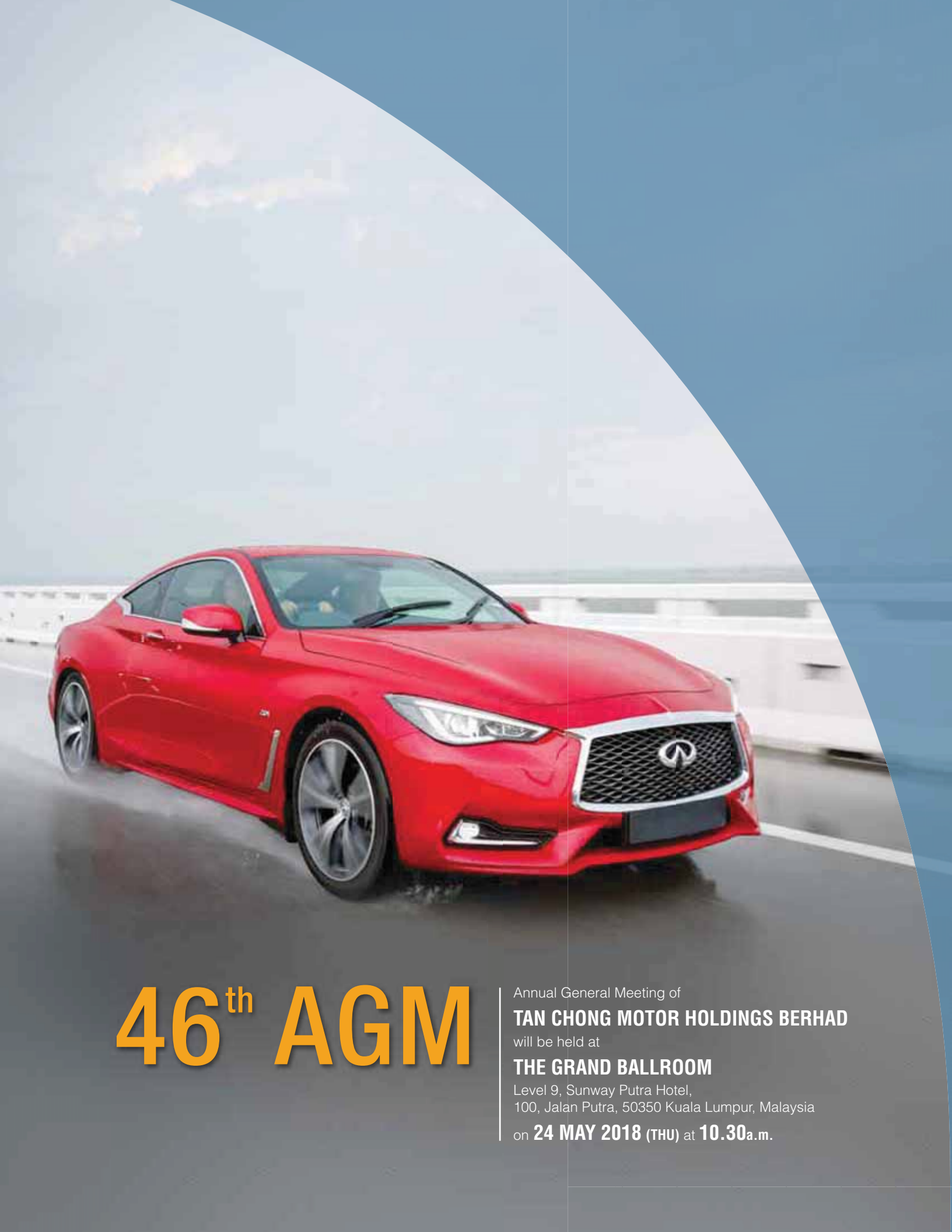
TAN CHONG MOTOR HOLDINGS BERHAD

(Company No. 12969-P)

ANNUAL REPORT **2017**

RESILIENCY BEYOND 60



46th AGM

Annual General Meeting of

TAN CHONG MOTOR HOLDINGS BERHAD

will be held at

THE GRAND BALLROOM

Level 9, Sunway Putra Hotel,
100, Jalan Putra, 50350 Kuala Lumpur, Malaysia

on **24 MAY 2018 (THU)** at **10.30a.m.**

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CORPORATE INFORMATION

DIRECTORS

DATO' TAN HENG CHEW
President

DATO' NG MANN CHEONG
Senior Independent Non-Executive Director

SIEW KAH TOONG
Independent Non-Executive Director

DATO' KHOR SWEE WAH @ KOH BEE LENG
Group Chief Executive Officer

HO WAI MING
Chief Financial Officer

LEE MIN ON
Independent Non-Executive Director

AUDIT COMMITTEE

Siew Kah Toong *(Chairman)*
Dato' Ng Mann Cheong
Lee Min On

NOMINATING AND REMUNERATION COMMITTEE

Dato' Ng Mann Cheong *(Chairman)*
Siew Kah Toong
Lee Min On

BOARD RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Lee Min On *(Chairman)*
Dato' Ng Mann Cheong
Siew Kah Toong
Dato' Tan Heng Chew

COMPANY SECRETARIES

Ho Wai Ming
Chang Pie Hoon

REGISTERED ADDRESS

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Email : is.enquiry@my.tricorglobal.com

AUDITORS

KPMG PLT

LISTING

Main Market of Bursa Malaysia Securities Berhad
(Listed on 4 February 1974)

BUSINESS DIVISIONS

1 ASSEMBLY AND MANUFACTURING

- Motor Vehicles

2 SALES AND DISTRIBUTION

- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses

3 AFTER-SALES SERVICES

- Spare Parts
- Workshop

4 FINANCIAL SERVICES

- Hire Purchase
- Leasing
- Insurance Agency
- Money Lending

5 PROPERTY

- Investment

NAVARA BLACK SERIES

Introducing the New Nissan Navara – Black Series, complete with an aggressive outlook and stylish blacked-out componentry to the luxurious leather seats, the Ultimate Pickup now exudes a bold attitude that commands attention on every journey.

REPORT OF THE BOARD OF DIRECTORS

INFINITI

Dear Valued Shareholders,

THE FINANCIAL YEAR ("FY") 2017 MARKED A SIGNIFICANT MILESTONE FOR TAN CHONG MOTOR HOLDINGS BERHAD ("TCMH") GROUP AS WE CELEBRATED OUR 60TH ANNIVERSARY.

The challenging business environment that we operated in was a constant reminder to our Group not to be complacent as we reflect on the incredible journey the Group has undertaken for the past six decades. We are heartened and inspired by the strong entrepreneurial foundation laid by our Group's founder, the late Tan Sri Tan Yuet Foh, that has put us on a strong footing to stand up to the challenges today as we forge ahead into the next 60 years as a purpose driven business conglomerate. TCMH Group is ever mindful of the need to continue to build upon and strengthen its foundation to be a sustainable and resilient organisation.

TCMH Group faced strong headwinds in FY2017. The business environment was challenging with tough competition and unrelenting strict lending guidelines. The movements in the foreign exchange rates continued to impact the costs of business with pressure on margins. TCMH Group's financial performance in FY2017 was inevitably affected by these factors, resulting in lower margins and sales volume.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL PERFORMANCE OVERVIEW

TCMH Group revenue stood at RM4.34 billion in FY2017 (2016: RM5.46 billion) with loss before tax of RM72.8 million (2016: loss before tax RM43.0 million) due to lower sales volume and impact to the bottom line from the unfavourable foreign exchange movements.

In view of the above, the Group implemented pertinent actions to improve its position during the year by mitigating the foreign exchange impact and increasing sales volume. The Group also deployed programmes to rationalise costs and improve efficiencies throughout the organisation to ensure financial sustainability.

Despite all, the Group managed to maintained a robust financial position with shareholders' funds of RM2.78 billion and net asset per share of RM4.28 for the year ended 31 December 2017.

DIVIDENDS

The Board recommended the payment of a final single tier dividend of 1.0 sen per share (2016: final single tier dividend of 1.0 sen per share) for shareholders' approval at the forthcoming Annual General Meeting. Combined with the interim single tier dividend of 1.0 sen per share (2016: interim single tier dividend of 1.0 sen per share) paid on 29 September 2017, the total net dividend for the year is 2.0 sen per share (2016: 2.0 sen per share). The total net dividends paid and payable for FY2017 will be RM13 million (2016: RM13 million).

BUSINESS PERFORMANCE OVERVIEW

Sales of new vehicles in the Malaysian automotive industry have seen a marginal decline in FY2017 with 576,635 new vehicles compared to 580,085 units in FY2016 [*source: Malaysian Automotive Association ("MAA") Market Review for 2017 and Outlook for 2018 Report*]. This represents a marginal decline of 0.6% in new vehicles sold. The automotive industry remains soft albeit a highly competitive market racked with attractive offers for the consumers. Consumers were also more cautious to take on further financial commitments in an uncertain market as the banks continue to adopt a cautious stance on cars financing.

In spite of the challenging automotive market, Nissan vehicles has maintained its top 3 position in the non-national car market segment in 2017 with a market share of 4.7%.

The commercial vehicles division has also been impacted by the current business climate. However, TCMH Group managed to hold its ground in the bus and trucks sectors despite a very competitive commercial vehicles market.

As the shareholders may be aware, TCMH Group has embarked on a regional business expansion programme for the last few years in an effort to expand and diversify its business beyond its shores. The investments in Cambodia, Laos, Myanmar and Vietnam continue to improve with prospects of growth opportunity. The overall sales in these countries have increased by 13% and contributed about 17% to the Group's total revenue. The operations in Vietnam lead the sales revenue with robust volume growth driven by a continuing buoyant economy in 2017.

REPORT OF THE BOARD OF DIRECTORS

The Group's assembly plant in Danang, Vietnam plays a strategic role in producing locally assembled new Nissan X-Trail and Nissan Sunny to enhance the Nissan line-up complemented by models such as Nissan Navara, Urvan, Juke and Teana.

The Group's second overseas automotive assembly plant in Myanmar commenced operations in Q1 2017 and has been operating at full capacity and self-sustaining. This is expected to help the Group fortify its foothold as it embarks onto the next phase. Despite the political situation in Myanmar, we believe this country has economic potential as it remains as one of the last emerging economies with a sizeable population.

TCMH Group has embarked on these long term strategic investments in its aspiration to be a regional automotive player. This is the overarching strategy of the Group to leap forward as we look forward to the next 60 years with exciting growth prospects.

TCMH Group has had a long partnership and history with Nissan Motor Co Ltd spanning six decades. This strategic partnership has been forged on the foundation of mutual respect and understanding. The Group will continue to work closely with Nissan Motor Co Ltd and strengthen this long-time partnership which has expanded across the ASEAN region.

The financial services division consisting of consumer credit financing and motor insurance, has grown and continues to support and complement the new vehicle sales under the TCMH Group stable. Our customers have benefited from reliable services provided by the financial services division of TCMH Group. The performance of the financial services division continues to show robust results with stronger revenue and profits.

REPORT OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE

TCMH Group strongly believes that the ethos of good corporate governance practices is not only about regulatory compliance but more importantly, it acts as an important pillar to help the Group strengthen its business foundation as we continue on our journey to expand overseas.

The Board will continue to review and enhance the corporate governance framework to stay relevant and embed values into the Group's culture.

As part of our efforts to engage with our shareholders and various stakeholders to keep the investment community informed about the Group's business and developments, we have carried out activities such as organising plant visits for shareholders to the Group's automotive assembly plant in Serendah and meetings and teleconferences with investment analysts, fund managers and institutional investors on the Group's financial performance and business developments. These activities help to augment the normal communication channels with our investors such as Annual General Meetings, quarterly financial announcements and disclosures and investors' relations website to facilitate better understanding of the Group.

PROSPECTS AND STRATEGIC DIRECTIONS GOING FORWARD

The geopolitical developments around the world and in the Asia-Pacific region continue to echo uncertainties in the global economy. Foreign exchange rates are anticipated to fluctuate throughout 2018 reflecting these global uncertainties, even though the Ringgit has, of late, improved against some major currencies such as US Dollar and Yen.

The domestic automotive industry is expected to be subdued in 2018 as new vehicle sales remain weak due to the current economic condition coupled with low consumer appetite for big ticket items such as new cars, as well as the continuing strict financing approval guidelines and higher financing rates, with hikes in overnight policy rates ("OPR").

Under this climate, MAA has forecasted 2018 new vehicle sales to be 590,000. This represents a marginal increase of 2.3% growth from the 2017 sales of 576,635 units. Given the outlook for the domestic automotive industry, TCMH Group will maintain a cautious stance. Nevertheless, the Group has taken measures to improve its competitiveness in the market with anticipated launch of new models in the pipeline.

TCMH Group is of the view that the long term prospects of the Malaysian automotive market would remain positive supported by an inclusive national automotive policy that promotes innovation and industrialisation. The Malaysian economy is anticipated to remain vibrant and resilient with the Ringgit gaining strength and improving crude oil prices in the world market would help to improve domestic consumer confidence and outlook. In order for TCMH Group to remain relevant for the future, we will take cognisance of the new economic transformation that is underway and prepare for the opportunities and challenges of the new digitalised economy and Industry 4.0.

TCMH Group will continue to follow through on its business strategy of expansion into Cambodia, Laos, Myanmar and Vietnam as we capitalise on the sole and exclusive distributorships for Nissan vehicles, backed by two automotive assembly plants in Vietnam and Myanmar. In addition, we also managed to secure a new sole and exclusive distribution rights to distribute King Long coach in Vietnam.

We believe the Group is able to emerge stronger as continuous improvement efforts taken to weather business challenges have shaped our Group into a more resilient and dynamic organisation that is poised to move into the next phase of growth.

REPORT OF THE BOARD OF DIRECTORS

Throughout FY2017, TCMH Group has maintained its focus on its overall strategy of driving sales and reinvigorating its financial position. We will remain committed and steadfast to this strategy as we maintain a meticulous approach in managing our investments in both domestic and overseas market. In this challenging business environment, we will continue to strive for improvements in operational efficiency and cost effectiveness concurrently preparing the Group to take advantage of opportunities to strengthen and grow its business.

ACKNOWLEDGEMENT

The Board wishes to express its appreciation to the stakeholders of TCMH Group such as our valued principals, customers, business partners and loyal shareholders, for their unwavering confidence in the Group and look forward to their continued support in the years to come. We are also appreciative of our shareholders, bankers and financiers who have supported the Group with their investments and we remain committed in ensuring that we provide sustainable returns for their trust.

The Board would also like to extend its heartfelt thanks to all management and staff members of the Group for their loyalty, diligence and commitment. The dedication demonstrated by the staff of TCMH Group who continued to work tirelessly and faithfully in these testing times has been inspiring to us all.

To my fellow Board members, I would like to express my gratitude for your valued advice, guidance and contribution to the Group as we join hand-in-hand and journey towards the next 60 years and beyond.

On behalf of the Board,

DATO' TAN HENG CHEW
President

12 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Malaysia's economic growth for 2017 was 5.9% (2016: 4.2%) [*source: Malaysia Department of Statistics*]. Although the economic data indicated improvement over the previous year, the consumer sentiment index tracked by the Malaysian Institute of Economic Research ("MIER") reported the consumer appetites continue to remain soft as they exercise caution in their spending habits.

The softer economic environment coupled with continuing stringent loans requirement have affected consumer appetite for big ticket purchases such as motor vehicles as prospective car buyers grapple with higher cost of living.

The domestic market continues to see an intensely competitive business landscape and this has affected the automotive distribution units of Tan Chong Motor Holdings Berhad ("TCMH") Group. The fluctuations in foreign exchange rates continue to exert pressure on profit margins due to higher imported component costs throughout 2017.

The Total Industry Volume ("TIV") remained weak throughout 2017 and the lower sales of 576,635 new vehicles marked the second year of automotive sales decline that started from 2016. TCMH Group was not spared and this has impacted the Group's revenue due to lower sales units achieved in the domestic market.

STRATEGY OVERVIEW

i. Improve competitiveness in domestic market

Notwithstanding the challenging operating environment, the Group has strived hard to sustain the sales momentum with various sales and marketing strategies that were introduced throughout 2017. The Group continues to improve the network of sales and distribution and after-sales services to deliver quality services to our customers. We are well aware of the high expectations and demand for excellence and quality products that our customers have come to expect from Tan Chong and we have made every effort to deliver on these expectations. We also continue to engage in efforts to control costs and improve efficiencies with various cost optimisation and productivity improvement programmes.

ii. Regional expansion to widen the foothold in ASEAN

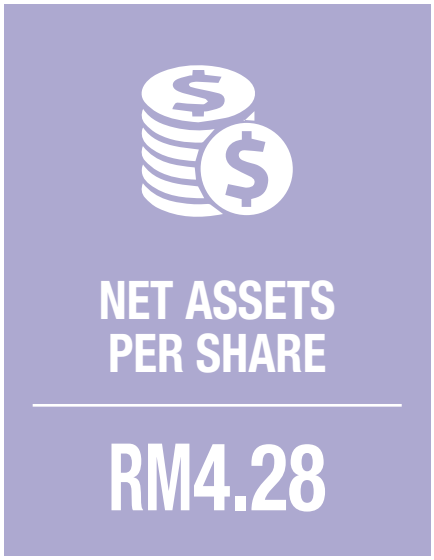
The overseas business expansion has been an integral part of our agenda to diversify and rebalance the Group's revenue contribution with Malaysia, and Vietnam, Myanmar, Laos, Cambodia and Thailand as the Group taps further into the growing markets in that region. The Group remains committed to the vision to become a regional automotive player with footprints across ASEAN. It was encouraging to see that the continuing revenue growth from regional operations has validated our strategy for regional diversification. In FY2017, the overseas revenue contributed 17% of the Group's total revenue.

The Myanmar plant commenced operations in Q1 2017 as scheduled with the production of Nissan Sunny for Myanmar market and this model has been well received in that market.

iii. Efficient financial management focusing on positive cash flow position and cost optimisation

The Group had also focused on ensuring a sustainable and solid financial position in FY2017 as we strengthened and improved the Group cash flow position by carrying out robust inventory management as part of an overall and concerted effort to ensure stronger liquidity position for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS



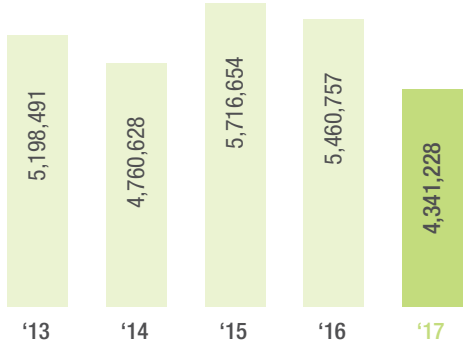
GROUP FINANCIAL PERFORMANCE REVIEW

For FY2017, the Group recorded a revenue of RM4,341 million (2016: RM5,461 million) from lower sales units whilst its profit margin compression was largely due to unfavourable foreign exchange rates. The Group recorded a loss before tax of RM73 million (2016: loss before tax RM43 million) and net loss of RM96 million (2016: net loss RM59 million). FY2017 loss per share was 13.57 sen compared to FY2016 loss per share for the year of 8.42 sen.

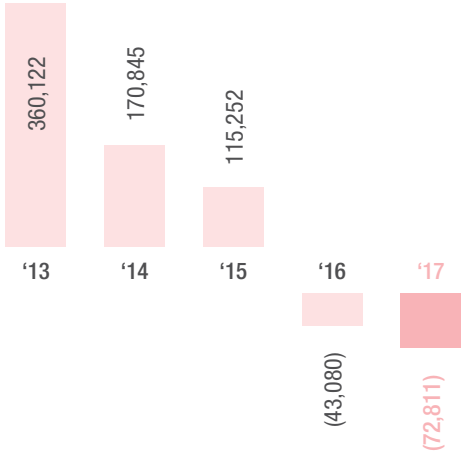
TCMH Group continued to undertake active measures to manage and mitigate the foreign exchange costs of imported materials. However, the fluctuation in the foreign exchange rates resulted in higher costs of sales that could not be fully passed on to our customers in order to sustain sales in an intensely competitive market.

Despite the loss, the financial position of the Group remains strong with shareholders' funds at RM2,796 million (2016: RM2,873 million), cash and cash equivalents of RM318 million (2016: RM228 million) and net gearing ratio of 0.47 (2016: 0.55) times of shareholders' funds as at 31 December 2017. Net assets per share was RM4.28 (2016: RM4.40). The Group undertook a revaluation exercise on its investment properties to reflect their current market value. The revaluation surplus (net of deferred tax) of RM0.8 million has been incorporated into the consolidated financial statements for the year ended 31 December 2017.

REVENUE (RM'million)



LOSS BEFORE TAX (RM'million)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE REVIEW

Automotive Division

TCMH Group is the sole and exclusive distributor of established motor vehicle brands such as Nissan, Infiniti and Renault. Nissan vehicles are distributed and sold in Malaysia, Cambodia, Laos, Myanmar and Vietnam while Infiniti vehicles are distributed in Malaysia and Vietnam. Renault vehicles are distributed in Malaysia. The Group also distributes Kawasaki motorcycles in Vietnam.

(i) Malaysia

2017 was a challenging year for automakers. The domestic automotive sector recorded a second time decline in annual TIV reflecting a down-cycle which started in 2016. A total of 576,635 new vehicles were registered in 2017, equivalent to a marginal decline of 0.6% compared to 580,085 units in 2016.

This was attributed to factors such as the foreign exchange impact, cautious consumer spending, stringent hire purchase guidelines and intensely competitive and challenging market conditions in a weaker economy.

In this challenging market and without significant new model launches, Nissan saw a decline in its overall performance having registered more than 27,000 new vehicles in 2017. This is down 33% from 2016. This decline has resulted in Nissan attaining a lower market share in 2017 at 4.7% compared to 7.1% in 2016. Despite this, Nissan remained one of the top three Non-National vehicle brands and has steadily maintained its 5th position in overall Malaysia market performance in 2017.

Nissan has a full model line-up, covering almost all segments in the market (Passenger Cars, MPV, SUV, Pick-up and Van). Amongst the current line-up, the top three best-selling Nissan models are Nissan Navara (Pick-up), Nissan X-Trail (SUV) and Nissan Almera (B-Sedan Segment), which contributed a significant portion of total Nissan sales in 2017.

In terms of segment performance, Nissan X-Trail and Nissan Navara captured 2nd position in their respective segments i.e. C-SUV and Pick-up. Despite strong competition, Nissan Almera maintained its 3rd position in B-Sedan Non-National segment.

The Renault brand was similarly affected by the challenging market conditions. Renault has managed to maintain its sales performance in 2017 with the launch of the locally assembled Captur and introduction of the new 4WD variant of the Koleos. The sales of its core model, Captur, has increased by 86% in 2017 while the sales of its Flagship model – Koleos, has almost doubled from the previous year.

INFINITI business faced persistent unfavourable external factors such as stiff competition from new Completely Knocked Down ("CKD") plug-in hybrid models launched by premium continental brands as well as the general slowdown in economic activity that further dampened consumer sentiment. The challenging operating environment had also adversely affected our business, resulting in a performance for 2017 which fell below our expectations.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Vietnam

Vietnam TIV dropped by 10% in 2017 as compared to 2016 due to consumer holding back new car purchases in anticipation of ASEAN Trade-in Goods Agreement ("ATIGA"), the implementation of which took effect from 1 January 2018. Nissan vehicles sales grew by 14% with main contribution from X-Trail and NAVARA.

As part of our efforts to enhance the sales and distribution network in Vietnam, four (4) 3S Nissan authorised dealership were opened in 2017 making a total of eighteen (18) 3S Nissan authorised dealerships by end 2017. There are more than ten (10) new 3S Nissan authorised dealerships in the pipeline undergoing construction that will add to the 3S Nissan authorised dealerships network to twenty-nine (29) by the end of 2018.

In the recent J.D. Power 2017 Sales Satisfaction Survey ("SSI") results for Vietnam, Nissan brand ranked No. 2. This is a vast improvement in customer satisfaction with the new-vehicle purchase experience as compared to previous years.

Sales of Kawasaki motorcycles in Vietnam saw a slight drop in 2017 as compared to 2016 due to the heavy competition from the new entrants in the big bikes segment from Japanese and other European brands. There were not much changes in the total market demand for 2017 as compared to 2016. Nevertheless, we managed to maintain our position as leader in the above 300cc big bikes category. Our wholesales for the year was 1,502 units (2016: 1,678 units) with a turnover of USD 12.47 million (2016: USD 14.35 million).

(iii) Myanmar

In 2017, the Myanmar operations achieved a significant milestone with the successful launch of the first locally assembled vehicle, Nissan Sunny, which took place in January 2017. The Nissan Sunny was well received by the market with commendable sales performance. With the launch of Nissan Sunny, we managed to capture 9% market share of Brand New Passenger Car in 2017 and became one of the main automotive players in the country. The significant achievement was due to prolonged frozen period of Yangon Car Parking Permit issuance which favoured local assembly players and boosted by sustained economic growth in Myanmar with 5.9% GDP growth in 2017 (source: The World Bank, 2017). Nonetheless, aggressive sales and marketing efforts and right product positioning of "Affordable Japanese Quality Car" had cast a solid foundation for the commendable sales performance.

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Laos

In 2017, our Laos unit achieved a sales revenue of USD12.5 million.

In Q1 2017, the Laos unit had invested in aggressive sales and marketing initiatives in order to increase the sales in the market. The Nissan X-Trail 2.0 MC model was launched in Q4 2017 which has seen encouraging monthly sales since the launch date.

We have also expanded the sales and distribution network coverage to Pakse, Champassak Province, with authorised dealerships having started operations and we expect this should contribute positively to sales efforts in FY2018.

(v) Cambodia

In FY2017 our Cambodia operations managed to achieve sales revenue of USD8.3 million following the resolution of a legal issue in that country. We had to undertake a series of sales and marketing initiatives to re-introduce Tan Chong and Nissan brand to build market confidence and improve sales momentum. Among the major events were the launches of Nissan Navara in Q1 2017 and Nissan X-Trail MC in Q4 2017.

Throughout the year, our Cambodian unit held numerous major promotional events at high traffic shopping complexes, showroom events and many more roadshows covering nationwide provinces to boost sales. We also leveraged on high coverage of social media digital marketing tool to create public awareness.

Commercial Vehicles Division

The Commercial Vehicles Division of TCMH which is mainly the Truck and Bus Group is focused on the distribution and after sales for trucks and buses in the country. The Group has the sole and exclusive distribution rights to UD Trucks & Buses and Silverbus in Malaysia and, in addition, distributes commercial vehicles under brands such as Bison and Auman. The Group also has a facility for bus-body manufacturing located in Seri Kembangan, Selangor.

The demand for commercial vehicles, with key focus on trucks and bus segment, remained depressed throughout the year. For FY2017, the TIV for commercial vehicles and bus segment declined 9.3% over FY2016 [*source: Malaysian Automotive Association ("MAA") Market Review for 2017 and Outlook for 2018 Report*] mainly impacted by the decline in economic activities, foreign exchange impact, and tightening of credit by financiers.

MANAGEMENT DISCUSSION AND ANALYSIS

Amidst the tough and challenging environment, the Group managed to maintain our market share at 5.5% for the UD brand for the year. Amongst the key highlights for the year, we launched the all new UD Croner medium duty truck which enabled the Group to broaden UD Trucks' product range in Malaysia. The Croner has 2 variants, namely PKE and LKE to meet customers' needs. Together with the heavy duty Quester, the UD brand is poised to strengthen the Group's presence in the truck market.

The domestic bus market was similarly affected by tough local market condition and to this end the domestic bus chassis and bus body encountered strong competition. The Group continued to address such challenges by focusing on the bus body manufacturing for export to Singapore, Myanmar and Philippines.

The Group has also continued its expansion activities into Indochina with the Group entering into an Exclusive Distributorship Agreement via TC Motor Vietnam Co., Ltd. with Xiamen King Long United Automotive Industry Co., Ltd ("King Long") as King Long's sole and exclusive distributor, assembler and after-sales service provider (including the sale and distribution of spare parts) of King Long XMQ6829Y coach model, in both completely assembled form and in its bare chassis form in Vietnam.

The Group continues to focus on improving our Customer Satisfaction Index, with emphasis on streamlining our process, ensuring availability of parts to reduce customer downtime and improving our customer service response time.

After-Sales Service Division

Despite the challenges in the macro-economic environment in FY2017, the After-Sales Service Division was still able to grow its revenue by 12%.

One of the main reasons for this achievement was due to our mid-term strategies to invest into our Body & Paint network expansion, continuous facilities improvements, development of our human capital, establishing exciting promotions and upgrading of Service network facilities; all of which have yielded positive results.

Another factor that contributed to positive results is the expansion of our products offerings such as vehicle accessories which were well received and accepted by customers.

In addition, our keen focus initiatives on delivering excellent service experience have borne fruits in that we jumped 3 spots to rank 4th position in 2017 customer service index by J.D. Power Malaysia Customer Service Index Study.

MANAGEMENT DISCUSSION AND ANALYSIS

Moving forward, we will continue with our strategy to enhance our after-sales service network which comprises of a total of seventy two (72) centres. Of the seventy two (72) centres, sixty three (63) are Service Centres and nine (9) are Body & Paint Centres. It is worthwhile to mention that a good number of our service centres are authorised service centres for Nissan, Infiniti, Renault and Bison vehicles. This helped to broaden our customer-base and support these brands by leveraging on a nationwide after-sales service network backed by experienced technical staff.

Assembly and Manufacturing Division

TCMH Group is involved in assembly activities in Malaysia, Vietnam and Myanmar. In Malaysia, it has two (2) fully operational assembly plants located in Segambut, Kuala Lumpur and Serendah, Selangor. These plants are involved in the assembly of motor vehicles for various well-known marques such as Nissan, Mitsubishi, Subaru and Renault passenger vehicles and also commercial trucks which include UD Trucks, Bison and Auman.

In view of prolonged tightening in the bank's lending rules and weak market sentiment, both plants had to look into cost rationalisation activities to improve the cost efficiency and deliver cost effective and quality products to our customers as follows:

(a) This includes reviewing of production line utilisation and shift operation;

(b) Review of production pattern to optimise usage of resources i.e. human resources and utilities and looking into alternative source of material supply with more competitive price advantage; and

(c) Continue to explore other business opportunities with manufacturing and assembly services.

The assembly plant in Serendah has solar photovoltaic panels with one megawatt capacity and has been selling the generated electricity to Tenaga Nasional Berhad ("TNB") since beginning of 2017 which is in line with the Government's initiative in promoting renewal energy resources.

For the assembly operation in Vietnam, it has one fully operational assembly plant in Danang City. The plant is currently assembling Nissan X-Trail (SUV) and Nissan Sunny (also known as Almera) for the Vietnam market. There is a plan to invest and expand the assembly plant to produce commercial vehicles such as trucks and buses to meet the demands in the Vietnam market. Efforts have been deployed to increase utilisation rate of its facilities by getting more vehicle manufacturers to assemble at these plants.

The assembly plants located in Vietnam and Myanmar are long term strategic investments for the Group and they represent TCMH's foothold in the ASEAN region as we drive forward to become a regional automotive company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Services Division

The consumer credit financing division comprising mainly automotive financing continues to grow consistently along with new vehicle sales. The revenue of the automotive financing segment increased by 43.1% in FY2017 as compared to FY2016. Meanwhile total expenses and the cost of funds were maintained at a reasonable level.

The automotive financing mainly supports the sales of Nissan and Renault vehicles as well as pre-owned vehicles from the MUV stable. The increase in revenue was due to a higher amount of hire purchase loans being disbursed during the year.

During the year 2017, the insurance services business showed a decline of 6.5% of commission earning year-on-year as a result of decline in new car sales and lower motor premium as a result of liberalisation of motor insurance premiums or de-tariffication by Bank Negara which came into effect on 1 July 2017. This is despite a 5.8% improvement in renewal volume. However, the bottom line remains in line with 2016 due to contribution from new insurance products, better management of operating expenses and improved other financial income.

BUSINESS OUTLOOK AND PROSPECTS

Automotive Division

(i) Malaysia

The domestic automotive industry is expected to see a marginal recovery in 2018. The industry still expects some challenges especially in the 1st half of the year where consumers are still cautious with spending on big ticket items.

Nonetheless, with these underlying market expectations, MAA has forecasted an improvement of 2.3% in 2018 TIV to reach 590,000 units. The encouraging outlook was driven by positive economic factors such as higher GDP growth projected in 2018 at 5.0%-5.5% driven by resilient domestic demand, implementation of mega projects adding to the growth momentum of the local economy, strengthening of Ringgit, rising consumer confidence and spending. New model launches will also play an important role in the TIV growth in 2018.

However, there are still factors which might weigh on the progress of industry growth. Concerns over loan approvals remain high as the loan approval policy is still stringent. BNM has raised its Overnight Policy Rate ("OPR") this year which has impacted interest rates.

Despite the uncertain and challenging outlook, the Group took opportunities to plan for 2018 and beyond. The stronger Ringgit is also expected to regain grounds. The Group had been taking measures to leverage on this prospect and planned to launch new models in 2018 starting with the Full Model Change ("FMC") CKD Serena S-Hybrid in Q2 2018, which we believe will create much excitement in the mid-size MPV segment with its many 1st-in-class new features and unique selling points.

For the Renault brand, we will continue to enhance Renault's product line-up by introducing some new models, offering quality and value for money models to the market. One of these exciting models will be the globally anticipated and iconic model, Renault Megane RS, which is expected to be available in Q4 2018. In addition, five (5) additional new service dealers will also be appointed to ensure a more comprehensive after-sales service network coverage and ultimately improve on customers' experience.

MANAGEMENT DISCUSSION AND ANALYSIS

For the INFINITI brand, the all-new QX50 midsize crossover will be launched in later part of 2018 for the Malaysia and Vietnam markets. It has stunning good looks inside and out; it has great semi-autonomous drive technology; and it features the world's first variable compression ratio engine, the VC-Turbo, which provides the power of a V6 combined with the fuel efficiency of a four-cylinder. The midsize premium segment is one of the fastest growing segments on the planet, making our all-new QX50 the right vehicle, at the right time, with the right technology in the right segment.

We believe INFINITI business has potential and is expected to recover gradually with the strengthening of the Ringgit and with a new model introduction in 2018, we are poised to perform better this year.

(ii) Vietnam

Arising from the full implementation of ATIGA which came into effect in 2018, there are also regulatory uncertainties concerning rules on new completely built-up ("CBU") vehicles importation from 1 January 2018. These regulatory uncertainties could affect the importation of CBU vehicles for sale in the Vietnam market as well as increasing the cost of doing business with additional compliance requirements. We also noted that the Vietnamese authorities have also proposed to increase consumption tax (namely Special Consumption Tax, SCT) on pick-up trucks in 2018 which may dampen demand for pick-up trucks such as Navara.

Nissan X-Trail and Sunny models which are locally assembled and distributed in Vietnam may see some prospective sales opportunities as these models are not affected by the regulatory changes.

For the motorcycle segment, we anticipate 2018 to be a more challenging year as almost all big bikes makers, mostly Japanese and European brands will be represented in Vietnam. However, with the full implementation of ATIGA where all import duties of CBU bike of all capacities manufactured within ASEAN region will be reduced to 0% could provide some opportunities. Previously such segment was subject to 40% import duties which caused the pricing to be uncompetitive. The import duties reduction could boost an increase in the total market volume for backbone bikes segment. As such, we planned to import more 150cc to 250cc bikes in 2018 to increase its sales volume and hope to capture a significant market share in this segment. Nevertheless, we anticipate to see a more competitive market in the year 2018 as a whole.

(iii) Myanmar

Whilst our Myanmar operations had successfully laid a solid beginning in 2017, moving forward, we will maintain a cautious eye towards the development of the automotive industry in Myanmar in near term due to the introduction of the long overdue Myanmar Automotive Policy and potential automotive players coming into the country. Sales performance for CBU will continue to be affected if the car parking permit issue in Yangon remains unresolved. Nevertheless, the Group is cautiously optimistic of the prospect in 2018 as the demand for passenger cars is growing tremendously where the TIV for New Car Market has doubled up in 2017 as compared with 2016. The increasing trend of demand is forecasted to continue in 2018 and we are making efforts to leverage on this trend by expanding the network coverage with additional appointments of authorised dealerships nationwide and introducing more suitable Nissan models, both CBU and Semi Knocked Down ("SKD") models, into the country. The Group has set a concrete foothold in Myanmar automotive market to meet the long-term goal in the regional expansion strategy and we are committed to strive for excellence in future.

(iv) Laos

For FY2018, our Laos unit will continue with aggressive marketing and sales activities and keep the upward momentum of sales going. Moreover, with expansion of network coverage to the Southern province of Champassak and the planned launch of a new SUV model in Q4 2018, we are confident with our sales target for FY2018.

(v) Cambodia

Cambodia is expected to hold its General Election in July 2018. Under the circumstances, with the local political developments, we expect sales volume to be affected due to election campaigns and other related activities but the market is expected to recover in the later part of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Commercial vehicles

The commercial vehicles and bus industry is expected to remain challenging in 2018. We will continue to leverage on the Group's extensive sales and service network to penetrate corporate and fleet customers in Peninsular Malaysia, Sabah and Sarawak. The various on-going and new infrastructure projects and investments announced by the Government throughout Peninsular Malaysia, Sabah and Sarawak will continue to provide opportunities for our Commercial Vehicles Division to tap into.

