



BUILDING LIFETIME PARTNERSHIPS

TAN CHONG ANNUAL REPORT 2016



TAN CHONG MOTOR HOLDINGS BERHAD
(Company No. 12969-P)

THE STORY OF TAN CHONG



1957



1970



1974

1957

Tan Chong & Co., a partnership of the Tan brothers was appointed sole distributor of Datsun in Malaysia, the first Japanese car sold in Malaysia.

1970

- **1970**
Datsun became the best selling model in Malaysia.

• **1974**

Tan Chong Motor Holdings Berhad was listed on the Kuala Lumpur Stock Exchange.

• **1976**

Assembly plant in Segambut began operations.

The late Chairman, Tan Sri Tan Yuet Foh, launched the first locally-assembled Datsun.

1977

- **1977**
Assembly and marketing of Nissan Diesel trucks and buses.

• **1983**

Launch of Sunny 130Y.

• **1984**

Brand name change from Datsun to **NISSAN**.

1993

- **1993**
Segambut Assembly Plant received ISO 9002 (Quality Systems) certification, the first motor assembly plant in South-East Asia to be accredited.

• **1994**

Export of locally-assembled Nissan C22 Vanette to East Asia countries such as Papua New Guinea, Brunei, Fiji and Bangladesh.

2003

A Master Agreement with Renault S.A.S in respect of manufacturing, marketing and servicing of Renault cars in Malaysia.

Joint venture in Thailand via TC Capital (Thailand) Company Ltd for provision of equipment leasing.

2004

In less than 15 months, the Kangoo CKD went from project to reality. Renault and TC Euro Cars Sdn Bhd inaugurated the locally-assembled Kangoo in Malaysia. This investment of locally-assembled Kangoo constitutes the first CKD production for Renault in the ASEAN region.

• **2006**

Ground breaking ceremony on 28 February 2006 for the new plant at Serendah, Selangor.

Opened the first overseas after-sales service centre in Cambodia under the brand name of E-Garage.

1957s



1970s



1980s





1994



2004



2016



2007 — **2010** — **2011** — **2014** — **2016**

Onwards

• **2007**
Serendah Assembly Plant started production and rolled out the first model, Nissan Latio.

• **2009**
Serendah Assembly Plant received ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management System) certifications.

Appointed as the sole and exclusive distributor for Nissan vehicles in the Kingdom of Cambodia and Lao People's Democratic Republic.

Ground breaking ceremony on 30 June 2010 for the Group's first overseas vehicle assembly plant in Danang, Vietnam.

Signing of agreement on 22 September 2010 in Hanoi, Vietnam to acquire 74% charter capital in Nissan Vietnam Co Ltd.

• **2011**
Infiniti, the luxury division of Nissan Motor Co. was inaugurated in Malaysia under Inspired Motor Sdn Bhd, a joint venture between Edaran Tan Chong Motor Sdn Bhd and Auto Dunia Sdn Bhd.

• **2013**
Opening of TCIE Vietnam Plant in Danang, Vietnam.
Appointed as the sole and exclusive distributor for Nissan CBU vehicles in Myanmar.

Opening of Nissan showrooms in Myanmar and Laos.

Opening of Infiniti boutique showroom in Ho Chi Minh City, Vietnam.

Appointed as the exclusive distributor for Kawasaki CBU sports type motorcycles in Vietnam.

• **2015**
TC Motorcycles (Vietnam) Co., Ltd was officiated on 11 May 2015.

Establishment of Regional Operating Headquarters (ROH) in Thailand.

Appointed as the sole and exclusive distributor for locally-assembled Nissan vehicles in Myanmar.

Signing of Land Lease Agreement with Bago Regional Government in February 2016.

Establishment of TC Systems (Vietnam) Company Limited in Vietnam in April 2016.

1990s



2000s



2010s



45th AGM



Annual General Meeting of

TAN CHONG MOTOR HOLDINGS BERHAD

will be held at
Pacific Ballroom
Level 2, Seri Pacific Hotel Kuala Lumpur,
Jalan Putra, 50350 Kuala Lumpur, Malaysia

on **25 MAY 2017 (THURSDAY)** at **10.30 a.m.**

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DIRECTORS

DATO' TAN HENG CHEW
President

DATO' NG MANN CHEONG
Senior Independent Non-Executive Director

DATO' HAJI KAMARUDDIN
@ ABAS BIN NORDIN
Independent Non-Executive Director

DATO' SEOW THIAM FATT
Independent Non-Executive Director

SIEW KAH TOONG
Independent Non-Executive Director

DATO' KHOR SWEE WAH
@ KOH BEE LENG
Group Senior Executive Vice President

HO WAI MING
Chief Financial Officer

LEE MIN ON
Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Seow Thiam Fatt (*Chairman*)
Dato' Ng Mann Cheong
Dato' Haji Kamaruddin @ Abas bin Nordin
Siew Kah Toong
Lee Min On

NOMINATING COMMITTEE

Dato' Ng Mann Cheong (*Chairman*)
Dato' Haji Kamaruddin @ Abas bin Nordin
Dato' Seow Thiam Fatt
Siew Kah Toong
Lee Min On

BOARD RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Siew Kah Toong (*Chairman*)
Dato' Ng Mann Cheong
Dato' Haji Kamaruddin @ Abas bin Nordin
Dato' Seow Thiam Fatt
Dato' Tan Heng Chew
Lee Min On

COMPANY SECRETARIES

Ho Wai Ming
Chang Pie Hoon

REGISTERED ADDRESS

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REGISTRARS

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Wilayah Persekutuan
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Telephone : +603 2783 9299
Facsimile : +603 2783 9222
E-mail : is.enquiry@my.tricorglobal.com

AUDITORS

KPMG PLT

LISTING

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



ASSEMBLY AND MANUFACTURING

- Motor Vehicles



SALES AND DISTRIBUTION

- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses



AFTER-SALES SERVICES

- Spare Parts
- Workshop



FINANCIAL SERVICES

- Hire Purchase
- Leasing
- Insurance Agency
- Money Lending



PROPERTY

- Investment

TEANA NISMO

A challenger of status quo and segment revolutionizer, the new Nissan Teana fitted with NISMO Performance Package is the perfect representation of luxury with a sporty edge. Every journey becomes a true reflection of performance as it functions as beautifully as it appears, making a striking impression wherever it goes.





REPORT OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS,
WE ARE PLEASED TO PRESENT TAN CHONG MOTOR
HOLDINGS BERHAD (“TCMH”) GROUP’S ANNUAL REPORT
FOR FINANCIAL YEAR 2016.

The financial year (“FY”) 2016 was dominated by challenging economic and geopolitical developments that weigh on the business landscape in Malaysia and across the region. The economy was bogged down by lingering unresolved issues such as a weaker Malaysian Ringgit in a volatile foreign exchange market. Consumer sentiment was also sluggish. The weaker Malaysian Ringgit have increased the costs of business and thereby putting more pressure on the profit margins. TCMH’s financial performance in FY2016 was inevitably affected by these factors.

Productivity and cost improvement programmes have been enhanced to further improve productivity and instil a stronger cost awareness culture across the Group. TCMH Group is ever mindful of the need to continue to build and strengthen the foundation for a sustainable and resilient organisation.

FINANCIAL PERFORMANCE OVERVIEW

TCMH Group financial performance was affected by the challenging business environment. TCMH Group revenue was RM5.5 billion in FY2016 (2015: RM5.7 billion) with loss before tax of RM43 million (2015: profit before tax RM115 million). The impact to the bottom line was mainly due to unfavourable foreign exchange costs.

Nevertheless, the Group has taken actions to mitigate the foreign exchange costs impact and embarked on efforts to improve the position during the year. The Group continued with programmes to improve efficiencies and cost effectiveness throughout the organisation to ensure financial sustainability.

The Group has maintained robust financial position with shareholders’ funds of RM2.87 billion with net asset per share of RM4.40 for the year ended 31 December 2016.

DIVIDENDS

The Board recommended the payment of a final single tier dividend of 1 sen per share (2015: single tier dividend 3 sen per share) for shareholders' approval at the forthcoming Annual General Meeting. Combined with the interim single tier dividend of 1 sen per share (2015: interim single tier dividend 2 sen per share) paid on 29 September 2016, the total net dividend for the year is 2 sen per share (2015: 5 sen per share). The total net dividends paid and payable for FY2016 will be RM13 million (2015: RM32.6 million).

The lower dividend is reflective of the overall performance of the Group in a tougher business and economic climate during FY2016.

BUSINESS PERFORMANCE OVERVIEW

Vehicles Assembly, Manufacturing, Distribution & After-sales Services (automotive)

The Malaysian automotive industry hit a speed bump and sales of new vehicles contracted from the high of 666,677 units in FY2015 to 580,124 in FY2016 [source: *Malaysian Automotive Association ("MAA") Market Review for 2016 and Outlook for 2017 Report*]. This represents a 13% decline in new vehicles sold. This is the first deceleration in the annual growth trend that the automotive industry experienced since 2009. The automotive industry was softer despite a market racked with competitive offers. Consumers were also more cautious to take on further financial commitments in an uncertain market.

Sales efforts have been intensified and more on-the-ground sales and marketing activities have been activated to reach out to the target market segments.

In spite of the challenging automotive market, Nissan vehicles has maintained its top three position in the non-national car market segment in 2016 with a market share of 7%. The core offerings from Nissan remained the perennial favourite B-segment Nissan Almera and popular sports utility vehicle, Nissan X-Trail and pick-up truck, Nissan Navara NP300.

The premium brand Infiniti targets a niche market segment offering premium motoring experience to customers. The Infiniti marque sales units are encouraging although it has not been spared by a weaker market.

The Group has taken steps to enhance the profile of the Renault brand by refreshing the models line-up offered to attract discerning car buyers. The sales of Renault vehicles for the past few years have been improving as the brand embarked on local production models that appeal to a broader range of customer segments in the mainstream market.

The MUV Division that handles the certified pre-owned vehicles distribution channel continues to gain traction and acceptance among customers. MUV (pronounced as "move") complements the value chain in the automotive business of TCMH Group by offering quality pre-owned vehicles which are checked and graded by our team of trained inspectors.

TCMH Group has embarked on activities to improve sales, distribution and after-sales services network to ensure our businesses maintain their competitive edge in the automotive sector. We continue to enhance and develop our facilities which have resulted in a pioneer 4S showroom and nineteen 3S showrooms throughout Malaysia. We believe this new generation of showrooms and after-sales services centres will be able to enhance our customers total ownership experience and establish life-long customers' relationship.

Although the commercial vehicles division has been affected by the current economic climate as businesses consolidate their commercial vehicles purchases in a post-GST environment, it has managed to continue to hold its ground in the bus and trucks sectors. TCMH Group's Commercial Vehicles Division has a 6.2% of the market share.



TCMH Group's investments in Cambodia, Laos, Vietnam and Myanmar continue to hold encouraging prospects with tremendous growth opportunity. The automotive sector in Vietnam continues with robust growth driven by a buoyant economy in 2016. The Group's assembly plant in Danang, Vietnam saw the roll-out of the locally assembled new Nissan X-Trail in the last quarter of FY2016. This has improved the assembly plant's capacity utilization. The Nissan models distributed in Vietnam consist of models such as Nissan Sunny, Nissan X-Trail, Teana and NP300 Navara. TCMH Group has developed a second overseas automotive assembly plant in Myanmar. This is among the first automotive assembly plant in Myanmar and aimed at penetrating the automotive sector there. The Myanmar plant has been planned as a two-phase approach which entails having an initial basic assembly plant to commence local production and sales activities to sustain the operations in Myanmar. This Myanmar assembly plant has commenced production and allows the Group to strengthen its foothold to embark onto the next phase. These strategic investments have further solidified TCMH Group's aspiration to be a regional automotive player.

TCMH Group has had a long partnership and history with Nissan Motor Co Ltd spanning six decades. The strategic partnership has been built based 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 Asean.



Financial Services (hire purchase and insurance)

The Financial Services Division consisting of consumer credit financing and motor insurance continues to grow consistent with the new vehicles sales. The Financial Services Division is a core business division for TCMH Group to provide our customers with a complete suite of services to enhance their new vehicle ownership experience. The performance posted by the division with stronger revenue and profits compared to the previous years on the back of stronger credit support for new vehicle sales. This has contributed directly towards this division's growth over the last few years.



CORPORATE GOVERNANCE

TCMH Group recognizes the importance of good corporate governance practices to enhance shareholders' value and safeguard the interest of stakeholders. The Board has continuously strived to review and enhance the governance framework and its practices to ensure they are relevant and embed them in the Group's culture and values to build a resilient organisation.

PROSPECTS AND STRATEGIC DIRECTIONS GOING FORWARD

The recent geopolitical developments in Europe and USA that continue to be played out in 2017 may fuel further uncertainties in a global economy recovery that is still fragile. The potential repercussions to the financial markets are constantly buzzing in the background. The impact of a slowdown in China's economy continues to affect demands for Malaysia's exports to one of its biggest trading partners and its impact is felt across various segments of the domestic economy.

The domestic automotive industry is expected to be subdued in 2017 as new vehicle sales remained weak due to poor consumer sentiment and continuing strict financing approval guidelines.

Given the outlook for the domestic automotive industry, TCMH Group continues to maintain its cautious position under this climate. This is reflected in the forecast by MAA of 590,000 new vehicles sales for 2017. Businesses will remain under constant pressure.

In the longer term, TCMH Group remains confident about the prospects of the Malaysian economy to recover and continue its journey towards a developed country, powered by its rich resources and people talents. As a Malaysian-based conglomerate, TCMH Group has ridden through many waves of economic booms and troughs in the six decades since the Independence and we are confident of weathering through the current storm. TCMH Group is mindful of its obligation to many stakeholders to ensure a sustainable and resilient organisation. Towards this objective, TCMH Group had begun its expansion into the Asean region, namely in Cambodia, Laos, Vietnam and Myanmar, where the Group has sole and exclusive distributorships for Nissan vehicles and backed by two automotive assembly plants in Vietnam and Myanmar. These are the pivots to our Group's expansion in alignment with the Asean Economic Community ("AEC") aspirations. This is the journey of TCMH Group thus far over the six decades; and by all means shall continue onward.



Although the Group suffered a setback in the financial results for FY2016, we are not discouraged. This served to remind ourselves to double our efforts to improve the Group's performance. We remain committed to maximise shareholders' value by exercising a prudent approach in managing the Group's investments and assets with a long term view to forge a resilient and strong foundation for our Group's future. The Group will continue with ongoing improvement efforts on operational efficiencies, cost effectiveness and rationalisation.

As we entered the year 2017, this marks a significant milestone for TCMH Group in commemorating the 60th anniversary of our business partnership with Nissan. The legacy of the Group has been built based on conscientious and diligent approach in managing the growth of the business and investments.

TCMH Group remains committed to our roots in Malaysia while cultivating and branching out to the emerging markets of Cambodia, Laos, Vietnam and Myanmar to reap the benefits of economic growth. Going forward, we believe the contribution from those Asean countries to the Group will improve on the back of demand for new vehicles in a region that is experiencing robust economic growth.



