equivalents	202,920	98,887
Effects of exchange rate fluctuations on cash and cash equivalents	1,193	(8,442)
Cash and cash equivalents at beginning of the period	318,005	227,560
Cash and cash equivalents at end of the period	522,118	318,005
Cash and cash equivalents in the statement of cash flows comprise:		
Cash and bank balances	350,731	261,044
Deposits with licensed banks	171,387	56,961
	522,118	318,005

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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 2017.

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 2017, except the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretations:

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

(a) MFRS 9, *Financial Instruments (2014)*

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of retained earnings.

	Note	**Impact of adopting MFRS 9 on opening balance (RM'000)**
Retained earnings		
Recognition of expected credit losses under MFRS 9	2(a)(i)(1) 2(a)(i)(2)	(4,533)
Related tax		1,088
Impact at 1 January 2018		**(3,445)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification and measurement of financial assets and financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. However, it eliminates the previous MFRS 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

2. Changes In Accounting Policies (continued)

(a) MFRS 9, *Financial Instruments (2014)* *(continued)*

(i) Classification and measurement of financial assets and financial liabilities (continued)

The adoption of MFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments). The impact of MFRS 9 on the classification and measurement of financial assets is set out below.

Under MFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity instrument; or fair value through profit or loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

2. Changes In Accounting Policies (continued)

(a) MFRS 9, *Financial Instruments (2014)* *(continued)*

(i) Classification and measurement of financial assets and financial liabilities (continued)

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Note	**Original classification under MFRS 139**	**New classification under MFRS 9**	**Original carrying amount under MFRS 139 RM'000**	**New carrying amount under MFRS 9 RM'000**
Financial assets					
Other investments		Held for trading	Mandatorily at FVTPL	144,158	144,158
Trade and other receivables	(1)	Loans and receivables	Amortised cost	537,867	533,467
Hire purchase receivables	(2)	Loans and receivables	Amortised cost	838,991	838,858
Finance lease receivables		Loans and receivables	Amortised cost	1,097	1,097
Deposits		Loans and receivables	Amortised cost	14,214	14,214
Derivative financial assets		Fair value – hedging instrument	Fair value – hedging instrument	16,375	16,375
Cash and cash equivalents		Loans and receivables	Amortised cost	318,005	318,005
Total financial assets				**1,870,707**	**1,866,174**

(1) Trade and other receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. An increase of RM4,400,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to MFRS 9.

(2) Hire purchase receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. An increase of RM133,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to MFRS 9.

2. Changes In Accounting Policies (continued)

(a) MFRS 9, *Financial Instruments (2014)* *(continued)*

(ii) Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. The Group applies the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all hire purchase, finance lease and trade receivables. This resulted in an increase of the loss allowance as disclosed in Note 2(a)(i) above.

(iii) Hedge Accounting

MFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. MFRS 9 does not cover guidance on macro hedge accounting as it will be addressed as a separate accounting standard project. MFRS 9 includes an accounting policy choice to defer the adoption of MFRS 9 hedge accounting and to continue with MFRS 139 hedge accounting. Accordingly, the Group has elected to continue with the existing hedge accounting provisions of MFRS 139.

(b) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, of *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa.

The Group has adopted MFRS 15 using modified retrospective method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under MFRS 118 and related interpretations.

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

2. Changes In Accounting Policies (continued)

(b) MFRS 15, *Revenue from Contracts with Customers* *(continued)*

The following table summarises the impact, net of tax, of transition of MFRS 15 on retained earnings at 1 January 2018.

	Note	**Impact of adopting MFRS 15 at 1 January 2018 RM'000**
Retained earnings		
Extended warranty services	(i)	(10,758)
Free maintenance services	(ii)	(1,054)
Recognition of revenue overtime		2,957
Related tax		2,125
Impact at 1 January 2018		**(6,730)**

The following tables summarise the impact of adopting MFRS 15 on the Group's interim statement of financial position as at 31 December 2018 and its interim statement of profit or loss and other comprehensive income (OCI) for the twelve months then ended for line items affected. There was no impact on the Group's interim statement of cash flows for the twelve month period ended 31 December 2018.