For the Bus division, we will continue to leverage and identify strategic partners to expand and penetrate overseas markets and we will work on increasing our customer base for the Hong Kong, Philippines, Thailand and Myanmar markets.

After-Sales Service Division

The outlook of this division for 2018 remains uncertain and challenging.

To reduce the impact of the soft market conditions, we have outlined key strategies to sustain our business growth which includes implementation of attractive service package for some off-warranty models, expansion of new Body & Paint network and facilities.

Customer satisfaction and retention remain our key priority and we will continue to invest in human capital development, enhance business processes and quality service delivery.

Assembly and Manufacturing Division

In view of the subdued outlook for 2018, we expect the production of new vehicles to remain slow. The low TIV forecast by MAA for 2018 indicated the lower production volume to meet the soft sales demand. Notwithstanding the recent signs of strengthening in the Ringgit, the production costs continue to face pressure from higher external cost drivers such as minimum wage policy and higher utilities costs. This will exert pressure on the business margins. Under such scenario, we will have to maintain our emphasis on improving cost efficiency and productivity to ensure sustainable plant operations.

As for the overseas assembly plants in Vietnam and Myanmar, we continue to focus on improving the plant utilisation capacity with the production of passenger and commercial vehicles as well as exploring other opportunities to capitalise on the buoyant economic developments and upcoming consumer demand in those countries.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Services Division

The automotive industry in 2018 is expected to remain cautious with continued strict financing guidelines. Nevertheless, the consumer credit financing division will aim to serve the different sections of the population by offering varied products with competitive and reasonable pricing.

Under this challenging economic environment, the division will look to grow with a focused approach in managing the loan portfolio and reviewing the credit policies periodically as necessary. Simultaneously there will be stringent cost controls to maintain expenses at a healthy level.

Going forward into 2018, the Insurance Division will tap onto the opportunity arising from the motor insurance de-tariffication by expanding into new market business, leveraging on the de-tariffication system platform which will be able to provide most competitive premium pricings from the panel insurers in one single search. The division is confident of gaining wider acceptance from the market and increase the earnings contribution from non-Nissan market. Besides, the Insurance Division will also improve its efforts to upsell and cross-sell to the existing big pool of customer database for products which are not only exclusively beneficial to Nissan customers but also sustaining the retention of customers with the Group in future years. New insurance products such as TC Warranty Plus will provide peace of mind to customers upon expiry of their manufacturer warranty up to seven (7) years whilst the TC Gap Protector ensures customers get a completely new car replacement in the event of total loss.

Human Resources

Trends for Human Resources ("HR") continue to shift in 2017 which has proven to be an exciting year where we focus on the most important asset of any company - our talents. We have been striving to develop and strategise our people to cater for the diversified businesses of the Group. TCMH Group celebrated its 60th Anniversary in 2017, where the sustainability of its workforce continues to be an ongoing challenge, so HR has been prioritising succession planning efforts with targeted training and development programmes. HR's priority is not only to attract talents through challenging years, but also retaining current talents with effective employee investments in place for the Group's expansion plans. We have delved into Gender Diversity and Equal Opportunity Employment in recruitment and retention to focus on the needed skills, knowledge, and leadership capabilities for the future. HR continues to work with business units to highlight and enforce gaps in learning and fulfilling key positions to ensure transfer of knowledge with rounded exposure in various areas to meet operational needs.

As we embark into 2018, our efforts continue to build and develop the talent pipeline both local and abroad to augment the strategic workforce planning through retention strategies, redeployment exercises and optimised talent acquisition techniques to attract the right talents and job fit.

In addition, HR has also explored into leveraging on innovation and technology to further enhance our manpower management by integrating recruitment tools into the performance management systems and learning management systems. The continual growth of our businesses relies on HR to not only explore and develop the best practices in the market but also apply organisational psychology methodologies into optimum business management practices especially to inculcate the right mindsets, behaviours and work attitudes to create the sustainable workforce using effective support mechanisms for our employees.

MANAGEMENT DISCUSSION AND ANALYSIS

CONCLUSION

The domestic automotive industry outlook is expected to remain subdued in 2018 as new vehicle sales face a competitive business environment with strict financing approval guidelines and recent interest rate hike.

In view of the outlook for the domestic automotive industry, the Group will maintain a cautious stance under this climate. We will strive for cost efficiency in managing our business and will monitor and mitigate the uncertainties from foreign exchange movements.

The Group will continue with the road map to regain our competitive position in the domestic market with new models while ensuring sustainable and efficient financial management.

The Group remains committed to our roots in Malaysia while strengthening our foundation in the emerging markets such as Cambodia, Laos, Vietnam and Myanmar to reap the future benefits of economic growth in these countries. The Group will remain focused on ensuring a sustainable financial position going forward by leveraging on our core competencies.

RENAULT CAPTUR

A cross between an urban hatch and compact SUV. The Captur combines a modern interior. Captur has all the smarts you'd expect from a Continental car. Whether you need a vehicle for business or pleasure, weekdays or weekend, the Captur is the crossover for both sides of your life.

EIGHT-YEAR FINANCIAL HIGHLIGHTS

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
RESULTS								
Revenue	4,341,228	5,460,757	5,716,654	4,760,628	5,198,491	4,087,883	3,860,071	3,505,248
(Loss)/Profit before tax	(72,811)	(43,080)	115,252	170,845	360,122	225,351	305,033	322,753
Tax expense	(23,578)	(15,954)	(45,350)	(51,191)	(124,495)	(61,803)	(89,612)	(91,666)
(Loss)/Profit for the year	(96,389)	(59,034)	69,902	119,654	235,627	163,548	215,421	231,087
(Loss)/Profit attributable to:								
Owners of the Company	(88,597)	(54,943)	74,865	105,853	250,952	165,855	216,144	229,740
Non-controlling interests	(7,792)	(4,091)	(4,963)	13,801	(15,325)	(2,307)	(723)	1,347
STATEMENT OF FINANCIAL POSITION								
Assets								
Property, plant and equipment	1,825,620	1,863,022	1,704,190	1,731,688	1,693,133	858,730	675,779	618,388
Investment properties	202,000	198,766	186,633	173,078	44,671	51,979	17,558	10,490
Prepaid lease payments	45,609	51,343	49,798	44,524	24,270	16,535	11,357	-
Intangible assets - Goodwill	14,592	14,592	14,592	14,592	14,592	13,944	14,448	14,191
Equity-accounted investees	45,797	42,891	40,415	36,793	33,918	30,409	19,791	18,920
Other investments	1	1	1	1	1	1	1,807	1,807
Deferred tax assets	67,098	62,761	35,722	34,787	26,397	24,339	14,520	12,090
Hire purchase receivables	745,066	460,399	369,507	350,594	376,451	251,153	386,788	284,554
Finance lease receivables	585	162	9,153	636	1,504	2,378	1,440	3,945
Total non-current assets	2,946,368	2,693,937	2,410,011	2,386,693	2,214,937	1,249,468	1,143,488	964,385
Current assets	2,454,743	2,882,708	2,761,369	2,619,869	2,767,454	2,716,737	1,893,421	1,781,634
Total Assets	5,401,111	5,576,645	5,171,380	5,006,562	4,982,391	3,966,205	3,036,909	2,746,019
Equity and Liabilities								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	2,485,161	2,562,520	2,485,524	2,443,592	2,397,733	1,656,023	1,529,650	1,371,376
Treasury shares	(25,282)	(25,278)	(25,274)	(24,990)	(24,809)	(24,795)	(24,786)	(24,778)
Total equity attributable to owners of the Company	2,795,879	2,873,242	2,796,250	2,754,602	2,708,924	1,967,228	1,840,864	1,682,598
Non-controlling interests	(14,511)	(8,952)	(1,602)	5,951	(6,761)	2,638	8,310	8,639
Total equity	2,781,368	2,864,290	2,794,648	2,760,553	2,702,163	1,969,866	1,849,174	1,691,237
Non-current liabilities	986,104	975,021	1,013,524	1,101,119	491,679	412,471	336,347	409,147
Current liabilities	1,633,639	1,737,334	1,363,208	1,144,890	1,788,549	1,583,868	851,388	645,635
Total Equity and Liabilities	5,401,111	5,576,645	5,171,380	5,006,562	4,982,391	3,966,205	3,036,909	2,746,019
FINANCIAL STATISTICS								
Basic (loss)/earnings per share (sen)	(13.57)	(8.42)	11.47	16.22	38.44	25.41	33.11	35.19
Gross dividend per share (sen)	2.00	4.00	5.00	6.00	21.00	12.00	12.00	12.00
Net assets per share (RM)	4.28	4.40	4.28	4.22	4.15	3.01	2.82	2.58
Return on invested capital (%)	-0.44%	0.36%	3.07%	4.29%	9.26%	8.88%	12.85%	13.59%
Return on shareholders equity (%)	-3.13%	-1.94%	2.70%	3.87%	10.73%	8.71%	12.27%	14.38%
Net debt/Equity (%)	47.06%	54.88%	47.21%	34.28%	36.41%	29.54%	15.28%	15.84%

PROFILE OF DIRECTORS

DATO' TAN HENG CHEW
JP, DJMK

Dato' Tan Heng Chew, 71, a Malaysian, Male, was appointed to the Board on 19 October 1985 and was subsequently appointed as the Executive Deputy Chairman on 1 January 1999. He was re-designated as the Executive Deputy Chairman and Group Managing Director on 1 July 2012. His corporate title was changed to President effective 1 January 2015. He is a member of the Board Risk Management and Sustainability Committee.

Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong Group of companies in 1970 and was instrumental in the establishment of the Autoparts Division in the 1970s and early 1980s.

Dato' Tan is also the President of APM Automotive Holdings Berhad and Warisan TC Holdings Berhad.

Dato' Tan is the spouse of Dato' Khor Swee Wah @ Koh Bee Leng, a Director of the Company. He is a major shareholder of the Company. He is a brother of Mr. Tan Eng Soon and also a director and shareholder of Tan Chong Consolidated Sdn Bhd. Mr. Tan Eng Soon and Tan Chong Consolidated Sdn Bhd are major shareholders of the Company. Dato' Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Tan attended all the seven Board meetings held in 2017.

DATO' NG MANN CHEONG
DSSA, SMP, JP

Dato' Ng Mann Cheong, 73, a Malaysian, Male, was appointed to the Board on 31 July 1998. He is the Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed. He is the Chairman of the Nominating and Remuneration Committee and a member of the Audit Committee and Board Risk Management and Sustainability Committee.

Dato' Ng is a Barrister at law (Middle Temple), Advocate and Solicitor, High Court of Malaya and has been admitted to practice in the jurisdictions of Singapore, Victoria and Western Australia. He has been in legal practice for more than 45 years and is a Senior Partner of Syed Alwi, Ng & Co. He is also a past Legal Advisor of Malaysian Crime Prevention Foundation.

Dato' Ng also sits on the board of MTrustee Berhad, AmMortgage One Berhad and is a past director of Port Klang Authority.

Dato' Ng attended all the seven Board meetings held in 2017.

PROFILE OF DIRECTORS

SIEW KAH TOONG

Siew Kah Toong, also known as David Siew, 63, a Malaysian, Male, was appointed to the Board on 1 July 2010. He is an Independent Non-Executive Director, the Chairman of the Audit Committee, and a member of the Nominating and Remuneration Committee and Board Risk Management and Sustainability Committee.

Mr. Siew is a member of the Malaysian Institute of Accountants ("MIA"), the Malaysian Institute of Certified Public Accountants ("MICPA") and CPA Australia. He is also a member of the Practice Review Committee of the MIA and the Public Practice, Technical and Financial Statement Review Committees of MICPA. He had served as a Board member of the Financial Reporting Foundation for 2 terms and was a member of the Developing Nations Committee of the International Federation of Accountants ("IFAC") for a term.

Mr. Siew joined Sekhar & Tan, Chartered Accountants in 2009 and is the Managing Partner. Prior to that, he served as the Managing Partner of BDO, one of the leading accounting firms in Malaysia. He has many years of experience in auditing, financial reporting and corporate advisory and has served as the audit engagement partner on many public listed companies. Mr. Siew was also involved in the role of Special Administrator for several public listed companies pursuant to the Pengurusan Danaharta Nasional Berhad Act, 1998 and successfully restructured them for re-listing. He served for 4 years as the Finance Director of Malaysian Mosaics Berhad where he was involved in the reorganisation of the Group, restructuring of banking and financing arrangements and mergers and acquisitions besides improving the financial reporting systems.

Mr. Siew is also an Independent Non-Executive Director of Fraser & Neave Holdings Bhd. He was previously an Independent Non-Executive Director of Wing Tai Malaysia Berhad.

Mr. Siew attended all the seven Board meetings held in 2017.

DATO' KHOR SWEE WAH @ KOH BEE LENG

DJMK

Dato' Khor Swee Wah @ Koh Bee Leng, also known as Dato' Rosie Tan, 69, a Malaysian, Female, was appointed to the Board as Executive Director on 22 March 2013. Her corporate title was changed to Executive Vice President on 1 January 2015 and subsequently changed to Group Senior Executive Vice President on 28 November 2016. On 1 January 2018, her corporate title was changed to Group Chief Executive Officer.

Dato' Rosie Tan graduated from the University of Newcastle, New South Wales, Australia with a Bachelor of Commerce (Accounting) degree in year 1970.

Dato' Rosie Tan began her career in the Treasury Department of Tan Chong Group after her graduation in 1970 and was subsequently appointed as Deputy Managing Director of Tan Chong & Sons Motor Company Sdn Bhd on 10 January 2004. During her over 40 years' stint in the Group, she managed the multi-currency exposure of the Group and introduced the use of various innovative hedging products as part of her efforts in minimizing cost for the Group; set up the Group's Treasury Department and Human Resources Division; and transformed a manual and traditional organisation into IT process driven operations.

Dato' Rosie Tan leads an active life within and outside her profession. Over the years, she has established a name for herself in the Malaysian society for her involvement as the Honorary Treasurer (1994 - 1999) and Honorary Trustee (1999 - 2003) of the Malaysian AIDS Foundation. She is also a Trustee of the Pink Triangle Foundation, a non-profit organisation providing HIV AIDS Education to the Malaysian society. She is a corporate nominee of the Company to Kuala Lumpur Business Club, a networking, support and business development organisation for business leaders and professionals.

Dato' Rosie Tan is spouse of Dato' Tan Heng Chew, President and a major shareholder of the Company. She has abstained from deliberating and voting in respect of transactions between the Group and related parties involving herself.

Dato' Rosie Tan attended all the seven Board meetings held in 2017.

PROFILE OF DIRECTORS

HO WAI MING

Ho Wai Ming, also known as Daniel Ho, 47, a Malaysian, Male, was appointed to the Board as Executive Director and Group Financial Controller on 22 March 2013 and 1 April 2013 respectively. His corporate title was changed to Chief Financial Officer effective 1 January 2015.

Mr. Ho is a Fellow of the Association of Chartered Certified Accountants ("ACCA"), a Member of the Malaysian Institute of Accountants ("MIA"), a Member of the Chartered Tax Institute of Malaysia ("CTIM") and a Member of the International Fiscal Association.

Mr. Ho has more than 20 years' experience in taxation, accounting and finance. He joined the Group as Senior Manager (Taxation) in September 2005 and rose to the position of Executive Director and Group Financial Controller on 22 March 2013 and 1 April 2013 respectively. He was appointed as Company Secretary on 28 August 2015. During his over 10 years' stint in the Group, Mr. Ho has been involved in various financial and corporate management functions within the Group. Immediately prior to joining the Group, he was a Senior Consultant of PricewaterhouseCoopers Taxation Services Sdn Bhd. He had also served as an Accountant for the Bechtel Corporation's companies in Malaysia. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Mr. Ho attended all the seven Board meetings held in 2017.

LEE MIN ON

Lee Min On, 58, a Malaysian, Male, was appointed to the Board on 28 November 2016. He is an Independent Non-Executive Director, the Chairman of the Board Risk Management and Sustainability Committee and a member of the Audit Committee and Nominating and Remuneration Committee.

Mr. Lee is a Chartered Accountant of the Malaysian Institute of Accountants ("MIA"), a Certified Public Accountant ("CPA") of the Malaysian Institute of Certified Public Accountants ("MICPA") and a Chartered Fellow Member of The Institute of Internal Auditors, Malaysia ("IIAM").

Mr. Lee started his career with KPMG Malaysia in 1979 and retired as a Partner of the Firm on 31 December 2015. During his tenure with KPMG, he served in the external audit division before moving to helm the Firm's risk consulting practice, providing, inter-alia, board advisory services that encompassed corporate governance assessment, enterprise risk management and risk-based internal audit for both public listed as well as private corporations.

Mr. Lee co-wrote the "Corporate Governance Guide – Towards Boardroom Excellence" 1st and 2nd Editions which were published by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). He also sat on the Task Force which was responsible for developing the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers", a document issued by Bursa Malaysia in 2012. As a strong advocate for good governance and integrity in the market place, Mr. Lee regularly speaks at public seminars and conferences, including in-house sessions, sharing his thoughts and insights, particularly on Sustainability, Governance, Risk and Control.

Mr. Lee also sits as an Independent Non-Executive Director of APM Automotive Holdings Berhad, Warisan TC Holdings Berhad and Kotra Industries Berhad. He is also an audit committee member of IIAM.

Mr. Lee attended all the seven Board meetings held in 2017.

Save as disclosed above, none of the Directors has:

(i) any family relationship with any Director and/or major shareholder of the Company; and
(ii) any conflict of interest in any business arrangement involving the Company.

The above Directors have not been convicted of any offences within the past five (5) years other than traffic offences, if any, and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

PROFILE OF KEY SENIOR MANAGEMENT

Key Senior Management of Tan Chong Motor Holdings Berhad ("TCMH") Group comprises Dato' Tan Heng Chew - President, Dato' Khor Swee Wah @ Koh Bee Leng - Group Chief Executive Officer, Mr Ho Wai Ming - Chief Financial Officer, whose profiles are included in the Profile of Directors on pages 24 to 26 in the Annual Report 2017, and the following Senior Management Personnel:

1. NICHOLAS TAN CHYE SENG

Head of Financial Services Division *(w.e.f. 5 March 2012)*
Aged 44, Male, Malaysian

Qualification:

- Bachelor of Science Degree - Boston University School of Management, USA

Working Experience:

- Worked in global investment banks in Kuala Lumpur, Singapore and Hong Kong for 10 years.
- Joined the Group in 2008 and set up the Corporate Planning and Strategic Investments Division.
- Established e-auction platform for used vehicles business and developed supporting eco-system for car financing, car sharing, leasing and insurance product verticals.
- Appointed as Director of TCCL Sdn Bhd and TC Capital Resources Sdn Bhd, wholly-owned subsidiaries of TCMH which are engaged in insurance agency business and hire purchase/financing/leasing/money lending business, on 5 March 2012 and 21 September 2012 respectively.

Present Directorship(s):

Listed Entity : APM Automotive Holdings Berhad - Non-Independent Non-Executive Director
Other Public Companies : Nil

Family relationship with any director and/or major shareholder:

- Son of Dato' Tan Heng Chew, a Director and major shareholder of TCMH.
- Son of Dato' Khor Swee Wah @ Koh Bee Leng, a Director of TCMH.

2. CHRISTOPHER TAN KOK LEONG

Head of Motor Division (Malaysia) *(w.e.f. 1 January 2016)*
Aged 41, Male, Malaysian

Qualification:

- Bachelor of Arts Degree in Business Administration - Middlesex University, UK

Working Experience:

- Joined the Group in September 1997 and held several managerial positions in product planning, sales and marketing. Promoted to the position of Sales and Marketing Director of Edaran Tan Chong Motor Sdn Bhd ("ETCM"), on 1 January 2016.
- Appointed as Director of Tan Chong & Sons Motor Company Sdn Bhd and ETCM, wholly-owned subsidiaries of TCMH which are engaged in automotive business, on 28 December 2012 and 2 November 2016 respectively.

Present Directorship(s):

Listed Entity : Nil
Other Public Companies : Nil

Family relationship with any director and/or major shareholder:

- Son of Dato' Tan Heng Chew, a Director and major shareholder of TCMH.
- Son of Dato' Khor Swee Wah @ Koh Bee Leng, a Director of TCMH.

PROFILE OF KEY SENIOR MANAGEMENT

3. WONG KING YOON

Head of Commercial Vehicles Division *(w.e.f. 1 January 2014)*
Aged 66, Male, Malaysian

Qualification:

- Certificate of Competency in Motorcar Mechanic Craftmanship awarded by the Board of Industrial Training and National Craftmanship Certification, Ministry of Human Resources.
- Certificate of Achievement in Marketing Management awarded by the International Advertising, Communication and Technology College (formerly known as Institute Advertising Communication Training), the education and training organisation of Association of Accredited Advertising Agents, Malaysia and Malaysian Advertisers Association.

Working Experience:

- Joined Tan Chong Industrial Equipment Sdn Bhd ("TCIE"), a wholly-owned subsidiary of TCMH which is engaged in distribution of commercial vehicles and spare parts, in 1977 as a Technical Assistant.
- Held various senior positions during his 40 years tenure with TCIE where he gained experience in trucks and bus business before his appointment as Director of TCIE on 28 March 2005.
- Pioneered the Service and Technical Department of TCIE. Instrumental in charting the growth and prospects of TCIE, including the securing of UD Trucks and Bus Franchise in Malaysia for the Group.
- Re-designated as Chief Executive Officer of TCIE effective 1 January 2014.

Present Directorship(s):

Listed Entity : Nil
Other Public Companies : Nil

4. TEONG SENG KIANG

Head of Group Procurement and Supply Chain Management Division *(w.e.f. 1 January 2017)*
Aged 59, Male, Malaysian

Qualification:

- Fellow of the Association of Chartered Certified Accountants (ACCA)
- Master of Business Administration (MBA) - University of Westminster, London.

Working Experience:

- Has over 30 years of working experience in automotive, manufacturing and audit fields. Last position held prior to joining the Group was General Manager covering Finance, Admin and Procurement of an automotive company.
- Joined the Group in 2006 as General Manager in the Chairman Office and was transferred to Group Procurement in 2007. Promoted to the position of Director of Group Procurement in 2012. Assigned with additional role in overseeing Group Supply Chain Management and re-designated as Head of Group Procurement and Supply Chain Management Division effective 1 January 2017.
- Appointed as Director of Edaran Tan Chong Motor Sdn Bhd, Tan Chong & Sons Motor Company Sdn Bhd and Tan Chong Motor Assemblies Sdn Bhd on 20 July 2012, 28 December 2012 and 14 February 2013 respectively.

Present Directorship(s):

Listed Entity : Nil
Other Public Companies : Nil

PROFILE OF KEY SENIOR MANAGEMENT

5. YAO TSU-WEI *(also known as Michael Yao)*

Head of After Sales Division *(w.e.f. 1 March 2013)*
Aged 54, Male, Taiwanese

Qualification:

- Bachelor of Engineering Degree Majoring in Mechanical Engineering - Tamkang University, Taiwan.

Working Experience:

- Has more than 20 years of working experience in after-sales service of the automotive sector. Last position held prior to joining the Group was Director of Customer Service Department of Volvo Cars Taiwan Limited.
- Joined the Group in March 2013 as Senior General Manager, After Sales and Spare Parts and Workshop of Tan Chong Ekspres Auto Servis Sdn Bhd, a wholly-owned subsidiary of TCMH which is engaged in automotive workshop services.

Present Directorship(s):

Listed Entity : Nil
Other Public Companies : Nil

6. LEE JIUNN SHYAN *(also known as Lawrence Lee)*

Head of Assembly and Manufacturing Division *(w.e.f. 1 January 2018)*
Aged 48, Male, Malaysian

Qualification:

- Bachelor of Engineering (Honours) – Monash University, Australia.
- Bachelor of Economics – Monash University, Australia.

Working Experience:

- Joined Tan Chong Motor Assemblies Sdn Bhd ("TCMA"), a subsidiary of TCMH, which is engaged in the assembly of motor vehicles and engines, in 1995 as an Engineer.
- Held various senior positions during his 19 years tenure with TCMA where he gained experience in assembly of motor vehicles and technical operations including contruction and management of assembly plants, before his appointment as Director of TCMA on 21 July 2014.
- Appointed as Director of several manufacturing subsidiaries of the Group, namely TCM Stamping Products Sdn Bhd, TC Aluminium Castings Sdn Bhd and TC Module Integrator Sdn Bhd on 21 July 2014; and TC Plastics Sdn Bhd and TC Transmission Sdn Bhd on 10 April 2015.
- Appointed as General Director and Legal Representative of the overseas subsidiaries of the Group, namely TCIE Vietnam Pte Ltd and TC Motor Vietnam Co., Ltd on 16 November 2016 and 27 September 2016 respectively.

Present Directorship(s):

Listed Entity : Nil
Other Public Companies : Nil

Save as disclosed above, none of the abovementioned Key Senior Management Personnel has:

(i) any family relationship with any Director and/or major shareholder of the Company;
(ii) any conflict of interest with the Company;
(iii) any conviction of offences within the past five (5) years other than traffic offences, if any; and
(iv) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.


TAN CHONG
Tan Chong Group's
PLAN
PLAN
Saturday,

SUSTAINABILITY STATEMENT

OUR ROADMAP TO SUSTAINABILITY:

- Introduction
- Board of Directors' Overview
- Core Values
- Sustainability Governance
- Our Reporting Framework

ENVIRONMENT

- Towards A Greener Planet

ECONOMIC

- Empowering The Next Generation

SOCIAL

- Giving Hope; Celebrating Life

MOVING BEYOND 60

SUSTAINABILITY STATEMENT

INTRODUCTION

Over the years since our inception, Tan Chong Motor Holdings Berhad (TCMH) has experienced remarkable transformation. Just as our business portfolio has grown and diversified, so have the people who work for us. Our people's diversity in terms of background, thoughts, experience and ideas not only allows us to integrate everyone into all our business practices, but also helps us to shape the culture and define the character of our Group. We take pride in providing a working ambiance where diversity and inclusion are valued and leveraged in fostering leadership, excellence and innovation; thereby enabling us to deal, cope and manage our future business challenges.

As a conglomerate, we recognise the fact that our ability to succeed depends on how we respond to the changing social and environmental expectations. We are committed to finding innovative solutions and working with our investors, customers and suppliers, engage our employees and develop partnerships with government and non-profit organisations. Our overarching ambition is to embed economic, social and environmental considerations into the heart of the business in ways that create value over the long term.

BOARD OF DIRECTORS' OVERVIEW

The Group places high priority in giving back to the community in which it operates, through organising and implementing diverse and far-reaching Corporate Sustainability initiatives that benefit the marketplace, the community at large, the environment as well as the Group's employee well-being.

In tandem with its reputation as a responsible corporate citizen, the Group fosters thought leadership and encourages the development of the automotive business through sponsoring industry-related projects and contributing to other communities at large. Concurrently, the Group's sustainability initiatives also benefit its employees with trainings, sporting and outdoor activities being organised for employees' participation in building greater connectivity and engagement across the Group.

Moving forward, the Group will continue to take a leading role in sustainable growth of the industry; in line with our 60th Anniversary theme, "60 Years & Beyond". The Group adopts a central theme "Resiliency Beyond 60" in our Sustainability Statement to showcase our resiliency in both good and bad times.

To start with, we have put in place strong leadership and managed allocation of resources, in order to move forward with our strategic directions. Our corporate governance practices provide a framework of accountability and responsible business practices that begin with an independent and highly effective Board. We are committed to diversity and inclusion, which includes ethnicity, cultural background and gender. Our people continue to show resilience. Sustainability is reflected in the choices made each day by our employees – whether it is going the extra mile for our customers or doing their part in strengthening and enriching local communities. Underneath the sophistication of the financial services and products we offer, there is strength that drives us forward to overcome the economic, environmental and social challenges that come our way. We have implemented various projects; focusing on areas such as community development and education and employees' growth. We reach out to communities to improve their quality of life and we provide community-based learning opportunities, especially for underprivileged groups. Another highly ranked aspect is employee training and development.

Each country in the region has its unique culture and way of doing things and as a multi-national conglomerate, the Group needs country-based strategies to address these needs. Business success will depend on designing solutions that are inclusive – ones that not only support its financial goals, but are also based on the ability to incorporate the needs of stakeholders. The Group's energy-efficient assembly plant in Serendah serves as a benchmark for its operations and a daily reminder of living with finite resources in an efficient manner; thus providing the platform for its future growth apart from the environmental benefits.

As the Group adapts to the trends shaping the world, creating value for its stakeholders will be its central focus. Hence, the Group welcomes any input in supporting its efforts to generate lasting value and positive impact for its stakeholders. Join us as we traverse through our path towards sustainability.

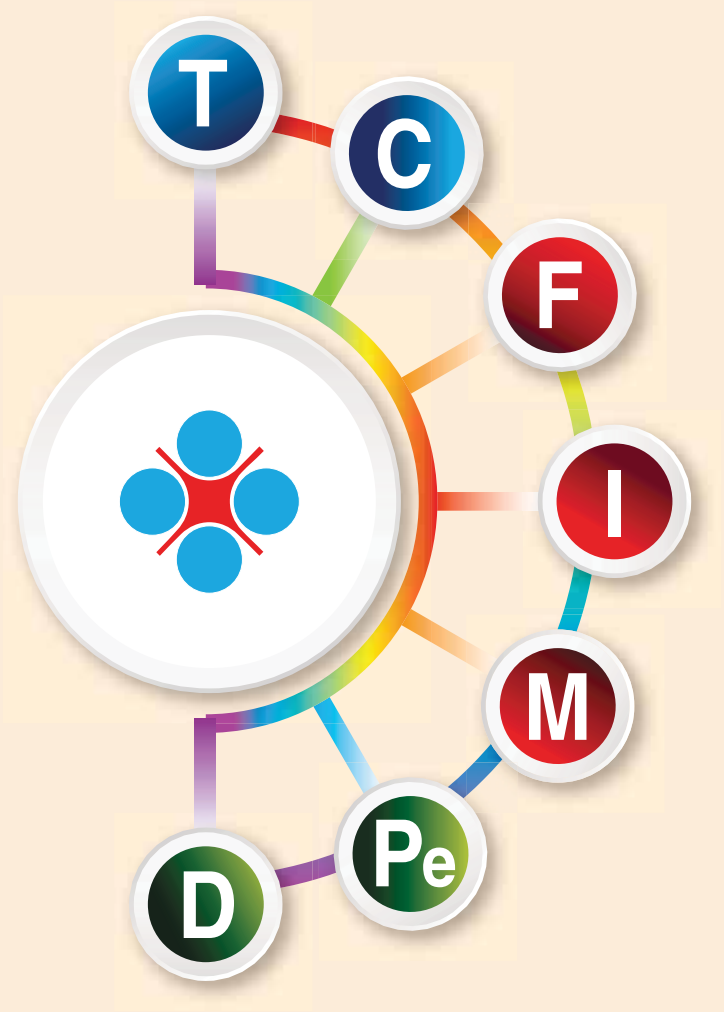
Core Values (TCFIMPeD)

TAN CHONG

My Word is My Bond

Trustworthiness & Integrity

The ability to be relied upon by others as being honest, truthful, dependable, reliable and deserving of trust and confidence in actions and behaviours. Shows integrity (doing the right things in the best interests of the company without being monitored).



Diligence Stay Focused!

Demonstrates constant and earnest efforts to accomplish projects, assignments and tasks that are given.

Courage Say It Out!

Willing to take or seek out risks, bold and willing to explore new ways of doing things. Diplomatically not insisting on direct and actionable feedback, is open and direct with others without being intimidating and deals head-on with people problems and delicate situations.

Frugality Do More with Less

The quality of being economical with money or prudent in savings and lack of wastefulness and thriftiness in spending Companies' money for value.

Innovation & Creativity What's Next?

The capability or act of designing or developing something original or unusual and the application of ideas or implementation of something new for the organisation.

24/7 Mindset Always Online

Prioritising the Company's interests in terms of spending time thinking, strategising and executing action plans to promote and advance the Company's and stakeholder Group's interests even outside office hours.

Perseverance Never Give Up!

Determination and steadfastness in continuing with projects, assignments or work despite the challenges, difficulties or obstacles in achieving success.

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

The Board has established a Board Risk Management and Sustainability Committee (BRMSC) which assists the Board in overseeing risk, risk management and sustainability activities across the Group; comprising the company and its subsidiaries. The BRMSC comprises three (3) Independent Non-Executive Directors and an Executive Director.

OUR REPORTING FRAMEWORK

We aim to embed sustainability deeply into our DNA, culture, value system and the way we run our business. This includes engaging our stakeholders in creating sustainability and long-term growth for our business, while leading and shaping positive change to our business, the communities we operate in, our people and the environment.

- Through understanding our impacts, we are committed to minimising our environmental footprint across our value chain
- We will achieve this by addressing climate change, reducing energy consumption in our automotive plants and monitoring our noise, water and dust indicators

- Delivering superior customer experience and transforming the way our customers live and work with our innovative products and services
- Adhering to the best practices of corporate governance standards
- Embracing responsible business practice and marketing

- Driving positive and sustainable changes among our adopted after-school centres and other educational initiatives
- Enabling the inclusion of underprivileged children, single parents and religious bodies
- Engaging our people to support the community through corporate giving and volunteer programmes

SUSTAINABILITY STATEMENT

ENVIRONMENT
Towards a Greener Planet

TAN CHONG CELEBRATES ITS 60TH ANNIVERSARY BY GOING GREEN

Management team at "Plant A Tree, Plant A Life" ceremony

As a responsible corporate citizen, the Group takes a serious view of its obligation to protect the Earth and its natural resources for the sake of future generations. The Group's initiatives include a waste-separation programme, recycling campaign, carbon-emission reduction measures, water treatment and renewable solar technology. To this end, the Group continues to encourage proactive participation from employees.

One such instance is the "Plant A Tree, Plant A Life" event that took place at the Group's assembly plant in Serendah, Selangor. Held in conjunction with its 60th anniversary celebration on 14th October 2017, this move included the planting of 60 trees around the facility's compound and involved members of the Board, senior management and employees; signifying its commitment to preserve the environment. The Board trusts that such initiatives will generate the "ripple effect", where the actions taken today will help make way for a "greener world" for 60 years more and beyond.

SUSTAINABILITY STATEMENT

WASTE MANAGEMENT

Tan Chong Motor Assemblies Sdn Bhd (TCMA) has, since its inception, embarked on programmes not only to be a leader in automotive production plants but also a major contributor to environmental conservation, social development and economic growth.

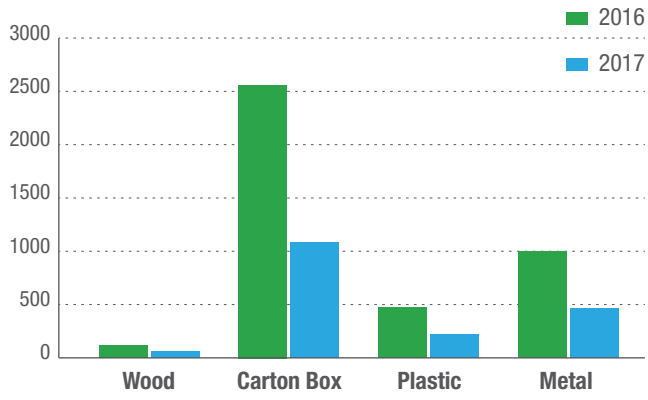
The RM4.3 million sophisticated industrial effluent treatment plant at the Serendah facility was built and designed to ensure all zero pollution to the waterways, hence conserving the ecosystem as well as the livelihood of the society that rely on the river for resources.

In line with sustainability and efforts to save the planet, all solid wastes, both general and scheduled wastes, are recycled or reprocessed. Wastes from packaging such as plastic, foam and cardboards are compacted and sold for recycling. All wood and metal materials are recycled as well and made into other reusable products. Scheduled wastes, which are hazardous wastes under the regulations of Environmental Quality Act are treated by competent and DOE-authorised waste treatment plants, where the wastes are refined, reused or reprocessed for other uses. By recycling these hazardous wastes, we have reduced our impact to the environment by preventing pollution, reducing our carbon footprint and also conserving natural resources.

The reduction in amount of waste generated in 2017 as compared to 2016 is directly impacted by production volume.

Recycled Material by Tonnes	2016	2017
Wood	123	66
Carton Box	2,617	1,106
Plastic	486	228
Metal	1,022	473

Recycled Materials by Tonnes



Waste water treatment plant

Recycled paper after compacting

Similar practice of waste management has also been adopted at our headquarters where all old reading materials and unwanted items are placed in a recycle bin and collected by an NGO. All items collected are segregated at their collection centre. Items which can be reused or recycled are cleaned and contributed to orphanages, old folks homes, schools, etc. Items that cannot be recycled are sold and the proceeds are contributed to the above as well.

Recycle bin at headquarters

SUSTAINABILITY STATEMENT

ENERGY MANAGEMENT – SOLAR PANEL/RENEWABLE ENERGY

To better manage energy consumption, our plant at Serendah has installed a 1 Megawatt capacity solar panel system. This helps to reduce the dependency on fossil fuel to generate electricity and hence reducing carbon dioxide CO_2 emission. The plant is also looking into expanding to its potential capacity of 30 megawatts.

Additionally, the Regenerative Thermal Oxidiser (RTO), ensures that zero volatile organic chemical is released into the environment. The RTO burns off excess organic material, preventing it from escaping to the environment. The heat generated from the RTO is then channelled back into the heating system. This reduces the consumption of Liquefied Petroleum Gas (LPG) at the ovens to maintain the required heating temperature.