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.

To the many dedicated staff of TCMH Group who continued to work tirelessly and faithfully in these testing times and build the Group's foundation for the future, the Board extends its thanks to all management and staff of the Group for their hard work, resilience and commitment.

To my fellow Board members, I would like to express my gratitude for your valued advice, guidance and contribution to the Group. We would also like to welcome Mr Lee Min On to the Board and look forward to his participation and contribution towards the Group's growth. On behalf of the Board, I also wish to record our appreciation and thanks to Dato' Haji Kamaruddin @ Abas bin Nordin and Dato' Seow Thiam Fatt who will not be seeking re-election as Directors at the coming Annual General Meeting, for their invaluable contribution and services to the Group.

Let us come together hand-in-hand and continue TCMH Group's journey towards the next 60 years and beyond.

On behalf of the Board,

DATO' TAN HENG CHEW

President

31 March 2017

OVERVIEW

Malaysia's economic growth for 2016 was 4.2% (source: *Bank Negara Malaysia Annual Report 2016*). This is lower than the 5% recorded for 2015. The Consumer Sentiment Index tracked by the Malaysian Institute of Economic Research ("MIER") indicates decreasing consumer appetites in the last two years with the slowdown in economic growth. The slower growth was attributed to the carry-over of economic challenges amidst other factors that have caused anxieties to the consumers and business confidence.

Tan Chong Motor Holdings Berhad ("TCMH") operated in this challenging environment and a softer domestic market that has affected its business and financial performance in financial year 2016 ("FY2016").

For the past few years, TCMH Group had begun to expand its footprint across the Asean region in order to create a resilient and sustainable business organization. Progressively, TCMH Group has focused on building its key business divisions in the Asean region with a network of assembly plants, sales and distribution and after-sales service centres.

The key business divisions of TCMH Group are namely, Automotive Division (Malaysia and other Asean countries), Commercial Vehicles Division, After-Sales Service Division, Assembly & Manufacturing Division and Financial Services Division.

GROUP FINANCIAL PERFORMANCE REVIEW

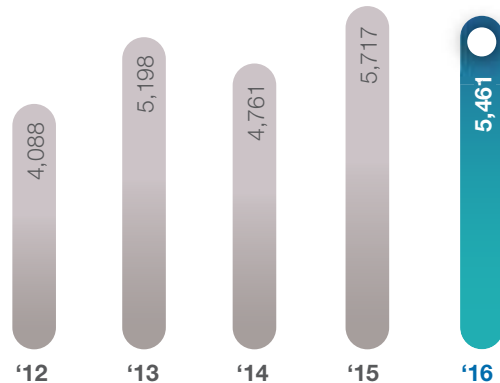
Although the Group recorded a revenue of RM5,461 million (2015: RM5,717 million) the unfavourable foreign exchange rates saw the Group reporting a loss before tax of RM43 million (2015: profit before tax RM115 million) and net loss of RM59 million (2015: net profit RM70 million). Loss per share was 8.42 sen compared to FY2015 earnings per share for the year of 11.47 sen.

TCMH Group has taken every effort to mitigate the foreign exchange costs of imported materials. However, the weakening of the Ringgit in FY2016 to a large extent has neutralised the Group's foreign exchange mitigation efforts and affected the profit margins.

Despite the loss, the financial position of the Group remains healthy with shareholders' funds at RM2,873 million (2015: RM2,796 million), cash and cash equivalents of RM228 million (2015: RM166 million) and net gearing ratio of 0.55 (2015: 0.47) times of shareholders' funds as at 31 December 2016. Net assets per share increased to RM4.40 (2015: RM4.28). The Group undertook a revaluation exercise on its properties to reflect their current market value. The revaluation surplus (net of deferred tax) of RM171.9 million has been incorporated into the consolidated financial statements for the year ended 31 December 2016, of which RM170.2 million and RM1.7 million are recognised in the revaluation reserve and non-controlling interests respectively.

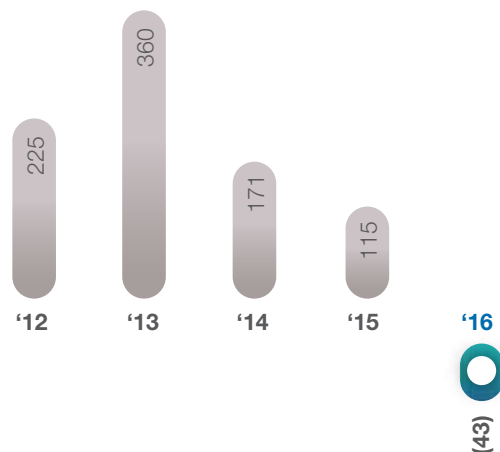
REVENUE

(RM'million)



PROFIT BEFORE TAX/(LOSS BEFORE TAX)

(RM'million)



REVENUE

RM5,461

Million

LOSS BEFORE TAX

RM43

Million

NET LOSS

RM59

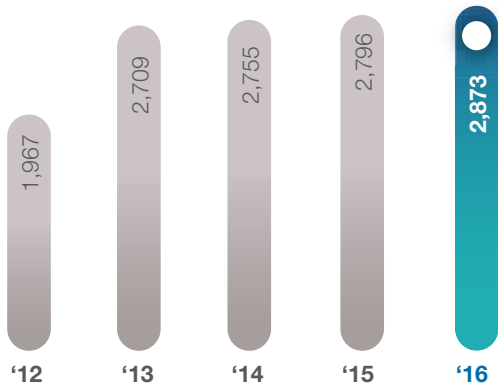
Million

NET ASSETS PER SHARE

RM4.40

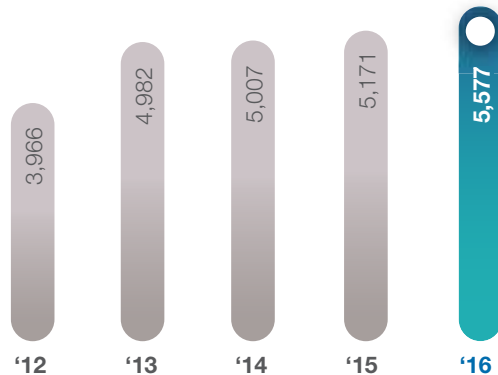
SHAREHOLDERS' EQUITY

(RM'million)



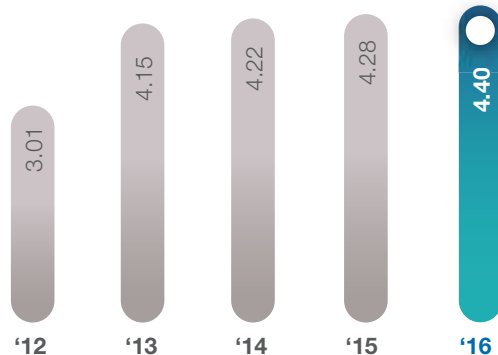
TOTAL ASSETS

(RM'million)



NET ASSETS PER SHARE

(RM)



BUSINESS PERFORMANCE REVIEW

Automotive Division

TCMH Group is the sole and exclusive distributor of 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 domestic automotive sector saw a decline of 13% in the annual new vehicles sales or Total Industry Volume ("TIV") for the first time in FY2016 after six years of consecutive growth. The lower TIV of 580,124 new vehicles in FY2016 compared to 666,677 new vehicles in FY2015 was attributed to factors such as tight lending requirements by financial institutions, weaker consumer spending appetite and lower business sentiments in a weaker economy. The domestic automotive sector witnessed an intensely competitive trading landscape in FY2016 on the back of these underlying market conditions.



Despite a market filled with competitive offerings, Nissan vehicles successfully maintained its 7% market share in a hypercompetitive market. Nissan remains the top three non-national vehicle brands. Sales and marketing strategy had to be refined continuously to be more effective and robust to meet car buyers' expectations. In FY2016, TCMH Group sold approximately 41,000 Nissan vehicles in Malaysia. The best-selling Nissan models in the line-up are Nissan Almera (B-segment), Nissan X-Trail (SUV) and Nissan NP300 Navara (pick-up truck). The other models in the line-up are Nissan Teana, Nissan Sylphy, Nissan Grand Livina, Nissan X-Gear, Nissan NV200 van and Nissan Urvan.

The sales and distribution network of over 70 showrooms nationwide covering Peninsular Malaysia, Sabah and Sarawak and supported by a network of authorized dealers have enabled TCMH Group to have a wide geographical coverage over Malaysia. Our continuous investments in upgrading the nationwide sales and distribution network have resulted in one 4S and nineteen 3S showrooms as part of our long term commitment and strategy to improve customers' experience and sales services.



The Renault vehicles assembled and distributed in Malaysia have also begun to move into the mainstream consumers segment to build brand image and consumers' confidence through C-segment vehicles with Renault Fluence and compact urban crossover vehicle in the form of Renault Captur. Mainstream Renault vehicles come with five years' manufacturer warranty. During the year, we also saw the launch of Renault's new flagship SUV – the all-new Koleos. Designed to meet the diverse needs of SUV buyers around the world, the all new Renault Koleos delivers on all the hallmarks of a capable SUV. Malaysia is one of the first few countries globally (ahead of Europe and China), to introduce this much anticipated Renault SUV model. This demonstrates our commitment to bringing in the latest Renault products into the country for our discerning customers. The Koleos further enhanced the models line-up of Renault in Malaysia. For FY2016, we have seen an increase in sales of Renault vehicles by 25% driven mainly by models such as Fluence and Captur. The Fluence has comparative advantage in the *5inFluence* after-sales package.

Currently, our Renault customers are backed by 15 sales showrooms and 15 service centres.

Infiniti is a premium brand vehicle and focused on the higher-end segment car buyers. The overall performance of Infiniti in Malaysia is within expectation under current challenging domestic automotive environment.



The development of “Empower the Drive” brand promise which Infiniti is committed to, will see the expansion of its product range with unique design language, outstanding performance capability, and ground-breaking driver-assist technologies. In-line with Infiniti's global direction, we are confident to tap into the niche premium market opportunities and we see potential in the products offering to Infiniti business in Malaysia and Vietnam.

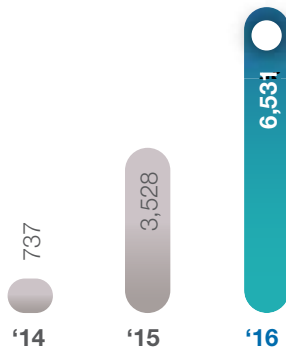


MUV Division, the certified pre-owned vehicles distribution division, has begun to gain acceptance and trust in the market. This division is expanding to complement the value chain in the automotive business of TCMH Group. MUV (pronounced as “move”) offers a variety of quality pre-owned vehicles with three guarantees (no major accidents, no flood contamination and non-tempered chassis and engine identification number), 180-point inspection, 24-hour roadside assistance, nationwide after-sales service and warranty. The pre-owned vehicles' quality are checked and graded by our team of trained inspectors.



Despite the slowdown in new car sales, TCMH Group has been able to sell more trade-in used cars through MUV at very encouraging growth rates.

MUV SALES UNITS



TCMH Group is the sole and exclusive distributor of Nissan vehicles for Cambodia, Laos, Myanmar and Vietnam. To-date, TCMH Group has strategically established two automotive assembly plants in Vietnam and Myanmar for local production of Nissan Sunny (Almera) and Nissan X-Trail to penetrate these emerging automotive markets. This complements the models line-up of imported variants such as Nissan NP300 Navara, Nissan Teana, Nissan Juke and Nissan Urvan. Revenue from Indo-China automotive business contributed up to 13% of TCMH Group's revenue and has continued to grow over the last few years. The total number of Nissan vehicles sold in FY2016 has increased by 37%. The growth prospects for the automotive sector in the emerging Indo-China countries are bright given the lower rate of motorisation and the growing segment of young middle-income population there allowing room for further growth in those markets.

TCMH Group also holds the sole and exclusive distribution rights of high-powered Kawasaki motorcycles in Vietnam. The total number of Kawasaki motorcycles sold in FY2016 has increased by 245% on the back of a robust economy in Vietnam and growing segment of consumers with the propensity to appreciate these high-powered machines.

Commercial Vehicles Division

The Commercial Vehicles Division of TCMH Group has the sole and exclusive distribution rights to UD Trucks & Buses and Silverbus in Malaysia. We also distribute commercial vehicles under brands such as Bison and Auman. In addition, the Group also has a facility for bus-body building located in Seri Kembangan, Selangor.

The demand for commercial vehicles and bus segment remained depressed throughout the year. For FY2016, the Total Industry Volume for commercial vehicles and bus segment declined 13% over FY2015 [source: *Malaysian Automotive Association ("MAA") Market Review for 2016 and Outlook for 2017 Report*] mainly impacted by the decline in economic activities, weaker Ringgit, fall in resale value, price wars via heavy discounting and tightening of credit by financiers.

Amidst the tough and challenging environment, we managed to maintain our market share at 6.2% for the UD brand and during the year, we launched the 8 litre Quester model to complement our existing model range. The 8 litre Quester model is suitable for the haulage, logistics and construction industry.

It was also a very challenging year for the bus sales due to the slowdown in tourism sector in the first half of the year. To cushion the slowdown in local demand, our bus body construction unit focused on market penetration into foreign markets and for 2016, we made headway in bus body construction for export to Myanmar, Hong Kong and Brunei.

As part of the on-going exercise to improve our Customer Satisfaction Index, we continue to focus on improving and streamlining our process, ensuring availability of parts to reduce customer downtime and improving our customer service response time.

After-Sales Service Division

For FY2016, the After-Sales Service Division has continued to grow with 6% increase in service intakes. The Division continues to expand its products and services such as sales of tyres, tyre alignment and balancing services, air-conditioner services and vehicle accessories. Various attractive promotional campaigns were also offered throughout the year for vehicle body re-paint, shock absorber inspection and Almera brake services. Our after-sales service centre network now comprise 70 centres providing vehicle maintenance and body repair for Nissan models with certain centres providing after-sales service support to Renault, Infiniti and Bison vehicles.



During the year, our service network was upgraded with the relocation and expansion of Body & Paint Centres in Shah Alam, Johor Jaya and Seremban and Service Centres at Nilai and Melaka Cheng. The investments in our facilities and workshop equipment are part of our on-going efforts to ensure we provide the best services to our valued customers.

Throughout FY2016, the After-Sales Service Division has undertaken various promotional campaigns to improve customers' service quality and customers' retention rate such as:

- (i) Extended service hours, service appointment drive, NPMP 2016 new release, car detailing services, service clinics and Niscare Nissan customer care to enhance service product offerings and brand management.
- (ii) Customers loyalty programmes with service reminders, customers birthday delights, post-warranty customer relationship management, pre-travel check and workshop anniversary campaigns.
- (iii) Seasonal campaigns for shock absorbers, consult diagnosis, "Glam Bersinar" makeover campaign with 12-month warranty for body paint.