Impact on the condensed interim consolidated statement of financial position – line items affected

As at 31 December 2018	**Note**	**As reported RM'000**	**Adjustments RM'000**	**Amounts without adoption of MFRS 15 RM'000**
Deferred tax assets	(i),(ii)	95,683	(1,606)	94,077
Inventories		1,238,750	14,314	1,253,064
Contract assets		16,689	(16,689)	-
Retained earnings	(i),(ii)	1,850,523	6,730	1,857,253
Contract liabilities	(i),(ii)	28,458	(22,805)	5,653
Payables and accruals	(i),(ii)	820,332	10,290	830,622

Impact on the condensed interim consolidated statement of profit or loss and OCI – line items affected

For current quarter 31 December 2018	**Note**	**As reported RM'000**	**Adjustments RM'000**	**Amounts without adoption of MFRS 15 RM'000**
Revenue	(i), (ii), (iii)	1,166,838	24,726	1,191,564
Operating profit	(i),(ii)	96,013	(1,800)	94,213
Profit before taxation	(i),(ii)	83,728	(1,800)	81,928
Tax expense	(i),(ii)	(30,833)	(463)	(31,296)
Profit for the period	(i),(ii)	52,895	(2,263)	50,632

Impact on the condensed interim consolidated statement of profit or loss and OCI – line items affected

For the twelve months ended 31 December 2018	**Note**	**As reported RM'000**	**Adjustments RM'000**	**Amounts without adoption of MFRS 15 RM'000**
Revenue	(i), (ii), (iii)	4,858,206	49,121	4,907,327
Operating profit	(i),(ii)	226,798	2,054	228,852
Profit before taxation	(i),(ii)	178,586	2,054	180,640
Tax expense	(i),(ii)	(76,049)	(1,291)	(77,340)
Profit for the period	(i),(ii)	102,537	763	103,300

2. Changes In Accounting Policies (continued)

(b) MFRS 15, *Revenue from Contracts with Customers* *(continued)*

(i) Under MFRS 118, the Group accounted for the extended warranty as part of the liability provision when the sales of product take place. Such warranties are accounted for in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. Under MFRS 15, if a customer has the option to purchase the warranty, it will need to be accounted for as a separate performance obligation. Accordingly, the service-type warranty will be treated as deferred revenue until the performance obligation is satisfied.

(ii) Under MFRS 118, the Group recognised revenue for both the sales of products and services when the risk and rewards of the ownership of the goods were transferred to buyer. Under MFRS 15, the Group is required to identify each promise to deliver a good or provide a service in a contract to a customer. A promise constitutes a performance obligation if the promised good or service is distinct. Based on the management's assessment, the free maintenance services of the vehicles sold constitute a separate obligation and the revenue recognition should be deferred until the performance obligation is satisfied.

(iii) Currently, the Group recognises revenue from contracts with customers on the basis of fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers that require customer-related costs that have previously been treated as selling and distribution expenses to be allocated as a deduction of revenue.

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 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*

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 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)*

2. Changes In Accounting Policies (continued)

Effective for annual periods beginning on or after 1 January 2020 (continued)

- 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 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)*
- 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 except for:

MFRS 16, Leases

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 is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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

3. Audit Qualifications

There were no audit qualifications in the annual financial statements for the year ended 31 December 2017.

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 quarter was 19,340,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of Companies Act 2016.

Under the Group's Asset-Backed Medium Term Notes ("MTN") Programme, the Group has redeemed RM23.55 million nominal value of MTN. The outstanding nominal value of MTN comprising Class A, Class B and Class C was RM231.05 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 values of Medium Term Notes stood at RM750.0 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 2018.