An aerial view of solar panel roof

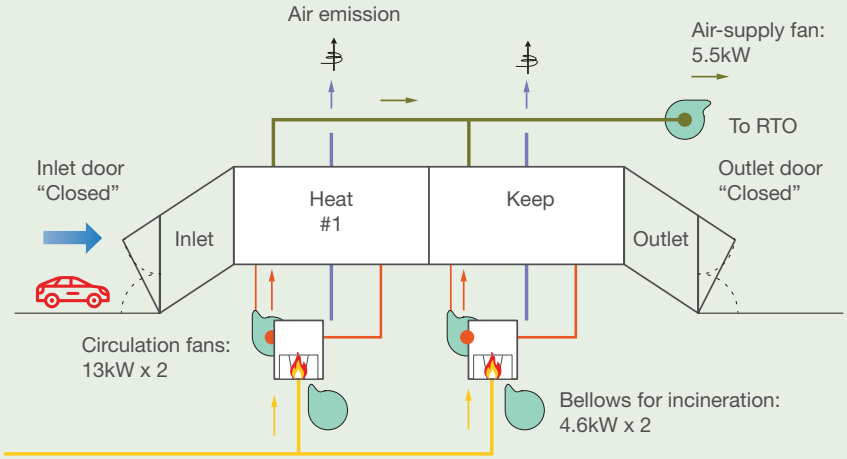
ENERGY CONSERVATION AND CARBON DIOXIDE (CO_2) REDUCTION

To conserve energy as well to reduce carbon dioxide emission, several activities have been implemented such as below:

Optimisation of Oven System Operation

The plant has optimised its oven operation time to better utilise natural gas consumption. As a result, 8MW of electricity and 10t-CO_2 was reduced per year.

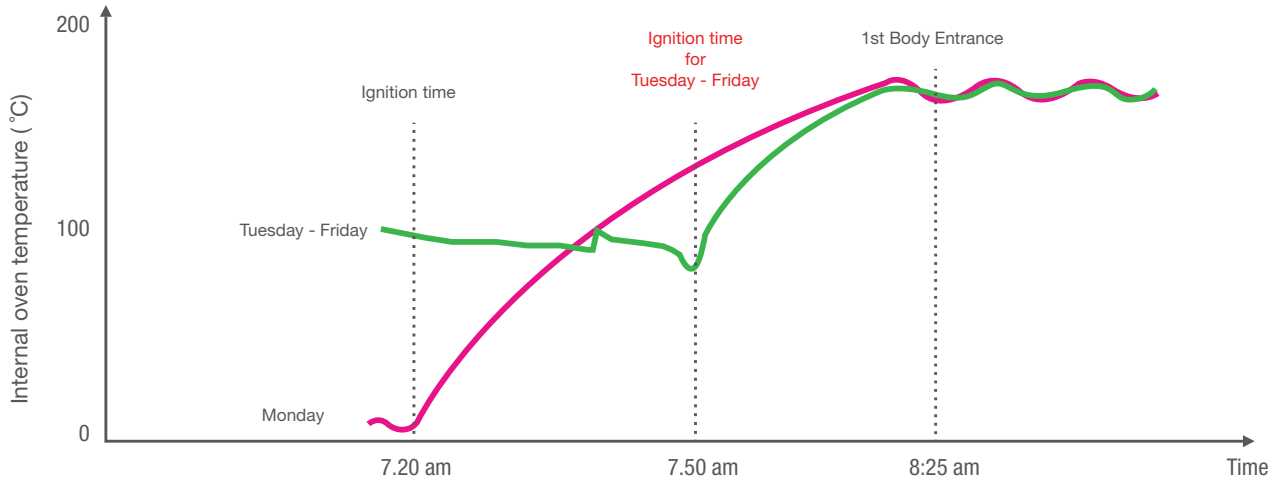
Description	Before	After	Reduction	%
Energy (MWh) / Year	18	10	8	45
CO_2 ton / Year	22.7	12.5	10.1	



Oven Temperature Trend Chart

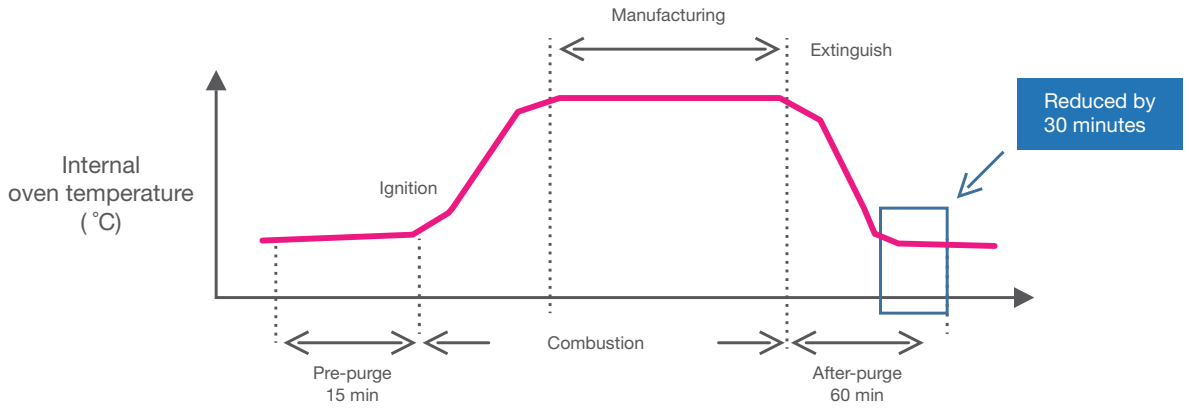
The oven's function is to dry the painted car body. The circulation fan transfers the heated air from the burner to the oven area. This is aimed at saving energy by delaying time of oven ignition, so that temperature is increased just before body input.

SUSTAINABILITY STATEMENT



Purging Time Chart

Aim to save energy by stopping the circulation fan at an earlier stage.

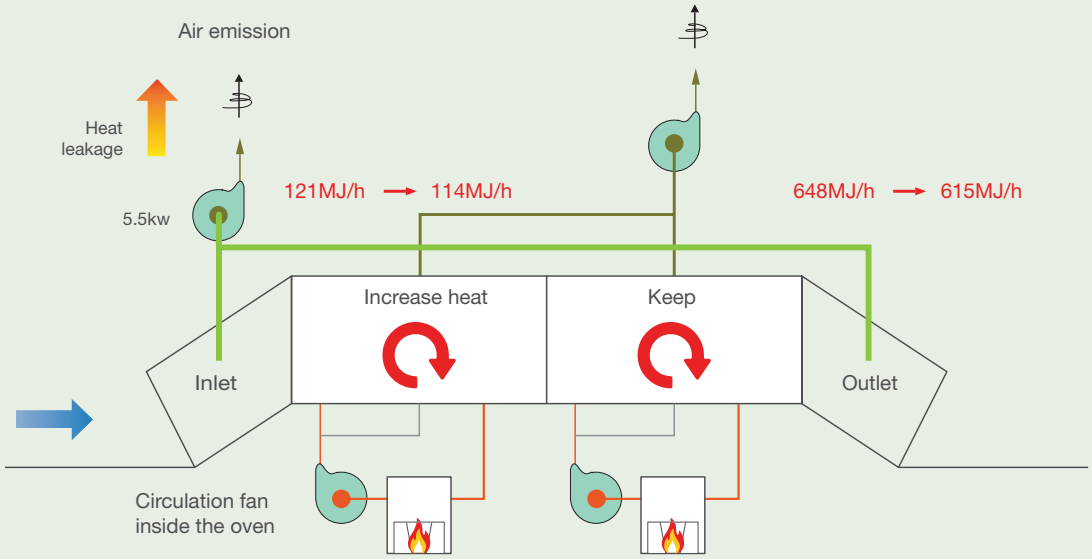


Oven System Ventilation Fan

To further improve energy conservation, ventilation fans operation time was optimised as well to reduce energy loss and simultaneously reduce emission of carbon dioxide. With this, the plant could successfully conserve 4,533 m^3N/year of liquid petroleum gas and reduce carbon dioxide emission by 26.16t-CO_2 per year.

Description	Before	After	Saving	%
LPG (m^3N) / Year	87,148	82,615	4,533	5.2
CO_2 ton / Year	503	477	26	

Oven Layout



Air Compressor

The operation of the air compressor was also optimised to reduce electricity consumption. The air compressor operation was studied in-depth to identify areas for environmental conservation. This resulted in savings of 34MW of electricity and 14t-CO_2 per year.

Description	Before	After	Saving	%
Energy (MWh) / Year	768	730	38	5.0
CO_2 ton / Year	287.2	272.8	14.4	

Opting for Energy-Saving LED Lights

To further reduce energy consumption, the lightings in the plant have also been gradually replaced from the conventional fluorescent bulb to the energy-saving LED bulbs. Up until 2017, a total of 2,000 light bulbs have been replaced. The replacement resulted in reduced energy consumption, where 190MW of electricity was saved and 71t-CO_2 emission was reduced per year which is equivalent to growing 1,840 trees from seedlings for 10 years.

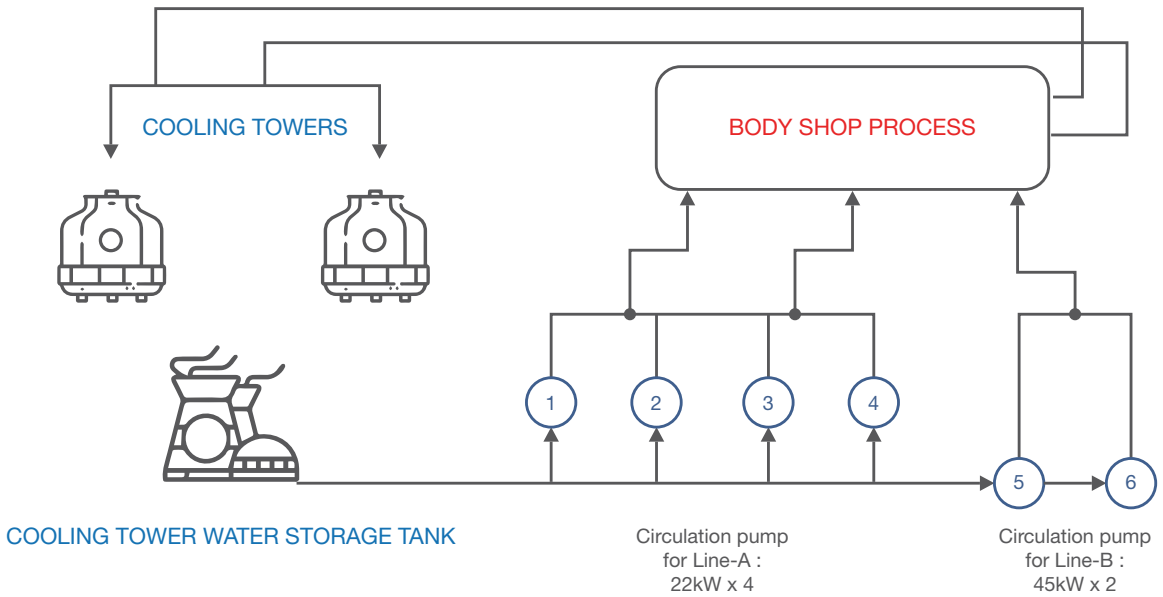
Cooling Tower

In addition, the operation time of the cooling towers was also optimised to reduce the usage of electricity and the plant managed to reduce electrical consumption by 56MW and CO_2 emission by 21t-CO_2 respectively per year.

Description	Before	After	Saving	%
Energy (MWh) / Year	864	808	56	6.5
CO_2 ton / Year	462.2	432.3	29.9	

SUSTAINABILITY STATEMENT

Cooling Tower System Layout

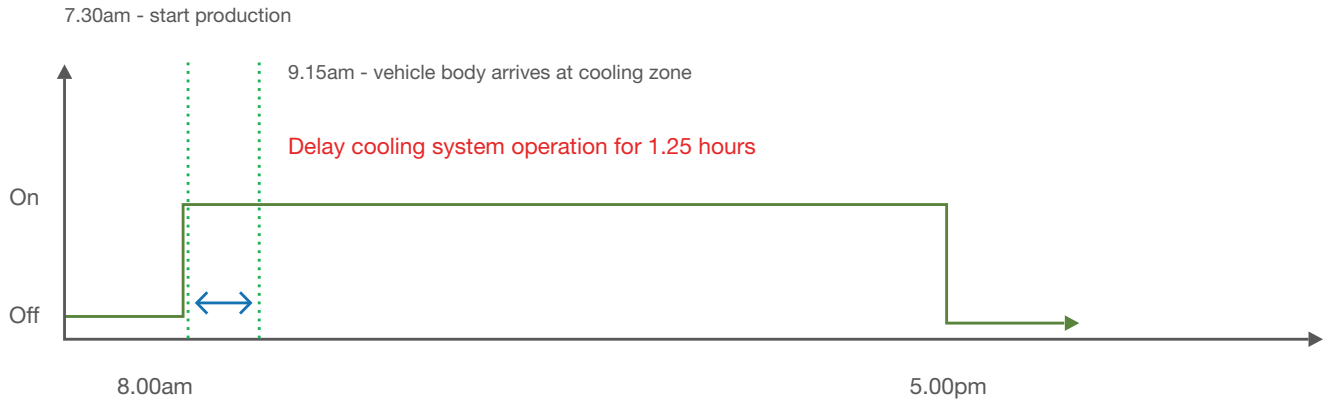


Cooling Fan

Another initiative taken by the plant was to enhance the effectiveness of the cooling fan by reducing the operation hours by 1.25 hours from 11 hours. The cooling fan reduces the car body temperature to a level suitable for workers to handle. With this initiative, 26kWh of electric energy and 3t-CO_2 could be reduced per year.

Description	Before	After	Saving	%
Energy (MWh) / Year	76	67	9	11.4
CO_2 ton / Year	25.7	22.8	2.9	

Oven Cooling Operation Time Chart



SUSTAINABILITY STATEMENT

SAFETY AT WORK

Over the years, the assembly plants have put in various efforts to attain the highest level of safety and health awareness among its employees, with the aim to be a leading workplace with best care for our employees' safety, health and welfare. This is well represented by the decrease in the Lost Time Injury Rate (LTIR). TCMA continually aims to achieve Zero Accident.

Year	2011	2012	2013	2014	2015	2016	2017
LTIR	14.71	12.12	4.7	6	12.6	6	4.9

Environment, Health & Safety (EHS)

One of the measures taken to improve TCMA's EHS performance was to revamp the EHS Policy. The Group as well as its key members are committed to improving the EHS of the plant workforce.

Several training programmes were introduced to expose the workforce to workplace hazards. The programmes are extended to all levels of employees, both locals and foreigners. The training materials are also adapted and translated into several languages, including Nepalese, to gain better awareness and understanding amongst the foreign workers.

ERT members learning the use of chemical suit.

Emergency Response Team (ERT)

In addition, the Group has also embarked on strategies to enhance the Emergency Response by exposing the ERT members to various trainings such as firefighting, chemical spill handling, first aid, cardio pulmonary resuscitation (CPR) and so forth at both plants and also its headquarters.

TCMA Serendah's women's firefighting team at the plant emerged silver medallist in the annual Kawad Hos competition for the Hulu Selangor region held at the Kuala Kubu Bharu Firestation. The Kuala Kubu Bharu Firestation organises the Kawad Hos competition among factories and institutions in the Hulu Selangor District annually to foster closer ties between the entities and the Fire Department; in addition to developing highly efficient and effective ERT to mitigate fires and related injuries. TCMA participated in this competition and emerged silver medallist in the women's team category.

SUSTAINABILITY STATEMENT

TCMA's women firefighters in action during fire drill

Fire fighting training

Other Trainings

As the Group is committed to providing a safe and healthy work environment for its employees, various trainings such as Notification of Accident, Dangerous Occurrences, Occupational Poisoning and Occupational Disease (NADOOPOD) Training; Hazard Identification and Risk Assessment and Risk Control (HIRARC); Electronic Scheduled Waste Information System (E-SWIS) are also constantly being conducted at its headquarters to develop and upgrade the skills and knowledge of employees.

Demonstrations on safe methods of handling daily tasks were carried out; for instance, forklift operation training for warehouse employees who are involved with lifting tasks. Other trainings such as Firefighting, First Aid, Ergonomic, Personal Protective Equipment (PPE) and Chemical Safety were also conducted to further impart and enhance their knowledge on the proper way to safely carry out their daily tasks. These trainings have enabled employees to have better understanding and knowledge of legal compliance in order to create a safer, healthier and environmental-friendly workplace. Frequency of these trainings are dependent on the requirement itself.

Fire Drill

The Group understands the importance of a well-thought out fire evacuation plan and also the importance of having a well-prepared Emergency Response Team (ERT) should a fire break out in any one of its facilities or workplace. To enhance the preparedness of employees in responding to a fire emergency, fire drills have been organised at different workplaces to create awareness of fire safety amongst the employees of the Group. The assigned ERT is given a chance to implement their individual roles in the event of a fire. After each drill, a post mortem is carried out on how to further improve the evacuation process and emergency equipment for each workplace.

Road Safety

With the current increase of road accidents pertaining to both work-related and commuting to and from work, the plants have jointly collaborated with Jabatan Keselamatan Jalan Raya (JKJR) to implement and organise road safety campaigns at several TCMH workplaces to increase the awareness on road safety for employees in hope to reduce road accidents. JKJR shared information pertaining to road accident statistic records, as well as preventive actions for road accidents.

Forklift operation training

PPE training – hearing protection

SUSTAINABILITY STATEMENT

MEDICAL AND OCCUPATIONAL HEALTH SERVICES

Medical Screenings

The Group conducted Periodic Medical Screening for its employees in the southern and northern regions including East Malaysia throughout the year. The primary purpose for this programme is to assist and encourage employees in adopting and maintaining a healthy lifestyle to improve their well-being.

Bone density check

Health Campaigns

Health talk such as Gut Care, Bone Check, How Workplace Ergonomics Causes Neck and Back Pain, Nutrition and Cholesterol, World Heart Day and Cancer Awareness were carried out periodically in the year for the employees. We work with retailers and pharmaceutical companies to organise some of our campaigns.

Blood pressure check

Blood Donation Campaign

The Group believes in doing its part to save lives by organising blood donation programmes throughout the year to support the National Blood Bank. The programmes received good response from the employees; indicating their concern and support for social needs.

Breast Cancer Awareness campaign

Pink October

In celebration of Breast Cancer Awareness month, the Group's Medical Services team held a month-long campaign and taught Breast Self-Examination (BSE) to all female employees. With an increase in breast cancer statistics amongst women in the country, prevention is always better than cure and early detection can lead to a better prognosis.

World Health Day participants

World Health Day

During the annual World Health Day, basic medical screening was conducted for all employees at the Group's headquarters. In addition to checking blood sugar, cholesterol and blood pressure, Electrocardiogram (ECG) tests were performed on employees above 40 years of age and those below 40 who have indications for the need of an ECG. Interpretation and report were finalised by our designated panel doctor.

SUSTAINABILITY STATEMENT

ECONOMIC
Empowering The Next Generation

Shareholders' visit at Serendah plant

SHAREHOLDERS' PLANT VISIT

The Group organised two shareholders' visits to its plant at Serendah in 2017. The plant visits are an excellent way to showcase the plant's facilities and enable its shareholders to gain an "eye-witness" experience on how the vehicles are assembled besides providing a great opportunity for management to meet TCMH's shareholders, build rapport, gain trust and support.

SHUTTLE SERVICE

Tan Chong Group firmly believes that the safety and welfare of its employees are of the utmost importance. With the aim of providing better security protection for all its employees, the Group implements free shuttle service since 2012 to commute staff to and from nearby train stations (Putra KTM and PWTC LRT), as well as for those who parked their vehicles at nearby car parks. Over 150 employees have gained from this service and the commuter and transit shuttle services provided over 50 rides either to or from work daily. By offering this service, it also reduces carbon emissions to the environment with less vehicles on the road.

Employees queuing for the free shuttle service

Children enjoying themselves at the daycare

DAYCARE FACILITY

The Group understands the difficulty of a working mother who has to juggle between work and family especially those with small children. Hence, it has established a daycare facility with a breastfeeding room at its headquarters since 2013 to care for children age ranging from two to 12 years old, and provide learning activities for them. Kids learn and celebrate festivities and simultaneously learn about different cultures. This year they celebrated all the festivals and events such as Chinese New Year, Mother's Day, Father's Day, Ramadhan, Deepavali and Halloween.

This year's Halloween was one of the many events that the children in the daycare had participated. Kids designed their own party accessories, which is a way of learning and honing their creativity whilst having fun.

SUSTAINABILITY STATEMENT

LEARNING AND DEVELOPMENT

Various internal and external trainings were conducted in 2017 for both hard and soft skills. Employees were given equal opportunities to participate in training programmes that have been carefully selected by TC Education to improve staff performance. One of the flagship programmes was Lead Forward, a leadership programme for people managers.

Training opportunities are also provided for all levels of employment from technical, shop floor management, computer skills, basic skills and so forth. Training centres have been developed internally to provide hands-on practical training to new and existing employees. Currently, a new training centre for safety is being developed to increase the level of safety and health awareness at the work. Separately, employees are encouraged to contribute ideas for improving processes, shop floor management, cost reduction, quality improvement and so forth. Competitions such as the Teian, Kaizen and QC Story that are extended to various levels of employment offered attractive prizes for the individual or team that created the best improvement activities.

Besides employees, several public programmes have been organised as well. Several students from various universities were offered a 10-month learn-as-you-work programme under The Work-Based Learning, with aim to prepare them for the working world. All the candidates performed outstandingly and were applauded by their respective universities. Some have been employed at both our Serendah and Segambut plants.

Body shop RTC

Paint shop RTC

Assembly shop RTC

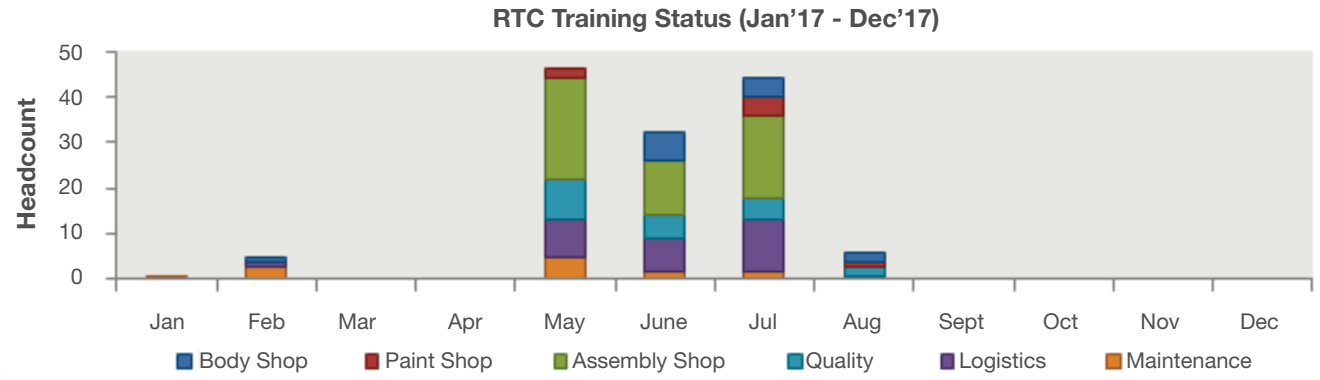
Regional Training Centre (RTC)

Training presents a prime opportunity to expand the knowledge base of all employees. Employees who receive the necessary training is better at performing their jobs. They become more competent and are able to follow standard procedures for basic tasks to ensure safety, quality and productivity. In the plant, training is being emphasised for all levels of employees. All new employees will go through a stringent orientation programme which covers soft and technical skills. The plants have their own RTCs to train all new operators on the basic skills of vehicle assembly. The training centres are designed by following the Nissan Global Training Centre standards covering six main training areas such as Body Shop, Paint Shop, Assembly Shop, Quality, Logistics and Maintenance.

The training centres focus on standard operating procedures, safety precautions, basic understanding of quality requirement and tools handling. All operators go through a series of courses where they are evaluated towards the end of the training and only those who are certified are selected to pursue their career with the Group.

SUSTAINABILITY STATEMENT

In 2017, a total of 134 employees had undergone the training under RTC. The following chart indicates the number of headcounts who had undergone training in RTC by month for the year of 2017.



With the RTC system in place, the plant ensures only competent personnel is hired to produce high quality products for our customers based on the evaluation system.

Earn As You Wish (EAYW) programme participants

Small Group Activity (SGA)

SGA found its origin in the Japanese industry where it is a method for problem-solving in teams by structurally searching for the root causes and eliminating them.

Similarly, as a measure of enhancing its shop floor management, the plants consistently encourage active participation of its members in contributing ideas to improve its overall performance through the SGA approach. Both plants have a total of 167 SGA teams, which focus on improving Safety, Quality, Cost and Productivity through Teian and 5S.

In appreciation of these efforts, the Group rewards the members through the Earn As You Wish (EAYW) programme on a yearly basis which is a reward program based on the philosophy "The More You Do, The More You Earn". The programme allows SGA teams to collect points based on the quantity and quality of their executed activities. These accumulated points are then used to redeem F&B and supermarket vouchers.

The EAYW point redemption activity was recently held in October 2017. This is one of the many activities organised by Alliance Production Way Promotion Department of both plants to promote Genba Kanri – Shop Floor Management culture.

SUSTAINABILITY STATEMENT

Tan Chong School of Management (TCSM)

Tan Chong School of Management (TCSM) was officially launched on 16 February 2017 by the Group Senior Executive Vice President of TCMH, Dato' Rosie Tan, in the presence of Independent Directors, Senior Management staff and invited guests. TCSM is responsible to chart out our policy for the systematic training and development of all levels of employees in the Group comprising Supervisory up until Executive Vice-President for their personal development, career growth and long term retention. TCSM has been entrusted to develop the Group's Employee Development, Assessment & Promotional Framework (TCEDAP) to train and develop various levels of employees in their management and leadership competencies.

Tan Chong Employee Development, Assessment & Promotional Framework (TCEDAP)

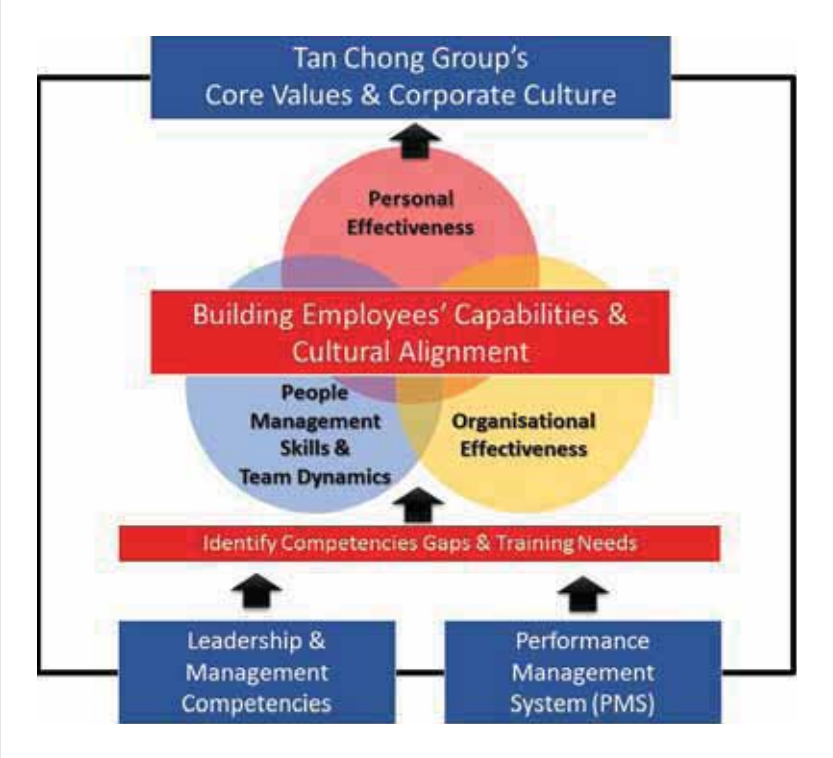
Introduced
TCEDAP
(Tan Chong Employee Development, Assessment and Promotional Framework)

To promote:

- Personal Development
- Career growth
- Long term retention

Reviewed & Approved
Tan Chong Core Values
(TC FIMPeD)

- Trustworthiness & Integrity
- Courage
- Frugality
- Innovation & Creativity
- 24/7 Mindset
- Perseverance
- Diligence



Tan Chong Group's model of learning under TCEDAPF

SUSTAINABILITY STATEMENT

TC Tech students at the International Skills Competition event at MAEPS Serdang

Tan Chong Technical Institute (TCTECH)

TCTECH was established to provide a comprehensive range of automotive industry-oriented training programmes focused on the improvement of people and processes within departments; providing both commercial and technical services to customers.

Its automotive students work with experts in industry-related workshops. With about 80 service centres throughout Malaysia, students will gain industry relevant training, hands-on experience and also job placement opportunities in Tan Chong Group and relevant industries. TCTECH has vocational schools in key cities like Petaling Jaya, Penang, Kota Bharu and Sandakan focusing on providing industry centric automotive programmes at Certificate and Diploma levels with local and foreign accredited learning institutions to young "skill inclined" school leavers.

TCTECH also introduced the Applied Industrial Programme (AIP) to the secondary schools in Malaysia. This kick-started a collaboration project with secondary schools to allow students between 16-17 years old who are weak in academic studies to join this programme which is endorsed by Technical Vocational Education and Training (TVET), Ministry of Education.

Paint ball

Treasure hunt @ FRIM

Champion for Tan Chong Group Annual Bowling Tournament

SPORTS AND RECREATION

In addition, the Sports and Recreation Club frequently organises games with an aim to foster ties between employees as well as to create a healthy workforce.

Sports & Recreation Department also organised a tour for employees during the year to TCMA Serendah Assembly Plant; one of the main production titans of the Group, to give employees of the Group an opportunity to familiarise and to gain an insight on how the cars are assembled.

SUSTAINABILITY STATEMENT

SOCIAL

Giving Hope; Celebrating Life

EDUCATING THE YOUNG

SJKC Sg Chua, Kajang Selangor

After-School Daycare Centres

Various charitable organisations, orphanages, old folks homes and religious bodies have benefited from the Group's corporate sustainability programmes nationwide. The mission to help improve the lives of underprivileged children in every way has always come first for the Group as it firmly believes that one of the greatest values every organisation should nurture is the ability to contribute to the development of the society especially the young ones.

The Group established its first after-school daycare centre in 2008 by teaming-up with SJK (C) Sg. Chua in Kajang, Selangor. Subsequently, by 2015, a total of four centres have been adopted in schools and welfare associations in Selangor and Penang. This initiative, in collaboration with the respective schools' Parents-Teachers Associations (PTAs), is meant to assist children of single parents/caregivers, by providing them a safe, after-school haven to study in; with meals and counselling provided too. With the general idea of giving back to society, we continue to explore other avenues to reach out to those in need.

REACHING OUT TO THE LESS FORTUNATE

Rumah Kasih Sayang

Tan Chong Group admires the efforts made by Rumah Kasih Sayang in providing assistance and shelter to orphans, underprivileged and single mothers. Since 2011, the Group has made positive contributions to more than 85 children, ranging from 6 months to 12 years at this organisation in Rawang, as part of its Corporate Sustainability efforts to improve the quality of life and add joy for these children. Besides this, the Group has also shared festive joys with them, such as Chinese New Year, by inviting them to its Chinese New Year Open House. With a common purpose and objective, the Group will actively engage in supporting and working with the local communities moving forward.

Tan Chong Group presented a cheque to Rumah Kasih Sayang

SUSTAINABILITY STATEMENT

TCITech employees with children of Nanthisar Home

Charity Visit to Nanthisar Home

Tan Chong Group always believes that Corporate Social Responsibility (CSR) is a way by which the Group fills its role and responsibilities within our community. Together, the Group can contribute positively to the society and environment and build sustainable communities over time. In conjunction with Tan Chong's 60th Anniversary and as part of its Corporate Social Responsibility initiatives, the Group organised a charity visit with the theme "Small Move Big Change" to Nanthisar Home in Seremban, which houses 30 underprivileged children, five single mothers and three elderly residents. The Group's employees had a great time with the underprivileged over refreshments, as well as organised special entertainment programmes for them. They also flexed their muscles by painting and cleaning the house. The Group hopes that this small contribution can provide some assistance and comfort to the underprivileged and may bring big changes in the future.

One of the badly damaged cars during the flood in Penang

Nissan Offers Flood Relief Programme in Aid of Affected Customers

Tan Chong Group is firmly committed to the philosophy that no corporation can live apart from the community it serves and the Group takes it as its responsibility to extend a helping hand in times of need. Heeding the call for assistance in flood-stricken Penang, the Group launched a flood relief programme for Nissan customers whose vehicles were affected by flash floods by offering a 20% discount on spare parts and labour charges; a special price of RM1,325 onwards for upholstery restoration and a 90-days' warranty on labour and genuine parts replacement. The Group hopes by offering this programme it will further ease the burden and alleviate the distress experienced by Nissan vehicle owners.

SUSTAINABILITY STATEMENT

Orang Asli Community

Despite being one of the smallest groups among the various races in the country, the orang asli's contributions to the nation is equally important. The Group has never sidelined the orang asli community but instead ensured that they enjoy the same treatment like other communities in the country. The Group has endeavoured to create a positive impact on the orang asli community by donating a multipurpose van to the Orang Asli Kg. Chinta Manis Bentong, Pahang. The van will serve as their main mode of transportation in their daily activities. With the general idea of giving back to society, the Group will continue to look for new innovative approaches to increase the well-being of the orang asli community.

Car presented to Orang Asli Kg. Chinta Manis Bentong, Pahang

Vehicle presentation to Women's Aid Organisation committee

Women's Aid Organisation (WAO)

There have been huge ripples in the job market over the past decades, with women moving up the employment ladder. However, violence against women is still prevalent in today's society. The Group has recently presented Women's Aid Organisation (WAO) with a vehicle in line with its vision to eliminate domestic violence and gender discrimination towards women and children.

Pusat Jagaan Sivananda children and TCMA employees' children with their prizes

Deepavali

TCMA also works closely with the residential neighbourhood in supporting their needs. Joint gotong-royong activities have been organised with the aim to improve the livelihood of the residents. In addition, facilities such as convex mirrors have been installed at residential junctions nearby the factory to ensure the safety of its workers as well as the residents.

Deepavali, also known as Festival of Lights, is celebrated by Hindu communities as the new beginning and the triumph of good over evil and light over darkness. The presence of Pusat Jagaan Sivananda at the plant's Deepavali celebration certainly made the celebration of the "Festival of Lights" all the merrier.

SUSTAINABILITY STATEMENT

REACHING OUT TO INDOCHINA

L'Orphelinat De Cambodge Enfance Dévelopement Shelter

Cambodia

Over the globe, the Group's regional business unit, Tan Chong Motor (Cambodia) Pty. Ltd. donated rain shelters to over 45 orphans from *L'Orphelinat De Cambodge Enfance Dévelopement* for the purpose of providing a more conducive learning environment to underprivileged school-going children. The Group has always insisted that education and learning are an integral part of growing up for children who are the future of the world.

Laos Cultural Dance Competition participants

Laos

Tan Chong Motor (Lao) Sole Co., Ltd. also organised the Laos Cultural Dance Competition at the Vientiane Centre for children aged five to 12 years old. The competition provided a platform for the children to showcase their artistic talents and also foster and promote local culture. It received overwhelming response from amongst the 200 crowd and participants present.

Tan Chong Motor (Lao) Sole Co., Ltd. also donated over 18 new shelter tents to the Savan Latee Market committee, to be placed at various spots across the market area to provide more comfort for market stall owners and customers.

The handover ceremony held in Savan Latee Night Market

Mr. Phoungern, Chairman of the Savan Latee Night Market, presenting his thank you speech

SUSTAINABILITY STATEMENT

Myanmar

Tan Chong Motor (Myanmar) Co., Ltd. (TCMM) donated school supplies to Pyin Nyar Myay (Monastery Education Centre) to provide a better study environment to the underprivileged school-going children. Pyin Nyar Myay which is located at Mingalardon Township, has around 100 children under its care. The centre aims to provide accommodation and schooling for impoverished children and orphans. The Group has always believed that a conducive study environment can support and encourage children's success in learning.

Group picture of TCMM team with the monks and children

Blood donors at Blood Bank Hospital, Hanoi Vietnam

Vietnam

The Bettering Lives Committee of Nissan Vietnam Co. Ltd. ("NVL") organised a blood donation drive at the Blood Bank Hospital in Hanoi. All NVL employees were encouraged to participate to support hospitals and healthcare centers in maintaining blood bank stock and contribute to the health of thousands of people in the community. The objective of the event was to enhance the company's commitment to create a healthier life for the local community and simultaneously generate health awareness among the employees.

NVL management & staff from Malaysia showed its continuous dedication to Corporate Sustainability by successfully organising a charity visit to Tien Cau Hope Orphan Center, a small orphanage in Hung Yen Province that shelters 20 to 30 abandoned children. Jointly organised with Embassy of Malaysia and The Malaysian Club in Hanoi, this initiative aimed to garner more support and also to enable Malaysians in Hanoi to participate in the noble effort.