Assembly and Manufacturing Division

TCMH Group has two fully operational assembly plants in Malaysia located in Segambut, Kuala Lumpur and in Serendah, Selangor respectively. These plants are involved in the assembly of Nissan and Renault motor vehicles, UD Trucks as well as contract assembly services.

This Division has continued to undertake more localisation programs to mitigate the foreign exchange impact and deliver cost effective and quality products to our customers.

In the 2016 Malaysia Initial Quality Study by J.D. Power, the Vehicle Assembly Division maintained its 2nd ranking in Entry Midsize Segment (Almera) and MPV/Van segment (Grand Livina). The Assembly and Modular Division continue to focus on quality and timely delivery to customers.

For long term business sustainability, we also endeavour to protect our environment by reducing pollution, energy conservation, optimising the usage of available resources and waste reduction in alignment with the Government's initiative in promoting renewal energy resources. The assembly plant in Serendah is installed with solar photovoltaic panels with one megawatt capacity and will sell the generated electricity to Tenaga Nasional Berhad ("TNB"). The said solar project will be generating revenue in 2017.



The assembly plant in Danang City, Vietnam has also commenced production of Nissan X-Trail, a SUV, for the Vietnam market in the fourth quarter of 2016 and this model has been well-received. This is an addition to the Nissan Sunny (also known as Almera) that is also locally assembled there.

The assembly plant in Myanmar has also commenced production of Nissan Sunny a global B-segment vehicle for the Myanmar market. This marks the first Nissan vehicle to be locally-assembled in Myanmar.

These assembly plants in Vietnam and Myanmar are strategic investments to strengthen TCMH Group's foothold in the Asean region to be a regional automotive company.

Financial Services Division

The Financial Services Division consists mainly of insurance services business and automotive financing. The insurance services business core activities are focused on automotive and other general insurance. The combined revenue of this Division has increased by 16.4% from FY2015 to FY2016.



The automotive financing complements the growth of the automotive sales in particular Nissan and Renault vehicles as well as pre-owned vehicles from the MUV stable. In FY2016, we completed the tenth issuance under the MTN Programme of a nominal value of RM219.75 million ("Notes Series 2016-A"). The Notes Series 2016-A, issued in various classes and tranches, is part of the programme for securitisation of hire purchase receivables undertaken by TCMH's wholly-owned subsidiary, TC Capital Resources Sdn Bhd. Proceeds from the issuance of Notes Series 2016-A were utilised as working capital.

During the year 2016, the insurance services business maintained and grew its topline performance by 3.6% year-on-year by strengthening sales management and implementing innovative and exciting incentives for the sales force to counter continuous challenges from lower new vehicle volume and stiff competition by banks and takaful institutions.

Others

The business activities included in the Others category are property management and investment, management services, information technology ("IT") services, education services and trading business. Rental income from the properties contributed less than 1% to TCMH Group revenue. The majority of the properties are used for the assembly plants, offices, showrooms and after-sales service centres. The Group's properties were revalued as at 31 December 2016 at RM1.68 billion (FY2015: RM1.47 billion).



MANAGEMENT DISCUSSION AND ANALYSIS

TCMH has established IT hubs in Malaysia and Vietnam. The focus on IT hubs reflects the growing needs to integrate IT into the automotive business by developing and enhancing IT based solutions and services used in the automotive industry such as enterprise systems, applications, mobile apps, etc.

Education services is mainly related to automotive technical and other skills based programmes accredited by Jabatan Pembangunan Kemahiran (“JPK”), City & Guilds, BTEC, LCCI, etc. This serves to provide a channel for skilled workers to join TCMH Group and also contributing to society by providing skills-based education opportunities to our youths.

BUSINESS OUTLOOK AND PROSPECTS

Automotive Division

The domestic automotive industry is expected to face another challenging year in 2017 as consumer sentiment continues to be cooled by stringent financing guidelines and lower appetite for big ticket commitments such as new cars. It is under this climate, the Malaysian Automotive Association (“MAA”) has forecasted 2017 new vehicles sales to be 590,000 units (2016: 580,124 units) [source: MAA Market Review for 2016 and Outlook for 2017 Report].

TCMH Group maintains its cautious stand under the current market outlook. Nevertheless, we will endeavor to sustain our position in the market. Over the years, we have invested and continue to invest to improve the sales and after-sales service network throughout Malaysia to boost the sales and distribution infrastructure. We believe this will be an effective way to reach out to the more discerning customers of today. Sales and marketing strategies are continuously being refined to maintain our competitive edge in today’s market. For this reason, we have launched the 7-years warranty programme for Nissan and Infiniti car buyers in 2017 which is the first for Japanese brand vehicles. This is part of our on-going efforts

to deliver quality and value to our customers and reward our loyal customers for their trust in TCMH Group over the last 60 years. We plan to roll out more innovative marketing campaigns over the course of the year.

In a market facing uncertain economic prospects, it is also understandable that consumer behaviour may also change to adapt to the uncertainties. The demand for new cars may be supplanted with quality pre-owned cars. However, trust and transparency is a significant factor in buying pre-owned cars. The discerning consumers today appreciate transparency in quality pre-owned cars. We believe TCMH Group’s market reputation of 60 years with the aim to drive past uncertainty and negotiation, and moving to a fully transparent marketplace for used vehicles under MUV is the answer to car buyers. Pre-owned cars sold by MUV have increased by 55% in FY2016 contributing RM188 million to the Group revenue.

Concurrently for the Vietnam market, we will be opening a second Infiniti showroom in Hanoi in 2017. This is part of our Infiniti business growth plan since we opened the first Infiniti showroom in Ho Chi Minh City in July 2014. We appreciate our customers’ trust in our brand, our products and our services, and we constantly strive to exceed their expectations.

For Renault brand, we are continuously working on expanding our product offerings to build brand and market confidence with new models. We will consolidate business operations and sales network expansion plans and further strengthen Renault brand presence by working with and supporting new Authorized Service Dealers in Alor Star and Batu Pahat to further enhance the after-sales service coverage. Renault brand will continue to enhance the customer experience through a number of after-sales and service initiatives, promotions and customers activities such as Track days, Defensive Driving and Meet the F1 Drivers party in order to meet and exceed expectations throughout our customers’ purchase and ownership experience.

MALAYSIA'S BEST VEHICLE WARRANTY

7 YEARS UNLIMITED MILEAGE*



*Terms and conditions apply

Commercial Vehicles Division



The commercial and bus industry is expected to remain challenging in 2017. Notwithstanding the 2017 forecast, we will continue to leverage on the Group's extensive sales and service network to penetrate corporate and fleet customers both 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. We will continue to strive to create sustainable profitable growth by maintaining product quality, right offering of products for different segments and right stocking of parts to reduce customer's downtime which will improve our customer's satisfaction and provide us with a competitive edge in the market.

For the Bus Division, we will continue to leverage and identify strategic partners to expand and penetrate overseas markets and we have set eyes on increasing our customer base for the Hong Kong and Myanmar markets. Our market penetration into Singapore, Philippines and Thailand will provide the avenue to reduce our foreign exchange exposure.

Assembly and Manufacturing Division

The outlook for 2017 is expected to be challenging for the production of new vehicles. Production costs are impacted by the current Ringgit situation with higher imported costs. The lower TIV forecast by MAA for 2017 underscored the impact of lower production volume anticipated in 2017. Nonetheless, the Assembly Division will continue to improve productivity and also embark on cost down activities in order to sustain under such conditions.

The Danang, Vietnam plant which is producing the Nissan Sunny and Nissan X-Trail may see some improvement in the capacity utilisation with the robust economic development in Vietnam. We are also cautiously optimistic about the prospects in Myanmar with the commencement of production of Nissan Sunny in 2017. These two markets with a huge population of young adults experiencing economic opportunities have promising prospects.

After-Sales Service Division

The outlook for FY2017 remains cautiously optimistic for the After-Sales Service Division as we anticipate cost increases, directly or indirectly impacted by stronger foreign currency movements. We have outlined plans to identify strategic locations for expansion and to upgrade certain service centres. We will further enhance our body and paint repair capabilities with the investment in workshop equipment, staff training and strengthening our network.

Financial Services Division

The Division will continue to grow the financial services business with a more robust approach to managing the customers' accounts in this challenging economic environment. For the automotive insurance services, we have embarked on efforts to enhance customers' retention through various activities and programmes. We believe that by tapping onto the existing network of showrooms and after-sales service centre nationwide, and trust in the Tan Chong brand name will help to provide a strong platform for us to reach out to our customers and gain their confidence.

Going forward into 2017, we expect greater challenges to performance arising from the upcoming implementation of Motor Premium De-tariffication by Bank Negara in the Insurance Industry and management has put plans in place to study mitigation measures to protect business profitability.

CONCLUSION

On the whole, we expect the Malaysian automotive sector to remain challenging in FY2017 due to the various persistent and lingering issues as mentioned.

In the immediate term, TCMH Group will continue with efforts to improve and enhance the sales and marketing activities to sustain the sales in a competitive environment. As for the Cambodia, Laos, Vietnam and Myanmar markets, the Group continues to strengthen the sales network to reach out to the growing market in those countries we operate in. The Group continues to remain fully committed to the overarching strategy of leveraging on the growth prospects in those countries markets as well as the Malaysian market to build a sustainable and resilient foundation for the next 60 years and beyond.



EIGHT-YEAR FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012	2011	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
RESULTS								
Revenue	5,460,757	5,716,654	4,760,628	5,198,491	4,087,883	3,860,071	3,505,248	2,856,886
(Loss)/Profit before tax	(43,080)	115,252	170,845	360,122	225,351	305,033	322,753	177,226
Tax expense	(15,954)	(45,350)	(51,191)	(124,495)	(61,803)	(89,612)	(91,666)	(22,922)
(Loss)/Profit for the year	(59,034)	69,902	119,654	235,627	163,548	215,421	231,087	154,304
(Loss)/Profit attributable to:								
Owners of the Company	(54,943)	74,865	105,853	250,952	165,855	216,144	229,740	153,326
Non-controlling interests	(4,091)	(4,963)	13,801	(15,325)	(2,307)	(723)	1,347	978
STATEMENT OF FINANCIAL POSITION								
Assets								
Property, plant and equipment	1,863,022	1,704,190	1,731,688	1,693,133	858,730	675,779	618,388	584,941
Investment properties	198,766	186,633	173,078	44,671	51,979	17,558	10,490	10,582
Prepaid lease payments	51,343	49,798	44,524	24,270	16,535	11,357	-	-
Intangible assets - Goodwill	14,592	14,592	14,592	14,592	13,944	14,448	14,191	-
Equity-accounted investees	42,891	40,415	36,793	33,918	30,409	19,791	18,920	18,281
Other investments	1	1	1	1	1	1,807	1,807	1,806
Deferred tax assets	62,761	35,722	34,787	26,397	24,339	14,520	12,090	4,881
Hire purchase receivables	460,399	369,507	350,594	376,451	251,153	386,788	284,554	312,811
Finance lease receivables	162	9,153	636	1,504	2,378	1,440	3,945	7,116
Total non-current assets	2,693,937	2,410,011	2,386,693	2,214,937	1,249,468	1,143,488	964,385	940,418
Current assets	2,882,708	2,761,369	2,619,869	2,767,454	2,716,737	1,893,421	1,781,634	1,524,964
Total Assets	5,576,645	5,171,380	5,006,562	4,982,391	3,966,205	3,036,909	2,746,019	2,465,382
Equity and Liabilities								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	2,562,520	2,485,524	2,443,592	2,397,733	1,656,023	1,529,650	1,371,376	1,202,549
Treasury shares	(25,278)	(25,274)	(24,990)	(24,809)	(24,795)	(24,786)	(24,778)	(24,777)
Total equity attributable to owners of the Company	2,873,242	2,796,250	2,754,602	2,708,924	1,967,228	1,840,864	1,682,598	1,513,772
Non-controlling interests	(8,952)	(1,602)	5,951	(6,761)	2,638	8,310	8,639	4,406
Total equity	2,864,290	2,794,648	2,760,553	2,702,163	1,969,866	1,849,174	1,691,237	1,518,178
Non-current liabilities	975,021	1,013,524	1,101,119	491,679	412,471	336,347	409,147	291,545
Current liabilities	1,737,334	1,363,208	1,144,890	1,788,549	1,583,868	851,388	645,635	655,659
Total Equity and Liabilities	5,576,645	5,171,380	5,006,562	4,982,391	3,966,205	3,036,909	2,746,019	2,465,382
FINANCIAL STATISTICS								
Basic (loss)/earnings per share (sen)	(8.42)	11.47	16.22	38.44	25.41	33.11	35.19	23.42
Gross dividend per share (sen)	4.00	5.00	6.00	21.00	12.00	12.00	12.00	11.00
Net assets per share (RM)	4.40	4.28	4.22	4.15	3.01	2.82	2.58	2.32
Return on invested capital (%)	0.36%	3.07%	4.29%	9.26%	8.88%	12.85%	13.59%	10.48%
Return on shareholders equity (%)	-1.94%	2.70%	3.87%	10.73%	8.71%	12.27%	14.38%	10.45%
Net debt/Equity (%)	54.88%	47.21%	34.28%	36.41%	29.54%	15.28%	15.84%	7.30%



Renault KOLEOS

Bigger. Bolder. Better.

The all-new Koleos broadens your outlook. A previously unseen alliance of power and refinement, its assertive design pushes the boundaries and expresses itself with a bold style. With space that defies expectations, levels of comfort and finish that have to be experienced to be believed, Koleos sets the new standard in SUVs.



PROFILE OF DIRECTORS

DATO' TAN HENG CHEW

JP, DJMK

Dato' Tan Heng Chew, 70, 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 five Board meetings held in 2016.

DATO' NG MANN CHEONG

DSSA, SMP, JP

Dato' Ng Mann Cheong, 72, 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 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 the Legal Advisor of Malaysian Crime Prevention Foundation.

Dato' Ng also sits on the board of MTrustee Berhad (formerly known as AmTrustee Berhad), AmMortgage One Berhad and was a past director of Port Klang Authority.

Dato' Ng attended all the five Board meetings held in 2016.

DATO' HAJI KAMARUDDIN @ ABAS BIN NORDIN *DSSA, KMN*

Dato' Haji Kamaruddin @ Abas bin Nordin, 78, a Malaysian, Male, was appointed to the Board on 23 November 2001. He is an Independent Non-Executive Director, and a member of the Audit Committee, Nominating Committee and Board Risk Management and Sustainability Committee.

Dato' Haji Kamaruddin graduated from the University of Canterbury, New Zealand with a Master of Arts degree majoring in Economics in 1966. He joined the civil service upon his graduation and served the Government until he retired in 1993. During his tenure with the civil service, he held several senior positions, among them as Director, Industries Division in the Ministry of International Trade and Industry, Deputy Secretary-General, Ministry of Works and Director-General of the Registration Department, Ministry of Home Affairs.

Dato' Haji Kamaruddin is also an Independent Non-Executive Director of APM Automotive Holdings Berhad and Non-Independent Non-Executive Director of Lion Industries Corporation Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Haji Kamaruddin attended all the five Board meetings held in 2016.