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**	
	(Unaudited)	**(Audited)**	**(Unaudited)**	**(Audited)**	**(Unaudited)**	**(Audited)**	**(Unaudited)**	**(Audited)**
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**
External revenue	4,751,143	4,257,656	91,885	75,937	15,178	7,635	4,858,206	4,341,228
Inter-segment revenue	7,882	301	53	1,386	71,264	76,385	79,199	78,072
Segment EBITDA*	305,060	96,156	23,266	20,910	17,261	(2,819)	345,587	114,247

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

Reconciliation of reportable segment profit or loss:	**(Unaudited)**	**(Audited)**
	31.12.2018	**31.12.2017**
	RM’000	**RM’000**
Total EBITDA for reportable segments	345,587	114,247
Depreciation and amortisation	(96,865)	(114,360)
Interest expense	(71,607)	(71,708)
Interest income	22,209	14,224
Share of profit of equity-accounted investees not included in reportable segments	1,186	3,382
Unallocated corporate expenses	(21,924)	(18,596)
Consolidated profit/(loss) before taxation	178,586	(72,811)

(b) Geographical segment

	Malaysia		**Vietnam**		**Others**		**Total**	
	(Unaudited)	**(Audited)**	**(Unaudited)**	**(Audited)**	**(Unaudited)**	**(Audited)**	**(Unaudited)**	**(Audited)**
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**
External revenue	3,954,608	3,602,617	654,470	577,511	249,128	161,100	4,858,206	4,341,228
Segment EBITDA	321,114	151,812	12,429	(36,121)	12,044	(1,444)	345,587	114,247

10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment was brought forward without amendment from the annual financial statements for the year ended 31 December 2017.

11. Valuation of Investment Properties

Pursuant to the fair value model applied for investment properties, the fair value gain (net of deferred tax) of RM3.4 million has been incorporated into the current year profit or loss.

The valuation was carried out by independent firm of professional valuer, Rahim & Co. Chartered Surveyors Sdn Bhd, using open market value with existing use basis.

12. 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.

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

13. Changes in Composition of the Group

On 15 November 2018, TC Capital Resources Sdn Bhd ("TCCR"), a wholly-owned subsidiary of the Company entered into a conditional Share Sale Agreement ("SSA") with Ms Yap Swee Hoon and Encik Abdul Rahman Bin Mohamed ("Vendors") for the proposed acquisition of 200,000 ordinary shares in Chauffeur Safe Travel Sdn Bhd ("CST") representing 100% of the equity interest in CST for a total cash consideration of RM200,000 ("Proposed Acquisition"). The Proposed Acquisition was conditional upon CST obtaining approval from the Commissioner of Tourism of the Ministry of Tourism and Culture Malaysia ("MOTAC") for the changes of the shareholders and directors of CST ("Changes") no later than three (3) months from the date of the SSA or such other period to be mutually agreed between TCCR and the Vendors. CST is dormant currently but is activating its business in travel agency and transportation services.

On 19 December 2018 CST obtained the approval from MOTAC for the Changes and accordingly, the Proposed Acquisition became unconditional and was completed on 26 December 2018. CST became a 100% owned subsidiary of TCCR thereon.

On 20 December 2018, TC Security Services (Labuan) Pte Ltd, a new wholly-owned subsidiary of the Company was incorporated under the Labuan Companies Act, 1990. Its principal activity is investment holding.

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

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 31 December 2018 except as disclosed in Part B, Note 9 of the Announcement.

15. Commitments Outstanding Not Provided For In the Interim Financial Report

(i) Capital commitment

	31.12.2018 RM'000	**31.12.2017 RM'000**
Property, plant and equipment		
Authorised but not contracted for	110,455	33,962
Authorised and contracted for		
In Malaysia	36,406	30,059
Outside Malaysia	34,358	8,002
TOTAL	181,219	72,023

(ii) Non-cancellable operating lease commitment

	31.12.2018 RM'000	**31.12.2017 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	1,669
More than 1 year but not later than 5 years	6,796	6,676
More than 5 years	100,093	104,804
TOTAL	108,588	113,149

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

16. Significant Related Party Transactions

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

	Individual Quarter		Cumulative Quarter	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
With WTCH Group				
Sales	7,584	7,801	48,873	28,783
With APM Group				
Purchases	47,016	15,473	110,048	74,434
With TCIL Group				
Contract assembly fee receivable	6,835	3,851	26,698	19,073

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, a substantial shareholder of the Company, are as follows:

	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchases	668,140	418,655	1,829,056	1,255,345

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 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	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchases	143,275	124,492	544,384	529,318

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's revenue increased by 11.97% to RM4,858.2 million with profit before taxation of RM178.6 million (+345.3% YoY) for the year ended 31 December 2018. The financial position of the Group continued to improve with the net gearing of 30.7% (FY2017: 47.1%). As at 31 December 2018, the Group's retained earnings was RM1,850.5 million. The net assets per share was at RM4.36 (+1.9% YoY). Further analysis of the segments is explained as follows:

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

The automotive division recorded a higher revenue of RM4,751.1 million (+11.6% YoY). There is an improvement in the segment's EBITDA of RM305.1 million (+217.3% YoY). Revenue was higher due to higher number of vehicles sold in the domestic and overseas market. Tax holiday sales have also contributed to the higher sales in the domestic market for FY2018. The increase in EBITDA was due to favourable sales mix, improvement in foreign exchange rate and cost optimisation strategies resulting in improved margins.

b) Financial Services (hire purchase and insurance)

The financial services division recorded a higher revenue of RM91.9 million (+21.0% YoY) and EBITDA of RM23.3 million (+11.3% YoY). The increase in revenue was due to higher loan book size as of 31 December 2018 compared to previous year.

c) Other Operations (investments and properties)

Revenue from other operations was higher at RM15.2 million as compared to RM7.6 million in the previous year. EBITDA was RM17.3 million as compared to loss RM2.8 million in the previous year. The higher revenue was contributed by contact centre operations. The improvement in EBITDA was mainly due to net foreign exchange gain of RM16.6 million recognised in the year ended 31 December 2018 arising from financing overseas entities denominated in foreign currencies.

2. Comparison With Preceding Quarter's Results

	Current Quarter 31.12.2018 RM'000	Immediate Preceding Quarter 30.09.2018 RM'000	Changes Amount RM'000	%
Revenue	1,166,838	1,568,434	(401,596)	-25.6%
Profit before tax	83,728	56,592	27,136	48.0%
External Revenue				
Vehicles assembly, manufacturing, distribution and after sale services	1,140,725	1,540,565	(399,840)	-26.0%
Financial services	22,275	22,240	35	0.2%
Other operations	3,838	5,629	(1,791)	-31.8%
	1,166,838	1,568,434	(401,596)	-25.6%
Segment EBITDA				
Vehicles assembly, manufacturing, distribution and after sale services	114,586	88,647	25,939	29.3%
Financial services	5,713	5,186	527	10.2%
Other operations	6,798	1,555	5,243	337.2%
	127,097	95,388	31,709	33.2%

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 (continued)

Quarter on quarter (QoQ): Revenue decreased by 25.6% to RM1.2 billion. Profit before taxation was RM83.7 million (+48.0%) with net profit of RM52.9 million (+40.4%) and EBITDA at RM127.1 million (+33.2%).

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

For the quarter under review, automotive division recorded RM1,140.7 million in revenue (-26.0% QoQ) and RM114.6 million in segment EBITDA (+29.3% QoQ). The reduction of revenue in this quarter was because sales were pulled ahead by the "tax holiday" in Malaysia in the previous quarter. The automotive division continued to enjoy favourable EBITDA due to the favourable sales mix and improved margins.

b) Financial Services (hire purchase and insurance)

The financial services division recorded its revenue at RM22.3 million for Q4 2018 (+0.2% QoQ). EBITDA for Q4 2018 was RM5.7 million (+10.2% QoQ). The higher EBITDA was due to lower impairment made for hire purchase receivables in Q4 2018 as compared to previous quarter.

c) Other Operations (investments and properties)

Revenue from other operations for the quarter under review was RM3.8 million compared to RM5.6 million in the preceding quarter. EBITDA for Q4 2018 had improved to RM6.8 million (Q3 2018: RM1.6 million) contributed by foreign exchange gain derived from financing overseas entities denominated in foreign currencies.