Joint charity event at Tien Cau Hope Orphan Center, Hung Yen Province, Hanoi Vietnam

NVL Bettering Lives charity event at Loc Binh Hope Center in Lang Son, Hanoi Vietnam

NVL organised a charity visit to Loc Binh Hope Center, an orphanage home in Lang Son, which is a mountainous area in Vietnam. This orphanage home was badly dilapidated and was in dire need of food supplies and other necessities. NVL donated Nissan gift packs to the underprivileged containing foodstuff and stationeries.

SUSTAINABILITY STATEMENT

MOVING BEYOND 60

TCMH is committed to implementing key sustainability initiatives towards its surrounding environment, the economy of the future and society in which it operates, across all its business units, operating units and corporate divisions within the Group. All of its key performance indicators (KPIs) give a cue towards this direction; in ensuring not just its ongoing concern is addressed, but also that it upholds the trust that its stakeholders have placed on them.

Needless to say, the Group will continue to explore avenues that bring about win-win outcomes; staying resilient and growing beyond its 60 years. The Group believes that profitability is only truly attained when everyone benefits from its initiatives and achievements.

RENAULT KOLEOS

Bigger · Bolder · Better ·

Introducing the New Koleos 4WD. A Previously unseen alliance of power and refinement, its assertive design pushes the boundaries and expresses itself with bold style and versatility to conquer any situation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Tan Chong Motor Holdings Berhad ("Company") recognises the importance of having high standards of corporate governance in the Company in order to safeguard the interest of its stakeholders as well as enhancing shareholders' value. The Directors consider corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity and corporate performance.

As such, the Board embeds in the Group a culture that is aimed at delivering balance between conformance requirements with the need to deliver long-term strategic success through performance, without compromising on personal or corporate ethics and integrity.

This Statement provides an overview of the Company's application of the Principles and Practices as set out in the Malaysian Code on Corporate Governance ("MCCG") and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa") during the financial year 2017. The details on how the Company has applied each Practice as set out in the MCCG during the financial year under review are disclosed in the Corporate Governance Report, which is available for viewing on the Company's website at www.tanchonggroup.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board is responsible for the long-term success of the Group and delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board sets the strategic direction for the Group, and ensures effective leadership through oversight of Management and robust monitoring of the activities and performance in the Group.

All members of the Board are aware of their responsibilities to make decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders, besides safeguarding their interests. The roles and responsibilities of the Board are clearly set out in the Board Charter, which serves as a reference point for Board activities. The Board Charter provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees, the Board Chairman and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. This Board Charter is periodically reviewed by the Board to be in line with regulatory changes and to reflect the recent changes made to the terms of reference of the Board Committees. Salient features of the Board Charter are published on the Company's website at www.tanchonggroup.com.

The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate internal controls to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

To assist in the discharge of its stewardship role, the Board has established a number of Committees, namely the Audit Committee, Nominating and Remuneration Committee, and Board Risk Management and Sustainability Committee (collectively "Board Committees"), to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

To enhance accountability, the Board has established clear functions reserved for itself and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, approval of annual budgets and audited financial statements, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Executive Team (as defined in the Board Charter), comprising the President (leader), Group Chief Executive Officer ("Group CEO"), Chief Financial Officer ("CFO"), and other Senior Management Personnel, is responsible to the Board in accordance with their respective roles, positions, functions and responsibilities which include, inter-alia, the achievement of the Group's goals and observance of management authorities delegated by the Board, developing business plans which are aligned to the Group's requirements for growth, profitability and return on capital to be achieved, ensuring cost effectiveness in business operations, overseeing development of human capital and ensuring members of the Board have the information necessary to discharge their fiduciary duties and other governance responsibilities.

As the leader of the Executive Team, the President, who is supported by Group CEO, CFO and other Senior Management Personnel in the Executive Team, implements the Group's strategies, policies and decisions adopted by the Board and oversees the operations and business development of the Group.

The President assumes the position of the Board Chairman. As Chairman of the Board, he is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.

The Independent Non-Executive Directors, which comprise half of the Board size, are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and also ensuring effective checks and balances on Board's decisions. Independent Non-Executive Directors are essential for protecting the interests of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. Dato' Ng Mann Cheong has been identified by the Board as the Company's Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed.

The Board has established a Directors' Code of Ethics which essentially sets out the standards of conduct expected from all Directors. The Directors' Code of Ethics is contained in Appendix A of the Board Charter which is published on the Company's website at www.tanchonggroup.com. To inculcate good ethical conduct, the Group has also established a Code of Conduct for its employees, which has been communicated to all levels of employees in the Group. The Company also has in place a Special Complaint Policy ("Policy"), which is equivalent to whistle-blowing policy, that serves as an avenue to employees of the Group for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified in accordance with the requirements of the Companies Act 2016, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

In discharging their responsibilities effectively, the Directors allocate sufficient time to attend Board and Board Committee meetings to deliberate on matters under their purview. During the year, the Board deliberated on matters relating to business strategies and issues concerning the Group, including business plan, annual Group budget, financial results and significant transactions. All Board and Board Committee members are provided with the requisite notice, agenda and board papers prior to the convening of each meeting in a timely manner to the Board and Board Committee members. For the financial year under review, the Board convened seven (7) Board meetings and the attendances of Directors are as follows:

Name	No. of Board Meetings attended	Percentage of Attendance (%)
Dato' Tan Heng Chew	7/7	100
Dato' Ng Mann Cheong	7/7	100
Mr Siew Kah Toong	7/7	100
Dato' Khor Swee Wah @ Koh Bee Leng	7/7	100
Mr Ho Wai Ming	7/7	100
Mr Lee Min On	7/7	100

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is mindful of the importance for its members to undergo continuous training to be apprised of changes to statutory and regulatory requirements and the impact such statutory and regulatory requirements have on the Group. Besides circulating the relevant circulars and guidelines on statutory and regulatory requirements from time to time for the Board's reference, the Company Secretaries also explain to the Board at its meeting the implication of the requirement on Directors.

All Directors have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa. During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows:

Name of Director	Details of Programme
Dato' Tan Heng Chew	• Bursa Malaysia and The Iclif Leadership and Governance Centre : CG Breakfast Series For Directors – "Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World" • Bursa Malaysia and Malaysian Directors Academy : CG Breakfast Series For Directors – "Integrating an Innovation Mindset with Effective Governance" • Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant
Dato' Ng Mann Cheong	• Bursa Malaysia : Sustainability Forum for Directors/Chief Executive Officers – "The Velocity of Global Change and Sustainability – The New Business Model" • Audit Committee Institute : Audit Committee Institute Breakfast Roundtable 2017 • Bursa Malaysia : CG Breakfast Series with Directors – "Board Excellence – How to Engage and Enthuse Beyond Compliance with Sustainability" • Bursa Malaysia and PWC Malaysia Consulting : Risk Management Programme – "I am Ready to Manage Risks" • Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
Mr Siew Kah Toong	• Chartered Tax Institute of Malaysia and Royal Malaysian Customs Department : National Tax Conference 2017 • Malaysian Institute of Accountants : 50th Anniversary Commemorative Lecture – "Integrity : The Game Changer" • Securities Commission Malaysia : Release of The Malaysian Code on Corporate Governance • Chartered Tax Institute of Malaysia and Lembaga Hasil Dalam Negeri Malaysia : National Tax Conference 2017 • Fraser and Neave Holdings Berhad : Directors' Continuing Education Programme 2017 • Bursa Malaysia : Fraud Risk Management Workshop • Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Bursa Malaysia and The Iclif Leadership and Governance Centre : CG Breakfast Series for Directors – "Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World" • Sekhar & Tan : Training on MFRS 9, 15, 16 and Amendments to MFRS 116 and 141 • Lembaga Hasil Dalam Negeri Malaysia : National Tax Seminar 2017 • Sekhar and Tan : Anti-Money Laundering and Terrorism Financing Act
Dato' Khor Swee Wah @ Koh Bee Leng	• Bursa Malaysia : CG Breakfast Series with Directors – "Board Excellence - How to Engage and Enthuse Beyond Compliance with Sustainability" • Tan Chong Motor Holdings Berhad : Sustainability Training for Directors and Heads of Departments • Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director	Details of Programme
Mr Ho Wai Ming	• Bursa Malaysia : Sustainability Engagement Series for Directors/Chief Executive Officers • Bank Negara Malaysia : Bank Negara Malaysia's 2016 Annual Report/Financial Stability and Payment Systems Report Briefing • Kuala Lumpur Business Club : KLBC Fireside Chat on "Global Economy – Escape Velocity at last? Outlook for ASEAN, especially Malaysia" • Bursa Malaysia : Fraud Risk Management Workshop • Tan Chong Motor Holdings Berhad : Sustainability Training for Directors and Heads of Departments • Tan Chong Education Services Sdn Bhd : Dato' Tan Heng Chew Distinguished Speaker Series – "Disruption in the E-World" • Bursa Malaysia and The Iclif Leadership and Governance Centre : CG Breakfast Series for Directors – "Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World" • The Economist Events : The Economist – Sustainability Summit Asia 2017 • Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant
Mr Lee Min On	• Bursa Malaysia : Sustainability Forum for Directors/Chief Executive Officers – "The Velocity of Global Change and Sustainability – The New Business Model" • APM Automotive Holdings Berhad : In-house Sustainability Reporting Workshop (as speaker) • The Iclif Leadership and Governance Centre : Mandatory Accreditation Program • Bursa Malaysia : Fraud Risk Management Workshop • Warisan TC Holdings Berhad : In-house Sustainability Reporting Workshop (as speaker) • Tan Chong Motor Holdings Berhad : Sustainability Training for Directors and Heads of Departments (as speaker) • Tan Chong Education Services Sdn Bhd : Dato' Tan Heng Chew Distinguished Speaker Series – "Disruption in the E-World" • Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • The Institute of Internal Auditors Malaysia : National Conference 2017 – Audit Committee Leadership Track • Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant

II. BOARD COMPOSITION

The Company is led by an experienced Board with diverse background in business and financial experience, and skills which are vital for the continued progress and success of the Group.

The Board currently consists of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition of the Board fulfills the requirements as set out in the Listing Requirements of Bursa, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as engineering, marketing, operations, entrepreneurship, finance, taxation, accounting and audit, legal and economics, as well as corporate governance, risk management and internal audit. The profiles of the Directors are set out on pages 24 to 26 of the Annual Report.

The Nominating and Remuneration Committee ("NRC") is entrusted to assess the adequacy and appropriateness of the Board composition, identify and recommend suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity, including gender, age and ethnicity diversity, training courses for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility of making the final decision on the appointment of new Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Based on the annual assessment conducted on 9 February 2018, the NRC concluded that each Director has the requisite competence and capability to serve on the Board and has sufficiently demonstrated commitment to the Board in terms of time and participation during the year under review, and has accordingly recommended to the Board the re-election of the retiring Directors at the Company's forthcoming Annual General Meeting ("AGM"). Based on the current Board size, the NRC indicated a need to appoint another Independent Director, ideally a woman, as it was reckoned that the Board could do better with majority of Independent Directors with gender diversity and pertinent skill sets. All assessments and evaluations carried out by the NRC were duly documented.

The Company's Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Non-Executive Director. Thereafter, the Independent Non-Executive Director may be re-designated as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director after the latter had served a cumulative term of nine (9) years, the Board must justify such decision and seek shareholders' approval at the AGM.

The NRC also assessed the independence of Independent Non-Executive Directors for the financial year 2017 based on criteria set out in paragraph 1.01 of the Listing Requirements and Practice Note 13 of Bursa and concluded that all the Independent Non-Executive Directors have satisfied the independence criteria and each of them is able to provide independent judgement and act in the best interest of the Company.

Following an assessment and recommendation by the NRC, the Board is of the opinion that the independence of the existing Independent Non-Executive Directors remains unimpaired and their judgement over business dealings of the Company have not been influenced by the interest of the other Directors or substantial shareholders.

Dato' Ng Mann Cheong has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. Following an assessment and recommendation by the NRC, the Board recommended that Dato' Ng Mann Cheong who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as at date of this Annual Report, be retained as an Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company based on key justifications as set out in the Explanatory Notes of the Notice of the AGM.

A summary of key activities undertaken by the NRC in discharging its duties during the financial year under review is set out below:

- Reviewed and assessed the independence of Independent Non-Executive Directors;
- Reviewed and recommended the re-election of Directors who are due for retirement by rotation, and continuation in office as Independent Non-Executive Director for Dato' Ng Mann Cheong (appointed on 31 July 1998) who has served a cumulative period of more than nine (9) years, for shareholders' approval at the forthcoming AGM;
- Reviewed the size and composition of the Board based on the required mix of skills, experience, knowledge and diversity;
- Assessed the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual Director;
- Assessed the Directors' training needs;
- Reviewed and recommended the change of corporate title for Dato' Khor Swee Wah @ Koh Bee Leng from Group Senior Executive Vice President to Group Chief Executive Officer; and
- Reviewed the terms of reference of the NRC.

The Board has formalised a Board Diversity Policy and such policy is contained in the Board Charter which is published on the Company's website. The Board strongly advocates Board diversity, as a truly diverse Board will include and make good use of differences in skills, regional and industry experience, background, gender, age, ethnicity and other qualities of Directors. These diversities are considered in determining the optimum composition of the Board and, whenever possible, should be balanced appropriately. In accordance with the Board Diversity Policy on gender, the Board shall comprise at least a woman Director at any time.

The Board currently has six (6) Directors, comprising five (5) male Directors and one (1) woman Director. This Board composition is in line with the target set in the Board Diversity Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

III. REMUNERATION

On 28 November 2017, the Nominating Committee was renamed as "Nominating and Remuneration Committee" with expanded duties and responsibilities to assist the Board in implementing policies and procedures on matters relating to the remuneration of the Board and Senior Management.

In accordance with Practice 6.1 of MCCG, the Board has, on 27 February 2018, formalised pertinent Policies and Procedures for the Remuneration of Directors and Senior Management to align with business strategy and long-term objectives of the Group. The remuneration packages for Executive Directors and Senior Management are linked to performance, qualifications, experience, scope of responsibility and geographic locations where the personnel is based and are periodically benchmarked to the market/industry surveys conducted by human resource consultants.

As a matter of practice, the Directors concerned abstained from deliberation and voting on their own remuneration at Board Meetings.

Details of remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2017 are as follows:

Category	Fees (RM)	Salaries (RM)	Bonus (RM)	Meeting/ Petrol Allowances (RM)	Benefits-in-kind (RM)	Others (RM)	Total (RM)
Company:							
Executive Directors*							
Dato' Tan Heng Chew *(President)*	-	3,605,346	2,094,787	-	1,564,407	-	7,264,540
Dato' Khor Swee Wah @ Koh Bee Leng	-	-	-	-	-	-	-
Mr Ho Wai Ming	-	878,172	256,133	-	9,818	-	1,144,123
Non-Executive Directors							
Dato' Ng Mann Cheong	111,000	-	-	37,200	7,200	-	155,400
Mr Siew Kah Toong	111,000	-	-	38,100	7,200	-	156,300
Mr Lee Min On	120,250	-	-	36,600	-	-	156,850
Dato' Haji Kamaruddin @ Abas bin Nordin *(Retired on 25 May 2017)*	46,250	-	-	16,000	3,000	-	65,250
Dato' Seow Thiam Fatt *(Retired on 25 May 2017)*	46,250	-	-	16,900	32,467	-	95,617
Group:							
Executive Directors*							
Dato' Tan Heng Chew *(President)*	-	7,196,420	4,189,574	-	1,564,407	-	12,950,401
Dato' Khor Swee Wah @ Koh Bee Leng	-	4,371,538	1,092,885	-	31,862	-	5,496,285
Mr Ho Wai Ming	-	878,172	256,133	-	9,818	-	1,144,123
Non-Executive Directors							
Dato' Ng Mann Cheong	111,000	-	-	38,400	7,200	5,384#	161,984
Mr Siew Kah Toong	111,000	-	-	39,600	7,200	-	157,800
Mr Lee Min On	120,250	-	-	36,600	-	-	156,850
Dato' Haji Kamaruddin @ Abas bin Nordin *(Retired on 25 May 2017)*	46,250	-	-	16,000	3,000	-	65,250
Dato' Seow Thiam Fatt *(Retired on 25 May 2017)*	46,250	-	-	16,900	32,467	-	95,617

* *The remuneration paid to the Executive Directors were in respect of their employment with the Company/Group.*

\# *This amount was in respect of remuneration for services rendered by Dato' Ng Mann Cheong and/or his legal firm.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee which comprises three (3) members, all of whom are Independent Non-Executive Directors, with Mr. Siew Kah Toong as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out in year 2017, are set out in the Audit Committee Report of this Annual Report.

One of the key responsibilities of the Audit Committee in its Terms of Reference ("Audit Committee Charter") is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The Audit Committee has on 26 February 2018 reviewed and revised the Audit Committee Charter to include a requirement for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates, including the need for obtaining the Audit Committee's approval for such services.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets and for reviewing the adequacy and effectiveness of the risk management and internal control system.

The Board has established a Board Risk Management and Sustainability Committee ("BRMSC") which comprises the following members, a majority of whom are Independent Non-Executive Directors:

Chairman:
Mr Lee Min On *(Independent Non-Executive Director)*

Members:
Mr Siew Kah Toong *(Independent Non-Executive Director)*
Dato' Ng Mann Cheong *(Independent Non-Executive Director)*
Dato' Tan Heng Chew *(Executive Director)*

The BRMSC oversees the implementation of the Group's risk management framework, reviews risk management policies which set out the risk governance, risk management processes and control responsibilities formulated by Management, and makes relevant recommendations to the Board for approval.

The Risk Management and Sustainability Committee ("RMSC") which comprises heads of major business units of the Group as its members, assists the BRMSC in the Group's risk management activities.

During the financial year under review, two (2) BRMSC meetings were held to review the principal business risks faced by the Group and remedial measures to address the risks within the risk appetite of the Group. The Heads of Group Risk Management, Group Internal Audit and major business units attended the BRMSC meetings as invitees. More details of the risk management framework and its associated initiatives undertaken by the BRMSC and RMSC during the financial year under review are set out in the Risk Management and Internal Control Statement on pages 64 to 66 of this Annual Report.

In line with the MCCG and the Listing Requirements of Bursa, the Company has in place an in-house internal audit department, i.e. the Group Internal Audit ("GIA"), which reports directly to the Audit Committee on the effectiveness of the current system of internal control and risk management. All internal audits carried out are guided by the International Standards for the Professional Practices of Internal Auditing of the Institute of Internal Auditors Inc, a globally recognised professional body for internal auditors. The GIA is independent of the activities it audits, and the scope of work covered by the GIA during the financial year under review is set out in the Audit Committee Report included in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at www.tanchonggroup.com where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail address, i.e. tcmh@tanchonggroup.com to which stakeholders can direct their queries or concerns.

During the financial year under review, the Company also organised two (2) plant visits for the shareholders. The shareholders who have registered for the said visit, were given a plant tour to get to know the car assembly processes at the Group's assembly plant at Serendah, Selangor Darul Ehsan.

II. CONDUCT OF GENERAL MEETINGS

The AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

At the 45th AGM of the Company held on 25 May 2017, all the Directors (including the chair of the Board Committees) were present in person to engage directly with, and to be accountable to shareholders for their stewardship of the Company. During the AGM, the Chairman of the meeting ensured the meeting was conducted in an orderly manner and allowed shareholders or corporate representatives or proxies to raise questions or seek clarification on the agenda items of the AGM. The President presented to the meeting the strategic business direction of the Group; while the CFO presented the Group's financial performance, some key initiatives, overview of market outlook and the Group's strategies and actions going forward. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders. A summary of key matters discussed at the AGM is available on the Company's website.

All resolutions set out in the notice of AGM are voted by poll in accordance with the Listing Requirements of Bursa. In conjunction with this requirement, the Board adopted electronic voting at the last AGM to facilitate the voting process in a more efficient manner as well as ensuring transparency and accuracy of the voting results.

This Statement is dated 12 April 2018.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Paragraph 15.26 (b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad require the Board of a listed issuer to include in its Annual Report a statement on the state of risk management and internal controls of the listed issuer as a Group, referring to paragraphs 40, 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers in respect of the information to be disclosed therein.

Accordingly, the Board of Directors is pleased to provide the following statement which outlines the nature and scope of risk management and internal controls of the Group during the financial year ended 31 December 2017.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and effectiveness of the risk management and internal control system. The Board, via its Board Risk Management & Sustainability Committee ("BRMSC"), periodically reviews the principal risks identified, evaluated and reported by Management, and sees that these risks are managed within the Group's risk appetite and acceptable level of tolerance. This process has been in place for the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

The system of risk management and internal controls of the Group, which covers all aspects of its business, is designed to safeguard the assets of the Group, ensure the maintenance of proper accounting records, and to provide reliable financial information for use within the Group and for publication. In view of the limitations inherent in any system, the Board is aware that the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's corporate objectives. Accordingly, the system can only provide reasonable, but not absolute assurance against material misstatement, financial loss or fraud.

The Board has received assurance in writing from the President and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management policy and procedures adopted by the Group.

RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

Risk management and internal controls are regarded as an integral part of the Group's overall management processes. The following represents some of the key elements of the Group's risk management and internal control structure:

(i) An organisational structure of the Group with formally defined lines of responsibility and delegation of authority;
(ii) Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
(iii) Procurement of insurance coverage as a mitigating measure to manage the risk of loss of the Group's assets arising from various perils faced in the Group's operations;
(iv) Quarterly review of the Group's business performance by the Audit Committee and the Board, which also covers the assessment of the impact of changes in the business environment;
(v) Active participation and involvement by the President, Group Chief Executive Officer and Chief Financial Officer in the day-to-day running of the major businesses and discussions with the Management of smaller business units on operational issues;
(vi) Individual project task forces are responsible for assessing and evaluating the feasibility and risk impact that prospective investments would have on the Group. Feasibility study, risk impact and assessment on new investments/projects are evaluated by individual project task force for Board's deliberation; and
(vii) Monthly financial reporting by the subsidiaries to the holding company.

The BRMSC, which comprises three Independent Non-Executive Directors and an Executive Director as its members, is delegated by the Board to oversee the implementation of the Group's risk management framework, review risk management policies, which set out the risk governance, risk management processes and control responsibilities formulated by the Management, and make relevant recommendations to the Board for approval. The Heads of Group Risk Management, Group Internal Audit and major business units would attend BRMSC meetings as invitees.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

The Risk Management & Sustainability Committee ("RMSC"), which comprises heads of major business units of the Group as its members, assists the BRMSC in risk management activities of the Group. This process enables Management to identify, evaluate, control, report and monitor principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks, for onward dissemination to the Board. Individual business risks as identified are scored for their likelihood of occurrence and the impact thereof based on a '4 by 4' risk map, deploying parameters established for each key business unit in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the extent of risk the Group is prepared to take or seek in achieving its corporate objectives. The metrics used in quantifying the risks were based on risk parameters considered appropriate to reflect the risk appetite of the Group.

During the financial year under review, internal control and risk-related matters which warranted the attention of the Board, together with the recommended remedial measures, were highlighted by the RMSC and BRMSC to the Board; and matters or decisions made within the RMSC's and BRMSC's purview were updated to the Board for notation.

A group-wide risk assessment was performed twice in 2017 to provide a clear view and good understanding of the Group's corporate risks. This allows allocation of risk ownership to drive specific actions to mitigate those risks. Risk assessments and their identified risk mitigating actions are the responsibility of line management. Heads of Department ("HODs") are entrusted to compile detailed information on risk mitigating actions and their progress are reported to the RMSC and BRMSC. This process is intended to provide an assessment to enable Senior Management to make informed decisions on the future operations of the Group and to ensure that any risk growing in importance within the Group is recorded and addressed timely and effectively. Group Risk Management conducts operational risk management exercises on key business units, which are eventually rolled out to other business units within the Group. The key business risks identified and evaluated, including pertinent mitigation measures, comprised risks that are strategic, operational, financial and compliance in nature. For the financial year under review, special attention was given by the RMSC and BRMSC on strategies to manage foreign exchange exposure, threat of competition and cyber security to support the Group's expansion and increased reliance on automation.

To protect and enhance shareholders' value, Group Risk Management works with the HODs to strengthen risk management initiatives within the Group for timely and effective response to changing business environment.

A Fraud Prevention Policy, augmented by a Special Complaints Policy ("Policies"), has been adopted by the Group with the aim to provide broad principles, strategy and policy for the Group to adopt in preventing fraud and to promote high standards of integrity. The Policies define and highlight the roles and responsibilities at every level of the Group's organisational structure for preventing and reporting of fraud. This process serves as a platform for identification, evaluation and management of significant integrity and compliance risks affecting the business.

The risk management and internal control system of the Group is further supported by formalised limits of authority for different management levels. Matters beyond the formalised limits of authority for Management are referred upward to the Board for approval. Group support functions such as Finance and Administration, Taxation, Treasury, Risk Management, Internal Audit, Secretarial, Legal, Human Resources, Insurance, Financial Services and Information System play a vital role in the overall risk management and internal control system of the Group. Various management committees have been established to manage and control the Group's businesses.

The Group continues to maintain and review its risk management and internal control system to ensure, as far as possible, the protection of its assets and its shareholders' investments.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

INTERNAL AUDIT FUNCTION

The Group has in place an in-house internal audit department, which provides the Board, through the Audit Committee, with independent assurance on the adequacy and operating effectiveness of the Group's system of internal controls.

The Group Internal Audit ("GIA") department, which is independent of the activities it audits, reports directly to the Audit Committee. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes are conducted by GIA to ensure that the system is viable and robust.

The internal audit function adopts a risk-based approach that focuses on major business units and functions in the Group for the purpose of identifying areas to be audited on a prioritised basis, vis-à-vis the business risks inherent in the business units concerned. The Group's Internal Audit Plan is tabled annually and approved by the Audit Committee. Action plans are taken by Management to address audit findings and concerns raised in the internal audit reports. GIA also follows up on the status of Management's action plans on the internal audit findings. On a quarterly basis, the internal audit reports are presented and tabled at the Audit Committee meetings. Details of actual work carried out by the internal audit department, together with its scope of coverage, for the financial year under review are set out in the Audit Committee Report included in this annual report.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2017 amounted to approximately RM1.904 million (2016: approximately RM1.59 million).

WEAKNESSES IN INTERNAL CONTROLS THAT RESULTED IN MATERIAL LOSSES

The Board is of the view that there were no material losses incurred by the Group during the financial year ended 31 December 2017 as a result of weaknesses in internal controls that would require disclosure in the annual report. Nonetheless, the Group continues to take measures to strengthen the risk management processes and internal control environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, for inclusion in the annual report for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the annual report, in all material respects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and views by the Board of Directors and Management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Group's system of risk management and internal controls does not apply to associate companies, which the Group does not have full management control. The Board is of the view that the system of risk management and internal controls is adequate and has operated effectively in all material aspects to safeguard the interests of stakeholders and the Group's assets.

This Statement is dated 12 April 2018.

AUDIT COMMITTEE REPORT

The Board of Directors of Tan Chong Motor Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

COMPOSITION AND MEETINGS

The Audit Committee was established on 1 August 1994 and the current composition, including the attendance of its members at the seven (7) meetings held during the financial year, is as follows:

Name	Designation	Attendance
Siew Kah Toong *Independent Non-Executive Director*	Chairman	7/7
Dato' Ng Mann Cheong *Senior Independent Non-Executive Director*	Member	7/7
Lee Min On *Independent Non-Executive Director*	Member	7/7
Dato' Seow Thiam Fatt *Independent Non-Executive Director* *(Retired on 25 May 2017)*	Chairman *(till 25 May 2017)*	3/7
Dato' Haji Kamaruddin @ Abas bin Nordin *Independent Non-Executive Director* *(Retired on 25 May 2017)*	Member *(till 25 May 2017)*	3/7

The Audit Committee meetings are structured through the use of agendas, and relevant meeting papers are distributed to the Audit Committee members prior to such meetings. This enables the Committee members to study the items on the agenda, including relevant materials that support the items, and where appropriate, provides an opportunity for them to seek additional information or clarification from Management.

While the Committee Chairman calls for meetings to be held not less than four (4) times in a financial year, any member of the Audit Committee may at any time requisition for, and the Company Secretaries who are the Committee Secretaries shall, on such requisition, arrange for such a meeting. Except in the case of an emergency, seven (7) days' notice of meeting is given in writing to all members. The quorum for meeting is a majority of members who are Independent Non-Executive Directors. Meetings are chaired by the Committee Chairman and in his absence, by an Independent Non-Executive Director elected from those members who are present. Decisions are made by a majority of votes on a show of hands.

The Chief Financial Officer and Head of Group Internal Audit, including other Board members attend the Committee meetings upon invitation of the Audit Committee to facilitate discussion of matters on the agenda. Representatives of the external auditors attend the meeting to consider the final audited financial statements and such other meetings as determined by the Audit Committee.

The Committee Chairman has the right to require those who are in attendance to leave the room when matters to be discussed are likely to be hampered by their presence or confidentiality of matters needed to be preserved.

For the financial year under review, the performance and effectiveness of the Audit Committee were evaluated through Audit Committee members' self and peer evaluation, the outcome of which was reviewed by the Nominating and Remuneration Committee. Having considered the recommendation made by the Nominating and Remuneration Committee based on the outcome of the evaluation, the Board was satisfied that the Audit Committee members are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee.

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the Terms of Reference of the Audit Committee are available for reference at www.tanchonggroup.com.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE

During the financial year under review, the Audit Committee worked closely with Management, internal auditors and external auditors to carry out its functions and duties as required under its Terms of Reference.

Details of the activities carried out by the Audit Committee in discharging its duties and responsibilities during the financial year under review and up to the date of this report are summarised as follows:

(1) Financial Reporting

(a) Reviewed all the four (4) quarters' unaudited financial results of the Group, focusing on significant matters, which included going concern assumption, and ensured the disclosures were in compliance with the Malaysian Financial Reporting Standards ("MFRS") and regulatory requirements before recommending the same to the Board for approval to release the quarterly financial results to Bursa Malaysia Securities Berhad ("Bursa Securities");

(b) Reviewed the annual audited financial statements of the Company and the Group, together with the external auditors, before recommending the same to the Board for approval; and

(c) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters highlighted in the financial statements.

(2) External and Internal Audit

(a) Reviewed the external auditors' Audit Plan for the Group, which outlined the responsibilities and the scope of work for the financial year ended 31 December 2017 and external auditors' fees;

(b) Discussed and reviewed with the external auditors, the results of their examination and their reports in relation to the audit and accounting issues arising from the audit;

(c) Discussed and reviewed the areas for improvements in the internal control systems of certain subsidiaries as highlighted by the external auditors and steps needed to be taken to address the issues;

(d) Reviewed and approved the nature of, and fees for, non-audit services provided by the external auditors and their affiliates in accordance with the Group's Policy on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the external auditors. Details of non-audit fees incurred by the Company and Group for the financial year ended 31 December 2017 are stated in the Additional Compliance Information on page 71 of this Annual Report;

(e) Assessed the suitability, objectivity and independence of the external auditors by evaluating, among others, the adequacy of their technical knowledge, experience, skills, independence and objectivity, their audit engagement and the supervisory ability and competency of the engagement team assigned to the Group. Moreover, the external auditors have confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conducts and Practice) of the Malaysian Institute of Accountants via their presentation deck to the Audit Committee as well as the engagement letter. The Audit Committee was satisfied that the external auditors were able to meet the audit requirements and statutory obligation of the Company and also their professional independence and objectivity as external auditors of the Company. Following this assessment, the Audit Committee has recommended the re-appointment of KPMG PLT as external auditors of the Company at the forthcoming Annual General Meeting ("AGM"). The Board accepted the Audit Committee's recommendation for KPMG PLT's re-appointment as the external auditors at the forthcoming AGM in May 2018;

(f) Held two (2) private sessions with the external auditors without the presence of executive Board members and Management personnel to discuss the audit findings and any other observations or concerns noted by the external auditors during the course of their audit;

AUDIT COMMITTEE REPORT

(g) Reviewed and approved the Annual Internal Audit Plan to ensure adequacy of scope, resources, competencies and coverage of auditable entities with significant and high risks;

(h) Reviewed the scope and results of internal audits addressing internal controls over operations, financial, compliance and information technology processes relating to the Group based on the approved Annual Internal Audit Plan;

(i) Discussed and reviewed the major findings, areas requiring improvements and significant internal audit matters raised by internal auditors and Management's response, including follow-up actions. Management of the respective business units concerned were requested to rectify and improve internal control procedures and workflow processes deficiencies based on the internal auditors' recommendations; and

(j) Reviewed the performance, competence and effectiveness of the internal audit function.

(3) Recurrent Related Party Transactions

Reviewed the recurrent related party transactions ("RRPTs") of the Group on a quarterly basis to ensure that the transactions entered into by the Group were within the shareholders' mandate, in relation to the nature, terms and value limits of the transactions, including arm's length terms of trade. In the case of related party transactions ("RPTs") entered into by the Group, the Audit Committee reviewed these transactions to ensure that they were undertaken at arm's length, on normal commercial terms of the Group and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities.

(4) Other Matters

(a) Reviewed the Circular to Shareholders in relation to Shareholders' Mandate on RRPTs and the review procedures of RRPTs, Audit Committee Report and Risk Management and Internal Control Statement for inclusion in this Annual Report to ensure compliance with the relevant regulatory reporting requirements prior to recommending the same to the Board for approval;

(b) Reviewed the Terms of Reference of the Audit Committee for their continued relevance, which were subsequently approved by the Board; and

(c) Reviewed the report on irregularities and serious misconduct issued by the Group Compliance Officer and ensured that remedial action plans were appropriate.

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The Group has in place an in-house internal audit department, which provides the Board, through the Audit Committee, with independent assurance on the adequacy and operating effectiveness of the Group's system of internal controls.

The Group Internal Audit ("GIA") department, which is independent of the activities it audits, reports directly to the Audit Committee. Periodic testing of the adequacy and operating effectiveness of the internal control procedures and processes are conducted by GIA to ensure that the system is viable and robust. GIA operates under a charter approved by the Audit Committee that gives the internal audit function a formal mandate to carry out its work as well as unrestricted access to companies within the Group for the purpose of conducting internal audit.

The internal audit function adopts a risk-based approach that focuses on major business units and functions in the Group for the purpose of identifying areas to be audited on a prioritised basis, vis-à-vis the business risks inherent in the business units concerned. The Group's Internal Audit Plan is tabled annually and approved by the Audit Committee. Action plans are taken by Management to address audit findings and concerns raised in the internal audit reports. GIA also follows up on the status of Management's action plans on the internal audit findings. On a quarterly basis, the internal audit reports are presented and tabled at the Audit Committee meetings.

AUDIT COMMITTEE REPORT

Works carried out by GIA during the financial year encompassed the following:

(i) Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work;

(ii) Reviewed compliance with policies, procedures and relevant rules and regulations;

(iii) Reviewed and tested the adequacy and operating effectiveness of controls associated with key business units and support functions within the Group. The significant areas and processes of the Group covered by GIA comprised the following:

- Sales and collections;
- Payment and expenditure control;
- Inventory planning process and inventory management;
- Business operations and process improvement;
- General safety and environment of warehouse; and
- Fixed asset management;

(iv) Performed special review and investigation, as deemed necessary;

(v) Reported audit findings and made recommendations to improve the internal control system at the various business units; and

(vi) Reviewed the RRPTs and RPTs of the Group to ensure that they were undertaken at arm's length, on normal commercial terms of the Group and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the Listing Requirements of Bursa Securities.

The internal auditors also met with the Audit Committee to present certain special audit findings without the presence of the executive Board members and management personnel.

This Report is dated 12 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following additional information is provided:

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the Directors' and major shareholders' interests either still subsisting at the end of financial year ended 31 December 2017 or entered into since the previous financial year.