Dato' Haji Kamaruddin will not seek re-election as Director of the Company and accordingly, he will retire at the conclusion of the Forty-Fifth Annual General Meeting of the Company.

DATO' SEOW THIAM FATT *DIMP*

Dato' Seow Thiam Fatt, also known as Dato' Larry Seow, 76, a Malaysian, Male, was appointed to the Board on 3 July 2002. He is an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Nominating Committee and Board Risk Management and Sustainability Committee.

Dato' Larry Seow is a Fellow of CPA Australia, Fellow of the Institute of Chartered Secretaries and Administrators and past Fellow of the Institute of Chartered Accountants in Australia. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants ("MICPA"). He is a past President of MICPA and also served four years as a government appointed Independent Director of the previous Kuala Lumpur Commodities Exchange ("KLCE"). He is a past Council Member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is currently the Chairman of its Audit Committee.

Dato' Larry Seow has more than 20 years' professional experience as a former Partner in the accounting firms of Larry Seow & Co, Moores Rowland and Arthur Young. He diverted from professional practice in 1994 and thereafter held several senior positions in the private and public sectors including his position as General Manager of the Financial Reporting Surveillance and Compliance Department of the Securities Commission of Malaysia.

Dato' Larry Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad and AmMetLife Insurance Berhad, and the Independent Non-Executive Chairman of Sersol Berhad. He was also an Independent Non-Executive Director of Affin Investment Bank Berhad from April 2004 to September 2011 and a past Independent Non-Executive Director of ING Insurance Berhad and ING Funds Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Larry Seow attended all the five Board meetings held in 2016.

Dato' Larry Seow will not seek re-election as Director of the Company and accordingly, he will retire at the conclusion of the Forty-Fifth Annual General Meeting of the Company.



PROFILE OF DIRECTORS

SIEW KAH TOONG

Siew Kah Toong, also known as David Siew, 62, a Malaysian, Male, was appointed to the Board on 1 July 2010. 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 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 Wing Tai Malaysia Berhad and Fraser & Neave Holdings Bhd.

Mr. Siew attended all the five Board meetings held in 2016.

DATO' KHOR SWEE WAH @ KOH BEE LENG

DJMK

Dato' Khor Swee Wah @ Koh Bee Leng, also known as Dato' Rosie Tan, 68, 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.

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 five Board meetings held in 2016.

HO WAI MING

Ho Wai Ming, also known as Daniel Ho, 46, 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 five Board meetings held in 2016.

LEE MIN ON

Lee Min On, 57, a Malaysian, Male, was appointed to the Board on 28 November 2016. He is an Independent Non-Executive Director, and a Member of the Audit Committee, Nominating Committee and Board Risk Management and Sustainability 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 serves as a Non-Executive Director with Coalition for Business Integrity Berhad, an unlisted and not-for-profit organization that advocates the importance of integrating governance in conducting business, all with the view of raising the bar on corporate governance and integrity in the marketplace.

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 did not attend any Board meeting held in 2016 as he was appointed to the Board on 28 November 2016, i.e. the last Board meeting of the Company for 2016.

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 2016.



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 Senior Executive Vice President, Mr Ho Wai Ming - Chief Financial Officer, whose profiles are included in the Profile of Directors on pages 20 to 23 in the Annual Report 2016, and the following senior management personnel:

1. **DATO’ DR. ANG BON BENG**, *D.S.P.N, PJK*

Head of Automotive Division (Indo-China) (*w.e.f. 1 April 2013*)
Aged 68, Male, Malaysian

Qualification:

- PhD in Business Administration - Honolulu University, Hawaii, USA
- Master of Law Executive (Business Law) (L.L.M.) - International Islamic University, Malaysia
- Master of Business Administration (International & Strategic Marketing) - University of Portsmouth, UK
- Advanced Diploma in Business Administration - The Association of Business Executives, UK

Working Experience:

- Joined Edaran Tan Chong Motor Sdn Bhd (“ETCM”), a wholly-owned subsidiary of TCMH as a sales representative in 1970.
- Held various managerial positions in charge of branch and regional sales and was promoted to Sales Director in 2001. Appointed as Director of ETCM and Tan Chong & Sons Motor Company Sdn Bhd, wholly-owned subsidiaries of TCMH which are engaged in automotive business, on 29 June 2002 and 12 January 2004 respectively.
- Appointed as Senior Regional Director (Indo-China) on 1 April 2013, overseeing the entire ETCM business operations in Indo-China.

Present Directorship(s):

Listed Entity: Nil
Other Public Companies: Nil

2. **NICHOLAS TAN CHYE SENG**

Head of Financial Services Division (*w.e.f. 5 March 2012*)
Aged 43, 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.

PROFILE OF KEY SENIOR MANAGEMENT



3. CHRISTOPHER TAN KOK LEONG

Head of Automotive Division (Malaysia) (*w.e.f. 1 January 2016*)
Aged 40, 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.

4. WONG KING YOON

Head of Commercial Vehicles Division (*w.e.f. 1 January 2014*)
Aged 64, 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 organization 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



PROFILE OF KEY SENIOR MANAGEMENT

5. **LIM SEW CHAN** (also known as Cindy Lim)
Head of Assembly and Manufacturing Division (*w.e.f. 1 March 2014*)
Aged 62, Female, Malaysian

Qualification:

- Fellow of the Association of Chartered Certified Accountants (ACCA)
- Member of the Malaysian Institute of Accountants (MIA)

Working Experience:

- Has over 30 years of working experience in automotive, manufacturing and insurance industries – majoring in financial, accounting and manufacturing costing. Last position held prior to joining to the Group was Financial Controller (Malaysia Operation), Motor Division of Sime Darby Berhad.
- Joined the Group in December 2009 as General Manager – Finance & Manufacturing of Tan Chong Motor Assemblies Sdn Bhd (“TCMA”), a subsidiary of TCMH which is engaged in the assembly of motor vehicles and engines.
- Appointed as Head of Plant Operation of TCMA on 1 March 2014, responsible for the overall plant operations of Segambut and Serendah plants as well as overseeing the business operations of several manufacturing subsidiaries of the Group viz TCM Stamping Products Sdn Bhd (“TCMSP”) and TC Module Integrator Sdn Bhd (“TCMI”).
- Appointed as Director of TCMA, TCMSP and TCMI on 21 July 2014.

Present Directorship(s):

Listed Entity: Nil
Other Public Companies: Nil

6. **TEONG SENG KIANG**
Head of Group Procurement and Supply Chain Management Division (*w.e.f. 1 January 2017*)
Aged 58, 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



7. **YAO TSU-WEI** (also known as Michael Yao)
Head of After-Sales Service Division (*w.e.f. 1 March 2013*)
Aged 53, 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 & 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

Save as disclosed above, none of the 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 MOTOR HOLDINGS BERHAD (“TCMH”) HAS BEEN EMBRACING THE VALUES OF SUSTAINABILITY AND CORPORATE RESPONSIBILITY SINCE ITS EARLY DAYS AND HAS EMBEDDED THEM IN ITS CORE VALUES, POLICY STATEMENTS AND WORK PRACTICES ACROSS ITS OPERATIONS.

With the increasing importance and interests that regulators, investors and stakeholders have on sustainability measures and impacts, the Group’s Corporate Social Responsibility (“CSR”) initiatives are aligned towards its efforts to implement best practices, based on the core values encompassing workplace, community, marketplace and environment.

WORKPLACE

The Group strives to become the employer of choice by creating a workplace that is fair, inclusive and reflects diversity of the community in which it operates to attract, harness and retain good employees. The Group’s major human resources policies and practices are built on the premise of diversity that encourages respectful communication and collaboration between all employees; teamwork and employee participation from all groups and perspectives. The Group believes that success depends on the knowledge, skills, creativity and capability of its employees, regardless of nationality, gender, age, ethnicity, language and other characteristics that make each of its employees unique. The Group also believes that workforce diversity is a good business practice and creates long term values for its stakeholders. The Group involves staff in creating a great place to work in and an organisation that they can be proud of.

Learning and Development

Various internal and external trainings were conducted in 2016 for both hard and soft skills. Employees were given equal opportunities to participate in training programmes that have been carefully selected to improve staff performance. One of the flagship programmes was Lead Forward, a leadership programme for people managers. Managing Emotional Intelligence was also popular among people managers.

For executives looking to build their skills, programmes such as Managing Projects for Success, Problem Solving and Presentations Alive helped tremendously in their daily tasks. The Success Factors Learning Management System (“LMS”) was launched in 2016 to allow employees to manage their own learning and development through the Learning Catalogue and Training Planner.

Scholarship Programme

As an extension of the Group’s support in education, Tan Chong Education Services Sdn Bhd, a subsidiary of TCMH, has placed a scholarship programme to provide partial or full scholarships to Malaysian students from lower household income to take up vocational skills-based programmes offered by Tan Chong Technical Institute (“TCTech”) in Petaling Jaya, Penang, Sandakan and Kota Bahru. Graduates of these programmes have the option of employment within Tan Chong Group of Companies.

Since 2013, the Group has provided scholarships to children of employees who fulfilled the criteria to pursue degree programmes in accredited local universities or private universities and institutions of higher learning. The Group also provided scholarships for Malaysian students to further their tertiary education abroad. As of the year 2016, six (6) scholars joined the Group after their graduation.

President’s Award

The President’s Award is an annual event organised by Tan Chong Group to reward children of employees who have not only excelled in their academic pursuits but also developed all-rounded skills and attained remarkable achievements in the domains they are passionate about. The applicants were also assessed based on attributes such as vision, confidence and collaborative skills. The award is categorised into UPSR, PT3, SPM and STPM. There were a total of 143 recipients in 2016 who were given cash rewards each according to the levels of achievement.

Health Campaigns and Medical Check-ups



The Group’s Medical and Occupational Health Services (“MOH”) Department conducts monthly check-ups and holds various annual health awareness campaigns for its employees. On a monthly basis, the Group’s in-house nurses visit sales branches nationwide to conduct medical check-ups such as Body Mass Index (“BMI”), cholesterol, blood pressure and blood sugar. The employees are also given consultation on health-related matters and those with health concerns will be referred for proper care of a doctor.



To promote a balanced and healthy lifestyle, the Group organises both Yoga and Zumba classes for its health-conscious employees. Both classes are held twice weekly.

The Group also organises Blood Donation drives, Bone Density checks, Diabetes Awareness and Breast Cancer Awareness campaigns for its employees annually at its head office. The objectives of these campaigns are to create health awareness among the employees and to highlight the importance of good health and well-being.

Day Care Facility



On-site day care facility allows parents to commute to work with their children, spend lunch and break time together and seamlessly pop in to check on them during the day. With this in mind, the Group has provided inhouse day care facility for employees' children ranging from 4 to 12 years old since February 2015. The children were introduced to many fun-filled activities such as art, cooking, singing and dancing whilst being coached in their homework. They are also taught using flash cards and educational television.

Social Gatherings and Recreational Activities

The Group is committed to promoting interactions by regularly bringing employees together in an effort to strengthen the bonds of friendship and camaraderie whilst instilling a sense of belonging among the employees. Various events and gatherings have been carried out to promote this objective, including festive celebrations, staff parties and a variety of outdoor and social activities.

The Group also organises its annual bowling, futsal and badminton tournaments to provide opportunities for employees of Tan Chong Group to develop their talent in sports. These tournaments are aimed at promoting a healthy lifestyle and to help cultivate good relationships and teamwork among employees across the Group.



Occupational Safety and Health ("OSH")

Fire drills are critical for ensuring the safety of both employees and visitors. As part of Serendah's Vehicle Distribution Centre ("VDC") Safety & Health activities, a fire drill exercise is held annually by the plant's OSH team, in which every participant is given emergency procedures to be used in the case of a fire and taught on the use of a fire extinguisher.

COMMUNITY

The Group remains committed to contribute to the social well-being of the society. The Group strives to be a responsible corporate citizen in support of the community by contributing to fund-raising and donation drives amongst others. In 2016, the Group has made various contributions to charitable organisations, orphanages, old folks homes and religious bodies and has also spearheaded many charitable and community events nationwide.

Day Care Centre: SJK(C) Sg. Chua, SJK (C) Sg. Way, SJK (C) Keong Hoe and Persatuan Kebajikan Kanak-Kanak Kajang



This pioneer corporate responsibility programme undertaken by the Group started with the adoption of its first day care centre in SJK (C) Sg. Chua in 2008. By the end of 2015, the Group has adopted a total of four (4) similar centres set up in the abovementioned schools and welfare associations located in Selangor and Penang. The day care centres in schools are set up by the respective Parents-Teachers Associations ("PTAs") of the schools and adopted by the Group to support the running of the centres. The programme focuses on helping primary school children of single parents or guardians in their studies and well-being by providing a conducive environment for those children to spend their time after school hours. Enrolment of students in the centre is by referral of the respective PTAs or by direct contact with the welfare association. Besides provision of healthy meals, counselling is also given to children who faced problems at home or school.

CORPORATE SOCIAL RESPONSIBILITY REPORT

TC Education



Tan Chong Technical Institute (“TCTech”) was founded in 2011. It has since grown and expanded throughout the nation. TCTech operates vocational schools in key areas such as Petaling Jaya, Penang, Sandakan and Kota Bahru which provide Technical Vocational Education and Training (“TVET”) courses specialising in automotive for young “skill inclined” school leavers and working adults to provide them with the skills to earn a living and to be independent.

Charity Trips, Visits and Events for the Underprivileged

Nissan Vietnam Co. Ltd. (“NVL”), a subsidiary of TCMH, organised a blood donation drive on 7 October 2016 at the National Institute of Hematology & Blood Transfusion in Vietnam with a health screening prior to blood donation. The objective of the event was to create health awareness among the public and employees.

NVL’s Bettering Lives Committee together with Navara Club Vietnam visited two (2) primary schools, namely, Kho La and Kho Lung on 12 November 2016. Located at Bac Me, Ha Giang, a mountainous area in Vietnam, these schools were badly dilapidated and were in dire need of school supplies. NVL prepared 210 Nissan gift packs containing foodstuff and stationeries whilst Navara Club helped to deliver those Nissan gift packs to these children at their schools. NVL also organised a get-together with underprivileged children at Hope Center of Tiencau orphanage at Hung Yen, Vietnam on 26 November 2016. The senior management and employees of NVL donated foodstuff and cooked for the children and celebrated their birthdays.



Tan Chong Motor (Lao) Sole Co., Ltd. (“Tan Chong Motor Laos”), a subsidiary of TCMH, organised a trip to Kokpherng Village in Sang Thong District, for “Give Children A Choice” organisation on 29 November 2016 for the purpose of spending a fun-filled day with the less privileged children. Tan Chong Motor Laos also donated various necessities and stationery items to the learning centre. The day was brightened by a session of colouring contest. This activity by the Group helped to enhance the children’s creativity and inspired their learning process.