3. Current Year Prospects

The domestic automotive industry outlook is expected to be subdued in 2019 as new vehicles sales remained soft due to cautious consumers' sentiments on big ticket items and the continuing strict financing approval guidelines amidst the current economic condition.

Given the outlook for the domestic automotive industry, the Group continues to maintain its cautious position under this climate. We anticipate the business landscape to remain challenging under these circumstances.

Nevertheless, the Group is committed to take on these challenges based on the foundation that we have built in Malaysia and the overseas market such as Cambodia, Laos, Vietnam and Myanmar. The Group continues to remain focused on ensuring sustainable financial position going forward by leveraging on our core competencies.

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

4. Comparison With Profit Forecast

This is not applicable to the Group.

5. Taxation

	Individual Quarter		Cumulative Quarter	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current year	33,170	10,951	97,537	43,734
Prior year	(239)	278	575	(10,282)
Deferred tax	(2,098)	7,594	(22,063)	(9,874)
	30,833	18,823	76,049	23,578

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 full 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:

	31.12.2018 RM'000
Unsecured :	
- Bills payable	8,256
- Revolving credit	757,243
- Short term loan	9,029
- Medium term notes	748,718
Total borrowings	1,523,246
Comprising :	
Amount repayable within one year	774,528
Amount repayable after one year	748,718
	1,523,246

Group borrowings breakdown by currencies:

Functional currency	Denominated in	31.12.2018 RM'000
RM	RM	1,152,973
RM	USD	234,514
VND	VND	132,740
VND	USD	3,019
		1,523,246

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

8. Financial Instruments

Derivatives

As at 31 December 2018, 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	360,753	(1,232)	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 policy not to enter into hedging contracts, which in the aggregate relate to volumes that exceed its 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.

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.

ETCM (C) and TCMC are awaiting for the Supreme Court to fix the hearing date.

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")

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 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 claiming that 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.

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.

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

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

On 15 November 2018, TCIE's solicitors have been informed that the Court of Appeal, after hearing submissions of both parties, allowed the Plaintiff's appeal with no order as to costs and set aside the High Court Striking Out Order on 4 January 2018. The Court of Appeal further directed the case 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 in the High Court has been re-fixed on 13 December 2018.

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 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 is fixed for 14 March 2019 for compliance with pre-trial directions by the parties.

On 27 December 2018, TCIE 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. The hearing of TCIE's leave application to appeal to the Federal Court before the Federal Court initially fixed on 20 March 2019 has been vacated and re-fixed on 13 May 2019.

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 recommended a final single tier dividend of 2 sen per share for the year ended 31 December 2018 (2017: single tier 1 sen per share). The net amount payable is RM13.1 million (2017: RM6.5 million).

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

11. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share for the periods is based on the net profit/(loss) 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	**2018 ('000)**	**2017 ('000)**	**2018 ('000)**	**2017 ('000)**
Issued ordinary shares at beginning of the period	652,660	652,662	652,661	652,663
Effect of shares buyback during the period	-	-	(1)	(1)
Weighted average number of ordinary shares	652,660	652,662	652,660	652,662

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

12. Total comprehensive income/(loss)

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

	Individual Quarter		Cumulative Quarter	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	(24,885)	(26,251)	(96,865)	(114,360)
(Provision for)/reversal and (write off) of receivables	(31,675)	(4,289)	(36,995)	(16,164)
(Provision for)/reversal and (write off) of inventories	(16,221)	(3,562)	(24,420)	(3,620)
Gain on disposal of properties, plant and equipment	2,749	1,441	4,066	5,003
Property, plant and equipment written off	(597)	(757)	(1,129)	(1,028)
Foreign exchange gain/(loss)	5,065	(8,085)	13,739	(21,335)
Gain/(loss) on derivatives	(3,549)	11,686	(19,011)	21,355
Fair value adjustment on investment properties	3,826	985	3,826	985
Impairment loss on goodwill	(13,944)	-	(13,944)	-
Impairment loss on property, plant and equipment	(11,581)	-	(11,581)	-
Other income including investment income	-	-	-	-

BY ORDER OF THE BOARD
HO WAI MING
Company Secretary
Kuala Lumpur
25 February 2019