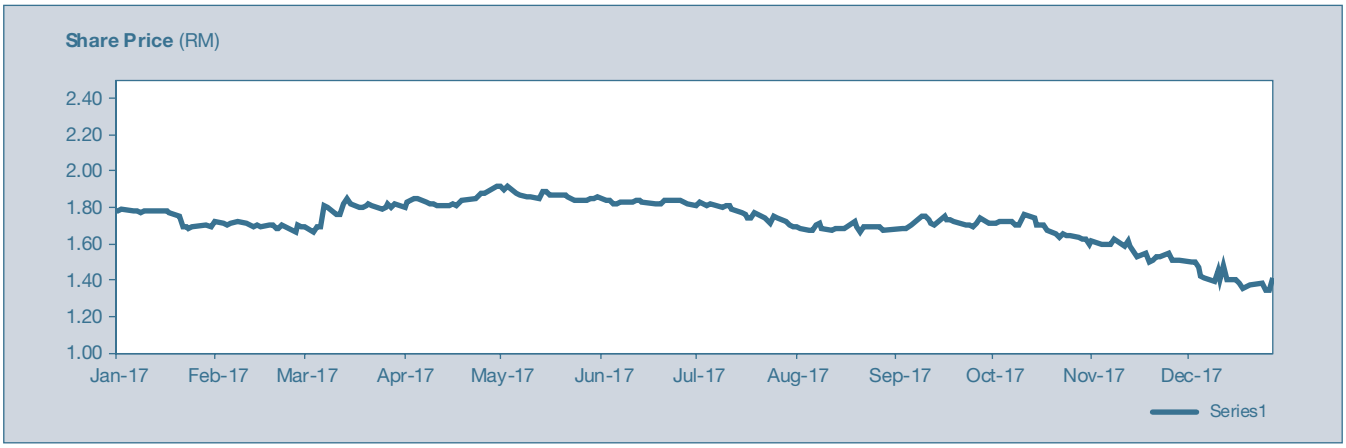
AUDIT AND NON-AUDIT FEES

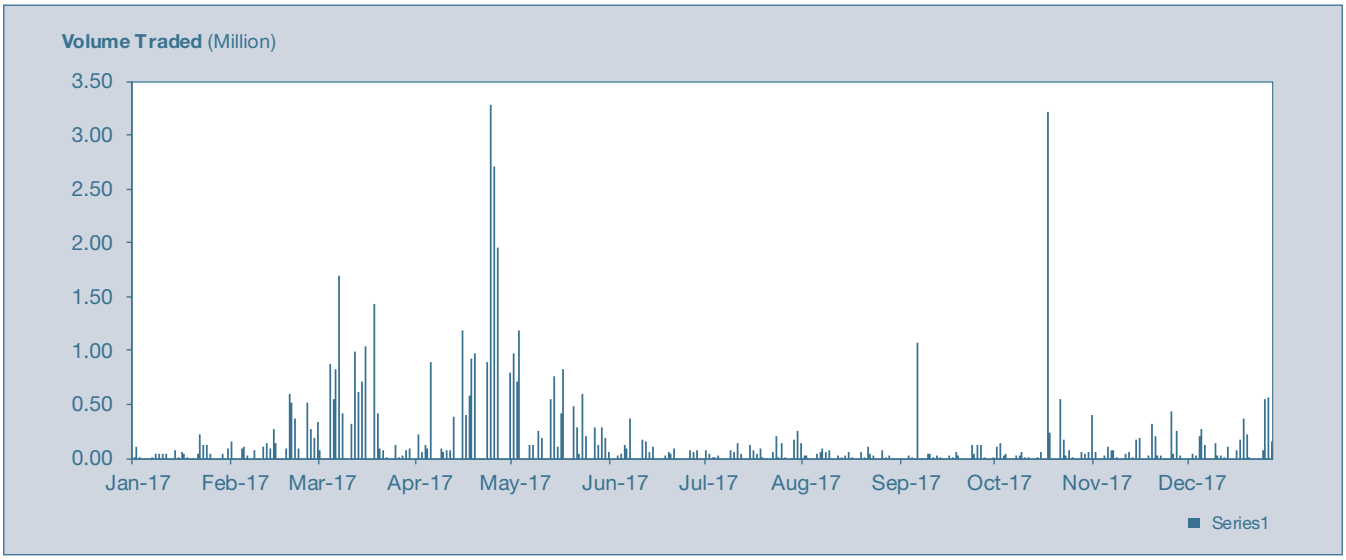
The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, KPMG PLT and their overseas affiliates, to the Company and the Group respectively for the financial year ended 31 December 2017 were as follows:

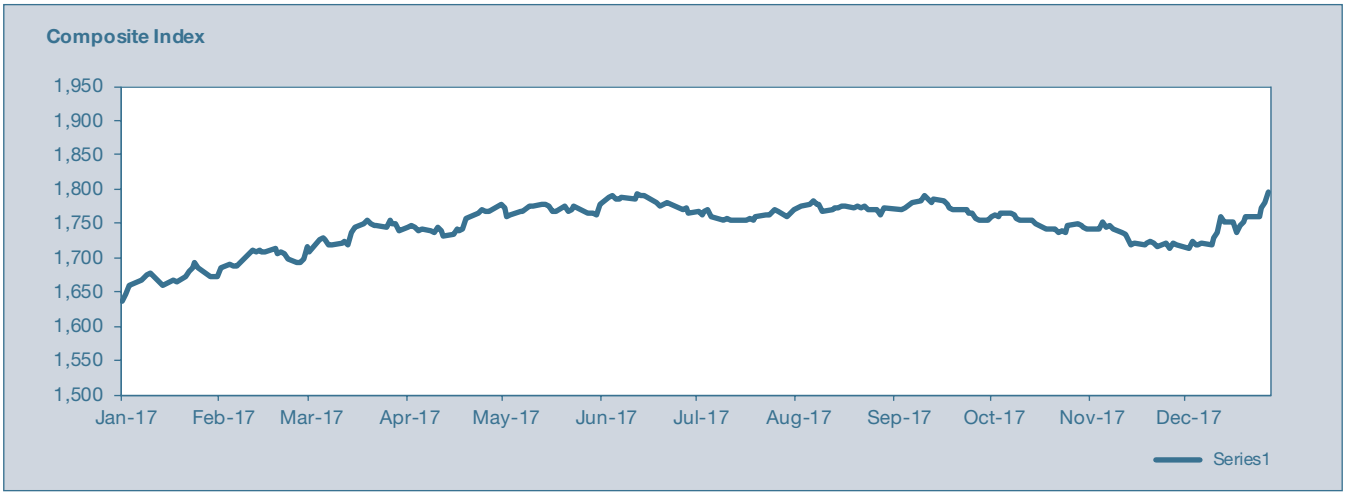
	Company 2017 (RM)	Group 2017 (RM)
Statutory audit fees	57,000	731,322
Non-audit fees *	15,000	227,717

**Notes:*
The non-audit fees comprised mainly fees paid to KPMG PLT and their overseas affiliate for tax compliance and advisory fees.

DAILY SHARE PRICES & VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD







STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("Act") to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements for the financial year ended 31 December 2017, the Directors have:

(i) adopted the appropriate accounting policies, which are consistently applied;
(ii) made judgments and estimates that are reasonable and prudent; and
(iii) ensured that applicable approved accounting standards in Malaysia and provisions of the Act are complied with.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud as well as other irregularities.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FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2017

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities and the details of the subsidiaries are as stated in Note 37 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(88,597)	14,165
Non-controlling interests	(7,792)	-
	(96,389)	14,165

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year:

- a final single tier dividend of 1 sen per share totalling RM6,527,000 declared on 27 April 2017 and paid on 21 June 2017; and

(ii) In respect of the financial year ended 31 December 2017:

- an interim single tier dividend of 1 sen per share totalling RM6,527,000 declared on 25 August 2017 and paid on 29 September 2017.

A final single tier dividend recommended by the Directors in respect of the financial year ended 31 December 2017 is 1 sen per share totalling RM6,527,000.

DIRECTORS' REPORT
for the year ended 31 December 2017

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Tan Heng Chew
Dato' Ng Mann Cheong
Siew Kah Toong
Dato' Khor Swee Wah @ Koh Bee Leng
Ho Wai Ming
Lee Min On
Dato' Haji Kamaruddin @ Abas bin Nordin (Retired at Annual General Meeting held on 25 May 2017)
Dato' Seow Thiam Fatt (Retired at Annual General Meeting held on 25 May 2017)

All these Directors are also directors of the Company's subsidiaries.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Alagasan a/l Gadigaselam
Ang Yue Lai
Chang Pie Hoon
Cheng Ee Sen
Cheng Mun Kean
Cheong Kim Seong
Cheong Yoke Yean
Chia Tuang Mooi (Appointed on 26 April 2017)
Chin Ten Hoy
Chong Meow Fong
Choo Chee Seong
Choo Hong Chow (Resigned on 29 March 2017)
Chow Kai Ming
Christopher Tan Kok Leong
Daniel Chow Wing Fai
Dato' Cheah Sam Kip
Dato' Dr. Ang Bon Beng (Resigned on 1 January 2018)
Dato' Dr. Lim Weng Khuan
Dato' Syed Alwi bin Tun Syed Nasir
Dato' Tan Eng Hwa
Dato' Tan Seng Sung (Appointed on 29 September 2017)
Dato' Yew Hock Tat
Datuk Abdullah bin Abdul Wahab
Datuk Dr. Yew Chong Hooi (Appointed on 2 February 2018)
Datuk Muhammad Hatta bin Ab Aziz
Datuk Saharudin bin Muhamad Toha
Datuk Tan Kok Liang
Datuk Yaacob bin Wan Ibrahim
Dr. Wong Kai Fatt (Resigned on 29 December 2017)
Fung Chee Sheng
Gan Chin Yow
Kang Beng Hoe (Resigned on 21 September 2017)
Khoo Cheng Pah
Khoo Kiat Beng
Koh Lay Hoon
Kol. (B) Ho Wah Juan
Kong Foo Weng

DIRECTORS' REPORT
for the year ended 31 December 2017

LIST OF DIRECTORS OF SUBSIDIARIES (continued)

Kuan Kim Luen
Lee Jiunn Shyan
Lee Kim Hay @ Tong Ah See
Lee Kong Leong (Resigned on 27 January 2017)
Lee Yuen Lin (Resigned on 20 October 2017)
Leong Moh Jyee (Appointed on 29 September 2017)
Leong Song Seng
Liew Kong Fatt (Appointed on 11 May 2017)
Liew Lee Fung (Resigned on 12 May 2017)
Lim Chee Khoon
Lim Eng Lye (Resigned on 5 May 2017)
Lim Sew Chan (Resigned on 1 January 2018)
Ling Kok Onn
Ling Koon Kiong
Loh Thim Choy
Loke Kwong Cheong
Looi Yuong Wah (Resigned on 19 October 2017)
Lor Yat Hoong
Loy Swee Im
Lt. Kol. (B) Mok Meng Kwi (Resigned on 1 July 2017)
Mek Som Binti Mohamed (Deceased on 31 January 2017)
Mohd Yusop bin Saidin
Ng Eyan Kim
Ng Koon Wah
Nicholas Ling Ing Kiat (Resigned on 31 March 2017)
Nicholas Tan Chye Seng
Ong Siew Luan
Ong Teck Seong (Appointed on 7 November 2017)
Say Teck Ming
Song Choon Beng
Tan Bee Hwa
Tan Chin Kee (Resigned on 30 December 2017)
Tan Keng Meng
Tan Seng Huat
Tan Soon Huat (Appointed on 12 December 2017)
Tan Su Kui @ Tan Su Leong
Tan Teow Chang
Tay Chai Li
Teh Kim Hwa
Teo Soh Fung (Resigned on 25 September 2017)
Teong Seng Kiang
Terence Lau Han Seong (Appointed on 20 January 2017)
Tham Wah Choy (Appointed on 26 April 2017)
Wan Chun Shong
Wong King Yoon
Wong Seap Hong
Wong Sheng Taur
Yao Tsu-Wei
Yap Boon Wah
Yap Yoke Moi
Yeap Ling Weng
Yeoh Chew Ling
Yeoh Hee Huat

DIRECTORS' REPORT
for the year ended 31 December 2017

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interest in the ordinary shares of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017	Bought	Disposed/ Transferred	At 31.12.2017
Interests in the Company				
Direct interests:				
Dato' Tan Heng Chew	26,985,362	-	-	26,985,362
Dato' Khor Swee Wah @ Koh Bee Leng	10,137,890	872,200	-	11,010,090
Indirect/Deemed interests:				
Dato' Tan Heng Chew	286,669,730	952,200	-	287,621,930 (1)
Dato' Khor Swee Wah @ Koh Bee Leng	303,517,202	80,000	-	303,597,202 (2)
Dato' Ng Mann Cheong	130,000	20,000	-	150,000 (3)
Ho Wai Ming	-	10,000	-	10,000 (3)

Notes:

(1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn. Bhd. and Wealthmark Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 ("Act") and interests of spouse and children by virtue of Section 59(11)(c) of the Act.

(2) Including interests of spouse and children by virtue of Section 59(11)(c) of the Act.

(3) Interest of spouse by virtue of Section 59(11)(c) of the Act.

By virtue of Dato' Tan Heng Chew's interests in the shares of the Company, he is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Tan Chong Motor Holdings Berhad has an interest as stated in Note 37 to the financial statements.

Save for the above, the other Directors holding office at 31 December 2017 did not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Group or of the Company and of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the professional fees received by a legal firm in which a Director of the Company is a partner, and the relevant related party transactions as disclosed in Note 34 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT
for the year ended 31 December 2017

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

SHARE BUY-BACK

Details of share buy-back are disclosed in Note 17 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM20,000,000 and RM31,810 respectively.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debt or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT
for the year ended 31 December 2017

OTHER STATUTORY INFORMATION (continued)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

Significant events are disclosed in Note 38 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 25 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Khor Swee Wah @ Koh Bee Leng
Director

Siew Kah Toong
Director

Kuala Lumpur,
Date: 12 April 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	1,825,620	1,863,022	82	292
Investment properties	4	202,000	198,766	-	-
Prepaid lease payments	5	45,609	51,343	-	-
Intangible assets	6	14,592	14,592	-	-
Investments in subsidiaries	7	-	-	1,708,283	1,608,283
Equity-accounted investees	8	45,797	42,891	13,652	13,652
Other investments	9	1	1	139	139
Deferred tax assets	10	67,098	62,761	7,335	5,769
Hire purchase receivables	11	745,066	460,399	-	-
Finance lease receivables	12	585	162	-	-
Receivables	13	-	-	647,551	763,541
Total non-current assets		2,946,368	2,693,937	2,377,042	2,391,676
Other investments	9	144,157	3,001	-	-
Inventories	14	1,165,974	1,749,708	-	-
Current tax assets		38,882	36,068	-	-
Hire purchase receivables	11	93,925	74,139	-	-
Receivables	13	538,379	678,960	14,367	10,582
Deposits and prepayments	13	133,577	113,170	154	144
Derivative financial assets	15	16,375	102	-	-
Cash and cash equivalents	16	318,005	227,560	1,755	212
Total current assets		2,449,274	2,882,708	16,276	10,938
Total assets		5,395,642	5,576,645	2,393,318	2,402,614

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Equity					
Share capital		336,000	336,000	336,000	336,000
Reserves		2,485,161	2,562,520	954,776	953,665
Treasury shares		(25,282)	(25,278)	(25,282)	(25,278)
Total equity attributable to owners of the Company		2,795,879	2,873,242	1,265,494	1,264,387
Non-controlling interests		(14,511)	(8,952)	-	-
Total equity	17	2,781,368	2,864,290	1,265,494	1,264,387
Liabilities					
Borrowings	18	748,147	747,604	748,147	747,604
Employee benefits	19	70,192	58,300	29,705	23,287
Deferred tax liabilities	10	162,172	169,117	-	-
Payables and accruals	20	-	-	336,620	358,912
Deferred revenue	21	5,593	-	-	-
Total non-current liabilities		986,104	975,021	1,114,472	1,129,803
Borrowings	18	1,029,736	1,059,731	-	-
Derivative financial liabilities	15	373	5,164	-	-
Taxation		11,376	10,804	286	-
Deferred revenue	21	60	-	-	-
Payables and accruals	20	586,625	661,635	13,066	8,424
Total current liabilities		1,628,170	1,737,334	13,352	8,424
Total liabilities		2,614,274	2,712,355	1,127,824	1,138,227
Total equity and liabilities		5,395,642	5,576,645	2,393,318	2,402,614

The notes on pages 96 to 188 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017 (in USD equivalent)

	31.12.2017 USD'000	31.12.2016 USD'000
Assets		
Property, plant and equipment	442,575	410,177
Investment properties	48,970	43,762
Prepaid lease payments	11,057	11,304
Intangible assets	3,537	3,213
Equity-accounted investees	11,102	9,443
Other investments	-	-
Deferred tax assets	16,266	13,818
Hire purchase receivables	180,622	101,365
Finance lease receivables	142	36
Total non-current assets	714,271	593,118
Other investments	34,947	661
Inventories	282,660	385,229
Current tax assets	9,426	7,941
Hire purchase receivables	22,770	16,323
Receivables	130,516	149,485
Deposits and prepayments	32,382	24,916
Derivative financial assets	3,970	22
Cash and cash equivalents	77,092	50,101
Total current assets	593,763	634,678
Total assets	1,308,034	1,227,796

The information presented on this page does not form part the audited financial statements of the Group.

The audited figures are converted into USD equivalent using the exchange rate of RM4.125= USD1.00

(2016 - RM4.542= USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017 (in USD equivalent)

	31.12.2017 USD'000	31.12.2016 USD'000
Equity		
Share capital	81,455	73,976
Reserves	602,463	564,183
Treasury shares	(6,129)	(5,565)
Total equity attributable to owners of the Company	677,789	632,594
Non-controlling interests	(3,518)	(1,971)
Total equity	674,271	630,623
Liabilities		
Borrowings	181,369	164,598
Employee benefits	17,016	12,836
Deferred tax liabilities	39,314	37,234
Deferred revenue	1,356	-
Total non-current liabilities	239,055	214,668
Borrowings	249,633	233,318
Derivative financial liabilities	90	1,137
Taxation	2,758	2,379
Deferred revenue	15	-
Payables and accruals	142,212	145,671
Total current liabilities	394,708	382,505
Total liabilities	633,763	597,173
Total equity and liabilities	1,308,034	1,227,796

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(2016 - RM4.542= USD1.00) being the exchange rate ruling at the date of statements of financial position.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Revenue	22	4,341,228	5,460,757	49,750	47,575
Cost of sales		(3,630,446)	(4,683,573)	-	-
Gross profit		710,782	777,184	49,750	47,575
Other income		73,648	134,822	-	17,451
Distribution expenses		(334,064)	(429,729)	-	-
Administrative expenses		(377,027)	(363,686)	(18,708)	(14,346)
Other expenses		(92,048)	(99,896)	(23)	(20,118)
Results from operating activities		(18,709)	18,695	31,019	30,562
Finance income	23	14,224	7,931	34,032	41,446
Finance costs	24	(71,708)	(72,936)	(52,166)	(58,007)
Net finance cost		(57,484)	(65,005)	(18,134)	(16,561)
Share of profit of equity-accounted investees, net of tax		3,382	3,230	-	-
(Loss)/Profit before tax	25	(72,811)	(43,080)	12,885	14,001
Tax (expense)/income	27	(23,578)	(15,954)	1,280	1,101
(Loss)/Profit for the year		(96,389)	(59,034)	14,165	15,102

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		-	2,686	-	-
Revaluation of property, plant and equipment		-	171,899	-	-
		-	174,585	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		5,696	(9,712)	-	-
Foreign currency translation differences for an equity-accounted associate		(226)	1,321	-	-
Cash flow hedge		21,355	(11,107)	-	-
		26,825	(19,498)	-	-
Other comprehensive income for the year, net of tax	28	26,825	155,087	-	-
Total comprehensive (loss)/income for the year		(69,564)	96,053	14,165	15,102
(Loss)/Profit attributable to:					
Owners of the Company		(88,597)	(54,943)	14,165	15,102
Non-controlling interests		(7,792)	(4,091)	-	-
(Loss)/Profit for the year		(96,389)	(59,034)	14,165	15,102
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(64,305)	103,103	14,165	15,102
Non-controlling interests		(5,259)	(7,050)	-	-
Total comprehensive (loss)/income for the year		(69,564)	96,053	14,165	15,102
Basic loss per ordinary share (sen)	29	(13.57)	(8.42)		

The notes on pages 96 to 188 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017 (in USD equivalent)

	2017 USD'000	2016 USD'000
Revenue	1,052,419	1,202,280
Cost of sales	(880,108)	(1,031,170)
Gross profit	172,311	171,110
Other income	17,854	29,683
Distribution expenses	(80,985)	(94,612)
Administrative expenses	(91,400)	(80,072)
Other expenses	(22,315)	(21,994)
Results from operating activities	(4,535)	4,115
Finance income	3,448	1,746
Finance costs	(17,384)	(16,058)
Net finance cost	(13,936)	(14,312)
Share of profit of equity-accounted investees, net of tax	820	711
Loss before tax	(17,651)	(9,486)
Tax expense	(5,716)	(3,513)
Loss for the year	(23,367)	(12,999)

The information presented on this page does not form part the audited financial statements of the Group.

The audited figures are converted into USD equivalent using the exchange rate of RM4.125= USD1.00

(2016 - RM4.542= USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017 (in USD equivalent)

	2017 USD'000	2016 USD'000
Other comprehensive income, net of tax		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	-	591
Revaluation of property, plant and equipment	-	37,847
	-	38,438
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	1,381	(2,138)
Foreign currency translation differences for an equity-accounted associate	(55)	291
Cash flow hedge	5,177	(2,445)
	6,503	(4,292)
Other comprehensive income for the year, net of tax	6,503	34,146
Total comprehensive (loss)/income for the year	(16,864)	21,147
Loss attributable to:		
Owners of the Company	(21,478)	(12,098)
Non-controlling interests	(1,889)	(901)
Loss for the year	(23,367)	(12,999)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(15,589)	22,699
Non-controlling interests	(1,275)	(1,552)
Total comprehensive (loss)/income for the year	(16,864)	21,147
Basic loss per ordinary share (sen)	(3.29)	(1.85)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		Attributable to owners of the Company									
		Non-distributable					Distributable				
Group	**Note**	**Share capital**	**Treasury shares**	**Translation reserve**	**Revaluation reserve**	**Hedging reserve**	**Capitalisation of retained earnings**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2016		336,000	(25,274)	(10,978)	574,207	6,045	100	1,916,150	2,796,250	(1,602)	2,794,648
Remeasurement of defined benefit liability		-	-	-	-	-	-	2,848	2,848	(162)	2,686
Revaluation of property, plant and equipment		-	-	-	170,178	-	-	-	170,178	1,721	171,899
Transfer of revaluation surplus on properties		-	-	-	(7,725)	-	-	7,725	-	-	-
Foreign currency translation differences for foreign operations		-	-	(5,194)	-	-	-	-	(5,194)	(4,518)	(9,712)
Foreign currency translation difference for an equity-accounted associate		-	-	1,321	-	-	-	-	1,321	-	1,321
Cash flow hedge		-	-	-	-	(11,107)	-	-	(11,107)	-	(11,107)
Total other comprehensive (loss)/income for the year		-	-	(3,873)	162,453	(11,107)	-	10,573	158,046	(2,959)	155,087
Loss for the year		-	-	-	-	-	-	(54,943)	(54,943)	(4,091)	(59,034)
Total comprehensive (loss)/income for the year		-	-	(3,873)	162,453	(11,107)	-	(44,370)	103,103	(7,050)	96,053
Purchase of treasury shares		-	(4)	-	-	-	-	-	(4)	-	(4)
Dividends											
- 2015 final	30	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
- 2016 interim	30	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
Total transactions with owners of the Company		-	(4)	-	-	-	-	(26,107)	(26,111)	(300)	(26,411)
At 31 December 2016/ 1 January 2017		336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		Attributable to owners of the Company									
		Non-distributable					Distributable				
Group	**Note**	**Share capital**	**Treasury shares**	**Translation reserve**	**Revaluation reserve**	**Hedging reserve**	**Capitalisation of retained earnings**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017		336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290
Transfer of revaluation surplus on properties		-	-	-	(9,944)	-	-	9,944	-	-	-
Foreign currency translation differences for foreign operations		-	-	3,163	-	-	-	-	3,163	2,533	5,696
Foreign currency translation difference for an equity-accounted associate		-	-	(226)	-	-	-	-	(226)	-	(226)
Cash flow hedge		-	-	-	-	21,355	-	-	21,355	-	21,355
Total other comprehensive income/(loss) for the year		-	-	2,937	(9,944)	21,355	-	9,944	24,292	2,533	26,825
Loss for the year		-	-	-	-	-	-	(88,597)	(88,597)	(7,792)	(96,389)
Total comprehensive income/(loss) for the year		-	-	2,937	(9,944)	21,355	-	(78,653)	(64,305)	(5,259)	(69,564)
Purchase of treasury shares		-	(4)	-	-	-	-	-	(4)	-	(4)
Dividends											
- 2016 final	30	-	-	-	-	-	-	(6,527)	(6,527)	-	(6,527)
- 2017 interim	30	-	-	-	-	-	-	(6,527)	(6,527)	(300)	(6,827)
Total transactions with owners of the Company		-	(4)	-	-	-	-	(13,054)	(13,058)	(300)	(13,358)
At 31 December 2017		336,000	(25,282)	(11,914)	726,716	16,293	100	1,753,966	2,795,879	(14,511)	2,781,368

The notes on pages 96 to 188 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		← Attributable to owners of the Company →			
		Non-distributable		*Distributable*	
	Note	Share capital	Treasury shares	Retained earnings	Total equity
		RM'000	RM'000	RM'000	RM'000
Company					
At 1 January 2016		336,000	(25,274)	964,670	1,275,396
Profit and total comprehensive income for the year		-	-	15,102	15,102
Purchase of treasury shares		-	(4)	-	(4)
Dividends					
- 2015 final	30	-	-	(19,580)	(19,580)
- 2016 interim	30	-	-	(6,527)	(6,527)
Total transactions with owners of the Company		-	(4)	(26,107)	(26,111)
At 31 December 2016/1 January 2017		336,000	(25,278)	953,665	1,264,387
Profit and total comprehensive income for the year		-	-	14,165	14,165
Purchase of treasury shares		-	(4)	-	(4)
Dividends					
- 2016 final	30	-	-	(6,527)	(6,527)
- 2017 interim	30	-	-	(6,527)	(6,527)
Total transactions with owners of the Company		-	(4)	(13,054)	(13,058)
At 31 December 2017		336,000	(25,282)	954,776	1,265,494
		Note 17	Note 17		

The notes on pages 96 to 188 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(72,811)	(43,080)	12,885	14,001
Adjustments for:					
Amortisation of prepaid lease payments	5	2,094	1,910	-	-
Depreciation of property, plant and equipment	3	112,266	124,148	133	189
Dividend income		-	-	(49,750)	(47,575)
(Gain)/Loss on disposal of property, plant and equipment	25	(5,003)	(5,659)	23	17
Loss on unrealised foreign exchange - net	25	36,337	5,549	-	20,101
Finance costs	24	71,708	72,936	52,166	58,007
Finance income	23	(14,224)	(7,931)	(34,032)	(41,446)
Inventories written off	25	117	6,384	-	-
Write-down of inventories	14	5,624	2,361	-	-
Impairment loss on:	25				
Hire purchase receivables		11,780	10,170	-	-
Property, plant and equipment		-	4,930	-	-
Trade receivables		7,012	8,114	-	-
Reversal of impairment loss on:	25				
Hire purchase receivables		(25)	(2,548)	-	-
Property, plant and equipment		-	(2,326)	-	-
Trade receivables		(3,234)	(3,362)	-	-
Reversal of write-down of inventories	14	(2,121)	(7,179)	-	-
Property, plant and equipment written off		1,028	600	-	-
Retirement benefits charged	19	12,986	11,439	6,418	4,328
Fair value changes on investment properties		(985)	(4,960)	-	-
Share of profit of equity-accounted investees		(3,382)	(3,230)	-	-
Fair value adjustment to derivatives		291	-	-	-
Operating profit/(loss) before changes in working capital		159,458	168,266	(12,157)	7,622
Changes in working capital:					
Inventories		580,114	(106,079)	-	-
Hire purchase receivables		(316,208)	(90,183)	-	-
Finance lease receivables		(637)	12,551	-	-
Receivables		138,478	(134,328)	369	(96)
Deposits and prepayment		(20,407)	155,974	(10)	315
Payables and accruals		(105,266)	(31,354)	522	(991)
Cash generated from/(used in) operations		435,532	(25,153)	(11,276)	6,850
Tax paid		(43,263)	(56,160)	-	-
Tax refund		7,569	3,918	-	-
Interest paid		(67,578)	(69,349)	(51,623)	(54,420)
Interest received		14,224	7,931	34,032	41,446
Employee benefits paid		(1,094)	(663)	-	-
Net cash from/(used in) operating activities		345,390	(139,476)	(28,867)	(6,124)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(110,782)	(115,604)	(7)	-
Acquisition of prepaid lease payments	5	(955)	(1,329)	-	-
Net (acquisitions)/proceeds from disposal of other investments		(141,156)	415	-	350
Repayment from subsidiaries		-	-	123,664	147,319
Subscription to subsidiaries' share capital		-	-	(100,000)	(500)
Dividends received from:					
- Unquoted subsidiaries		-	-	19,500	33,925
- Joint ventures		250	150	250	150
- Associates		-	1,925	-	-
Proceeds from disposal of property, plant and equipment		21,104	38,133	61	47
Net cash (used in)/from investing activities		(231,539)	(76,310)	43,468	181,291
Cash flows from financing activities					
Dividends paid to owners of the Company	30	(13,054)	(26,107)	(13,054)	(26,107)
Dividends paid to non-controlling interests		(300)	(300)	-	-
Purchase of own shares		(4)	(4)	(4)	(4)
Net proceeds from bills payable		32,916	20,907	-	-
Net repayment of Commercial Papers		-	(149,481)	-	(149,481)
Net repayment of term loans		(7,684)	(52,968)	-	-
Net (repayment of)/proceeds from revolving credit		(26,838)	497,438	-	-
Net repayment of Cagamas financing		-	(14,724)	-	-
Net cash (used in)/from financing activities		(14,964)	274,761	(13,058)	(175,592)
Net increase/(decrease) in cash and cash equivalents		98,887	58,975	1,543	(425)
Effects of exchange rate fluctuations on cash and cash equivalents		(8,442)	2,729	-	-
Cash and cash equivalents at 1 January		227,560	165,856	212	637
Cash and cash equivalents at 31 December		318,005	227,560	1,755	212

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Cash and bank balances	16	261,044	191,718	1,755	212
Deposits with licensed banks	16	56,961	35,842	-	-
		318,005	227,560	1,755	212

During the financial year, the Company subscribed for 100,000,000 shares (2016: 98,071,000) in subsidiaries with total consideration of RM100,000,000 (2016: RM98,071,000). The consideration has been settled by the Company by the capitalisation of an amount of RM Nil (2016: RM97,571,000) due from subsidiaries with the remaining amount of RM100,000,000 (2016: RM500,000) paid in cash.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

Tan Chong Motor Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office/Principal place of business
62-68 Jalan Sultan Azlan Shah
51200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include any other entities.

The Company is principally engaged in investment holding, whilst the principal activities and the details of the subsidiaries are as stated in Note 37 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 12 April 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- 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 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- 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*

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- MFRS 16, *Leases*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 123, *Borrowing costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests In Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments 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 Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the applicable accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 9, *Financial Instruments*

In November 2014, MASB issued the final version of MFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139, *Financial Instruments*: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but will have no impact on the classification and measurement of the Group's and the Company's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

In respect of 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. In general, it is anticipated that the application of the ECL model of MFRS 9 will result in early recognition of credit losses for the trade receivables and hire purchase receivables and a negative adjustment will be made to opening retained earnings, which will decrease the equity and net assets of the Group.

Based on assessments undertaken to date, the additional allowance for impairment of these receivables of the Group is estimated to be approximately RM5,000,000 which will reduce retained earnings by the same amount.

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.

The Group will apply the new rules retrospectively from 1 January 2018 with practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

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. As with any new standard, there are also increased disclosures.

Based on assessments undertaken to date, the Group estimates the reduction impact to its retained earnings by approximately RM3,000,000. The Group intends to adopt MFRS 15 in accordance with the modified retrospective application for annual periods beginning on 1 January 2018 and the comparatives will not be restated.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than those disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- *Note 3 – valuation of property, plant and equipment and Note 4 – valuation of investment properties*

  The Group carries its property, plant and equipment and investment properties at fair value, with changes in fair value being recognised in other comprehensive income and statement of profit or loss. The Group engaged independent valuation specialists to assess fair value as at year end for both property, plant and equipment and investment properties. Valuation methodology adopted is based on using the sales comparison and depreciated replacement cost approach. The key assumptions used to determine the fair value of the properties are provided in Notes 3 and 4.

- *Note 6 – impairment of intangible assets*

  Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment assessment are provided in Note 6.

- *Note 10 – recognition of deferred tax assets*

  Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

- *Note 11 – impairment of hire purchase receivables*

  For impaired hire purchase receivables which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows including estimation of recoveries from the repossessed vehicles net of outstanding balance owing from the receivables in determination of impairment losses. In estimating of these cash flows, judgements are made about the borrower's financial position.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- *Note 11 – impairment of hire purchase receivables*

  For hire purchase receivables which are collectively assessed, judgements are made based on the financing portfolio data including historical non-performing loans delinquency rates and average loss appropriate to the portfolio.

- *Note 14 – valuation of inventories*

  The calculation of inventory provisions requires judgement by management of the expected value of future sales. If the carrying value of inventory is higher than the expected recoverable amount, the Group makes provisions writing inventory down to its net realisable value. Inventory is initially assessed for impairment by comparing inventory levels to recent sales trend and carrying values to estimated selling prices. A detailed review is completed for inventory lines identified in the initial assessment considering sales activity, order trend, customer contracts and current selling prices.

- *Note 19 – valuation of employee benefits*

  The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. Details of the assumptions used are disclosed in Note 19.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (RM)

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit and loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(iv) Hedge accounting (continued)

***Cash flow hedge* (continued)**

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for freehold land, are measured at cost/valuation less accumulated depreciation and any accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of reporting period.

Freehold land is stated at valuation less any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

Property, plant and equipment under the revaluation model

The Group revalues its properties comprising land and building every 3 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation of properties held for own use are dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve account. When a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation. When revalued assets are retired or disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings and are not reclassified to profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use except for one of the subsidiaries where its plant, machinery and equipment are depreciated over the shorter of the model useful life or projected production volume. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Plant, machinery and equipment	4 - 10 years
Furniture, fixtures, fittings and office equipment	3 - 10 years
Motor vehicles	5 years
Renovation	5 - 8 years
Rough road	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

Where the Group acts as a lessor in a finance lease, receivables under finance lease represent outstanding amounts due under these agreements less finance charges allocated to the future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments. The payments are amortised over the lease terms which are not more than 45 years.

Where the Groups acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

(f) Intangible assets

Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

Goodwill has indefinite useful lives and is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of the materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification from/to investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs of locally assembled motor vehicles, work-in-progress in respect of motor vehicles under assembly and unassembled vehicle packs are determined at standard cost adjusted for variances which approximates actual cost on a specific identification basis.

Costs of other raw materials, work-in-progress, manufactured inventories and trading inventories are determined mainly on the first in first out basis whilst spare parts are determined mainly on the weighted average basis.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instrument

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the costs of the treasury shares is applied in the reduction of the distributable reserves.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Defined benefit plans

The Group's and the Company's net obligations in respect of defined benefit plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Group and the Company determine the interest expense on the defined liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group and the Company recognise gains or losses on the settlement of a defined benefit plan when the settlement occurs.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue and other income

(i) Goods sold

Revenue from sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of the revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss as and when the services are performed.

(iii) Hire purchase revenue

Hire purchase revenue is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the net investment outstanding at the end of each reporting period.