In conjunction with the Festival of Lights, a total of 20 children from the Sivananda Home Divine Orphanage, Kuala Kubu Baru, were invited and personally driven to the assembly plant of Tan Chong Motor Assemblies Sdn Bhd (“TCMA”), a subsidiary of TCMH, in Serendah for the celebration. The children were treated to a sumptuous lunch and were entertained with traditional dance performance, besides being given some goody bags. A quiz was also held where winners were given prizes.

Contributions and Sponsorships

The sacrifices and services of the soldiers who had defended Malaysia to ensure peace and unity in our country are never forgotten. Many of these soldiers had sacrificed their lives or suffered permanent disability whilst defending our homeland. While there is no absolute way to measure or compensate them for their sacrifices, the Group believes in supporting their widows, children and loved ones. Thus, in conjunction with the 2016 Warrior’s Day celebrated on 31 July 2016, the Group continued to show its gratitude towards their sacrifices by donating RM20,000 towards the Ex-Army funds.



In conjunction with the Formula One race in Malaysia and to celebrate Renault Sport’s return to Formula One, TC Euro Cars Sdn Bhd (“TC Euro Cars”), a subsidiary of TCMH, organised a Renault Sport Formula One Team Pre-race Party on 29 September 2016 for its customers, media and also Renault Malaysia’s fans. Kevin Magnussen and Jolyon Palmer, the Renault Sport Formula One Team drivers, made their appearances on stage and signed autographs during the meet and greet session.

MARKETPLACE

The Group constantly engages its stakeholders through different communication channels and enhances its practices on transparency and accountability to its stakeholders, recognising the need to keep its customers, business partners and other stakeholders in the marketplace updated on its performance and plans moving forward. Engagement with the local communities has allowed the Group to gain insights on how to further improve its approach towards safety, best work practices and a sustainable environment. Among the activities organised by the Group in 2016 were participating in marketing roadshows, organising product launches and safety campaigns and hosting festive events.



Safety Campaigns and Marketing Events

The Group held its annual safety campaign in five regions in 2016. In the southern region of Johor, Edaran Tan Chong Motor Sdn Bhd (“ETCM”), a subsidiary of TCMH, collaborated with LEGOLAND® and launched a Nissan Safety Campaign at LEGOLAND® Malaysia Resort. The objective of this campaign was to engage Nissan customers in raising safety awareness and to enhance essential road safety skills and knowledge for both adults and children.

TC Euro Cars held its annual Renault Sport Track Day for its Renault Sport vehicle owners on 10 January and 8 August 2016 at the Sepang International Circuit. Track days are held annually to provide Renault Sport owners the opportunity to experience the excitement of the actual performance potential of their Renault Sport vehicles in a controlled and safe environment.

To facilitate stakeholders’ engagement and interaction through group celebrations, the Group has organised its annual Chinese New Year, Hari Raya and Deepavali Open Houses for both its customers, business partners and members of the press to foster better relationships and to exchange current views on the automotive industry.

Among the activities that ETCM has done for Nissan Test Drive Carnival in 2016 was the first ever 4WD Carnival. The carnival featured two (2) uniquely designed obstacle courses for customers to feel the vehicle’s drivability under different simulated road conditions.



ENVIRONMENT

Tan Chong Group endeavours to protect the environment and mitigates the impacts of its operations on the surroundings where it operates. In line with its commitment to maintain and practise sustainable ways to operate its business in harmony with the environment, the Group has always encouraged its employees to play a part in protecting the environment through several initiatives such as waste separation programme, recycling campaign, carbon emission reduction and water treatment.

The Group continuously finds ways to operate its business in harmony with the environment via renewable energy technology such as solar, which is a clean source of energy with a much lower environmental impact than conventional energy technology. Solar energy is continuously supplied to the earth by the sun in a clean, quiet and reliable way. It produces fewer air and water pollutants as no fuel is burned to generate electricity.

In support of the Government's initiative in promoting renewal energy, the Group's assembly plant in Serendah is installed with solar PV panels with 1MW capacity. Successfully installed and achieved Initial Operation Date ("IOD") on 15 December 2016, it is the first passenger vehicle assembly plant in Malaysia with solar PV system being awarded under the Feed in Tariff ("FiT") category.

Moving Forward



TCMH recognises the strategic role of a successful CSR programme in underscoring the strengths of the Group. The Group will continue to make sustainable and socially responsible practices as its priority. The Group's CSR initiatives are designed to integrate within its corporate strategies and to be communicated to its stakeholders, delivering overall benefits to both its business and the society at large.

INFINITI QX70

The vehicle that continues to break new ground between sport, utility and modern art, the INFINITI QX70 escapes all classification.

It's a luxury crossover of high reward, unabashedly bold design and surprising versatility. And yet, it's motivated by the soul of a sports car.

Uncompromising in its vision, it's a manifesto in motion proclaiming that some are satisfied only when they write their own rules.



The Board of Tan Chong Motor Holdings Berhad (“Company”) recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value. The Directors consider corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity as well as corporate performance.

As such, the Board seeks to embed in the Group a culture that aims to balance conformance requirements with the need to deliver long-term strategic success through performance, without compromising on personal or corporate ethics and integrity.

This corporate governance statement (“Statement”) sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and observed the 26 Recommendations supporting the Principles during the financial year. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

Principle 1 - Establish Clear Roles and Responsibilities of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s businesses;
- overseeing the conduct of the Group’s businesses and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- overseeing the development and implementation of a shareholder communications policy; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Board Risk Management Committee, 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.

(i) Board Charter

The Company has established a Board Charter (“Charter”), which outlines the Board’s roles and responsibilities. This Charter is periodically reviewed by the Board to be in line with the regulatory changes and to reflect recent changes made to the terms of reference of the Board Committees. The Charter was last reviewed on 28 February 2017 and the changes thereof approved by the Board.

To enhance accountability, the Board has established clear functions reserved for the Board 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, the 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 Appendix B of the Charter, which serves as a reference point for Board activities. The 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. Salient features of the Charter are published on the Company’s website at www.tanchonggroup.com in line with Recommendation 1.7 of the MCCG 2012.

The Management, comprising Executive Directors and 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 Company's goals and observance of Management authorities delegated by the Board, developing business plans to enable the Company'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 perform their fiduciary duties and other governance responsibilities.

(ii) *Code of Ethics*

The Board has formalised a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. The Directors' Code of Ethics is contained in Appendix A of the Charter which is published on the Company's website at www.tanchonggroup.com. To inculcate good ethical conduct, the Group has established a Code of Conduct for employees, which has been communicated to all levels of employees in the Group.

The Board has also formalised a Special Complaints Policy, which is equivalent to a whistle-blowing policy, with the aim to provide an avenue to the 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. Under the said Policy, a hotline is made available for employees to report any alleged or suspected fraud, corruption or non-compliance with the Code of Conduct for employees, governance documents and laws and regulations, directly to the Group Compliance Officer. The Investigative Functions team is tasked to commence investigation upon receiving mandate from the Group Compliance Officer. Investigative reports are tabled to the governing committees for deliberation and decision on the next course of action to be taken, and significant cases are reported to the Audit Committee for further deliberation.

(iii) *Sustainability of Business*

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders, including suppliers, customers and other organisations.

The Group's activities on corporate social responsibilities for the financial year under review are disclosed on pages 28 to 33 of this Annual Report.

(iv) *Access to Information and Advice*

Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Charter in furtherance of their duties.

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, 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. The performance of the Company Secretaries is evaluated by the Board Chairman annually. The Company Secretaries who are members of good standing in their respective professional bodies, i.e. Malaysian Institute of Accountants and The Malaysian Institute of Chartered Secretaries and Administrators respectively, are required to meet prescribed continuing professional education criteria of the professional bodies concerned in order to be apprised of changing regulatory requirements.

Principle 2 - Strengthen Composition of the Board

The Board is cognizant of the need to refresh its members and accordingly, has, on 28 November 2016, appointed an additional Independent Non-Executive Director, Mr Lee Min On. As at the end of the financial year, the Board consists of eight (8) members, comprising three (3) Executive Directors and five (5) Independent Non-Executive Directors. This composition fulfills the requirements as set out in the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), which stipulate that at least two (2) Directors or one-third 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 and risk management. The profile of each Director is set out on pages 20 to 23 of this Annual Report.

(i) Nominating Committee – Selection and Assessment of Directors

The Board has established a Nominating Committee as it recognises the importance of the roles the Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Committee can assist the Board to discharge its fiduciary and leadership functions. The Nominating Committee comprises exclusively Independent Non-Executive Directors, namely:

- Dato’ Ng Mann Cheong - Chairman**
- Dato’ Haji Kamaruddin @ Abas bin Nordin - Member**
- Dato’ Seow Thiam Fatt - Member**
- Mr Siew Kah Toong – Member**
- Mr Lee Min On – Member (appointed on 28 November 2016)**

The Board has stipulated specific terms of reference for the Nominating Committee, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programmes for the Board. In the Board nomination and election of new Director, the Nominating Committee is tasked to conduct an evaluation and assessment of the candidate’s ability to discharge his/her duty effectively and efficiently, prior to making recommendation to the Board for its approval. The Board and Nominating Committee are guided by the following process and procedures for nomination of new candidates:



(Diagram A)

The Nominating Committee is entrusted to review annually the required mix of skills and experience of Directors; succession plans and board diversity, including gender 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 Committee is also tasked to assess annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director.

The Company has formalised in writing a Board Diversity Policy which sets out the approach to diversity on the Board. This Policy is contained in the Charter which is published on the Company’s website. Insofar as board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates nor a policy on diversity in ethnicity and age. The Company’s strategic intent for board diversity is the attraction, retention and development of a diverse team of skilled talents towards delivering of the Company’s imperatives. Evaluation of the suitability of candidates is based on the candidates’ competency, character, time commitment, integrity, experience and other qualities in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

Pursuant to its Terms of Reference, the Nominating Committee meets at least once a year or more frequently as deemed necessary by the Committee Chairman. During the financial year under review, three (3) Committee meetings were convened, attended by all members. At the meetings, the Nominating Committee considered the outcome of the self and peer assessment of the Board, Board Committees and individual Directors in respect of performance for the preceding financial year ended 31 December 2015, including the independence of Independent Non-Executive Directors; recommendation on the appointment of an Independent Non-Executive Director as well as discussion/recommendation pertaining to service contracts for the Group Senior Executive Vice President and President. On the appointment of a new Independent Non-Executive Director, the Nominating Committee followed the above process and procedures as shown in the above Diagram A. The Nominating Committee considered, among others, the candidate's skills, knowledge, expertise and experience, performance, character, professionalism and integrity, number of directorships and other external obligations which may affect the candidate's commitment, including time commitment and value contribution before recommending to the Board for approval. On 28 November 2016, the Board approved the appointment of an Independent Non-Executive Director based on the Nominating Committee's recommendation.

On 10 February 2017, the Nominating Committee met to review and assess the effectiveness of the Board as a whole, the Board Committees and the performance of individual Directors as well as the independence of the Independent Non-Executive Directors in respect of financial year ended 31 December 2016 based on self and peer assessment approach. In assessing the individual Director's performance, the Nominating Committee considered, inter alia, the contribution, performance, competency, personality, integrity and time commitment of each Director to effectively discharge his/her role as a Director of the Company. From the results of the assessment, including the mix of skills and experience possessed by the Directors, and based on the Nominating Committee's recommendation, the Board recommended the re-elections of retiring Directors at the Company's forthcoming Annual General Meeting ("AGM"). The areas for assessment of Board Committees covered, inter-alia, their composition, expertise, time commitment and effectiveness in discharging their roles and responsibilities as outlined in their respective Terms of Reference. The Nominating Committee also assessed the training needs of the Directors to enhance their competencies and ensure that they are kept abreast of all regulatory changes and developments in the business environment.

(ii) *Directors' Remuneration*

The Board is of the view that remuneration guidelines for Directors, formulated by drawing upon the wealth of experience of all Directors on the Board, would be more effective and, therefore, a Remuneration Committee is dispensed with. The Board, as a whole, determines and recommends the remuneration of Independent Non-Executive Directors and Executive Directors with the Directors concerned abstaining from discussions on their individual remuneration.

In essence, the key principles and procedures in remunerating executive employees below Board level are also applicable to the Executive Directors. The remuneration policy of the Group seeks to attract and retain as well as to motivate employees of all levels to contribute positively to the Group's performance.

The guidelines on bonus in respect of the financial year ended 31 December 2016 and annual increment for 2017 in respect of executive employees of the Group were recommended for the Board's approval by the Management. The quantum of the annual performance bonus was dependent on the operating results of the Group, taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Directors.

The remuneration of Non-Executive Directors of the Company was determined by the Board as a whole, within an aggregate Directors' fee limit of not exceeding RM500,000 per annum, as approved by shareholders of the Company on 25 May 2016. The Non-Executive Directors did not participate in the discussion of their remuneration.

Directors' remuneration for the financial year ended 31 December 2016 in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors, is as follows:

CORPORATE GOVERNANCE STATEMENT



	Fees (RM)	Salaries and/or Allowances (RM)	Bonus (RM)	Benefits-in-kind (RM)	Services Rendered (RM)
Company					
Executive Directors (Note)	-	4,077,240	2,714,580	277,459	-
Non-Executive Directors	444,000	132,600	-	37,000	1,926
Group					
Executive Directors (Note)	-	11,316,000	6,487,754	293,459	-
Non-Executive Directors	444,000	132,600	-	37,000	1,926

(Note: The remuneration paid to the Executive Directors were by virtue of their contract of service or employment with the Company/Group.)

The number of Directors of the Company, whose remuneration band falls within the following successive bands of RM50,000, is as follows:

Range of remuneration	Executive	Non-Executive
RM0 to RM50,000	-	1
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	-	3
RM1,050,001 to RM1,100,000	1	-
RM5,300,001 to RM5,350,000	1	-
RM11,700,001 to RM11,750,000	1	-

Principle 3 – Reinforce Independence of the Board

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

The positions of Chairman and Chief Executive Officer of the Company are helmed by Dato' Tan Heng Chew, the President of the Company. The Board is of the view that with the majority of Independent Non-Executive Directors, coupled with the adoption of the Charter that formally sets out the schedule of matters reserved solely to the Board for decision making, the relevant check and balance is in place to address the positions of Chairman and Chief Executive Officer being assumed by the same Director.

The President, in assuming the position of Chairman, 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. As the leader of the Executive Team (as defined in the Charter), the President, supported by Group Senior Executive Vice President, Chief Financial Officer 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 Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. 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 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 Nominating Committee assesses the independence of the Independent Non-Executive Directors based on criteria set out in paragraph 1.01 of the Listing Requirements of Bursa Securities. The Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Non-Executive Director and thereafter he or she may be re-designated as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as an Independent Non-Executive Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nominating Committee is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence as adopted by the Board.

In the assessment of Directors' independence for the financial year under review, the Nominating Committee concluded that all the Independent Non-Executive Directors have satisfied the independence criteria as set out in the Listing Requirements of Bursa Securities and each of them is able to provide independent judgment and act in the best interest of the Company.

Dato' Ng Mann Cheong, Dato' Haji Kamaruddin @ Abas bin Nordin and Dato' Seow Thiam Fatt were appointed to the Board on 31 July 1998, 23 November 2001 and 3 July 2002 respectively, and they have each served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. Dato' Haji Kamaruddin @ Abas bin Nordin and Dato' Seow Thiam Fatt have indicated their intention to retire at the forthcoming AGM of the Company.

Following an assessment and recommendation by the Nominating Committee, 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 the end of the financial year under review, be retained as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company. Key justifications for retaining him as Independent Non-Executive Director are as follows:

- He fulfills the independence criteria set out in the Listing Requirements of Bursa Securities 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 interests;
- 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;
- 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;
- From his perfect attendance record at Board and Board Committee meetings, it is demonstrable of his commitment towards the Company's needs; and
- 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.

Principle 4 – Foster Commitment of Directors

The Board ordinarily meets at least five (5) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the Directors' information. The meeting agenda, the relevant reports and Board papers are furnished to the Directors and Board Committee members at least seven (7) days before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational and financial issues. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings. During the financial year under review, the Board convened five (5) Board meetings which were attended by all the Directors, except for Mr Lee Min On who was appointed to the Board on 28 November 2016, i.e. the last Board meeting of the Company for 2016.

As stipulated in the Charter, the Directors are required to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

To further foster commitment by Directors towards the Company, the Charter also stipulates that Directors shall not sit on the boards of more than five (5) listed issuers, and before accepting any new directorship, Directors shall notify the Chairman, the notification of which shall include an indication of time that will be spent on the new appointment.

All the Directors of the Company have confirmed that their other directorships in listed issuers do not exceed the maximum five (5) directorships permitted by the Listing Requirements of Bursa Securities. The Directors are required to notify the Company in a timely manner of any change to their directorships in public and private companies.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to statutory and regulatory requirements and the impact of such statutory and regulatory requirements have on the Group. The Company Secretaries normally circulate the relevant circulars and guidelines on such statutory and regulatory changes from time to time for the Board's reference.

All Directors except for Mr Lee Min On (appointed on 28 November 2016) have completed their Mandatory Accreditation Programme ("MAP") as required by the Listing Requirements of Bursa Securities. Mr Lee Min On will be attending the MAP on 6 and 7 April 2017 of which Bursa Securities has granted an extension of the prescribed timeline. During the financial year under review, the trainings attended by the Directors included briefings, seminars and conferences conducted by relevant regulatory authorities and professional bodies. Among the continuous education programmes attended/participated by the Directors are as follows:

Name of Director	Details of Programme
Dato' Tan Heng Chew	<ul style="list-style-type: none"> (i) Tan Chong Education Services Sdn Bhd: Dato' Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as A Source of Competitive Advantage (ii) Zaid Ibrahim & Co: Briefing on Companies Bill 2015 (iii) KPMG: MFRS 15 – Revenue from Contracts with Customers
Dato' Ng Mann Cheong	<ul style="list-style-type: none"> (i) Bursa Malaysia and COSO Academy: CG Breakfast Series with Directors - Improving Board Risk Oversight Effectiveness (ii) Bursa Malaysia: Ring the Bell for Gender Equality (iii) Bursa Malaysia and The Iclif Leadership and Governance Centre: Nominating Committee Programme Part 2 – Effective Board Evaluations (iv) Zaid Ibrahim & Co: Briefing on Companies Bill 2015 (v) Bursa Malaysia: CG Statement Workshop – The Interplay between CG, Non-Financial Information and Investment Decisions (vi) Bursa Malaysia and The Iclif Leadership and Governance Centre: Independent Directors Programme – The Essence of Independence (vii) Bursa Malaysia and Malaysian Directors Academy: CG Breakfast Series with Directors – “Anti-corruption & Integrity – Foundation of Corporate Sustainability”
Dato' Kamaruddin @ Abas bin Nordin	<ul style="list-style-type: none"> (i) Bursa Malaysia: Ring the Bell for Gender Equality (ii) Bursa Malaysia and The Iclif Leadership and Governance Centre: Independent Directors Programme – The Essence of Independence (iii) Bursa Malaysia and Malaysian Directors Academy: CG Breakfast Series with Directors – “The Strategy, the Leadership, the Stakeholders and the Board” (iv) Bursa Malaysia: Sustainability Engagement Series – for Directors/Chief Executive Officers (v) Tan Chong Education Services Sdn Bhd: Dato' Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as A Source of Competitive Advantage

Name of Director	Details of Programme
Dato' Seow Thiam Fatt	<ul style="list-style-type: none"> (i) AmBank Group: Briefing on Competition Law (ii) Bursa Malaysia: Ring the Bell for Gender Equality (iii) Financial Institutions Directors' Education: Dialogue on Directors' and Officers' Liability Insurance (iv) Financial Institutions Directors' Education: Briefing on Directors' Register Implementation (v) Financial Institutions Directors' Education: Avoiding Financial Myopia (vi) CG Board Asia Pacific Sdn Bhd: Financial Hidden in Plain Sight – Why Directors and Management Need to Ask Hard Questions (vii) Bursa Malaysia, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants: CG Breakfast Series with Directors – “Future of Auditor Reporting – The Game Changer for Boardroom” (viii) Tan Chong Education Services Sdn Bhd: Dato' Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as A Source of Competitive Advantage (ix) Zaid Ibrahim & Co: Briefing on Companies Bill 2015
Siew Kah Toong	<ul style="list-style-type: none"> (i) Bursa Malaysia and Malaysian Directors Academy: CG Breakfast Series with Directors – “The Strategy, the Leadership, the Stakeholders and the Board” (ii) Chartered Tax Institute of Malaysia, Persatuan Pengawal Kanan Kastam Malaysia and Royal Malaysian Customs Department: National GST Conference 2016 (iii) Bursa Malaysia: Sustainability Engagement Series – for Directors/Chief Executive Officers (iv) Malaysian Institute of Accountants and CPA Malaysia: Changing SMPs Business Model (v) Lembaga Hasil Dalam Negeri Malaysia and Chartered Tax Institute of Malaysia: National Tax Conference 2016 (vi) Bursa Malaysia: CG Statement Workshop – The Interplay between CG, Non-Financial Information and Investment Decisions (vii) Bursa Malaysia and Malaysian Directors Academy: CG Breakfast Series with Directors – The Cybersecurity Threat and How Boards Should Mitigate the Risks (viii) Chartered Tax Institute of Malaysia: 2017 Budget Seminar (ix) Malaysian Institute of Accountants: New Companies Act 2016 – A Snapshot of Changes
Dato' Khor Swee Wah @ Koh Bee Leng	<ul style="list-style-type: none"> (i) KPMG Advisory (Myanmar) Limited: Myanmar Business Update and Outlook (ii) Tan Chong Education Services Sdn Bhd: Dato' Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as A Source of Competitive Advantage (iii) Zaid Ibrahim & Co: Briefing on Companies Bill 2015 (iv) KPMG: MFRS 15 – Revenue from Contracts with Customers (v) ASEAN Business Club and Kuala Lumpur Business Club: ABC & KLBC Business Mission to Vietnam (vi) Tan Chong Education Services Sdn Bhd: Industrial Relations Conference 2016 (vii) Bloomberg LIVE: ASEAN Business Summit 2016

Name of Director	Details of Programme
Ho Wai Ming	<ul style="list-style-type: none"> (i) Bursa Malaysia: Sustainability Engagement Series – for Chief Financial Officers/Chief Sustainability Officers (ii) Total Performance Advancement Consultancy Sdn Bhd: ISO9001 – 2015 Requirements Training (iii) Affin Hwang Asset Management Berhad: Investment Forum 2016 – Outlook and Opportunities (iv) Bursa Malaysia, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants: CG Breakfast Series with Directors – “Future of Auditor Reporting – The Game Changer for Boardroom” (v) Tan Chong Education Services Sdn Bhd: Dato’ Tan Heng Chew Distinguished Speaker Series – Cultural Alignment as A Source of Competitive Advantage (vi) Zaid Ibrahim & Co: Briefing on Companies Bill 2015 (vii) Bursa Malaysia: Advocacy Sessions on Management Discussion and Analysis for Chief Executive Officers and Chief Financial Officers (viii) KPMG: MFRS 15 - Revenue from Contracts with Customers (ix) Taxand Malaysia: 2017 Budget Outlook and Challenges (as Panelist) (x) ASEAN Business Club and Kuala Lumpur Business Club: ABC & KLBC Business Mission to Vietnam
Lee Min On <i>(appointed on 28 November 2016)</i>	<ul style="list-style-type: none"> (i) Farm’s Best Berhad: The Draft Malaysian Code on Corporate Governance 2016 & Changes to Listing Requirements (ii) MeLearn Global: The Draft Malaysian Code on Corporate Governance 2016 – Key Changes & Implications to Listed Issuers (iii) Alam Maritim Resources Berhad: Companies Act 2016 – Key Changes & their Implications to the Company’s Business Structure & Administration (iv) Malaysian Investor Relations Association: Management Discussion & Analysis – Drafting the MD&A – What & how to disclose (v) Malaysian Institute of Corporate Governance: Sustainability Reporting – How to go about the intricacies of reporting (vi) LeadWomen Sdn Bhd: Integrity in Boardrooms – Are Boards playing their role? Fraud Risk Management – Whose responsibility is it? (vii) Malaysian Investor Relations Association: Sustainability Reporting (conducted for SAM Engineering & Equipment Berhad in Penang) <p>(All participated as speaker)</p>

During the financial year under review, the Chief Financial Officer and external auditors briefed the Board members on relevant changes to the Malaysian Financial Reporting Standards that would affect the Group’s financial statements. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

Principle 5 – Uphold Integrity in Financial Reporting by the Company

It is the Board’s commitment to present a balanced and meaningful assessment of the Group’s financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group’s results to Bursa Securities, the annual financial statements of the Group and Company as well as the Report of the Board of Directors and Management Discussion & Analysis Statement set out on pages 6 to 17 of this Annual Report.

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and 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 assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Dato' Seow Thiam Fatt 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 for the financial year under review are set out in the Audit Committee Report on pages 50 to 53 of this Annual Report. One of the key responsibilities of the Audit Committee in its Terms of Reference 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, 1965, as the case may be. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

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.

The Board through the Audit Committee maintains a transparent and professional relationship with the external auditors. The Audit Committee is responsible for the annual review and assessment of the suitability and independence of the external auditors for re-appointment. This annual review and assessment is carried out via assessment questionnaire with reference to the Corporate Governance Guide – Towards Boardroom Excellence 2nd Edition, a publication of Bursa Malaysia Berhad. In assessing the external auditors' performance and suitability during the financial year under review, the Audit Committee considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors. The Audit Committee also obtained pertinent feedback from the Group's finance personnel who interacted with the external auditors on the performance and quality of work delivered by the external auditors.

Having satisfied with the external auditors' performance, technical competence and professional independence, the Audit Committee recommended the re-appointment of KPMG PLT as external auditors of the Company for the financial year ending 31 December 2017. Based on the Audit Committee's recommendation, the Board recommended the re-appointment of the external auditors for approval by the shareholders at the forthcoming AGM of the Company.

In support of their independence, the external auditors have provided assurance to the Audit Committee via their annual audit presentation by confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

The external auditors were invited and had attended three (3) Audit Committee meetings and AGM of the Company during the financial year under review. In addition, the Audit Committee also had two (2) separate sessions with the external auditors without the presence of executive Board members and management personnel to exchange independent views on matters which require the Audit Committee's attention.

Principle 6 – Recognise and Manage Risks of the Group

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

- (a) An organisational structure of the Group with formally defined lines of responsibility and delegation of authority;
- (b) 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;
- (c) Procurement of insurance coverage as a mitigating measure to manage the risk of loss of Group's assets arising from various perils faced in the Group's operations;
- (d) 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;
- (e) Active participation and involvement by the President, Group Senior Executive Vice President 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;
- (f) 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
- (g) Monthly financial reporting by the subsidiaries to the holding company.

The Board has established a Board Risk Management Committee (“BRMC”) which comprises the following members:

Mr Siew Kah Toong - Chairman
Dato’ Ng Mann Cheong - Member
Dato’ Haji Kamaruddin @ Abas bin Nordin – Member
Dato’ Seow Thiam Fatt - Member
Dato’ Tan Heng Chew – Member
Mr Lee Min On - Member (appointed on 28 November 2016)

The BRMC 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 Committee (“RMC”) which comprises heads of major business units of the Group as its members, assists the BRMC 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, two (2) BRMC 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 BRMC meetings as invitees. More details of the risk management framework and its associated initiatives undertaken by the BRMC and RMC during the financial year under review are set out in the Risk Management and Internal Control Statement on pages 47 to 49 of this Annual Report.

In line with the MCCG 2012 and the Listing Requirements of Bursa Securities, the Company has established a Group Internal Audit (“GIA”) function, which reports directly to the Audit Committee on the effectiveness of the current system of internal controls from the perspectives of governance, risk and control. All internal audits carried out are guided by internal auditing standards promulgated by 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.

Principle 7 – Ensure Timely and High Quality Disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalised in writing the corporate disclosure policies to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa Securities, and set out the persons authorised and responsible to approve and disclose material information to Bursa Securities, Securities Commission Malaysia, shareholders and stakeholders. In formulating such policies, the Board took into consideration the Corporate Disclosure Guide issued by Bursa Malaysia Berhad in 2011.

To augment the process of disclosure, the Company’s website has a dedicated section on corporate governance, where information on the Company’s announcements to Bursa Securities, the Charter, rights of shareholders and the Company’s Annual Report may be accessed.

Principle 8 – Strengthen Relationship between the Company and its Shareholders

(i) *Shareholder Participation at General Meeting*

The AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group’s performance as disclosed in the Company’s Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group’s operations in general. At the last AGM, the Chairman informed the shareholders of their rights to demand a poll for the resolutions in accordance with the Articles of Association of the Company. A “question & answer” session was held where the Chairman of the meeting invited shareholders to raise questions which were addressed by the Board and Senior Management. The Chairman of the meeting also shared with shareholders at the AGM, the Company’s responses to questions submitted by the Minority Shareholder Watchdog Group prior to the AGM.

The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and circular supporting the resolutions proposed. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

(ii) *Communication and Engagement with Shareholders and Prospective Investors*

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 Securities, 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 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.

This Statement is dated 31 March 2017.

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 2016.

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 Committee ("BRMC"), 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 Senior Executive Vice President 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 BRMC, which comprises five 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 BRMC meetings as invitees.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

The Risk Management Committee (“RMC”), which comprises heads of major business units of the Group as its members, assists the BRMC 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 RMC and BRMC to the Board; and matters or decisions made within the RMC’s and BRMC’s purview were updated to the Board for notation.

A group-wide risk assessment was performed twice in 2016 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 RMC and BRMC. 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 RMC and BRMC 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. Group Risk Management also conducts awareness workshops and briefings to key business units within the Group to disseminate awareness of risk management as well as to inculcate a risk culture within each level of the Group.

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 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.