(iv) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(vi) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of lease. Rental income from sub-leased property is recognised as other income.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at fair value in accordance with the accounting policies set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sales of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the President of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Rough road RM'000	Under construction RM'000	Total RM'000
Cost/Valuation										
At 1 January 2016	355,873	466,741	506,948	478,635	134,912	180,480	83,768	3,400	19,037	2,229,794
Additions	-	1,744	19,373	13,702	-	33,645	7,319	-	39,821	115,604
Disposals	-	-	-	(12,372)	(1,902)	(51,827)	(158)	-	(772)	(67,031)
Reclassifications	3,396	-	3,867	13,185	(1,213)	-	3,977	-	(23,212)	-
Revaluation (Note 28)	91,913	34,610	76,682	-	-	-	-	-	-	203,205
Less: Elimination of accumulated depreciation	-	(25,415)	(39,073)	-	-	-	-	-	-	(64,488)
Transfers	* (5,210)	* (1,297)	* (846)	-	-	-	-	-	-	(7,353)
Write-off	-	-	-	(505)	(807)	(279)	(1,207)	-	(60)	(2,858)
Effects of movement in exchange rates	-	54	2,569	4,628	224	406	635	42	1,145	9,703
At 31 December 2016/ 1 January 2017	445,972	476,437	569,520	497,273	131,214	162,425	94,334	3,442	35,959	2,416,576
Additions	10,753	11,232	5,234	12,912	4,766	25,966	6,253	-	33,666	110,782
Disposals	-	-	-	(1,078)	(1,154)	(36,043)	(914)	-	-	(39,189)
Reclassifications	-	-	12,099	460	300	-	129	-	(12,988)	-
Transfers	* 19,947	* (2,950)	* (19,620)	-	-	-	-	-	-	(2,623)
Write-off	-	-	-	(1,029)	(955)	(171)	(423)	-	-	(2,578)
Effects of movement in exchange rates	-	(120)	(5,435)	(10,819)	(480)	(1,324)	(1,454)	(88)	(2,759)	(22,479)
At 31 December 2017	476,672	484,599	561,798	497,719	133,691	150,853	97,925	3,354	53,878	2,460,489
Representing items:										
- at cost	-	-	-	497,273	131,214	162,425	94,334	3,442	35,959	924,647
- at valuation	445,972	476,437	569,520	-	-	-	-	-	-	1,491,929
At 31 December 2016	445,972	476,437	569,520	497,273	131,214	162,425	94,334	3,442	35,959	2,416,576
Representing items:										
- at cost	10,753	11,232	17,333	497,719	133,691	150,853	97,925	3,354	53,878	976,738
- at valuation	465,919	473,367	544,465	-	-	-	-	-	-	1,483,751
At 31 December 2017	476,672	484,599	561,798	497,719	133,691	150,853	97,925	3,354	53,878	2,460,489

* *Transferred from/(to) Investment properties (Note 4).*

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Rough road RM'000	Under construction RM'000	Total RM'000
Depreciation and impairment loss										
At 1 January 2016										
Accumulated depreciation	-	17,042	25,488	275,746	77,703	80,829	38,566	556	-	515,930
Accumulated impairment loss	2,798	-	1,672	5,127	33	-	44	-	-	9,674
	2,798	17,042	27,160	280,873	77,736	80,829	38,610	556	-	525,604
Depreciation for the year	-	8,447	13,389	47,995	14,234	30,196	9,887	-	-	124,148
Disposals	-	-	-	(7,635)	(1,486)	(25,304)	(132)	-	-	(34,557)
Transfers	-	* (78)	* (102)	-	-	-	-	-	-	(180)
Write-off	-	-	-	(317)	(661)	(278)	(1,002)	-	-	(2,258)
Impairment loss	(2,326)	2,112	2,818	-	-	-	-	-	-	2,604
Elimination on revaluation	-	(25,415)	(39,073)	-	-	-	-	-	-	(64,488)
Effects of movement in exchange rates	-	4	298	1,892	184	121	294	(112)	-	2,681
At 31 December 2016/ 1 January 2017										
Accumulated depreciation	-	-	-	317,681	89,974	85,564	47,613	444	-	541,276
Accumulated impairment loss	472	2,112	4,490	5,127	33	-	44	-	-	12,278
	472	2,112	4,490	322,808	90,007	85,564	47,657	444	-	553,554
Depreciation for the year	-	10,136	15,687	38,584	12,783	25,041	9,999	36	-	112,266
Disposals	-	-	-	(470)	(816)	(21,432)	(370)	-	-	(23,088)
Transfers	-	* (46)	* (328)	-	-	-	-	-	-	(374)
Write-off	-	-	-	(359)	(823)	(162)	(206)	-	-	(1,550)
Effects of movement in exchange rates	-	(7)	(616)	(3,956)	(395)	(319)	(637)	(9)	-	(5,939)
At 31 December 2017										
Accumulated depreciation	-	10,083	14,743	351,480	100,723	88,692	56,399	471	-	622,591
Accumulated impairment loss	472	2,112	4,490	5,127	33	-	44	-	-	12,278
	472	12,195	19,233	356,607	100,756	88,692	56,443	471	-	634,869
Carrying amounts										
At 1 January 2016	353,075	449,699	479,788	197,762	57,176	99,651	45,158	2,844	19,037	1,704,190
At 31 December 2016/ 1 January 2017	445,500	474,325	565,030	174,465	41,207	76,861	46,677	2,998	35,959	1,863,022
At 31 December 2017	476,200	472,404	542,565	141,112	32,935	62,161	41,482	2,883	53,878	1,825,620

* *Transferred from/(to) Investment properties (Note 4).*

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2016	201	1,620	1,821
Disposals	-	(107)	(107)
At 31 December 2016/1 January 2017	201	1,513	1,714
Additions	7	-	7
Disposals	-	(162)	(162)
At 31 December 2017	208	1,351	1,559
Depreciation			
At 1 January 2016	186	1,090	1,276
Depreciation for the year	7	182	189
Disposals	-	(43)	(43)
At 31 December 2016/1 January 2017	193	1,229	1,422
Depreciation for the year	6	127	133
Disposals	-	(78)	(78)
At 31 December 2017	199	1,278	1,477
Carrying amounts			
At 1 January 2016	15	530	545
At 31 December 2016/1 January 2017	8	284	292
At 31 December 2017	9	73	82

Property, plant and equipment under revaluation model

The Group's properties were last revalued on 31 December 2016 by independent professional qualified valuer using comparison and depreciated replacement cost approach.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

***Property, plant and equipment under revaluation model* (continued)**

Had the revalued properties been carried under the cost model, the net carrying amount of each class of property, plant and equipment that would have been included in the financial statements of the Group would be as follows:

	Freehold land	Long term leasehold land	Buildings	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Cost	159,716	142,454	436,795	738,965
Accumulated depreciation	-	(30,030)	(113,730)	(143,760)
Accumulated impairment loss	(472)	(2,112)	(4,490)	(7,074)
	159,244	110,312	318,578	588,131
2016				
Cost	139,769	145,524	461,220	746,513
Accumulated depreciation	-	(36,968)	(119,722)	(156,690)
Accumulated impairment loss	(472)	(2,112)	(4,490)	(7,074)
	139,297	106,444	337,008	582,749

Fair value information

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Freehold land	-	-	465,447	465,447
Long term leasehold land	-	-	471,255	471,255
Buildings	-	-	539,975	539,975
	-	-	1,476,677	1,476,677
2016				
Freehold land	-	-	445,500	445,500
Long term leasehold land	-	-	474,325	474,325
Buildings	-	-	565,030	565,030
	-	-	1,484,855	1,484,855

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Valuation process applied by the Group

The fair value of land and buildings is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical land and buildings that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the land and buildings, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and Level 2 fair values

There is no transfer between Level 1 and Level 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using inputs with significant adjustments for the land and buildings.

Fair values of land and buildings have been generally derived using the sales comparison and depreciated replacement cost approach. In the sales comparison approach, sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. Depreciated replacement cost approach is based on how much it would cost to reproduce the property after adjusting for depreciation. The price per square foot for material properties in Malaysia range from RM36 to RM574 (2016: RM36 to RM574) whereas property in Vietnam was at RM33 (2016: RM33) per square foot.

Titles

The titles to certain properties with a total cost of RM36,388,000 (2016: RM36,435,000) have yet to be issued by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

4. INVESTMENT PROPERTIES

	Freehold land	Long term leasehold land	Buildings	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2016	149,415	8,515	28,703	186,633
Transfer	* 5,210	* 1,219	* 744	7,173
Change in fair value recognised in profit or loss	1,876	1,661	1,423	4,960
At 31 December 2016/1 January 2017	156,501	11,395	30,870	198,766
Transfer	* (19,947)	* 2,904	* 19,292	2,249
Change in fair value recognised in profit or loss	200	276	509	985
At 31 December 2017	136,754	14,575	50,671	202,000

* *Transferred from/(to) Property, plant and equipment (Note 3).*

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Freehold land	-	-	136,754	136,754
Long term leasehold land	-	-	14,575	14,575
Buildings	-	-	50,671	50,671
	-	-	202,000	202,000
2016				
Freehold land	-	-	156,501	156,501
Long term leasehold land	-	-	11,395	11,395
Buildings	-	-	30,870	30,870
	-	-	198,766	198,766

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Valuation process applied by the Group

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

4. INVESTMENT PROPERTIES (continued)

Fair value information (continued)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and Level 2 fair values

There is no transfer between Level 1 and Level 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using inputs with significant adjustments for the investment properties.

Fair values of land and buildings have been generally derived using the sales comparison and depreciated replacement cost approach. In the sales comparison approach, sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. Depreciated replacement cost approach is based on how much it would cost to reproduce the property after adjusting for depreciation. The price per square foot for material investment properties in Malaysia ranged from RM15 to RM1,595 (2016: RM300 to RM910).

5. PREPAID LEASE PAYMENTS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Leasehold land		
Cost		
At 1 January	60,318	56,416
Additions	955	1,329
Effects of movement in exchange rates	(5,532)	2,573
At 31 December	55,741	60,318

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5. PREPAID LEASE PAYMENTS (continued)

	Group	
	2017	2016
	RM'000	RM'000
Amortisation		
At 1 January	8,975	6,618
Amortisation for the year	2,094	1,910
Effects of movement in exchange rates	(937)	447
At 31 December	10,132	8,975
Carrying amount		
At 1 January	51,343	49,798
At 31 December	45,609	51,343

6. INTANGIBLE ASSETS

	Group	
	2017	2016
	RM'000	RM'000
Goodwill		
Cost		
At 1 January/31 December	14,592	14,592

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

		Group	
		2017	2016
		RM'000	RM'000
(i)	Malaysia property	648	648
(ii)	Vietnam vehicles distribution network	13,944	13,944
		14,592	14,592

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

6. INTANGIBLE ASSETS (continued)

(i) The impairment test in respect of Malaysia property was based on fair value of the property which is determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Valuation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land at the reporting date.

(ii) The impairment test in respect of Vietnam vehicles distribution network was based on value in use and was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on 5-year business plan. Terminal growth rate of 0% from 2023 (2016: 3% from 2022).
- Total Industry Volume is projected to grow at the following rates per annum:

  - FY 2018 - 10%
  - FY 2019 - 20%
  - FY 2020 - 12%
  - FY 2021 - 13%
  - FY 2022 - 10%

- Market share to grow gradually from 1% to 3.6% with the introduction of new models and increase in dealer's network.
- A pre-tax discount rate of 18.42% was applied in determining the recoverable amount.

The above estimates are particularly sensitive in the following areas:

- An increase of 6 percentage point in the discount rate used would not result in any impairment loss.
- A decrease of 8 percentage point in future planned revenues would not result in any impairment loss.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Investments at cost	1,728,921	1,628,921
Less: Impairment loss	(20,638)	(20,638)
	1,708,283	1,608,283

Details of the subsidiaries are in Note 37.

Although the Group owns less than half of the ownership interest in TC Express Auto Services and Spare Parts (Thailand) Co. Ltd. and TC Sri Amar Sdn. Bhd. with less than half of the voting power of these entities, the Directors have determined that the Group controls these two entities. The Group has de facto control over these entities because the Group has held significantly more power over these entities than any other equity holders and that remaining voting rights in the investees are widely dispersed and that there is no indication that all other shareholders would exercise their votes collectively.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

7. INVESTMENTS IN SUBSIDIARIES (continued)

The Group has established a structured entity ("SE") for undertaking asset-backed securitisation under Premium Commerce Berhad ("PCB"). The Group does not have any direct or indirect shareholding in PCB. A SE is consolidated if, based on an evaluation of the substance of its relationship with the Group, the Group concludes that it controls SE. SE controlled by the Group was established under terms that impose strict limitations on the decision-making powers of the SE's management and that result in the Group receiving majority of the benefits related to the SE's operations and net assets.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

(i) Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA")
(ii) Nissan Vietnam Co. Ltd. ("NVL")
(iii) TC Express Auto Services and Spare Parts (Thailand) Co. Ltd. ("TCEAS Thai")

	TCMA	NVL	TCEAS (Thai)	Other individually immaterial subsidiaries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2017					
NCI percentage of ownership interest and voting interest	30%	26%	51%		
Carrying amount of NCI	20,872	(25,568)	(6,898)	(2,917)	(14,511)
Total comprehensive (loss)/ Income allocated to NCI	(4,146)	(502)	518	(1,129)	(5,259)
2016					
NCI percentage of ownership interest and voting interest	30%	26%	51%		
Carrying amount of NCI	25,318	(25,066)	(7,416)	(1,788)	(8,952)
Total comprehensive income/ (loss) allocated to NCI	5,748	(9,669)	(1,562)	(1,567)	(7,050)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

7. INVESTMENTS IN SUBSIDIARIES (continued)

Summarised financial information before intra-group elimination

	TCMA RM'000	NVL RM'000	TCEAS (Thai) RM'000
2017			
As at 31 December			
Non-current assets	79,242	27,782	1,193
Current assets	75,990	8,505	1,440
Non-current liabilities	(7,371)	-	-
Current liabilities	(78,287)	(134,626)	(16,158)
Net assets/(liabilities)	69,574	(98,339)	(13,525)
Year ended 31 December			
Revenue	104,744	308,770	1,715
(Loss)/profit for the year	(12,373)	(11,566)	962
Total comprehensive (loss)/income	(13,820)	(1,931)	1,016
Cash flows from operating activities	315	3,324	1,165
Cash flows used in investing activities	(2,809)	(3,221)	(39)
Cash flows (used in)/from financing activities	(1,000)	12,071	(991)
Net (decrease)/increase in cash and cash equivalents	(3,494)	12,174	135
Dividend paid to NCI	300	-	-
2016			
As at 31 December			
Non-current assets	83,882	31,659	1,315
Current assets	121,588	117,201	1,217
Non-current liabilities	(6,353)	-	-
Current liabilities	(114,723)	(245,268)	(17,073)
Net assets/(liabilities)	84,394	(96,408)	(14,541)
Year ended 31 December			
Revenue	185,504	317,059	1,310
Profit/(loss) for the year	14,431	(25,161)	(336)
Total comprehensive income/(loss)	19,160	(37,188)	(3,063)
Cash flows from/(used in) operating activities	10,641	59,173	(2,955)
Cash flows used in investing activities	(6,475)	(2,204)	(386)
Cash flows (used in)/from financing activities	(1,000)	(47,500)	3,126
Net increase/(decrease) in cash and cash equivalents	3,166	9,469	(215)
Dividend paid to NCI	300	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interests in associates	a	43,049	40,342	12,246	12,246
Interest in joint venture	b	2,748	2,549	1,406	1,406
		45,797	42,891	13,652	13,652

(a) Interests in associates

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost:				
In Malaysia	7,341	7,341	-	-
Outside Malaysia	12,247	12,247	12,246	12,246
Share of post-acquisition reserve	23,461	20,754	-	-
	43,049	40,342	12,246	12,246

Details of the material associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
TC Capital (Thailand) Co. Ltd. ("TCCT")	Thailand	Provision of equipment leasing	45.45	45.45
Kanzen Energy Ventures Sdn. Bhd. ("KEV")	Malaysia	Investment holding	25.00	25.00
THK Rhythm Malaysia Sdn. Bhd. ("THK")	Malaysia	Manufacture and sale of automobile tierods, tierods ends and suspension ball joints, stabiliser links, steering linkages and power steering gears	20.00	20.00

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEES (continued)

(a) Interests in associates (continued)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

	TCCT RM'000	KEV RM'000	THK RM'000
Group			
Summarised financial information			
As at 31 December 2017			
Non-current assets	7,969	10,411	31,723
Current assets	65,876	12,759	55,104
Non-current liabilities	-	-	(4,262)
Current liabilities	(14,496)	(64)	(31,075)
Net assets	59,349	23,106	51,490
Year ended 31 December 2017			
Profit for the year	1,268	4,559	6,084
Other comprehensive loss	(497)	-	-
Total comprehensive income	771	4,559	6,084
Included in the total comprehensive income is:			
Revenue	1,469	1,050	109,609

	TCCT RM'000	KEV RM'000	THK RM'000	Total RM'000
Reconciliation of net assets to carrying amount as at 31 December 2017				
Group's share of net assets	26,974	5,777	10,298	43,049
Group's share of results for the year ended 31 December 2017				
Group's share of profit for the year	576	1,140	1,217	2,933
Group's share of other comprehensive loss	(226)	-	-	(226)
Group's share of total comprehensive income	350	1,140	1,217	2,707

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEES (continued)

(a) Interests in associates (continued)

	TCCT RM'000	KEV RM'000	THK RM'000
Group			
Summarised financial information			
As at 31 December 2016			
Non-current assets	744	10,411	35,520
Current assets	73,845	8,170	55,316
Non-current liabilities	-	-	(3,139)
Current liabilities	(16,011)	(34)	(42,291)
Net assets	58,578	18,547	45,406
Year ended 31 December 2016			
Profit for the year	1,648	4,121	5,381
Other comprehensive income	2,906	-	-
Total comprehensive income	4,554	4,121	5,381
Included in the total comprehensive income is:			
Revenue	2,759	4,669	109,771

	TCCT RM'000	KEV RM'000	THK RM'000	Total RM'000
Reconciliation of net assets to carrying amount as at 31 December 2016				
Group's share of net assets	26,624	4,637	9,081	40,342
Group's share of results for the year ended 31 December 2016				
Group's share of profit for the year	749	1,030	1,076	2,855
Group's share of other comprehensive income	1,321	-	-	1,321
Group's share of total comprehensive income	2,070	1,030	1,076	4,176
Other information				
Dividends received by the Group	-	1,925	-	1,925

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEES (continued)

(b) Interest in joint venture

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	500	500	1,406	1,406
Share of post-acquisition reserve	2,248	2,049	-	-
	2,748	2,549	1,406	1,406

Structurflex Sdn. Bhd. ("Structurflex"), the only joint arrangement in which the Group and the Company participate, is principally engaged in manufacturing truck curtains.

Structurflex is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Structurflex as a joint venture.

The following tables summarise the financial information of Structurflex, as adjusted for any differences in accounting policies. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Structurflex, which is accounted for using the equity method.

	Group and Company	
	2017	2016
Percentage of ownership and voting interest	50%	50%

	Group	
	2017	2016
	RM'000	RM'000
Summarised financial information		
As at 31 December		
Non-current assets	154	146
Current assets (including cash and cash equivalents)	6,938	6,185
Non-current liabilities	(112)	(101)
Current liabilities	(1,485)	(1,133)
Cash and cash equivalents	1,483	2,506
Year ended 31 December		
Profit and total comprehensive income	898	750

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEES (continued)

(b) Interest in joint venture (continued)

	Group	
	2017	2016
	RM'000	RM'000
Included in the total comprehensive income are:		
Revenue	9,974	8,082
Depreciation and amortisation	43	38
Interest income	48	46
Income tax expense	278	243
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	2,748	2,549
Group's share of results for year ended 31 December		
Group's share of profit and total comprehensive income	449	375
Other information		
Cash dividend received by the Group	250	150

9. OTHER INVESTMENTS

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-current					
Fair value through profit or loss financial asset:					
Option	a	1	1	1	1
Loan and receivables financial asset:					
Asset-backed notes	b	-	-	2,200	2,200
Less: Impairment of asset-backed notes		-	-	(2,062)	(2,062)
		1	1	139	139

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

9. OTHER INVESTMENTS (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Fair value through profit or loss financial asset:					
Liquid investments in quoted unit trusts with licensed financial institutions		144,157	3,001	-	-
		144,158	3,002	139	139
Representing items:					
At cost/amortised cost		-	-	138	138
At fair value		144,158	3,002	1	1
		144,158	3,002	139	139
Market value of liquid investments in quoted unit trusts with licensed financial institutions		144,158	3,002	-	-

Note a
The Company entered into a Subscription Option Agreement on 1 October 2009 with Kereta Komersil Seladang (M) Sdn. Bhd. ("Kereta Komersil"), a subsidiary of Warisan TC Holdings Berhad, pursuant to which the Company was granted an option to subscribe for up to such number of new ordinary shares of RM1.00 each in the capital of Kereta Komersil and shall be equivalent to 19% of the total and paid-up capital of Kereta Komersil after such subscription ("Option"). The Option is available for a period of ten (10) years from the date of the Subscription Option Agreement.

Note b
In June 2009, RM159 million nominal value of second series – 2009A medium term asset-backed notes ("Notes") was issued by structured entity ("SE"). The Notes acquired by the Company comprise of Class A Notes, Class B Notes and Class C Notes. The proceeds from the issuance of the Notes were used by the SE for the acquisition of hire purchase receivables from Tan Chong & Sons Motor Company Sdn. Bhd. ("TCM") and TC Capital Resources Sdn. Bhd. ("TCCR"). RM110 million of Class A Notes were issued to investors in the debt capital markets while the remaining Class A Notes, Class B Notes and Class C Notes were subscribed by the Company.

The maturity dates and coupon rates for the outstanding Notes held by the Company as of year end are as follows:

	Notes RM'000	Date of maturity	Coupon rate
2017			
Class C	2,200	December 2029	5.00%
2016			
Class C	2,200	December 2029	5.00%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Deferred tax assets						
Property, plant and equipment/ investment properties - capital allowances	-	-	(14,969)	(7,583)	(14,969)	(7,583)
Provisions and deferred income	53,420	40,132	-	-	53,420	40,132
Unabsorbed capital allowances	6,682	5,015	-	-	6,682	5,015
Unabsorbed reinvestment capital allowance	5,858	4,241	-	-	5,858	4,241
Tax losses carry-forwards	14,893	20,620	-	-	14,893	20,620
Other items	1,214	336	-	-	1,214	336
Net tax assets/(liabilities)	82,067	70,344	(14,969)	(7,583)	67,098	62,761
Deferred tax liabilities						
Property, plant and equipment/ investment properties						
- capital allowances	-	-	(1,477)	(9,879)	(1,477)	(9,879)
- revaluation	-	-	(163,689)	(166,334)	(163,689)	(166,334)
Provisions	1,797	7,210	-	-	1,797	7,210
Unabsorbed capital allowances	22	-	-	-	22	-
Tax losses carry-forwards	6,290	53	-	-	6,290	53
Net gain on unrealised foreign exchange	-	-	(5,115)	(167)	(5,115)	(167)
Net tax assets/(liabilities)	8,109	7,263	(170,281)	(176,380)	(162,172)	(169,117)
Company						
Deferred tax assets						
Property, plant and equipment - capital allowances	27	18	-	-	27	18
Provisions	7,308	5,751	-	-	7,308	5,751
Net tax assets	7,335	5,769	-	-	7,335	5,769

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Recognised deferred tax assets/(liabilities) (continued)

Group movement in temporary differences for deferred tax assets during the year:

	At 1.1.2016	Recognised in profit or loss (Note 27)	Effects of movement in exchange rate	Recognised in other comprehensive income (Note 28)	At 31.12.2016/ 1.1.2017	Recognised in profit or loss (Note 27)	Effects of movement in exchange rate	Recognised in other comprehensive income (Note 28)	At 31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Property, plant and equipment/ investment properties - capital allowances	(4,913)	(2,670)	-	-	(7,583)	(7,386)	-	-	(14,969)
Provisions and deferred income	21,723	19,257	-	(848)	40,132	13,288	-	-	53,420
Unabsorbed capital allowances	2,244	2,771	-	-	5,015	1,667	-	-	6,682
Unabsorbed reinvestment capital allowances	-	4,241	-	-	4,241	1,617	-	-	5,858
Tax losses carry-forwards	16,313	2,907	1,400	-	20,620	(7,135)	1,408	-	14,893
Other items	355	(19)	-	-	336	878	-	-	1,214
	35,722	26,487	1,400	(848)	62,761	2,929	1,408	-	67,098

Group movement in temporary differences for deferred tax liabilities during the year:

	At 1.1.2016	Recognised in profit or loss (Note 27)	Recognised in other comprehensive income (Note 28)	At 31.12.2016/ 1.1.2017	Recognised in profit or loss (Note 27)	Recognised in other comprehensive income (Note 28)	At 31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Property, plant and equipment/ investment properties - capital allowances	(16,829)	6,950	-	(9,879)	8,402	-	(1,477)
- revaluation	(136,789)	1,761	(31,306)	(166,334)	2,645	-	(163,689)
Provisions	8,607	(1,397)	-	7,210	(5,413)	-	1,797
Unabsorbed capital allowances	1,403	(1,403)	-	-	22	-	22
Tax losses carry-forwards	101	(48)	-	53	6,237	-	6,290
Net gain on unrealised foreign exchange	(284)	117	-	(167)	(4,948)	-	(5,115)
	(143,791)	5,980	(31,306)	(169,117)	6,945	-	(162,172)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

10. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Recognised deferred tax assets/(liabilities) (continued)

Company movement in temporary differences for deferred tax assets during the year:

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2017 RM'000
Company					
Property, plant and equipment – capital allowance	2	16	18	9	27
Provisions	4,664	1,087	5,751	1,557	7,308
	4,666	1,103	5,769	1,566	7,335

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017 RM'000	2016 RM'000
Unabsorbed capital allowances	35,956	27,309
Tax losses carry-forwards	309,514	292,544
Deductible/(Taxable) temporary differences	2,351	(17,145)
Provisions	101	460
	347,922	303,168
Deferred tax assets not recognised at 24% (2016: 24%)	83,501	72,760

Group

Deferred tax assets have not been recognised in respect of these items because it is not probable that the respective subsidiaries will generate sufficient future taxable profits against which it can be utilised.

Included in tax losses carry-forwards is an amount of RM205,217,000 (VND1,118,124,255,000) (2016: RM170,324,000 (VND842,901,480,000)) (stated at gross) which will be expiring in financial years 2017 to 2021 for a subsidiary in Vietnam.

The remaining unabsorbed capital allowances, tax losses carry-forwards, provisions and other deductible temporary differences do not expire under current Malaysian tax legislation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

11. HIRE PURCHASE RECEIVABLES

	Group	
	2017	2016
	RM'000	RM'000
Gross repayments receivables	1,137,151	696,270
Less: Unearned interest receivables	(257,874)	(133,201)
	879,277	563,069
Less: Impairment loss	(40,286)	(28,531)
	838,991	534,538
Current		
Hire purchase receivables	107,265	84,221
Less: Impairment loss	(13,340)	(10,082)
	93,925	74,139
Non-current		
Hire purchase receivables	772,012	478,848
Less: Impairment loss	(26,946)	(18,449)
	745,066	460,399
	838,991	534,538

	Gross repayments receivables	Unearned interest receivables	Present value of minimum hire purchase receivables	Gross repayments receivables	Unearned interest receivables	Present value of minimum hire purchase receivables
	2017	2017	2017	2016	2016	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Current						
Less than one year	171,542	(64,277)	107,265	117,939	(33,718)	84,221
Non-current						
Between one and five years	690,796	(174,196)	516,600	388,907	(86,594)	302,313
After five years	274,813	(19,401)	255,412	189,424	(12,889)	176,535
	965,609	(193,597)	772,012	578,331	(99,483)	478,848
	1,137,151	(257,874)	879,277	696,270	(133,201)	563,069

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

12. FINANCE LEASE RECEIVABLES

	Note	Group 2017 RM'000	Group 2016 RM'000
Finance lease receivables		1,280	498
Less: Unearned interest		(183)	(38)
		1,097	460
Current			
Finance lease receivables	13	512	298
Non-current			
Finance lease receivables		585	162
		1,097	460

	Future minimum lease payments 2017 RM'000	Unearned interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000	Future minimum lease payments 2016 RM'000	Unearned interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000
Group						
Current						
Less than one year	605	(93)	512	328	(30)	298
Non-current						
Between one and five years	675	(90)	585	170	(8)	162
	1,280	(183)	1,097	498	(38)	460

Finance lease receivables less than one year are classified under current assets as receivables.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Amount due from subsidiaries	a	-	-	656,812	772,802
Less: Impairment loss		-	-	(9,261)	(9,261)
		-	-	647,551	763,541
Current					
Trade receivables	b	384,403	524,583	-	-
Less: Impairment loss		(20,990)	(17,266)	-	-
		363,413	507,317	-	-
Finance lease receivables	12	512	298	-	-
Other receivables		174,454	171,345	-	369
Amount due from subsidiaries	c	-	-	14,367	10,213
		538,379	678,960	14,367	10,582
Current					
Deposits		14,214	13,832	77	77
Prepayment	d	119,363	99,338	77	67
		133,577	113,170	154	144

Note a
The non-current amount due from subsidiaries is in respect of advances that are unsecured, not receivable within the next twelve months and subject to interest ranging from 4.60% to 6.05% (2016: 4.60% to 6.05%) per annum.

Note b
Included in trade receivables are amounts due from related parties of RM47,611,000 (2016: RM75,059,000).

Note c
The current amount due from subsidiaries is in respect of advances that are unsecured, repayable on demand and subject to interest at 4.43% (2016: 4.38% to 4.64%) per annum.

Note d
As at 31 December 2017, there is a prepayment made on inventories of RM88,392,000 (2016: RM70,935,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

14. INVENTORIES

	Group	
	2017	2016
	RM'000	RM'000
Raw materials	20,967	21,784
Unassembled vehicle packs	443,605	1,012,792
Work-in-progress	18,281	17,461
Manufactured inventories and trading inventories	13,280	9,892
Used vehicles	13,142	49,923
New vehicles	491,580	494,281
Spare parts and others	165,119	143,575
	1,165,974	1,749,708
Recognised in profit or loss:		
Inventories recognised as cost of sales	3,334,591	4,228,955
Write-down to net realisable value	5,624	2,361
Reversal of write-down	2,121	7,179

The write-down and reversal are included in cost of sales.

15. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Nominal value 2017 RM'000	Assets 2017 RM'000	Liabilities 2017 RM'000	Nominal value 2016 RM'000	Assets 2016 RM'000	Liabilities 2016 RM'000
Group						
Derivatives designated as hedging instrument – forward exchange contracts	351,308	16,375	(373)	78,647	102	(5,164)

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	261,044	191,718	1,755	212
Deposits with licensed banks	56,961	35,842	-	-
	318,005	227,560	1,755	212

17. SHARE CAPITAL AND RESERVES

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2017	2017	2016	2016
	'000	RM'000	'000	RM'000
Ordinary shares, issued and fully paid				
At 1 January/ 31 December	672,000	336,000	672,000	336,000

Ordinary shares

The new Companies Act 2016, which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Treasury shares

The shareholders of the Company via a resolution passed at the Annual General Meeting on 25 May 2017 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 2,000 (2016: 2,000) of its issued shares from the open market at prices ranging from RM1.51 to RM1.86 (2016: RM1.83 to RM2.05) per ordinary share. The cumulative total number of shares bought back at the end of the year was 19,339,000 (2016: 19,337,000). These transactions were financed by internally generated funds.

As at 31 December 2017, the number of outstanding shares in issue after deducting treasury shares held was 652,661,000 (2016: 652,663,000) ordinary shares.

The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. Treasury shares have no rights to vote, dividends and participation in other distribution.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

17. SHARE CAPITAL AND RESERVES (continued)

Revaluation reserve

This revaluation reserve relates to revaluation surplus arising from the valuation of land and buildings under property, plant and equipment immediately prior to its reclassification as investment properties.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

18. BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-current				
Medium Term Notes ("MTNs") – unsecured	748,147	747,604	748,147	747,604
	748,147	747,604	748,147	747,604
Current				
Term loans – unsecured	33,018	45,415	-	-
Bills payable – unsecured	57,307	24,391	-	-
Revolving credit – unsecured	939,411	989,925	-	-
	1,029,736	1,059,731	-	-
	1,777,883	1,807,335	748,147	747,604

On 24 November 2014, the Company issued MTNs amounting to RM750 million under MTNs Programme. The MTNs issued are as follows:

Tenure (years)	Interest rate (per annum)	Maturity date	Nominal value RM'000
5	4.5%	22 November 2019	250,000
7	4.7%	24 November 2021	500,000
			750,000

The interest is payable every half yearly and the principal is repayable in full upon maturity.

Information on repayment terms and interest rates to the Group's and the Company's borrowings are as set out in Note 35.5.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

18. BORROWINGS (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group					Company		
	At 1 January 2017	Net changes from financing cash flows	Other changes	Foreign exchange movement	At 31 December 2017	At 1 January 2017	Other changes	At 31 December 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current								
Medium Term Notes ("MTNs") – unsecured	747,604	-	543	-	748,147	747,604	543	748,147
Current								
Term loans – unsecured	45,415	(7,684)	-	(4,713)	33,018	-	-	-
Bills payable – unsecured	24,391	32,916	-	-	57,307	-	-	-
Revolving credit – unsecured	989,925	(26,838)	-	(23,676)	939,411	-	-	-
	1,059,731	(1,606)	-	(28,389)	1,029,736	-	-	-
Total liabilities from financing activities	1,807,335	(1,606)	543	(28,389)	1,777,883	747,604	543	748,147

19. EMPLOYEE BENEFITS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Recognised liability for employee benefits	70,192	58,300	29,705	23,287

Under the Group's and the Company's defined benefit scheme, eligible employees are entitled to retirement benefits of 16.0% to 17.0% of total basic salary earned less the statutory pension funds for each completed year of service upon the retirement age of 60 as well as retirement benefits as a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 60.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

19. EMPLOYEE BENEFITS (continued)

Movements in the net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components.

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	58,300	51,058	23,287	18,959
Included in profit or loss				
Current service cost	10,230	9,565	6,418	4,328
Interest cost	2,756	1,874	-	-
	12,986	11,439	6,418	4,328
Included in other comprehensive income				
Remeasurement gain				
- Actuarial gain arising from:				
- Financial assumptions	-	(638)	-	-
- Experience adjustments	-	(2,896)	-	-
	-	(3,534)	-	-
Others				
Benefits paid	(1,094)	(663)	-	-
Balance at 31 December	70,192	58,300	29,705	23,287

Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting period (expressed as weighted averages):

	Group and Company	
	2017	2016
	%	%
Discount rate	5.0 and 6.0	5.0 and 6.0
Future salary growth	5.5 and 6.5	5.5 and 6.5

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

19. EMPLOYEE BENEFITS (continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group		Company	
	Increase	Decrease	Increase	Decrease
	RM'000	RM'000	RM'000	RM'000
2017				
Discount rate (1% movement)	(3,934)	4,616	(164)	177
Future salary growth (1% movement)	4,238	(3,773)	437	(422)
2016				
Discount rate (1% movement)	(3,687)	4,308	(309)	327
Future salary growth (1% movement)	3,504	(3,131)	403	(389)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

20. PAYABLES AND ACCRUALS

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-current					
Non-trade					
Amount due to subsidiaries	a	-	-	336,620	358,912
Current					
Trade					
Trade payables	b	238,836	246,733	-	-
Non-trade					
Payables and accruals		347,789	414,902	8,007	7,485
Amount due to subsidiaries	c	-	-	5,059	939
		347,789	414,902	13,066	8,424
		586,625	661,635	13,066	8,424
		586,625	661,635	349,686	367,336

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

20. PAYABLES AND ACCRUALS (continued)

Note a
The non-current amount due to subsidiaries is in respect of advances that are unsecured, not repayable within the next twelve months and are subject to interest at 6.05% (2016: 6.05%) per annum.

Note b
Included in trade payable are amount due from related parties of RM4,928,000 (2016: RM16,808,000).

Note c
The current amount due to subsidiaries is in respect of advances that are unsecured, repayable on demand and are subject to interest at 4.43% (2016: 4.38% to 4.64%) per annum.

21. DEFERRED REVENUE

Deferred revenue refers to an upfront fee received from a vendor to market and promote its products to all the consumers by the authorised dealers within the territory of Malaysia only over the period of 5 years.

22. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sale of goods	3,865,468	5,042,841	-	-
Services rendered	399,823	352,036	-	-
Financial services income	75,937	65,880	-	-
Dividend income	-	-	49,750	47,575
	4,341,228	5,460,757	49,750	47,575

23. FINANCE INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets that are not at fair value through profit or loss	2,647	2,375	34,032	41,446
Other finance income	11,577	5,556	-	-
Recognised in profit or loss	14,224	7,931	34,032	41,446

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

24. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Term loans	1,024	862	-	-
- Bills payable	2,601	2,741	-	-
- Revolving credit	32,685	28,088	-	-
- Medium Term Notes	35,293	35,333	35,293	35,333
- Commercial Papers	-	4,457	-	4,457
- Other borrowings	105	1,455	16,873	18,217
Recognised in profit or loss	71,708	72,936	52,166	58,007

25. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after crediting:				
Bad debts recovered	395	7	-	-
Dividend income from:				
- Unquoted subsidiaries	-	-	49,500	47,425
- Joint venture	-	-	250	150
Fair value adjustment on investment properties	985	4,960	-	-
Gain on disposal of property, plant and equipment	5,003	5,659	-	-
Interest income	14,224	7,931	34,032	41,446
Net gain on foreign exchange:				
- Unrealised	1,779	28,410	-	-
- Realised	15,878	38,352	-	17,451
Rental income on leased assets	1,605	2,402	-	-
Rental income on land and buildings	3,075	2,202	-	-
Reversal of impairment loss on:				
- Property, plant and equipment	-	2,326	-	-
- Hire purchase receivables	25	2,548	-	-
- Trade receivables	3,234	3,362	-	-
Reversal of write-down of inventories	2,121	7,179	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

25. (LOSS)/PROFIT BEFORE TAX (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after charging:				
Audit fee				
Current year				
- KPMG Malaysia	600	600	57	57
- Overseas affiliates of KPMG Malaysia	131	145	-	-
- Other auditors	101	63	-	-
Under provision in prior year	-	15	-	-
Non-audit fee				
Current year				
- KPMG Malaysia	50	138	15	27
- Overseas affiliates of KPMG Malaysia	178	160	-	-
- Other auditors	88	6	-	-
Under provision in prior year	-	39	-	-
Amortisation of prepaid lease payments	2,094	1,910	-	-
Bad debts written off	1,026	271	-	-
Depreciation of property, plant and equipment	112,266	124,148	133	189
Direct operating expenses of investment properties generating rental income	470	329	-	-
Loss on disposal of property, plant and equipment	-	-	23	17
Interest expense	71,708	72,936	52,166	58,007
Inventories written off	117	6,384	-	-
Write-down of inventories	5,624	2,361	-	-
Impairment loss on:				
- Property, plant and equipment	-	4,930	-	-
- Hire purchase receivables	11,780	10,170	-	-
- Trade receivables	7,012	8,114	-	-
Net loss on foreign exchange:				
- Unrealised	38,116	33,959	-	20,101
- Realised	876	19,509	-	-
Non-executive directors:				
- Fee	435	444	435	444
- Allowance and benefits	197	170	194	170

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

25. (LOSS)/PROFIT BEFORE TAX (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after charging (continued):				
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	45,706	47,949	1,032	884
- Expenses related to defined benefit plans	12,986	11,439	6,418	4,328
- Wages, salaries and others	426,092	451,406	7,377	5,951
Property, plant and equipment written off	1,028	600	-	-
Rental expense on:				
- Land and buildings	34,937	37,559	222	222
- Motor vehicles	3,698	1,940	-	-
Warranty claim	1,458	1,842	-	-

26. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive directors:				
- Remunerations	17,985	17,804	6,835	6,792
- Other short term benefits	1,606	293	1,574	277
	19,591	18,097	8,409	7,069
Other key management personnel:				
- Remuneration and other short term employee benefits	4,608	6,076	-	-
	24,199	24,173	8,409	7,069

Remunerations paid to executive directors were by virtue of their contract of service or employment with the Group and the Company.

Other key management personnel comprise the executive directors of certain subsidiaries of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

27. TAX EXPENSE/(INCOME)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Recognised in the profit or loss				
Income tax expense				
Income tax expense	43,734	48,694	-	-
(Over)/Under provided in prior years	(10,282)	(273)	286	2
	33,452	48,421	286	2
Deferred tax expense				
Reversal of temporary differences	(13,460)	(30,598)	(1,566)	(1,109)
Crystalisation of deferred tax liabilities arising from revaluation surplus	(2,645)	(2,645)	-	-
Under provided in prior years	6,231	776	-	6
	(9,874)	(32,467)	(1,566)	(1,103)
	23,578	15,954	(1,280)	(1,101)
Reconciliation of tax expense				
(Loss)/Profit before tax	(72,811)	(43,080)	12,885	14,001
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	(17,475)	(10,339)	3,092	3,360
Effect of tax rates in foreign jurisdictions	3,321	2,583	-	-
Double deduction	-	(287)	-	-
Non-deductible expenses	35,321	22,268	7,286	7,417
Income not subject to tax	(1,596)	(5,866)	(11,944)	(11,886)
Crystalisation of deferred tax liabilities arising from revaluation surplus	(2,645)	(2,645)	-	-
Different tax rate for fair value in investment properties	(38)	(357)	-	-
Unrecognised deferred tax assets	10,741	10,094	-	-
	27,629	15,451	(1,566)	(1,109)
(Over)/Under provided in prior years	(4,051)	503	286	8
	23,578	15,954	(1,280)	(1,101)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

28. OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	-	-	-	3,534	(848)	2,686
Revaluation of property, plant and equipment	-	-	-	203,205	(31,306)	171,899
	-	-	-	206,739	(32,154)	174,585
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	5,696	-	5,696	(9,712)	-	(9,712)
Foreign currency translation differences for an equity-accounted associate	(226)	-	(226)	1,321	-	1,321
Cash flow hedge	21,355	-	21,355	(11,107)	-	(11,107)
	26,825	-	26,825	(19,498)	-	(19,498)
	26,825	-	26,825	187,241	(32,154)	155,087

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

29. BASIC LOSS PER ORDINARY SHARE

Group

Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 31 December 2017 was based on the loss attributable to ordinary shareholders of RM88,597,000 (2016: Loss attributable to ordinary shareholders RM54,943,000) and the weighted average number of ordinary shares outstanding during the year is 652,662,000 (2016: 652,664,000).

Weighted average number of ordinary shares

	Group	
	2017	**2016**
	'000	**'000**
Issued ordinary shares at 1 January	652,663	652,665
Effect of treasury shares held	(1)	(1)
Weighted average number of ordinary shares at 31 December	652,662	652,664

30. DIVIDENDS

Dividends recognised in the current year and previous year by the Company are:

	Sen per share	Total RM'000	Date of payment
2017			
Interim 2017 ordinary	1.00	6,527	29 September 2017
Final 2016 ordinary	1.00	6,527	21 June 2017
Total		13,054	
2016			
Interim 2016 ordinary	1.00	6,527	29 September 2016
Final 2015 ordinary	3.00	19,580	21 June 2016
Total		26,107	

Proposed final dividend

After the end of the reporting period, a final single tier dividend of 1 sen per share totaling RM6,527,000 (2016: 1 sen per share totaling RM6,527,000) in respect of the year ended 31 December 2017 was recommended by the Directors. This dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

31. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The following summary describes the operations in each of the Group's reportable segments:

- *Vehicles assembly, manufacturing, distribution and after sale services*: Business in assembly and distribution of passenger and commercial vehicles, automotive workshop services, distribution of automotive spare parts and manufacturing of automotive parts.

- *Financial services*: Business in provision of hire purchase financing, personal loans and insurance agency.

- *Other operations*: Business in property and investment holding activities.

Performance is measured based on segment earnings before interest, taxation, depreciation and amortisation (EBITDA), as included in the internal management reports that are reviewed by the Chief Operating Decision Makers ("CODM"). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The operations of the Group are predominantly in Malaysia.

Following a review of the Group's operating segments at the start of financial year 2017, a decision was taken to improve the Group's segmental reporting to more accurately reflect how management views the business by geographical segment.

There is no concentration or reliance of single customer which the single external revenue is 10 percent or more during the financial year 2017 and 2016.

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

31. OPERATING SEGMENTS (continued)

(a) Business segment

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	4,257,656	5,383,492	75,937	65,880	7,635	11,385	4,341,228	5,460,757
Inter-segment revenue	301	412	1,386	1,380	76,385	82,860	78,072	84,652
Segment EBITDA/(LBITDA)	96,156	101,565	20,910	23,348	(2,819)	34,014	114,247	158,927
Depreciation and amortisation	(88,659)	(101,994)	(752)	(1,158)	(24,949)	(22,906)	(114,360)	(126,058)
Finance costs	(50,577)	(53,547)	(1,317)	(2,580)	(19,814)	(16,809)	(71,708)	(72,936)
Finance income	715	690	105	223	13,404	7,018	14,224	7,931
Share of profit of equity-accounted investees, net of tax	1,643	1,451	579	749	1,161	1,030	3,382	3,230
Unallocated corporate expenses							(18,596)	(14,174)
Loss before tax							(72,811)	(43,080)
Tax expense							(23,578)	(15,954)
Loss for the year							(96,389)	(59,034)

(b) Geographical segment

	Malaysia		Vietnam		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,602,617	4,809,088	577,511	594,790	161,100	56,879	4,341,228	5,460,757
Segment EBITDA/(LBITDA)	151,812	195,927	(36,121)	(24,077)	(1,444)	(12,923)	114,247	158,927

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

32. COMMITMENTS

(a) Capital commitments

	Group	
	2017	2016
	RM'000	RM'000
Property, plant and equipment:		
Authorised but not contracted for	33,962	30,179
Contracted but not provided for		
In Malaysia	30,059	79,851
Outside Malaysia	8,002	1,003
	72,023	111,033

(b) Non-cancellable operating lease

	Group	
	2017	2016
	RM'000	RM'000
Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:		
Not later than 1 year	1,669	1,838
More than 1 year but not later than 5 years	6,676	7,351
More than 5 years	104,804	117,222
	113,149	126,411

The non-cancellable operating lease consists of a land lease for 50 years extendable by two terms of ten years each in Bago Region, Myanmar.

33. CONTINGENCIES

(a) Counter claim from Narita Motorcare (Cambodia) Co. Ltd. ("Narita"), Mr. Long Narith and Ms Pich Sokhom

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 the 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 which 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. Subsequently, Narita, Mr. Long Narith and Ms. Pich Sokhom have filed an appeal with Court of Appeal against the decision made in November 2017.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

33. CONTINGENCIES (continued)

(a) Counter claim from Narita Motorcare (Cambodia) Co. Ltd. ("Narita"), Mr. Long Narith and Ms Pich Sokhom (continued)

The Court of Appeal has fixed the delivery of the decision of appeal on 6 March 2018. As at to date, the Court of Appeal has yet to issue its written decision delivered on 6 March 2018.

The management is of the view that the financial impact of this matter is not foreseen to be substantial.

(b) Counter claim served on TCM Stamping Products Sdn Bhd ("TCMSP")

On 18 August 2016, TCMSP filed a claim against Meka Automotive Industries Sdn Bhd ("MEKA") for the sum of RM319,829 in respect of supply of automotive accessories. Subsequently, MEKA filed a counter claim of RM16,500,000 against TCMSP, inter alia, for alleged loss of business. On 7 November 2017, TCMSP filed an application for summary judgement against MEKA and TCMSP's application for striking out MEKA's defence and counter claim in High Court. On 7 February 2018, TCMSP has successfully obtained Order in Terms and Striking Out against MEKA's Defence and the Counter Claim in High Court.

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

On 15 August 2017, TCIE 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 had 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 had negotiated with the Debtors on the settlement of the Debt on many occasions and after lengthy negotiations, the Debtors and KTB had 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 had failed to make timely repayments of the Debt in accordance with the Settlement Agreement hence, TCIE had 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 has 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 have filed an appeal with the Court of Appeal against the judgment of the High Court.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

33. CONTINGENCIES (continued)

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

The Court of Appeal has fixed further case management on 26 April 2018.

The management is of the opinion that TCIE has reasonably good chance of succeeding in the court case in view the action is without any legal basis by the Plaintiff.

34. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Controlling related party relationships are as follows:

(i) The subsidiaries as disclosed in Note 37.
(ii) The substantial shareholders of the Company.

Significant related party transactions

(i) 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, Dato' Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	Group	
	2017	2016
	RM'000	RM'000
With WTCH Group		
Purchases	(11,225)	(16,037)
Sales	28,783	81,391
Provision of hire purchase and leasing	3,836	17,692
Insurance agency, workshop services and administrative services	4,393	5,505
Travel agency and car rental services	(5,605)	(7,371)
Rental income receivable	1,065	1,075
Rental expense payable	(730)	(489)
Contract assembly fee receivable	3,088	596

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

34. RELATED PARTIES (continued)

Significant related party transactions (continued)

(i) 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, Dato' Tan Heng Chew, is deemed to have substantial financial interests, are as follows (continued):

	Group	
	2017	2016
	RM'000	RM'000
With APM Group		
Purchases	(74,434)	(106,509)
Sales	8,751	11,120
Insurance agency, workshop services and administrative services	768	737
Rental income receivable	38	32
Rental expense payable	(1,353)	(1,677)
With TCIL Group		
Sales	3,740	7,143
Rental income receivable	-	82
Contract assembly fee receivable	19,073	45,597

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

(ii) Significant transactions with Nissan Motor Co., Ltd. Group, which is a substantial shareholder of the Company, are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Purchases	(1,255,345)	(2,252,516)
Technical assistance fee and royalty	(17,001)	(22,798)

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

(iii) Significant transactions with Renault s.a.s. Group, which is a substantial shareholder of Nissan Motor Co., Ltd., are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Purchases	(37,891)	(8,460)
Technical assistance fee	(159)	(203)

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

34. RELATED PARTIES (continued)

Significant related party transactions (continued)

(iv) Significant transactions with Auto Dunia Sdn. Bhd.:

(a) a company in which a Director of the subsidiary of the Company, namely Datuk Yaacob bin Wan Ibrahim, has substantial financial interests; and

(b) a company connected with a Director of the Company, Dato' Tan Heng Chew, by virtue of Section 197 of the Companies Act 2016.

	Group	
	2017	2016
	RM'000	RM'000
Purchases	(529,318)	(614,526)
Sales	14,054	17,836
Insurance agency, workshop services and administrative services	2	12
Rental income receivable	295	295

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

(v) Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2017	2016
	RM'000	RM'000
Subsidiaries		
Dividend income receivable	49,500	47,425
Interest income receivable	33,916	41,319
Management fees payable	(920)	(1,079)
Rental expense payable	(222)	(222)
Interest expense payable	(16,873)	(18,215)

These transactions have been entered into in the normal course of business and have been established under negotiated terms. The gross balances outstanding for subsidiaries are disclosed in Note 13 and Note 20.

There are no impairment loss made and no bad or doubtful receivable recognised for the financial year ended 31 December 2017 and 31 December 2016 in respect of the above related party balances.

There are no significant transactions with the key management personnel in the Group other than disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT"); or
- Designated upon initial recognition ("DUIR");
(c) Financial liabilities measured at amortised cost ("FL"); and
(d) Derivatives designated as hedging instrument

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	FVTPL -DUIR RM'000	Derivatives designated as hedging instrument RM'000
2017					
Financial assets					
Group					
Other investments	144,158	-	144,157	1	-
Trade and other receivables	537,867	537,867	-	-	-
Hire purchase receivables	838,991	838,991	-	-	-
Finance lease receivables	1,097	1,097	-	-	-
Deposits	14,214	14,214	-	-	-
Derivative financial assets	16,375	-	-	-	16,375
Cash and cash equivalents	318,005	318,005	-	-	-
	1,870,707	1,710,174	144,157	1	16,375
Company					
Other investments	139	138	-	1	-
Amount due from subsidiaries	661,918	661,918	-	-	-
Deposits	77	77	-	-	-
Cash and cash equivalents	1,755	1,755	-	-	-
	663,889	663,888	-	1	-
2016					
Financial assets					
Group					
Other investments	3,002	-	3,001	1	-
Trade and other receivables	678,662	678,662	-	-	-
Hire purchase receivables	534,538	534,538	-	-	-
Finance lease receivables	460	460	-	-	-
Deposits	13,832	13,832	-	-	-
Derivative financial assets	102	-	-	-	102
Cash and cash equivalents	227,560	227,560	-	-	-
	1,458,156	1,455,052	3,001	1	102

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.1 Categories of financial instruments (continued)

	Carrying amount	L&R	FVTPL -HFT	FVTPL -DUIR	Derivatives designated as hedging instrument
	RM'000	RM'000	RM'000	RM'000	RM'000
2016					
Financial assets					
Company					
Other investments	139	138	-	1	-
Amount due from subsidiaries	773,754	773,754	-	-	-
Other receivables	369	369	-	-	-
Deposits	77	77	-	-	-
Cash and cash equivalents	212	212	-	-	-
	774,551	774,550	-	1	-

	Carrying amount	FL	Derivatives designated as hedging instrument
	RM'000	RM'000	RM'000
2017			
Financial liabilities			
Group			
Borrowings	1,777,883	1,777,883	-
Payables and accruals	586,625	586,625	-
Derivative financial liabilities	373	-	373
	2,364,881	2,364,508	373
Company			
Borrowings	748,147	748,147	-
Payables and accruals	349,686	349,686	-
	1,097,833	1,097,833	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.1 Categories of financial instruments (continued)

	Carrying amount	FL	Derivatives designated as hedging instrument
	RM'000	RM'000	RM'000
2016			
Financial liabilities			
Group			
Borrowings	1,807,335	1,807,335	-
Payables and accruals	661,635	661,635	-
Derivative financial liabilities	5,164	-	5,164
	2,474,134	2,468,970	5,164
Company			
Borrowings	747,604	747,604	-
Payables and accruals	367,336	367,336	-
	1,114,940	1,114,940	-

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	11,577	5,556	-	-
Loans and receivables	42,790	30,826	34,032	58,897
Financial liabilities measured at amortised cost	(93,043)	(59,642)	(52,166)	(58,007)
Derivatives designated as hedging instrument	21,355	(11,107)	-	-
	(17,321)	(34,367)	(18,134)	890

35.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Credit risk in relation to the Group's core business activities are managed by the respective operating units where credit policies that are specific to their respective industries are in place.

New vehicles sales are mainly financed by finance companies, with the remainder financed by TC Capital Resources Sdn. Bhd. ("TCCR") and as such, the Group's collection risk rests mainly with these finance companies. The Group also extends credit to used car dealers, spare part dealers and selective corporate purchasers. Bank guarantees are required on a selective basis to secure the line of credit from the Group. For used car dealers, spare part dealers and selective corporate purchasers, the Group has an informal credit policy in place and the exposure is monitored on an ongoing basis. In respect of hire purchase business financed via TCCR, credit evaluations are performed on all customers requiring financing from the Group and the Group has ownership claims over the vehicles under financing.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are trade receivables of the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

(a) Trade receivables

The ageing of trade receivables as at the end of the reporting period was:

	Gross	Individual impairment	Collective impairment	Net
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Not past due	206,615	(716)	(256)	205,643
Past due 1 - 30 days	51,388	-	(76)	51,312
Past due 31 - 90 days	28,959	(347)	(26)	28,586
Past due more than 90 days	97,441	(19,148)	(421)	77,872
	384,403	(20,211)	(779)	363,413

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(a) Trade receivables (continued)

	Gross	Individual impairment	Collective impairment	Net
	RM'000	RM'000	RM'000	RM'000
Group				
2016				
Not past due	284,340	-	(181)	284,159
Past due 1 - 30 days	48,577	-	(7)	48,570
Past due 31 - 90 days	17,591	(1)	(7)	17,583
Past due more than 90 days	174,075	(16,584)	(486)	157,005
	524,583	(16,585)	(681)	507,317

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	17,266	14,306
Impairment loss recognised	7,012	8,114
Impairment loss reversed	(3,234)	(3,362)
Impairment loss written off	(54)	(1,792)
At 31 December	20,990	17,266

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(b) Hire purchase receivables

The ageing of hire purchase receivables as at the end of the reporting period was:

	Gross	Individual impairment	Collective impairment	Net
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Not past due	690,413	(17)	(635)	689,761
Past due 1 - 30 days	105,491	(20)	(982)	104,489
Past due 31 - 90 days	39,910	(352)	(2,066)	37,492
Past due more than 90 days	43,463	(18,301)	(17,913)	7,249
	879,277	(18,690)	(21,596)	838,991
2016				
Not past due	441,661	-	(289)	441,372
Past due 1 - 30 days	64,321	-	(539)	63,782
Past due 31 - 90 days	26,313	(27)	(1,386)	24,900
Past due more than 90 days	30,774	(10,821)	(15,469)	4,484
	563,069	(10,848)	(17,683)	534,538

The movements in the allowance for impairment losses of hire purchase receivables during the financial year were:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	28,531	20,924
Impairment loss recognised	11,780	10,170
Impairment loss reversed	(25)	(2,548)
Impairment loss written off	-	(15)
At 31 December	40,286	28,531

Hire purchase receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(c) Finance lease receivables

The ageing of finance lease receivables as at the end of the reporting period was:

	Gross	Individual impairment	Collective impairment	Net
	RM'000	RM'000	RM'000	RM'000
Group				
2017				
Not past due	1,097	-	-	1,097
Past due 1 - 30 days	-	-	-	-
Past due 31 - 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
	1,097	-	-	1,097
2016				
Not past due	460	-	-	460
Past due 1 - 30 days	-	-	-	-
Past due 31 - 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
	460	-	-	460

Finance lease receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties. At the end of the reporting period, there was no indication that finance lease receivables are not recoverable.

The allowance account in respect of trade receivables, hire purchase receivables and finance lease receivables are used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Transactions involving derivative financial instruments are entered into with licensed banks only. The Group also places a significant portion of its excess funds in money market funds and short term deposits with licensed financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

As at the end of the reporting period, there was no indication that the investments and other financial assets are not recoverable.

The investments and other financial assets are unsecured and the management is of the view that credit and interest rate risks exposure to licensed banks and financial institutions is minimal.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries of the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current advances to subsidiaries are not overdue.

35.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Contractual interest rate	Carrying amount	Not later than 2 years	More than 2 years but not later than 5 years	Contractual cash flows	Not later than 1 year	More than 1 year but not later than 5 years
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Non-derivative financial liabilities							
Term loans	1.10-5.45	33,018	33,018	-	33,018	33,018	-
Bills payable	3.51-4.72	57,307	57,307	-	57,307	57,307	-
Revolving credit	2.92-7.20	939,411	939,411	-	939,411	939,411	-
Medium Term Notes	4.50-4.70	748,147	249,552	498,595	866,503	34,940	831,563
Payables and accruals	-	586,625	586,625	-	586,625	586,625	-
		2,364,508	1,865,913	498,595	2,482,864	1,651,301	831,563
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	-	373	373	-	51,138	51,138	-
Inflow	-	-	-	-	(50,765)	(50,765)	-
		2,364,881	1,866,286	498,595	2,483,237	1,651,674	831,563

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2016							
Non-derivative financial liabilities							
Term loans	1.10 – 1.31	45,415	45,415	-	45,415	45,415	-
Bills payable	3.55 – 4.50	24,391	24,391	-	24,391	24,391	-
Revolving credit	1.59 – 7.72	989,925	989,925	-	989,925	989,925	-
Medium Term Notes	4.50 – 4.70	747,604	249,330	498,274	901,253	34,750	866,503
Payables and accruals	-	661,635	661,635	-	661,635	661,635	-
		2,468,970	1,970,696	498,274	2,622,619	1,756,116	866,503
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	-	5,164	5,164	-	73,131	73,131	-
Inflow	-	-	-	-	(67,939)	(67,939)	-
		2,474,134	1,975,860	498,274	2,627,811	1,761,308	866,503

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2017							
Non-derivative financial liabilities							
Medium Term Notes	4.50 – 4.70	748,147	249,552	498,595	866,503	34,940	831,563
Amount due to subsidiaries							
- Non-current	6.05	336,620	-	336,620	356,986	-	356,986
- Current	4.43	5,059	5,059	-	5,059	5,059	-
Payables and accruals	-	8,007	8,007	-	8,293	8,293	-
		1,097,833	262,618	835,215	1,236,841	48,292	1,188,549

Company	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2016							
Non-derivative financial liabilities							
Medium Term Notes	4.50 – 4.70	747,604	249,330	498,274	901,253	34,750	866,503
Amount due to subsidiaries							
- Non-current	6.05	358,912	-	358,912	379,550	-	379,550
- Current	4.38 – 4.64	939	939	-	939	939	-
Payables and accruals	-	7,485	7,485	-	7,485	7,485	-
		1,114,940	257,754	857,186	1,289,227	43,174	1,246,053

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

35.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Japanese Yen ("JPY").

Risk management objectives, policies and processes for managing the risk

The Group hedges its foreign currency denominated trade payables and overseas subsidiaries loan repayments. Derivative financial instruments like forward exchange contracts are used to reduce exposure to fluctuations in foreign exchange rates. The Group avoids using leverage derivatives for hedging purposes and also does not hedge for speculative purposes. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2017		2016	
	Denominated in		Denominated in	
	USD	JPY	USD	JPY
	RM'000	RM'000	RM'000	RM'000
Group				
Receivables	1,817	1,327	700	1,072
Intra-group balances	128,580	-	99,369	-
Cash and cash equivalents	46,666	118	24,380	1,497
Payables and accruals	(26,870)	(202)	(27,214)	-
Borrowings	(160,769)	-	(302,394)	-
Derivative financial assets/(liabilities)	16,017	(15)	(5,020)	(144)
Net exposure	5,441	1,228	(210,179)	2,425

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk (continued)

35.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A simulated 5% strengthening in the USD/JPY against MYR at the end of the reporting period would have increase/(decrease) equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables in particular interest rates and market conditions remained constant and ignores any impact of forecasted sales and purchases.

	2017		2016	
	Equity	Profit or loss	Equity	Profit or loss
	RM'000	RM'000	RM'000	RM'000
USD	207	(402)	(7,987)	(7,796)
JPY	47	47	92	98

A simulated 5% weakening of USD/JPY against the MYR at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

35.6.2 Interest rate risk

The Group's exposure to interest rate risk arises from interest-bearing borrowings and the placement of excess funds in interest-earning deposits. The borrowings which have been obtained to finance the working capital of the Group are subject to floating interest rates except for Medium Term Notes and term loans from certain commercial banks which are fixed with tenure ranging from 36 to 84 months.

Excess funds are placed with licensed financial institutions for certain periods during which the interest rates are fixed. The management reviews the rates at regular intervals.

On the other hand, the Group provides hire purchase loans at fixed rates for tenures of up to 9 years. These loans are funded by internal and external resources.

Risk management objectives, policies and processes for managing the risk

The Group adopts a policy of ensuring that between 40% and 60% of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk (continued)

35.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets:				
Assets-backed notes	-	-	138	138
Hire purchase receivables	838,991	534,538	-	-
Finance lease receivables	1,097	460	-	-
Amount due from subsidiaries	-	-	647,551	763,541
Deposits with licensed banks	56,961	35,842	-	-
Financial liabilities:				
Medium Term Notes	(748,147)	(747,604)	(748,147)	(747,604)
Amount due to subsidiaries	-	-	(336,620)	(358,912)
	148,902	(176,764)	(437,078)	(342,837)
Floating rate instruments				
Financial assets:				
Amount due from subsidiaries	-	-	14,367	10,213
Financial liabilities:				
Term loans	(33,018)	(45,415)	-	-
Bills payables	(57,307)	(24,391)	-	-
Revolving credit	(939,411)	(989,925)	-	-
Amount due to subsidiaries	-	-	(5,059)	(939)
	(1,029,736)	(1,059,731)	9,308	9,274

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk (continued)

35.6.2 Interest rate risk (continued)

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit and loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) interest rate at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	2017	2017	2016	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Floating rate instruments	(7,826)	7,826	(8,054)	8,054
Company				
Floating rate instruments	71	(71)	70	(70)

35.6.3 Other price risk

Market price risk is the risk that the fair value or future cash flow of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rate).

Risk management objectives, policies and processes for managing the risk

The Group is exposed to market price risk arising from its placement in money market deposits and investments in quoted unit trusts. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manage its portfolio in accordance with established guidelines and policies. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Treasury Investment Committee.

Sensitivity analysis

At the reporting date, if the prices of instruments had been 1% (2016: 1%) higher/lower, with all other variables held constant, the Group profit and loss would have increased/(decreased) by RM1,442,000 (2016: RM30,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.7 Hedging activities

Cash flow hedge

The Group has entered into forward foreign currency exchange contracts to hedge the cash flow risk in relation to the foreign currency exposure, which are designated as cash flow hedges.

The following table indicates the periods in which the cash flows associated with the forward exchange contracts are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000
2017			
Forward exchange contracts	16,002	16,002	16,002
2016			
Forward exchange contracts	(5,062)	(5,062)	(5,062)

During the financial year, a gain of RM16,293,000 (2016: loss of RM5,062,000) was recognised in other comprehensive income. The gain/(loss) on the hedging derivative is included in the carrying amount of the inventory acquired. The gain/(loss) is reclassified to profit or loss when the inventory affects profit or loss (that is, on sale of the goods containing the hedged components or impairment of the inventory).

Ineffectiveness loss amounting to RM291,000 (2016: Nil) was recognised in profit or loss during the financial year in respect of the hedge.

35.8 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017										
Group										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Liquid investments with licensed financial institutions	-	144,157	-	144,157	-	-	-	-	144,157	144,157
Hire purchase receivables	-	-	-	-	-	-	838,991	838,991	838,991	838,991
Finance lease receivables	-	-	-	-	-	-	1,097	1,097	1,097	1,097
Derivative financial assets – forward exchange contracts	-	16,375	-	16,375	-	-	-	-	16,375	16,375
	-	160,353	-	160,353	-	-	840,088	840,088	1,000,621	1,000,621
Financial liabilities										
Borrowings	-	-	-	-	-	-	(1,777,883)	(1,777,883)	(1,777,883)	(1,777,883)
Derivative financial liabilities – forward exchange contracts	-	(373)	-	(373)	-	-	-	-	(373)	(373)
	-	(373)	-	(373)	-	-	(1,777,883)	(1,777,883)	(1,778,256)	(1,778,256)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016										
Group										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Liquid investments with licensed financial institutions	-	3,001	-	3,001	-	-	-	-	3,001	3,001
Hire purchase receivables	-	-	-	-	-	-	534,538	534,538	534,538	534,538
Finance lease receivables	-	-	-	-	-	-	460	460	460	460
Derivative financial assets – forward exchange contracts	-	102	-	102	-	-	-	-	102	102
	-	3,104	-	3,104	-	-	534,998	534,998	538,102	538,102
Financial liabilities										
Borrowings	-	-	-	-	-	-	(1,807,335)	(1,807,335)	(1,807,335)	(1,807,335)
Derivative financial liabilities – forward exchange contracts	-	(5,164)	-	(5,164)	-	-	-	-	(5,164)	(5,164)
	-	(5,164)	-	(5,164)	-	-	(1,807,335)	(1,807,335)	(1,812,499)	(1,812,499)

NOTES TO THE FINANCIAL STATEMENTS
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35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017										
Company										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Asset-backed notes	-	-	-	-	-	-	138	138	138	138
Amount due from subsidiaries	-	-	-	-	-	-	661,918	661,918	661,918	661,918
	-	1	-	1	-	-	662,056	662,056	662,057	662,057
Financial liabilities										
Borrowings	-	-	-	-	-	-	(748,147)	(748,147)	(748,147)	(748,147)
Amount due to subsidiaries	-	-	-	-	-	-	(341,679)	(341,679)	(341,679)	(341,679)
	-	-	-	-	-	-	(1,089,826)	(1,089,826)	(1,089,826)	(1,089,826)
2016										
Company										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Asset-backed notes	-	-	-	-	-	-	138	138	138	138
Amount due from subsidiaries	-	-	-	-	-	-	773,754	773,754	773,754	773,754
	-	1	-	1	-	-	773,892	773,892	773,893	773,893
Financial liabilities										
Borrowings	-	-	-	-	-	-	(747,604)	(747,604)	(747,604)	(747,604)
Amount due to subsidiaries	-	-	-	-	-	-	(359,851)	(359,851)	(359,851)	(359,851)
	-	-	-	-	-	-	(1,107,455)	(1,107,455)	(1,107,455)	(1,107,455)

NOTES TO THE FINANCIAL STATEMENTS
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35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial assets/liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance lease receivables and hire purchase receivables, the market rate of interest is determined by reference to similar finance lease and hire purchase agreements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2016: no transfer in either direction).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Fair values of hire purchase receivables and finance lease receivables have been generally derived using discounted cash flow approach.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The team regularly reviews significant unobservable inputs and valuation adjustments.

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36. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2017 and 31 December 2016 were as follows:

		Group	
	Note	2017	2016
		RM'000	RM'000
Total borrowings	18	1,777,883	1,807,335
Less: Other investments	9	(144,157)	(3,001)
Cash and cash equivalents	16	(318,005)	(227,560)
Net debt		1,315,721	1,576,774
Total equity attributable to owners of the Company		2,795,879	2,873,242
Net debt-to-equity ratios		0.47	0.55

There were no changes in the Group's approach to capital management during the financial year.

The Group is also required to maintain certain debt-to-equity ratio to comply with debt covenants, failing which, an event of default may be triggered. The Group has not breached these covenants.

37. SUBSIDIARIES

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are shown below:

		Effective ownership interest	
Name	Principal activities	2017	2016
		%	%
Incorporated in Malaysia:			
Agensi Pekerjaan Bijak Sdn. Bhd.	Provision of employment agency services	100	100
Auto Components Manufacturers Sdn. Bhd.	Property investment holding	100	100
Autokita Sdn. Bhd.	Insurance agency	100	100
Ceranamas Sdn. Bhd.	Property and investment holding	100	100
Constant Knight (M) Sdn. Bhd.	Property investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS
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37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Incorporated in Malaysia:			
Edaran Tan Chong Motor Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Sabah) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Sarawak) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Selatan) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Tengah) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Utara) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
First Energy Networks Sdn. Bhd.	Operating charging infrastructure and system for electric vehicles	100	100
Hikmat Asli Sdn. Bhd.	Property investment holding	100	100
Inspired Motor Sdn. Bhd.	Sales and marketing of motor vehicles and workshop services	70	70
Julang Lumayan Sdn. Bhd.	Property investment holding	100	100
Pemasaran Alat Ganti Sdn. Bhd.	Marketing of automotive parts	100	100
Perwiramas Sdn. Bhd.	Investment holding	100	100
* Premium Commerce Berhad	Structured entity for asset-backed securitisation	-	-
Rustcare Sdn. Bhd.	Distribution of automotives accessories	100	100
Sungei Bintang Sdn. Bhd.	Property investment holding	100	100
Tan Chong & Sons Motor Company Sdn. Bhd.	Assembly and sale of motor vehicles	100	100
Tan Chong Agency Sdn. Bhd.	Insurance agency	100	100
Tan Chong Education Sdn. Bhd.	Investment holding	100	100
Tan Chong Education Services Sdn. Bhd.	Provision of education services	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	2016 %
Incorporated in Malaysia:			
Tan Chong Ekspres Auto Servis Sdn. Bhd.	Automotive workshop services	100	100
Tan Chong Industrial Equipment (Sabah) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100
Tan Chong IBS Sdn. Bhd.	Insurance agency	100	100
Tan Chong Industrial Equipment Sdn. Bhd.	Distribution of commercial vehicles and spare parts	100	100
Tan Chong Premier Sdn. Bhd.	Insurance agency	100	100
Tan Chong Motor Assemblies Sdn. Bhd.	Assembly of motor vehicles and engines and trading of parts	70	70
Tan Chong Trading (Malaysia) Sdn. Berhad	Investment holding and merchandise trading	100	100
Tanahku Holdings Sdn. Bhd.	Property investment holding	100	100
TC Auto Tooling Sdn. Bhd.	Production of car alarm system and other security systems, autoparts and accessories	100	100
TC Capital Resources Sdn. Bhd.	Hire purchase financing, leasing, money lending and transport agent	100	100
TC Contact Centre Services Sdn. Bhd.	Provision of call centre services	100	100
TC Commercial Assets Sdn. Bhd.	Property investment holding	100	100
TC Euro Cars Sdn. Bhd.	Distribution of motor vehicles	100	100
TC Facilities Management Sdn. Bhd.	Provision of building facilities management services	100	100
TC Hartanah Sdn. Bhd.	Property investment holding	100	100
TC Heritage Sdn. Bhd.	Investment holding	100	100
TC Insurservices Sdn. Bhd.	Insurance agency	100	100
TC ITech Sdn. Bhd.	Provision of information technology services	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Incorporated in Malaysia:			
TC Maju Properties Sdn. Bhd.	Property investment holding	100	100
TC Management Services Corporation Sdn. Bhd.	Provision of management services	100	100
TC Manufacturing Holdings Sdn. Bhd.	Investment holding	100	100
TC Metropolitan Sdn. Bhd.	Property investment holding	100	100
TC Module Integrator Sdn. Bhd.	Manufacture and sale of automotive parts and modules	100	100
TC Motors (Sarawak) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100
TC Residence Sdn. Bhd.	Property investment holding	100	100
TC Security Services Sdn. Bhd.	Provision of security services	51	51
* TC Sri Amar Sdn. Bhd.	Property investment holding	49	49
TC Trucks Group Sdn. Bhd.	Investment holding	100	100
TC Trucks After Sales Sdn. Bhd.	Distribution and sales of auto parts and provision of after sales services for commercial vehicles	100	100
TC Trucks Sales Sdn. Bhd.	Distribution and sales of commercial vehicles	100	100
TC Utama Sdn. Bhd.	Property investment holding	100	100
TCCL Sdn. Bhd.	Insurance agency	100	100
TCM Stamping Products Sdn. Bhd.	Manufacture and sale of fuel tanks and press metal parts	100	100
TMC Services Sdn. Bhd.	Provision of financial and fund management services	100	100
Truckquip Sdn. Bhd.	Distribution of automotive spare parts and construction of vehicle bodies	100	100
VDC Sdn. Bhd.	Installation of accessories and fittings for motor vehicles	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	2016 %
Incorporated in Malaysia:			
Vincus Holdings Sdn. Bhd.	Investment holding	100	100
West Anchorage Sdn. Bhd.	Investment holding	100	100
Agensi Pekerjaan Bijak (Sabah) Sdn. Bhd.	Dormant	100	100
Auto Infiniti Sdn. Bhd.	Dormant	100	100
Auto Research and Development Sdn. Bhd.	Dormant	100	100
Auto Trucks & Components Sdn. Bhd.	Dormant	100	100
E-Garage Auto Services Sdn. Bhd.	Dormant	100	100
Fujiyama Car Cooler Sdn. Bhd.	Dormant	100	100
Tan Chong Construction Sdn. Bhd.	Dormant	100	100
Tan Chong Development Sdn. Bhd.	Dormant	100	100
Tan Chong Higher Education Sdn. Bhd.	Dormant	100	100
Tan Chong Private Education Sdn. Bhd.	Dormant	100	100
Tan Chong Motorcycles (Malaysia) Sdn. Bhd.	Dormant	100	100
TC Aluminium Castings Sdn. Bhd.	Dormant	100	100
TC Automotive Electronics Sdn. Bhd.	Dormant	100	100
^ ∂ β TC Commercial Insure Agency Sdn. Bhd.	Dormant	100	-
TC Brake System Sdn. Bhd.	Dormant	100	100
TC Capital Premium Sdn. Bhd.	Dormant	100	100
TC Engines Manufacturing Sdn. Bhd.	Dormant	100	100
TC Manufacturing Company (Sabah) Sdn. Bhd.	Dormant	100	100
TC Sunergy Sdn Bhd (formerly known as Cyberguard Vehicle Security Technologies Sdn. Bhd.)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	2016 %
Incorporated in Malaysia:			
TC Plastics Sdn. Bhd.	Dormant	100	100
TC Industrial Entity Sdn. Bhd.	Dormant	100	100
TC Industrial Lands (Serendah) Sdn. Bhd.	Dormant	100	100
Incorporated in Labuan:			
ETCM (C) Pty Ltd	Investment holding and trading of motor vehicles	100	100
ETCM (Labuan) Pty Ltd	Investment holding	100	100
ETCM (L) Pty Ltd	Investment holding and trading of motor vehicles	100	100
ETCM (MM) Pte Ltd	Investment holding and trading of motor vehicles	100	100
ETCM (V) Pte Ltd	Investment holding	100	100
Tan Chong Motorcycles (Labuan) Pte Ltd	Investment holding	100	100
Tan Chong Trading (Labuan) Pty Ltd	Investment holding	100	100
TC Express Auto Services and Spare Parts (Labuan) Pty Ltd	Investment holding	100	100
TC Manufacturing (Labuan) Pte Ltd	Investment holding	100	100
TC Overseas Assets (Labuan) Pte Ltd	Investment holding	100	100
TC Services Labuan (V) Pte Ltd	Investment holding	100	100
TCIE (Labuan) Pty Ltd	Investment holding	100	100
TCMSC (Labuan) Pte Ltd	Investment holding	100	100
Tan Chong Motorcycles (MM) Pte Ltd	Dormant	100	100
TC Capital Resources (Labuan) Pty Ltd	Dormant	100	100
TC Assets Labuan (V) Pte Ltd	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Incorporated in Cambodia:			
#β TC Express Auto Services and Spare Parts (Cambodia) Pty. Ltd.	Automobile workshop services and trading of spare parts	100	100
#β Tan Chong Motor (Cambodia) Pty. Ltd.	Importation and distribution of motor vehicles	100	100
^β T C Motor Sales (Cambodia) Pty. Ltd.	Dormant	100	100
Incorporated in Vietnam:			
#β TC Motor Vietnam Co. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
@β TCIE Vietnam Pte. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
@β Nissan Vietnam Co. Ltd.	Importation and distribution of motor vehicles and spare parts	74	74
#β TC Motorcycles (Vietnam) Co. Ltd.	Importation and distribution of motorcycles and motorcycle components	100	100
#β TC Services Vietnam Co., Ltd.	Retail distribution of automobiles, automobile workshop services and trading of spare parts	100	100
#β TC Systems (Vietnam) Co., Ltd.	Producing software products, providing IT solutions & services and integrating IT systems	100	100
Incorporated in Laos:			
^β Tan Chong Motor (Lao) Sole Co. Ltd.	Importation and distribution of motor vehicles	100	100
^β Tan Chong Motorcycles (Laos) Co. Ltd.	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Incorporated in Myanmar:			
^ β E-Garage Auto Services and Spare Parts (Myanmar) Company Limited	Servicing, maintenance of, repairing of all kinds of vehicles and machines	90	90
^ β ETCM (Myanmar) Company Limited	Provision of services relating to vehicle distribution	100	100
^ β Tan Chong Motor (Myanmar) Company Limited	Assembly, sales and distribution of motor vehicles, trading of spare parts and automotive workshop services	100	100
^ β TC Express Auto Services & Spare Parts (Myanmar) Company Limited	Dormant	100	100
Incorporated in Thailand:			
# * β TC Express Auto Services and Spare Parts (Thailand) Co. Ltd.	Automotive workshop services and trading of spare parts	49	49
* β Tan Chong Mekong Regional Co., Ltd.	Regional operating headquarters	100	100
# ∂ β Tan Chong Mekong Trading (Thailand) Co., Ltd.	International trading centre	100	-

Company audited by another firm of Public Accountants.