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.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT



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 2016 amounted to approximately RM1.59 million (2015: approximately RM2.82 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 2016 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 Recommended Practice Guide ("RPG") 5 (Revised 2015), 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 2016, 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.

The RPG 5 (Revised 2015) 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 31 March 2017.

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 2016.

COMPOSITION AND MEETINGS

The Audit Committee was established on 1 August 1994 and the current composition, including the attendance of its members at the six (6) meetings held during the financial year, is as follows:

Name	Designation	Attendance
Dato' Seow Thiam Fatt <i>Independent Non-Executive Director</i>	Chairman	6/6
Dato' Ng Mann Cheong <i>Senior Independent Non-Executive Director</i>	Member	6/6
Dato' Haji Kamaruddin @ Abas bin Nordin <i>Independent Non-Executive Director</i>	Member	6/6
Siew Kah Toong <i>Independent Non-Executive Director</i>	Member	6/6
Lee Min On (Appointed on 28 November 2016) <i>Independent Non-Executive Director</i>	Member	-*

Note: * There was no Audit Committee Meeting held subsequent to 28 November 2016.

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 from those members who are present. Decisions are made by a majority of votes.

The Chief Financial Officer, Head of Group Internal Audit and the Company Secretaries, normally attend the Committee meetings. Other Board members and employees may attend meetings upon invitation of the Audit Committee. 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 Committee. Having considered the recommendation made by the Nominating Committee, 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.

Details of the Terms of Reference of the Audit Committee are available for reference at www.tanchonggroup.com.

SUMMARY OF WORKS OF 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 works carried out by the Audit Committee 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") and Securities Commission;
- (b) Reviewed the consolidated 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 2016 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 non-audit fees paid/payable to the external auditors in accordance with the Group's Policy on Non-Audit Services provided by the Independent External Group Auditors/Audit Firm. Details of non-audit fees incurred by the Group for the financial year ended 31 December 2016 are stated in the Additional Compliance Information on page 54 of this Annual Report;
- (e) Considered the suitability and independence of the external auditors by assessing, among others, the adequacy of their technical expertise, experience, skills, independence and objectivity, their audit engagement and the competence of the audit team members assigned to the Group. 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 2017;
- (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 noted by the external auditors during the course of their audit. There were no major concerns raised by the external auditors at the meetings;
- (g) Reviewed and approved the Annual Internal Audit Plan to ensure adequacy of 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 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.

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 31 March 2017.

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

On 4 July 2016, TC Aluminium Castings Sdn Bhd ("TCAC"), an indirect wholly-owned subsidiary of Tan Chong Motor Holdings Berhad, entered into a Contract of Sale of Assets ("Agreement") with APM Thermal Systems Sdn Bhd ("APMTS"), a wholly-owned subsidiary of APM Automotive Holdings Berhad, in respect of the disposal of assets of TCAC to APMTS ("Proposed Disposal") for a total cash consideration of RM5,701,318.00 ("Proposed Disposal Price") which was subject to price adjustment and conditional upon the fulfilment of the conditions precedent as set out in the Agreement.

The Proposed Disposal Price was adjusted to and agreed at RM5,643,083.81 and all conditions precedent were fulfilled. The Proposed Disposal was completed on 6 September 2016.

Save as disclosed above, there were no other 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 2016 or entered into since the previous financial year.

AUDIT AND NON-AUDIT FEES

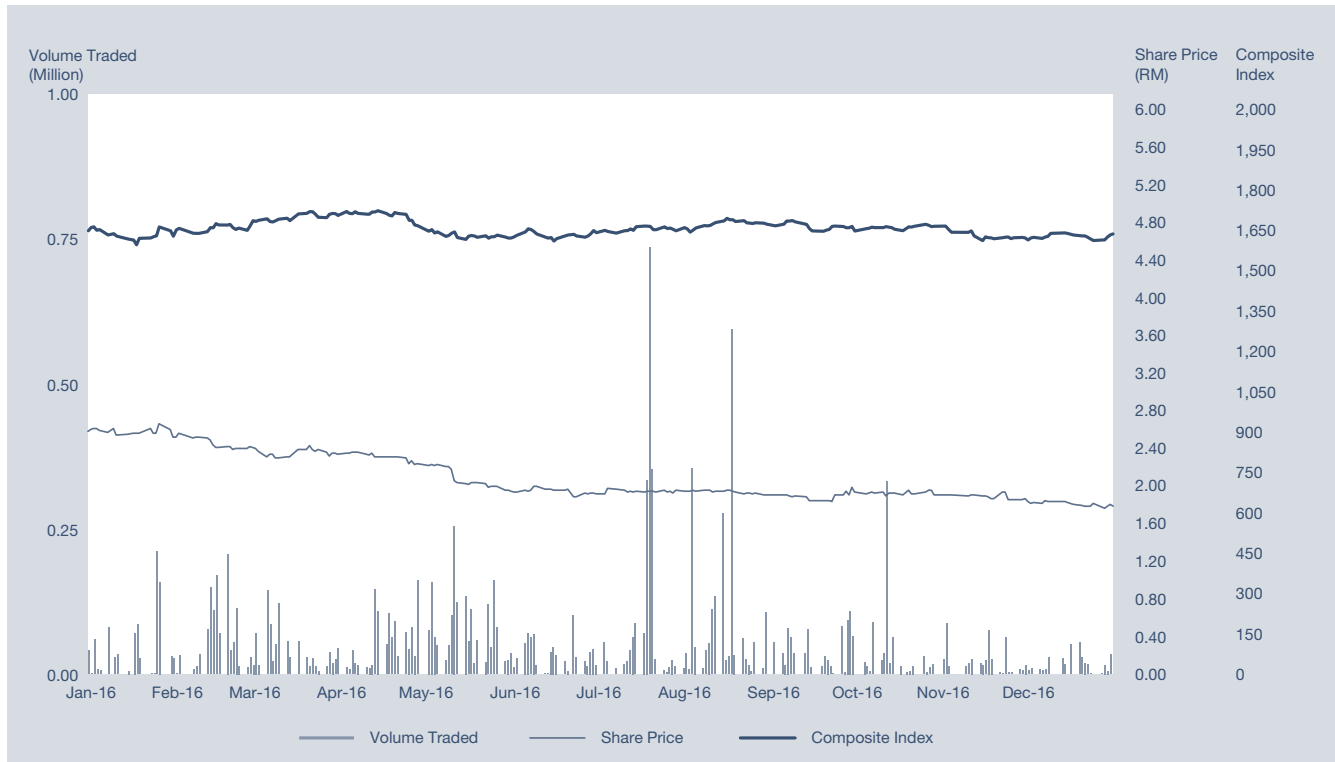
The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, KPMG PLT and their overseas affiliates, to the Company and the Group respectively for the financial year ended 31 December 2016 were as follows:

	Company	Group
	2016	2016
	(RM)	(RM)
Statutory audit fees	57,000	759,750
Non-audit fees *	27,000	336,991

***Notes:**

- The non-audit fees comprised mainly fees paid to KPMG PLT for Asset-Backed Securitisation ("ABS") Exercise and tax compliance and advisory fees amounting to RM150,000 and RM160,000 respectively.

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, 1965 ("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 2016, 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.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

for the year ended 31 December 2016

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 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 35 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group	Company
	RM'000	RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(54,943)	15,102
Non-controlling interests	(4,091)	-
	<hr/>	<hr/>
	(59,034)	15,102

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 Company paid:

- (i) a final single tier dividend of 3 sen per share totalling RM19,580,000 in respect of the financial year ended 31 December 2015 on 21 June 2016; and
- (ii) an interim single tier dividend of 1 sen per share totalling RM6,527,000 in respect of the financial year ended 31 December 2016 on 29 September 2016.

A final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2016 was proposed by the Directors. This dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

for the year ended 31 December 2016



DIRECTORS OF THE COMPANY

Directors who served since the date of last report are:

Dato' Tan Heng Chew
 Dato' Ng Mann Cheong
 Dato' Haji Kamaruddin @ Abas bin Nordin
 Dato' Seow Thiam Fatt
 Siew Kah Toong
 Dato' Khor Swee Wah @ Koh Bee Leng
 Ho Wai Ming
 Lee Min On (appointed on 28 November 2016)

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 of RM 0.50 each			
	At 1.1.2016	Bought	Disposed/ Transferred	At 31.12.2016
Interest in the Company				
Direct interests:				
Dato' Tan Heng Chew	26,985,362	-	-	26,985,362
Dato' Khor Swee Wah @ Koh Bee Leng	9,562,390	575,500	-	10,137,890
Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	-	-	4,992
Dato' Seow Thiam Fatt	78,000	10,000	-	88,000
Indirect/Deemed interests:				
Dato' Tan Heng Chew	286,094,230	575,500	-	286,669,730 ⁽¹⁾
Dato' Khor Swee Wah @ Koh Bee Leng	303,517,202	-	-	303,517,202 ⁽²⁾
Dato' Ng Mann Cheong	130,000	-	-	130,000 ⁽³⁾

Notes:

⁽¹⁾ Deemed interest by virtue of interests in Tan Chong Consolidated Sdn. Bhd. and Wealthmark Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 ("Act") and interests of spouse and children by virtue of Section 134(12)(c) of the Act.

⁽²⁾ Including interests of spouse and children by virtue of Section 134(12)(c) of the Act.

⁽³⁾ Interest of spouse by virtue of Section 134(12)(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 35 to the financial statements.

Save for the above, the other Directors holding office at 31 December 2016 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 32 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.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, 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.

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

OTHER STATUTORY INFORMATION (continued)

- 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.

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 2016 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 36 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

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

Dato' Khor Swee Wah @ Koh Bee Leng
Director

Dato' Seow Thiam Fatt
Director

Kuala Lumpur,
Date: 31 March 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	3	1,863,022	1,704,190	292	545
Investment properties	4	198,766	186,633	-	-
Prepaid lease payments	5	51,343	49,798	-	-
Intangible assets	6	14,592	14,592	-	-
Investments in subsidiaries	7	-	-	1,608,283	1,510,212
Equity-accounted investees	8	42,891	40,415	13,652	13,652
Other investments	9	1	1	139	489
Deferred tax assets	10	62,761	35,722	5,769	4,666
Hire purchase receivables	11	460,399	369,507	-	-
Finance lease receivables	12	162	9,153	-	-
Receivables	13	-	-	763,541	890,090
Total non-current assets		2,693,937	2,410,011	2,391,676	2,419,654
Other investments	9	3,001	3,416	-	-
Inventories	14	1,749,708	1,645,195	-	-
Current tax assets		36,068	36,300	-	-
Hire purchase receivables	11	74,139	82,470	-	-
Receivables	13	678,960	552,943	10,582	152,375
Deposits and prepayments	13	113,170	269,144	144	459
Derivative financial assets	15	102	6,045	-	-
Cash and cash equivalents	16	227,560	165,856	212	637
Total current assets		2,882,708	2,761,369	10,938	153,471
Total assets		5,576,645	5,171,380	2,402,614	2,573,125

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016



	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Equity					
Share capital		336,000	336,000	336,000	336,000
Reserves		2,562,520	2,485,524	953,665	964,670
Treasury shares		(25,278)	(25,274)	(25,278)	(25,274)
Total equity attributable to owners of the Company		2,873,242	2,796,250	1,264,387	1,275,396
Non-controlling interests		(8,952)	(1,602)	-	-
Total equity	17	2,864,290	2,794,648	1,264,387	1,275,396
Liabilities					
Borrowings	18	747,604	818,675	747,604	747,085
Employee benefits	19	58,300	51,058	23,287	18,959
Deferred tax liabilities	10	169,117	143,791	-	-
Payables and accruals	20	-	-	358,912	366,962
Total non-current liabilities		975,021	1,013,524	1,129,803	1,133,006
Borrowings	18	1,059,731	670,757	-	150,000
Derivative financial liabilities	15	5,164	-	-	-
Taxation		10,804	14,857	-	-
Payables and accruals	20	661,635	677,594	8,424	14,723
Total current liabilities		1,737,334	1,363,208	8,424	164,723
Total liabilities		2,712,355	2,376,732	1,138,227	1,297,729
Total equity and liabilities		5,576,645	5,171,380	2,402,614	2,573,125

The notes on pages 76 to 163 are an integral part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016 (in USD equivalent)

	31.12.2016	31.12.2015
	USD'000	USD'000
Assets		
<i>Property, plant and equipment</i>	410,177	391,228
<i>Investment properties</i>	43,762	42,845
<i>Prepaid lease payments</i>	11,304	11,432
<i>Intangible assets</i>	3,213	3,350
<i>Equity-accounted investees</i>	9,443	9,278
<i>Other investments</i>	-	-
<i>Deferred tax assets</i>	13,818	8,201
<i>Hire purchase receivables</i>	101,365	84,827
<i>Finance lease receivables</i>	36	2,101
Total non-current assets	593,118	553,262
<i>Other investments</i>	661	784
<i>Inventories</i>	385,229	377,685
<i>Current tax assets</i>	7,941	8,333
<i>Hire purchase receivables</i>	16,323	18,933
<i>Receivables</i>	149,485	126,938
<i>Deposits and prepayments</i>	24,916	61,787
<i>Derivative financial assets</i>	22	1,388
<i>Cash and cash equivalents</i>	50,101	38,075
Total current assets	634,678	633,923
Total assets	1,227,796	1,187,185

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

The audited figures are converted into USD equivalent using the exchange rate of RM4.542= USD1.00

(2015 - RM4.356 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016 (in USD equivalent)



	31.12.2016	31.12.2015
	USD'000	USD'000
Equity		
Share capital	73,976	77,135
Reserves	564,183	570,598
Treasury shares	(5,565)	(5,802)
Total equity attributable to owners of the Company	632,594	641,931
Non-controlling interests	(1,971)	(368)
Total equity	630,623	641,563
Liabilities		
Borrowings	164,598	187,942
Employee benefits	12,836	11,721
Deferred tax liabilities	37,234	33,010
Total non-current liabilities	214,668	232,673
Borrowings	233,318	153,985
Derivative financial liabilities	1,137	-
Taxation	2,379	3,411
Payables and accruals	145,671	155,553
Total current liabilities	382,505	312,949
Total liabilities	597,173	545,622
Total equity and liabilities	1,227,796	1,187,185

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

The audited figures are converted into USD equivalent using the exchange rate of RM4.542= USD1.00

(2015 - RM4.356 = 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 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	21	5,460,757	5,716,654	47,575	58,390
Cost of sales		(4,683,573)	(4,780,369)	-	-
Gross profit		777,184	936,285	47,575	58,390
Other income		134,822	125,080	17,451	13,629
Distribution expenses		(429,729)	(469,337)	-	-
Administrative expenses		(363,686)	(347,968)	(14,346)	(14,055)
Other expenses		(99,896)	(75,052)	(20,118)	-
Results from operating activities		18,695	169,008	30,562	57,964
Finance income	22	7,931	15,652	41,446	44,042
Finance costs	23	(72,936)	(71,774)	(58,007)	(57,332)
Net finance cost		(65,005)	(56,122)	(16,561)	(13,290)
Share of profit of equity-accounted investees, net of tax		3,230	2,366	-	-
(Loss)/Profit before tax	24	(43,080)	115,252	14,001	44,674
Tax (expense)/income	26	(15,954)	(45,350)	1,101	572
(Loss)/Profit for the year		(59,034)	69,902	15,102	45,246