* Deemed subsidiary by virtue of control in the company.

^ Consolidated using unaudited management financial statements. The 2017 financial statements of these subsidiaries are not required to be audited according to the relevant regulations of the country of incorporation and are not material to the Group.

∂ Company incorporated during the year.

@ Company audited by other member firms of KPMG International.

β Company not audited by KPMG PLT.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

38. SIGNIFICANT EVENTS

(i) On 17 January 2017, the Group registered a wholly-owned subsidiary named Tan Chong Mekong Trading (Thailand) Co., Ltd ("TCMT") as a juristic person by virtue of the Civil and Commercial Code of Thailand as evidenced by a Certificate of Registration of Partnerships and Companies dated 17 January 2017 issued by the Department of Business Development, Ministry of Commerce, Thailand.

The principal activity of TCMT is to carry on business as an International Trading Centre ("ITC") with the objective to procure raw materials, components and parts for industries such as automobile etc. for domestic wholesale trade and export. The ITC investment promotion was approved by the Board of Investment of Thailand on 6 December 2016 and the investment promotion was duly accepted by the Group on 5 January 2017.

TCMT has a registered capital of THB100,000,000 divided into 1,000,000 shares with a par value of THB100 each, of which THB25 has been paid for each share.

(ii) On 12 December 2017, the Company incorporated a new subsidiary named TC Commercial Insure Agency Sdn. Bhd., to undertake the insurance agency business with its paid-up share capital of RM2.

39. SUBSEQUENT EVENT

On 10 January 2018, TC Motor Vietnam Co., Ltd ("TCMV"), a wholly-owned subsidiary of TCMH, entered into an Exclusive Distributorship Agreement with Xiamen King Long United Automotive Industry Co., Ltd ("King Long") of No. 9, King Long Road, Jimei District, Xiamen 361023, Fujian, People's Republic of China in respect of the appointment of TCMV as King Long's sole and exclusive distributor, assembler and after-sales service provider (including the sale and distribution of spare parts) of King Long XMQ6829Y coach model, in both completely assembled form and in its bare chassis form, in Vietnam.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 82 to 188 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Khor Swee Wah @ Koh Bee Leng
Director

Siew Kah Toong
Director

Kuala Lumpur,
Date: 12 April 2018

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Ho Wai Ming**, the Director primarily responsible for the financial management of Tan Chong Motor Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 188 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 12 April 2018.

Ho Wai Ming
MIA CA 12986

Before me:

Tan Seok Kett
No. W530
Commissioner for Oaths
(Persuruhanjaya Sumpah)
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the Members of Tan Chong Motor Holdings Berhad
(Company No. 12969-P) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tan Chong Motor Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 188 (except for pages 84, 85, 88 and 89 that do not form part of the financial statements).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventories

Refer to Note 1(d) – Use of estimates and judgements, Note 2(h) – Significant accounting policies: Inventories and Note 14 – Inventories.

The key audit matter

The Group holds significant levels of inventories including the new vehicles and unassembled vehicle packs ("the inventories"). The cost of the inventories may be affected by the adverse movement of Ringgit Malaysia as the purchases are primarily denominated in U.S. Dollar ("USD") and Japanese Yen ("JPY"). The ability of the Group to sell the inventories in the future may be adversely affected by many factors including changes in consumers' preferences, competitors' activities including pricing and the introduction of new car models. As a result, there is a risk that certain models may be sold below the carrying value and may need to be written down to their net realisable value ("NRV"). It is a significant area for our audit as establishing the valuation of the inventories requires management to make estimates and judgements in determining the appropriateness of write down of the inventories to NRV.

INDEPENDENT AUDITORS' REPORT

to the Members of Tan Chong Motor Holdings Berhad

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

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained an understanding of the assessment performed by the management to arrive at the net realisable value of inventories;
- We tested the cost of inventories by model;
- We compared the inventory levels to recent sales trend; and
- We compared the cost of inventories against the expected selling price less cost to sell by model basis. The expected selling price less cost to sell was derived from post year-end published selling price by model net of estimated discounts and estimated sales incentives, and other related costs.

Valuation of Hire Purchase Receivables

Refer to Note 1(d) – Use of estimates and judgements, Note 2(j)(i) – Significant accounting policies: Impairment and Note 11 – Hire purchase receivables.

The key audit matter

Impairment allowances for hire purchase ("HP") receivables are calculated on individual basis and collective basis. Individual impairment allowances are calculated based on the estimated recoveries from the repossessed vehicles net of the outstanding balances owing from the receivables. The calculation of collective impairment allowances is inherently judgemental and is based on an impairment model which inputs used are historical average delinquency rate and historical average loss on large portfolios of HP receivables. The accuracy of the impairment calculation would be affected by unanticipated changes to the economic environment and assumptions which may differ from actual.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained an understanding of the assessment performed by the management to arrive at the individual and collective impairment allowances;
- For individual assessment, we assessed the appropriateness of the allowance made based on the estimated loss arising from the sales of the repossessed vehicles by comparing the estimated disposal price against the proceeds from post year-end sales of the repossessed vehicles or to published market price;
- We tested the integrity of the inputs to the collective impairment model which include the historical average delinquency rate and historical average loss; and
- We compared the collective impairment allowances to externally available industry data.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

to the Members of Tan Chong Motor Holdings Berhad

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the Members of Tan Chong Motor Holdings Berhad

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 37 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chua See Guan
Approval Number: 03169/02/2019 J
Chartered Accountant

Petaling Jaya, Selangor
12 April 2018

TEN LARGEST PROPERTIES OF THE GROUP

as at 31 December 2017

No.	Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)	Date of Acquisition	Date of Last Revaluation
1	249 Jalan Segambut, 51200 Kuala Lumpur	Assembly plant, office, vehicle storage yard, warehouse & hostel	2,043,425	931,098	Freehold/ Leasehold 4.7.2065 20.4.2068 14.1.2073 27.1.2074 5.10.2099	494.07	42	1974 to 1999	2016
2	Lot P.T. 15014, Mukim Serendah, Daerah Hulu Selangor	Assembly plant, office, vehicle storage yard & warehouse	6,890,774	961,892	Freehold/ Leasehold 22.3.2094 28.4.2105 27.9.2106 28.4.2112	240.09	11	1996 to 2013	2016
3	Lot 3 Jalan Perusahaan Satu, 68100 Batu Caves, Selangor Darul Ehsan	Spare parts & service centre, factory, warehouse/store, offices & showroom	425,619	143,018	Leasehold 5.9.2074	75.87	38	11.9.1981	2016
4	No. 1, Jalan Sesiku 15/2, Section 15, Shah Alam, 40000 Selangor Darul Ehsan	Industrial plant	713,983	408,912	Leasehold 19.2.2066	68.55	49	30.12.2009	2016
5	Lot 93, Seksyen 46, Kuala Lumpur	Used vehicle display and storage yard	50,637	-	Freehold	46.10	-	27.8.2012	2017
6	Lot 92, Seksyen 46, Kuala Lumpur	Used vehicle display and storage yard	50,228	-	Freehold	45.70	-	24.8.2012	2017
7	No 2, Jalan Johor Jaya, 81100 Johor Bahru, Johor	Office, showroom, service, spare parts & training centre	93,830	277,425	Freehold	45.04	3	21.5.2015	2016
8	Lot U8, U9, U10 and U11, Road No 5B, Expanded Hoa Khanh Industrial Zone, Lien Chieu Dist, Danang City, Vietnam	Assembly plant, office, vehicle storage yard & warehouse	1,393,926	377,792	Leasehold 25.3.2054	44.16	5	2013	2016
9	Lot 9 Jalan Kemajuan Section 13, Petaling Jaya, 46200 Selangor Darul Ehsan	Office, showroom, service, spare parts & training centre	78,801	86,451	Leasehold 6.9.2065	34.82	35	2.5.2006	2016
10	39 Jalan Pelukis U1/46, Section U1, Temasya Industrial Park, Shah Alam 40150 Selangor Darul Ehsan	Showroom, service & spare parts centre	60,063	160,393	Freehold	34.13	3	12.8.2015	2016

Note: The value of 249 Jalan Segambut, 51200 Kuala Lumpur is based on valuation report of 15 lots of land held under lot numbered 1249, 1474, 1475, 3681, 4185, 14282, 25669, 43097, 46354, 49392, 49393, 49968, 49970, 49972 & 57927 and building. The value of Lot P.T. 15014, Mukim Serendah, Daerah Hulu Selangor is based on valuation report of 6 lots of land held under lot numbered 45, 15961, 16360, 23975, 23976 & 29120 and building.

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2018

SHARE CAPITAL

Total Number of Issued Shares	:	672,000,000 ordinary shares
Total Issued Share Capital	:	RM336,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 - 99	283	3.80	4,711	- [1]
100 - 1,000	2,349	31.58	2,069,382	0.31
1,001 - 10,000	3,831	51.50	16,236,585	2.42
10,001 - 100,000	821	11.04	24,082,558	3.58
100,001 - 32,633,049[2]	151	2.03	278,421,300	41.43
32,633,050 and above[3]	4	0.05	331,846,464	49.38
Sub Total	**7,439**	**100.00**	**652,661,000**	**97.12**
Treasury shares			19,339,000	2.88
Total			**672,000,000**	**100.00**

Notes:
[1] *Less than 0.01%.*
[2] *100,001 to less than 5% of issued shares less treasury shares.*
[3] *5% and above of issued shares less treasury shares.*

DIRECTORS' SHAREHOLDING
(as per Register of Directors' Shareholding)

		Direct		Indirect	
	Name	No. of Shares Held	%	No. of Shares Held	%
1	Dato' Tan Heng Chew	27,244,962	4.17	288,472,030 [1]	44.20
2	Dato' Ng Mann Cheong	-	-	150,000 [3]	0.02
3	Dato' Khor Swee Wah @ Koh Bee Leng	11,860,190	1.82	303,856,802 [4]	46.56
4	Ho Wai Ming	-	-	10,000 [3]	- [2]

Notes:
[1] *Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016 ("Act") and interests of spouse and children by virtue of Section 59(11)(c) of the Act.*
[2] *Less than 0.01%.*
[3] *Interest of spouse by virtue of Section 59(11)(c) of the Act.*
[4] *Interests of spouse and children by virtue of Section 59(11)(c) of the Act.*

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2018

SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders)

		Direct		Indirect	
	Name	No. of Shares Held	%	No. of Shares Held	%
1	Tan Chong Consolidated Sdn Bhd	263,828,240	40.42	-	-
2	Nissan Motor Co, Ltd	37,333,324	5.72	-	-
3	Employees Provident Fund Board	39,352,800	6.03	-	-
4	Dato' Tan Heng Chew	27,244,962	4.17	274,781,840 (1)	42.10
5	Tan Eng Soon	-	-	263,828,240 (2)	40.42

Notes:
(1) *Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016 ("Act").*
(2) *Deemed interest by virtue of interest in Tan Chong Consolidated Sdn Bhd pursuant to Section 8(4) of the Act.*

THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
1	Tan Chong Consolidated Sdn Bhd	217,789,240	33.37
2	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	39,352,800	6.03
3	Tan Chong Consolidated Sdn Bhd	37,371,100	5.73
4	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for Daiwa Securities Co Ltd Client Acc*	37,333,324	5.72
5	Amanahraya Trustees Berhad *Amanah Saham Bumiputera*	30,000,000	4.60
6	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Heng Chew (MM1063)*	20,305,100	3.11
7	Pang Sew Ha @ Phang Sui Har	18,108,058	2.77
8	Tan Boon Pun	12,650,813	1.94
9	Tan Ban Leong	11,031,929	1.69
10	Tan Beng Keong	11,031,929	1.69
11	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)*	9,087,400	1.39
12	Tan Chong Consolidated Sdn Bhd	8,667,900	1.33
13	Tan Han Chuan	8,191,100	1.26
14	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Khor Swee Wah @ Koh Bee Leng (PB)*	7,685,890	1.18
15	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for UBS Switzerland AG (Clients Assets)*	7,283,700	1.12

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2018

THIRTY LARGEST SHAREHOLDERS (continued)

	Name	No. of Shares Held	%
16	Tan Chee Keong	7,252,295	1.11
17	Tan Hoe Pin	7,252,295	1.11
18	Lee Lang	7,076,130	1.08
19	Key Development Sdn Berhad	6,334,400	0.97
20	Chinchoo Investment Sdn Berhad	4,705,000	0.72
21	Gan Teng Siew Realty Sdn Berhad	4,679,000	0.72
22	Amanahraya Trustees Berhad *As 1Malaysia*	4,602,900	0.71
23	Tan Hoe Pin	4,419,573	0.68
24	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Ching Ching*	4,214,900	0.65
25	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Dimensional Emerging Markets Value Fund*	4,082,500	0.63
26	Tan Chee Keong	3,779,634	0.58
27	Amanahraya Trustees Berhad *Public Islamic Select Treasures Fund*	3,612,800	0.55
28	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)*	3,600,326	0.55
29	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Heng Chew*	3,384,500	0.52
30	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt AN for EFG Bank AG (A/C Client)*	3,378,300	0.52
	TOTAL	**548,264,836**	**84.03**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of TAN CHONG MOTOR HOLDINGS BERHAD will be held at The Grand Ballroom, Level 9, Sunway Putra Hotel, 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Thursday, 24 May 2018 at 10.30 a.m. to transact the following businesses:

Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.	**(Please refer to Explanatory Note 1)**
2.	To declare a final single tier dividend of 1 sen per share for the financial year ended 31 December 2017.	**Ordinary Resolution 1**
3.	To re-elect Dato' Khor Swee Wah @ Koh Bee Leng who retires by rotation and being eligible, offers herself for re-election in accordance with Article 101 of the Company's Article of Association, as a Director of the Company.	**Ordinary Resolution 2**
4.	To re-elect Mr Ho Wai Ming who retires by rotation and being eligible, offers himself for re-election in accordance with Article 101 of the Company's Article of Association, as a Director of the Company.	**Ordinary Resolution 3**
5.	To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**

Special Business

To consider and if thought fit, to pass the following resolutions:

6. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT approval be and is hereby given for Dato' Ng Mann Cheong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to be designated as an Independent Non-Executive Director of the Company." **Ordinary Resolution 5**

7. **DIRECTORS' FEES**

"THAT approval be and is hereby given for the Company and its subsidiary, TC Euro Cars Sdn Bhd ("TC Euro Cars"), to respectively pay Directors' fees of up to an amount of RM532,000/- in aggregate to the Independent Non-Executive Directors of the Company and of up to an amount of RM18,000/- in aggregate to an Independent Non-Executive Director of TC Euro Cars during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company." **Ordinary Resolution 6**

8. **DIRECTORS' BENEFITS**

"THAT approval be and is hereby given for the Company and its subsidiary, TC Capital Resources Sdn Bhd ("TC Capital Resources"), to respectively pay Directors' benefits of up to an amount of RM344,600/- in aggregate to the Independent Non-Executive Directors of the Company and of up to an amount of RM5,400/- in aggregate to the Independent Non-Executive Directors of TC Capital Resources during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company." **Ordinary Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

9. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES**

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that –

(i) the aggregate number of shares purchased and/or held pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time of the purchase; and

(ii) the Directors shall resolve at their discretion pursuant to Section 127 of the Act whether to cancel the shares so purchased, to retain the shares so purchased as treasury shares or to retain part of the shares so purchased as treasury shares and cancel the remainder of the shares or in any other manner as may be permitted and prescribed by the Act, rules, regulations, guidelines, requirements and/or orders pursuant to the Act and/or the rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force.

THAT an amount not exceeding the Company's retained profits be allocated by the Company for the Proposed Share Buy-Back.

THAT the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authorities." **Ordinary Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING

10. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH WARISAN TC HOLDINGS BERHAD AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES**

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.1 of the Company's Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force until–

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 9**

11. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH APM AUTOMOTIVE HOLDINGS BERHAD AND ITS SUBSIDIARIES AND JOINT VENTURES**

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with APM Automotive Holdings Berhad and its subsidiaries and joint ventures involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.2 of the Company's Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force until–

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or

NOTICE OF ANNUAL GENERAL MEETING

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 10**

12. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Tan Chong International Limited and its subsidiaries involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.3 of the Company's Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force until–

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 11**

13. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH AUTO DUNIA SDN BHD**

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Auto Dunia Sdn Bhd involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.2 of the Company's Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

NOTICE OF ANNUAL GENERAL MEETING

THAT such approval shall continue to be in force until–

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 12**

14. **PROPOSED ALTERATION AND AMENDMENT OF THE CONSTITUTION OF THE COMPANY**

"THAT approval be and is hereby given for the Company to alter and amend the existing Constitution of the Company by the deletion of its memorandum of association in its entirety and the adoption of a new Constitution as set out in Appendix V to the Circular to Shareholders dated 26 April 2018 which shall take effect on the date of the passing of this special resolution AND THAT the Directors and/or Company Secretaries of the Company be and are hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary in relation to or in connection with the notification and lodgment of the Constitution of the Company as altered and amended." **Special Resolution**

15. To transact any other business of the Company of which due notice shall have been received.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Forty-Sixth Annual General Meeting of Tan Chong Motor Holdings Berhad, a final single tier dividend of 1 sen per share for the financial year ended 31 December 2017 will be paid on 21 June 2018 to shareholders whose names appear in the Register of Members on 1 June 2018.

A depositor shall qualify for the entitlement to the dividend only in respect of:

(1) shares transferred into the depositor's securities account before 4.00 p.m. on 1 June 2018 in respect of transfers;
(2) shares deposited into the depositor's securities account before 12.30 p.m. on 30 May 2018 in respect of shares exempted from mandatory deposit; and
(3) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

HO WAI MING (MIA 12986)
CHANG PIE HOON (MAICSA 7000388)
Company Secretaries

Kuala Lumpur
26 April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. *A depositor whose name appears in the Record of Depositors of the Company as at 16 May 2018 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.*

2. *A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.*

3. *Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.*

4. *Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

5. *Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:*

   (i) the securities account number;
   (ii) the name of the beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
   (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.

6. *Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies for the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.*

7. *Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.*

8. *The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel. No.: +603-2783 9299), or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight hours before the time appointed for the meeting.*

9. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting will be put to vote by poll.*

EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS

1. Agenda 1 - Audited Financial Statements for financial year ended 31 December 2017

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolution 5 – Continuing in Office for Dato' Ng Mann Cheong as Independent Non-Executive Director of the Company

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event that the Company intends to retain an independent director who has served in that capacity for more than nine (9) years.

NOTICE OF ANNUAL GENERAL MEETING

Following an assessment and recommendation by the Nominating and Remuneration Committee, the Board recommended that Dato' Ng Mann Cheong who has served as an Independent Non-Executive Director ("INED") of the Company for a cumulative term of more than nine (9) years to continue to be designated as an INED of the Company based on the following key justifications:

(a) He fulfills the independence criteria set out in the Main Market Listing Requirements of Bursa and, therefore, is able to bring independent and objective judgment to the Board on matters deliberated. As an Independent Non-Executive Director, he discharged his duties diligently taking into consideration shareholders' interests when deliberating on matters which may have an impact on their interest;
(b) His relevant experience and expertise in legal and regulatory requirements as well as diverse business environments enable him to provide the Board and Board Committees, as the case may be, with pertinent and a diverse set of expertise, skills and competence;
(c) His long service with the Company enhances his knowledge and understanding of the business operations of the Group which enables him to contribute actively and effectively during deliberations at Board Committees and Board meetings;
(d) From his perfect attendance record at Board and Board Committee meetings, it is demonstrable of his commitment towards the Company's needs; and
(e) In view of his long service and acquaintance with the Group's objective, strategies and business operations as well as culture, he has been named as Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed.

3. Ordinary Resolutions 6 and 7 – Directors' Fees and Benefits

In accordance with Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company and certain subsidiaries pay Directors' fees and benefits to the Independent Non-Executive Directors. The Executive Directors do not receive fees and benefits as Directors but they are remunerated with salary, benefits and other emoluments by virtue of their contract of service or employment which do not require approval by the shareholders.

The current benefits payable to the Independent Non-Executive Directors of the Company include meeting allowance, petrol allowance and provision of driver, notably:

(a)	Meeting Allowance	
	• As Chairman of the Meeting	@ RM1,500 per meeting
	• As Board/Board Committee Members	@ RM1,200 per meeting
(b)	Petrol Allowance	@ RM800 per month each
(c)	Company Driver	@ RM5,000 per month (average) each

The Board recommends that shareholders approve a maximum aggregate amount of RM550,000/- for the payment of Directors' fees to the Independent Non-Executive Directors of the Company (i.e. RM532,000/-) and its subsidiary, TC Euro Cars Sdn Bhd (i.e. RM18,000/-) during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company.

The Board also recommends that shareholders approve a maximum aggregate amount of RM350,000/- for the payment of benefits to the Independent Non-Executive Directors of the Company (i.e. RM344,600/-) and its subsidiary, TC Capital Resources Sdn Bhd (i.e. RM5,400/-) during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company.

4. Ordinary Resolution 8 - Proposed Renewal of Authority for the Company to Purchase Its Own Ordinary Shares

The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to purchase and/or hold up to 10% of the total number of issued shares of the Company at any point in time of the purchase ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the retained profits of the Company. This authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, or revoked or varied by an ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 26 April 2018 ("Circular"), despatched together with the Company's 2017 Annual Report.

5. Ordinary Resolutions 9, 10, 11 and 12 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Ordinary Resolutions 9, 10, 11 and 12, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Further information on these proposed Ordinary Resolutions are set out in the Circular despatched together with the Company's 2017 Annual Report.

6. Special Resolution – Proposed Alteration and Amendment of the Constitution of the Company

The proposed Special Resolution, if passed, will alter and amend the Company's Constitution so that the provisions of the new Constitution will be consistent with the provisions of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As the Constitution of the Company will no longer comprise the memorandum of association and the articles of association, the existing memorandum of association will be deleted in its entirety. Provisions previously found in the memorandum of association of the Company with modifications are proposed to be incorporated in the new Constitution, in which the existing articles of association with or without modifications have been retained to the extent permitted or not prohibited by the Act and the Listing Requirements.

The proposed new Constitution of the Company is set out in Appendix V to the Circular to Shareholders dated 26 April 2018 despatched together with the Company's 2017 Annual Report.

A soft copy of the Proposed Alteration and Amendment of the Constitution showing the tracked changes made to the existing articles of association have been uploaded on the Company's website at www.tanchonggroup.com for reference.

Further information on the proposed Special Resolution is also set out in the Circular to Shareholders.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 46th Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, the member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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TAN CHONG MOTOR HOLDINGS BERHAD (12969-P)
(Incorporated in Malaysia)

FORM OF PROXY

CDS account no.

I/We _____ *(name of shareholder, in capital letters)*

NRIC No./Company No. _____ *(new)* _____ *(old)*

of _____

_____ *(full address)* _____ *(Tel. No.)* being a

member of TAN CHONG MOTOR HOLDINGS BERHAD, hereby appoint _____

(name of proxy as per NRIC, in capital letters) NRIC No. _____ *(new)* _____ *(old)*

and/or _____ *(name of proxy as per NRIC, in capital letters)*

NRIC No. _____ *(new)* _____ *(old)* or failing him/her, the

Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-Sixth Annual General Meeting of the Company to be held at The Grand Ballroom, Level 9, Sunway Putra Hotel, 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Thursday, 24 May 2018 at 10.30 a.m., and at any adjournment thereof, as indicated below:

		For	Against
Ordinary Resolution 1	Final Single Tier Dividend		
Ordinary Resolution 2	Re-election of Dato' Khor Swee Wah @ Koh Bee Leng as Director		
Ordinary Resolution 3	Re-election of Mr Ho Wai Ming as Director		
Ordinary Resolution 4	Re-appointment of Messrs KPMG PLT as Auditors		
Ordinary Resolution 5	Continuing in office of Dato' Ng Mann Cheong as Independent Non-Executive Director of the Company		
Ordinary Resolution 6	Directors' Fees		
Ordinary Resolution 7	Directors' Benefits		
Ordinary Resolution 8	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Ordinary Resolution 9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities		
Ordinary Resolution 10	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad and its subsidiaries and joint ventures		
Ordinary Resolution 11	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		
Ordinary Resolution 12	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		
Special Resolution	Proposed Alteration and Amendment of the Constitution of the Company		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

_____
Signature/Common Seal

Number of shares held : _____

Date : _____

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

1. *A depositor whose name appears in the Record of Depositors of the Company as at 16 May 2018 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.*
2. *A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.*
3. *Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.*
4. *Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:*
   - *(i) the securities account number;*
   - *(ii) the name of the beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and*
   - *(iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.*
6. *Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies for the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.*
7. *Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.*
9. ***Personal Data Privacy***
   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 46th Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, the member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, Tel. No.: +603-2783 9299 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.

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Affix
Stamp
here

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Registrar for **TAN CHONG MOTOR HOLDINGS BERHAD** (12969-P)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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PERSONAL DATA PROTECTION NOTICE

This Personal Data Protection Notice ("Notice") is issued to all shareholders (including substantial shareholders) ("Shareholders") of TAN CHONG MOTOR HOLDINGS BERHAD ("Company", "TCMH", "we", "us" or "our") in accordance with the Personal Data Protection Act 2010 ("Act") which came into force on 15 November 2013. The Act regulates the processing of personal data and requires us to notify you on matters relating to your personal data that is being processed, or that is to be collected and further processed by us. For the purpose of this Notice, the terms "personal data" and "processing" used in this Notice shall have the meaning prescribed in the Act.

Bursa Malaysia Securities Berhad ("Bursa Malaysia") has also on 15 November 2013 amended the Main Market Listing Requirements ("Listing Requirements") consequential to the Act. Under Paragraph 2.14A of the Listing Requirements, any person who provides or has provided personal data to Bursa Malaysia should read and be aware of Bursa Malaysia's personal data notice available at Bursa Malaysia's website www.bursamalaysia.com ("Bursa Malaysia's personal data notice"). If the Company provides Bursa Malaysia with personal data of the Shareholders, the Company must notify the Shareholders of Bursa Malaysia's personal data notice.

As Shareholders of TCMH, your personal data which may include your name, national registration identity card number (NRIC no.), passport number, address, date of birth/age, contact details and number, email address, gender, nationality, shareholding in TCMH, bank account number, CDS account number and any other personal data required, may be processed by TCMH and its related companies ("TCMH Group") for the following purposes ("Purposes"):

(a) Compliance with the Companies Act 2016, Listing Requirements and applicable relevant laws, regulations and guidelines, as may be amended, from time to time;
(b) Verification of information to authorities and governmental agencies;
(c) Deliver, communicate and transmit to the Shareholders of TCMH's annual report, circular to shareholders, and any other information through modes of communication and delivery we deem appropriate;
(d) Payment of dividends and giving of other benefits to you as shareholders, if applicable;
(e) Maintain, upkeep and update our records regarding the Shareholders' information; and
(f) Dealings with all matters in connection with your Shareholding in TCMH; or such other purposes as may be related to the foregoing.

The personal data processed by us include all information you have provided to us as well as other information we may obtain about you.

Your personal data may be disclosed by us in connection with the Purposes to parties including but not limited to companies within TCMH Group (whether present or future), our professional advisers, insurance companies, auditors, lawyers, banks, share registrars and other service providers, governmental and/or quasi-governmental departments and/or agencies, regulatory and/or statutory bodies and third parties as may be required by law or arising from any legal obligations which is imposed on TCMH Group. Your personal data may be transferred to a place outside Malaysia.

If you fail to supply to us your personal data, we may not be able to process your personal data for any of the Purposes.

We are committed to ensuring that your personal data is stored securely. You are responsible for ensuring that the personal data you provide to us is accurate, complete and not misleading and that such personal data is kept up to date.

Please also be notified that you have the right to request access to and correction of your personal data and you have a choice to limit the consent of the processing of your personal data.

PERSONAL DATA PROTECTION NOTICE

Your written requests or queries pertaining to your personal data should be addressed to:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Attention : Ms Lim Lay Kiow, Senior Manager
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222
Email : lay.kiow.lim@my.tricorglobal.com

By providing to us your personal data, you hereby consent to the processing of your personal data in accordance with all of the foregoing. You shall also procure the consent of your proxy appointed to attend any general meeting of TCMH on your behalf whose personal data is provided to us by you for any purpose relating to the general meeting.

In accordance with the Act, the Notice is issued in both English and Bahasa Malaysia. In the event of inconsistency between the English version and the Bahasa Malaysia version, the English version shall prevail.

Issued by : TAN CHONG MOTOR HOLDINGS BERHAD
26 April 2018

NOTIS PERLINDUNGAN DATA PERIBADI

Notis Perlindungan Data Peribadi ini ("Notis") dikeluarkan kepada semua pemegang saham (termasuk pemegang-pemegang saham utama) ("Pemegang Saham") TAN CHONG MOTOR HOLDINGS BERHAD ("Syarikat", "TCMH" atau "kami") menurut Akta Perlindungan Data Peribadi 2010 ("Akta") yang berkuatkuasa pada 15hb November 2013. Akta ini mengawal selia pemprosesan data peribadi dan menghendaki kami untuk memaklumkan anda berkenaan perkara-perkara yang berkaitan dengan data peribadi anda yang sedang diproses, atau yang akan dikumpul dan diproses oleh kami. Untuk tujuan Notis ini, terma-terma "data peribadi" dan "pemprosesan" yang digunakan dalam Notis ini hendaklah membawa maksud sepertimana yang ditakrifkan dalam Akta tersebut.

Bursa Malaysia Securities Berhad ("Bursa Malaysia") telah membuat pindaan kepada Keperluan Penyenaraian Pasaran Utama ("Keperluan Penyenaraian") pada 15hb November 2013 akibat daripada Akta ini. Seperti yang tertakluk di bawah perenggan 2.14A Keperluan Penyenaraian, sesiapa yang memberi atau telah memberi data peribadi kepada Bursa Malaysia, haruslah membaca dan menyedari tentang notis data peribadi Bursa Malaysia yang terdapat di laman web Bursa Malaysia di www.bursamalaysia.com ("notis data peribadi Bursa Malaysia"). Sekiranya Syarikat membekalkan data peribadi Pemegang Saham kepada Bursa Malaysia, Syarikat mesti memaklumkan Pemegang Saham tentang notis data peribadi Bursa Malaysia.

Sebagai Pemegang Saham TCMH, data peribadi anda mungkin termasuk nama, nombor kad pengenalan, nombor pasport, alamat, tarikh lahir/umur, maklumat dan nombor perhubungan, alamat emel, jantina, kewarganegaraan, pegangan saham dalam TCMH, nombor akaun bank, nombor akaun Sistem Depositori Pusat (CDS) anda dan data peribadi lain yang dikehendaki, yang mungkin diproses oleh TCMH dan syarikat-syarikat yang berkaitan dengannya ("Kumpulan TCMH") untuk tujuan-tujuan berikut ("Tujuan"):

(a) Mematuhi Akta Syarikat 2016, Keperluan Penyenaraian dan undang-undang, peraturan-peraturan dan garis panduan berkaitan yang mungkin dipinda dari semasa ke semasa;
(b) Pengesahan maklumat kepada pihak berkuasa dan agensi kerajaan;
(c) Menyampaikan, menghubungi dan menghantar laporan tahunan TCMH, pekeliling kepada pemegang saham, dan lain-lain maklumat kepada Pemegang Saham melalui cara komunikasi dan penyampaian yang kami anggap sesuai;
(d) Pembayaran dividen dan manfaat lain kepada anda sebagai pemegang saham, jika berkenaan;
(e) Mengekal, menyelia dan mengemaskinikan rekod kami yang berkaitan dengan maklumat-maklumat Pemegang Saham; dan
(f) Untuk berurusan dengan semua perkara yang berkaitan dengan pegangan saham anda dalam TCMH; atau bagi tujuan-tujuan lain yang mungkin berkaitan dengan perkara-perkara yang dinyatakan di atas.

Data peribadi anda yang diproses oleh kami merangkumi segala maklumat yang diberi oleh anda serta maklumat lain yang mungkin kami perolehi berkenaan anda.

Maklumat peribadi anda mungkin dizahirkan oleh kami untuk Tujuan di atas kepada pihak lain termasuk dan tidak terhad kepada syarikat-syarikat dalam Kumpulan TCMH (sama ada pada masa kini atau masa depan), penasihat profesional, syarikat-syarikat insurans, juruaudit, peguam, bank, pendaftar saham dan pembekal perkhidmatan lain, semua jabatan dan/atau agensi kerajaan dan/atau kuasi-kerajaan, badan-badan penguatkuasa dan/atau berkanun dan sebarang pihak ketiga, sebagaimana yang dikehendaki undang-undang atau timbul daripada apa-apa kewajipan undang-undang yang dikenakan ke atas Kumpulan TCMH. Data peribadi anda mungkin akan dipindahkan ke suatu tempat di luar Malaysia.

Sekiranya anda gagal membekalkan data peribadi anda kepada kami, kami mungkin tidak dapat memproses data peribadi anda bagi apa-apa Tujuan tersebut.

Kami akan memastikan semua data peribadi anda disimpan dengan selamat. Anda bertanggungjawab untuk memastikan bahawa data peribadi yang anda berikan kepada kami adalah tepat, lengkap, tidak mengelirukan dan dikemaskini.

Adalah dimaklumkan bahawa anda mempunyai hak untuk meminta akses dan membetulkan data peribadi anda atau menghadkan pemprosesan data peribadi anda.

NOTIS PERLINDUNGAN DATA PERIBADI

Setiap permintaan bertulis atau pertanyaan berkenaan data peribadi anda perlu disampaikan ke alamat di bawah:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Untuk Perhatian : Cik Lim Lay Kiow, Pengurus Kanan
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222
Email : lay.kiow.lim@my.tricorglobal.com

Dengan membekalkan data peribadi anda kepada kami, bermaksud anda bersetuju membenarkan kami memproses data peribadi anda selaras dengan apa-apa yang dinyatakan di atas. Anda juga harus mendapatkan persetujuan proksi anda yang dilantik untuk menghadiri apa-apa mesyuarat agung TCMH bagi pihak anda, sekiranya data peribadi mereka dibekalkan oleh anda kepada kami untuk apa-apa tujuan yang berkaitan dengan mesyuarat agung.

Mengikut Akta tersebut, Notis ini diterbitkan dalam Bahasa Inggeris dan Bahasa Malaysia. Sekiranya terdapat sebarang ketidakseragaman atau percanggahan di antara versi Bahasa Inggeris dan Bahasa Malaysia, versi Bahasa Inggeris akan diguna pakai.

Dikeluarkan oleh : TAN CHONG MOTOR HOLDINGS BERHAD
26hb April 2018

www.tanchonggroup.com

TAN CHONG MOTOR HOLDINGS BERHAD (12969-P)

62-68, Jalan Sultan Azlan Shah,
51200 Kuala Lumpur, Malaysia

T +603 4047 8888
F +603 4047 8636

E tcmh@tanchonggroup.com