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016



	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other comprehensive (loss)/income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability		2,686	-	-	-
Revaluation of property, plant and equipment		171,899	-	-	-
		174,585	-	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		(9,712)	(11,266)	-	-
Foreign currency translation differences for an equity-accounted associate		1,321	2,631	-	-
Cash flow hedge		(11,107)	6,045	-	-
		(19,498)	(2,590)	-	-
Other comprehensive income/(loss) for the year, net of tax	27	155,087	(2,590)	-	-
Total comprehensive income for the year		96,053	67,312	15,102	45,246
(Loss)/Profit attributable to:					
Owners of the Company		(54,943)	74,865	15,102	45,246
Non-controlling interests		(4,091)	(4,963)	-	-
(Loss)/Profit for the year		(59,034)	69,902	15,102	45,246
Total comprehensive income attributable to:					
Owners of the Company		103,103	74,565	15,102	45,246
Non-controlling interests		(7,050)	(7,253)	-	-
Total comprehensive income for the year		96,053	67,312	15,102	45,246
Basic (loss)/earnings per ordinary share (sen)	28	(8.42)	11.47		

The notes on pages 76 to 163 are an integral part of these financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016 (in USD equivalent)

	2016	2015
	USD'000	USD'000
Revenue	1,202,280	1,312,363
<i>Cost of sales</i>	<i>(1,031,170)</i>	<i>(1,097,422)</i>
<hr/>		
Gross profit	171,110	214,941
<i>Other income</i>	29,683	28,714
<i>Distribution expenses</i>	<i>(94,612)</i>	<i>(107,745)</i>
<i>Administrative expenses</i>	<i>(80,072)</i>	<i>(79,882)</i>
<i>Other expenses</i>	<i>(21,994)</i>	<i>(17,230)</i>
<hr/>		
Results from operating activities	4,115	38,798
<i>Finance income</i>	1,746	3,593
<i>Finance costs</i>	<i>(16,058)</i>	<i>(16,477)</i>
<hr/>		
Net finance cost	<i>(14,312)</i>	<i>(12,884)</i>
<i>Share of profit of equity-accounted investees, net of tax</i>	711	543
<hr/>		
(Loss)/Profit before tax	<i>(9,486)</i>	26,457
<i>Tax expense</i>	<i>(3,513)</i>	<i>(10,411)</i>
<hr/>		
(Loss)/Profit for the year	<i>(12,999)</i>	16,046

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

The audited figures are converted into USD equivalent using the exchange rate of RM4.542= USD1.00

(2015 - RM4.356 = 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 2016 (in USD equivalent)



	2016 USD'000	2015 USD'000
Other comprehensive income/(loss), 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	(2,138)	(2,586)
Share of other comprehensive income of an equity-accounted associate	291	604
Cash flow hedge	(2,445)	1,388
	(4,292)	(594)
Other comprehensive income/(loss) for the year, net of tax	34,146	(594)
Total comprehensive income for the year	21,147	15,452
(Loss)/Profit attributable to:		
Owners of the Company	(12,098)	17,185
Non-controlling interests	(901)	(1,139)
(Loss)/Profit for the year	(12,999)	16,046
Total comprehensive income attributable to:		
Owners of the Company	22,699	17,117
Non-controlling interests	(1,552)	(1,665)
Total comprehensive income for the year	21,147	15,452
Basic (loss)/earnings per ordinary share (sen)	(1.85)	2.63

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

The audited figures are converted into USD equivalent using the exchange rate of RM4.542= USD1.00

(2015 - RM4.356 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Group	Note	Attributable to owners of the Company									
		Non-distributable					Distributable				
		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	RM'000	
At 1 January 2015		336,000	(24,990)	(4,633)	581,650	-	100	1,866,475	2,754,602	5,951	2,760,553
Transfer of revaluation surplus on properties		-	-	-	(7,443)	-	-	7,443	-	-	-
Foreign currency translation differences for foreign operations		-	-	(8,976)	-	-	-	-	(8,976)	(2,290)	(11,266)
Foreign currency translation difference for an equity-accounted associate		-	-	2,631	-	-	-	-	2,631	-	2,631
Cash flow hedge		-	-	-	-	6,045	-	-	6,045	-	6,045
Total other comprehensive (loss)/income for the year		-	-	(6,345)	(7,443)	6,045	-	7,443	(300)	(2,290)	(2,590)
Profit/(loss) for the year		-	-	-	-	-	-	74,865	74,865	(4,963)	69,902
Total comprehensive (loss)/income for the year		-	-	(6,345)	(7,443)	6,045	-	82,308	74,565	(7,253)	67,312
Purchase of treasury shares		-	(284)	-	-	-	-	-	(284)	-	(284)
Dividends											
- 2014 final	29	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
- 2015 interim	29	-	-	-	-	-	-	(13,053)	(13,053)	(300)	(13,353)
Total transactions with owners of the Company		-	(284)	-	-	-	-	(32,633)	(32,917)	(300)	(33,217)
At 31 December 2015/ 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016



Group	Note	← Attributable to owners of the Company →									
		← Non-distributable →					← Distributable →				
		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	RM'000	
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	29	-	-	-	-	-	-	(19,580)	(19,580)	-	(19,580)
- 2016 interim	29	-	-	-	-	-	-	(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		336,000	(25,278)	(14,851)	736,660	(5,062)	100	1,845,673	2,873,242	(8,952)	2,864,290
		Note 17	Note 17	Note 17	Note 17	Note 17					

The notes on pages 76 to 163 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Note	← Attributable to owners of the Company →			Total equity RM'000
		<i>Non-distributable</i>	<i>Distributable</i>		
		Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	
Company					
At 1 January 2015		336,000	(24,990)	952,057	1,263,067
Profit and total comprehensive income for the year		-	-	45,246	45,246
Purchase of treasury shares		-	(284)	-	(284)
Dividends					
- 2014 final	29	-	-	(19,580)	(19,580)
- 2015 interim	29	-	-	(13,053)	(13,053)
Total transactions with owners of the Company		-	(284)	(32,633)	(32,917)
At 31 December 2015/1 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	29	-	-	(19,580)	(19,580)
- 2016 interim	29	-	-	(6,527)	(6,527)
Total transactions with owners of the Company		-	(4)	(26,107)	(26,111)
At 31 December 2016		336,000	(25,278)	953,665	1,264,387
		Note 17	Note 17		

The notes on pages 76 to 163 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016



	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(43,080)	115,252	14,001	44,674
Adjustments for:					
Amortisation of prepaid lease payments	5	1,910	1,926	-	-
Depreciation of property, plant and equipment	3	124,148	131,224	189	318
Dividend income		-	-	(47,575)	(58,390)
(Gain)/Loss on disposal of property, plant and equipment	24	(5,659)	(2,812)	17	(53)
Loss/(Gain) on unrealised foreign exchange - net	24	5,549	(25,430)	20,101	(13,335)
Finance costs	23	72,936	71,774	58,007	57,332
Finance income	22	(7,931)	(15,652)	(41,446)	(44,042)
Inventories written off	24	6,384	29	-	-
Write-down of inventories	14	2,361	8,218	-	-
Impairment loss on:	24				
Hire purchase receivables		10,170	4,170	-	-
Property, plant and equipment		4,930	-	-	-
Trade receivables		8,114	1,263	-	-
Reversal of impairment loss on:	24				
Other investments		-	-	-	(242)
Hire purchase receivables		(2,548)	(2,129)	-	-
Property, plant and equipment		(2,326)	-	-	-
Trade receivables		(3,362)	(931)	-	-
Reversal of write-down of inventories	14	(7,179)	-	-	-
Property, plant and equipment written off		600	532	-	-
Retirement benefits charged	19	11,439	8,320	4,328	2,398
Fair value changes on investment properties		(4,960)	(6,751)	-	-
Share of profit of equity-accounted investees		(3,230)	(2,366)	-	-
Operating profit/(loss) before changes in working capital		168,266	286,637	7,622	(11,340)
Changes in working capital:					
Inventories		(106,079)	(139,801)	-	-
Hire purchase receivables		(90,183)	(13,577)	-	-
Finance lease receivables		12,551	(11,277)	-	-
Receivables		(134,328)	(79,673)	(96)	(63)
Deposits and prepayment		155,974	(217,285)	315	(346)
Payables and accruals		(31,354)	65,678	(991)	(4,222)
Cash (used in)/generated from operations		(25,153)	(109,298)	6,850	(15,971)
Tax paid		(56,160)	(60,399)	-	-
Tax refund		3,918	6,045	-	4,257
Interest paid		(69,349)	(68,486)	(54,420)	(53,714)
Interest received		7,931	15,652	41,446	44,042
Employee benefits paid		(663)	(988)	-	(183)
Net cash used in operating activities		(139,476)	(217,474)	(6,124)	(21,569)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(115,604)	(119,240)	-	(329)
Acquisition of prepaid lease payments	5	(1,329)	(167)	-	-
Net proceeds from disposal of other investments		415	123,643	350	5,600
Repayment from/(Advances to) subsidiaries		-	-	147,319	(147,905)
Subscription to subsidiaries' share capital		-	-	(500)	(3,300)
Dividends received from:					
Unquoted subsidiaries		-	-	33,925	46,440
Joint ventures		150	250	150	250
Associates		1,925	1,125	-	-
Proceeds from disposal of property, plant and equipment		38,133	33,168	47	417
Net cash (used in)/from investing activities		(76,310)	38,779	181,291	(98,827)
Cash flows from financing activities					
Dividends paid to owners of the Company	29	(26,107)	(32,633)	(26,107)	(32,633)
Dividends paid to non-controlling interests		(300)	(300)	-	-
Purchase of own shares		(4)	(284)	(4)	(284)
Net proceeds from/(repayment of) bills payable		20,907	(159,091)	-	-
Net (repayment of)/proceeds from Commercial Papers		(149,481)	150,494	(149,481)	150,494
Net repayment of term loans		(52,968)	(165,571)	-	-
Net proceeds from revolving credit		497,438	209,116	-	-
Net repayment of Cagamas financing		(14,724)	(9,297)	-	-
Net cash from/(used in) financing activities		274,761	(7,566)	(175,592)	117,577
Net increase/(decrease) in cash and cash equivalents		58,975	(186,261)	(425)	(2,819)
Effects of exchange rate fluctuations on cash and cash equivalents		2,729	10,595	-	-
Cash and cash equivalents at 1 January		165,856	341,522	637	3,456
Cash and cash equivalents at 31 December		227,560	165,856	212	637

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016



Cash and cash equivalents

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

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	16	191,718	145,391	212	637
Deposits with licensed banks	16	35,842	20,465	-	-
		227,560	165,856	212	637

During the financial year, the Company subscribed for 98,071,000 shares (2015: 5,799,000) in subsidiaries with total consideration of RM98,071,000 (2015: RM5,799,000). The consideration has been settled by the Company by the capitalisation of an amount of RM97,571,000 (2015: RM2,499,000) due from subsidiaries with the remaining amount of RM500,000 (2015: RM3,300,000) paid in cash.

The notes on pages 76 to 163 are an integral part of these financial statements.

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 2016 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 2016 do not include any other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 35 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 31 March 2017.

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, 1965 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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*

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

- MFRS 16, *Leases*

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:

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- 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 initial application of the accounting standards, amendments or 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 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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*.

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

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 31 December 2016 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 entity 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.

1. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- *Note 11 – impairment of hire purchase receivables (continued)*

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 value, the Group makes provisions writing inventory down to its net recoverable 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

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.

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.

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)).

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.

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.

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.

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.

(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.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property (continued)

(i) Investment property carried at fair value (continued)

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.

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.

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 share premium account or distributable reserves, or both.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(i) Short-term employee benefits (continued)

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.

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.

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.

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



3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Long term leasehold land	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Renovation	Rough road	Under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Cost/Valuation										
At 1 January 2015	351,633	462,519	435,609	428,638	109,744	197,166	65,727	3,272	111,811	2,166,119
Additions	6,740	4,690	3,618	26,484	13,969	37,156	11,232	-	15,351	119,240
Disposals	-	-	-	(4,265)	(1,150)	(54,887)	(412)	-	-	(60,714)
Reclassifications	-	400	63,390	26,350	12,761	-	5,429	-	(108,330)	-
Transfers	*(2,500)	*(1,105)	*(3,590)	-	-	-	-	-	-	(7,195)
Write-off	-	-	-	(13,224)	(1,091)	(93)	(286)	-	(59)	(14,753)
Effects of movement in exchange rates	-	237	7,921	14,652	679	1,138	2,078	128	264	27,097
At 31 December 2015/ 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 27)	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	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	9,823	23,525	87,435	478,635	134,912	180,480	83,768	3,400	19,037	1,021,015
- at valuation	346,050	443,216	419,513	-	-	-	-	-	-	1,208,779
At 31 December 2015	355,873	466,741	506,948	478,635	134,912	180,480	83,768	3,400	19,037	2,229,794
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

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Long term leasehold land	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Renovation	Rough road	Under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Depreciation and impairment loss										
At 1 January 2015										
Accumulated depreciation	-	8,423	12,714	233,606	65,490	74,676	29,397	451	-	424,757
Accumulated impairment loss	2,798	-	1,672	5,127	33	-	44	-	-	9,674
	2,798	8,423	14,386	238,733	65,523	74,676	29,441	451	-	434,431
Depreciation for the year	-	8,651	12,710	53,957	13,748	33,269	8,808	81	-	131,224
Disposals	-	-	-	(1,864)	(981)	(27,378)	(135)	-	-	(30,358)
Transfers	-	*(42)	*(349)	-	-	-	-	-	-	(391)
Write-off	-	-	-	(13,091)	(981)	(18)	(131)	-	-	(14,221)
Effects of movement in exchange rates	-	10	413	3,138	427	280	627	24	-	4,919
At 31 December 2015/1 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										
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

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

NOTES TO THE FINANCIAL STATEMENTS



3. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
Group										
Carrying amounts										
At 1 January 2015	348,835	454,096	421,223	189,905	44,221	122,490	36,286	2,821	111,811	1,731,688
At 31 December 2015/1 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	445,500	474,325	565,030	174,465	41,207	76,861	46,677	2,998	35,959	1,863,022

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

	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 January 2015		1,909	2,110
Additions		329	329
Disposals		(618)	(618)
At 31 December 2015/1 January 2016	201	1,620	1,821
Disposals		(107)	(107)
At 31 December 2016	201	1,513	1,714
Depreciation			
At 1 January 2015	179	1,033	1,212
Depreciation for the year	7	311	318
Disposals		(254)	(254)
At 31 December 2015/1 January 2016	186	1,090	1,276
Depreciation for the year	7	182	189
Disposals		(43)	(43)
At 31 December 2016	193	1,229	1,422

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Carrying amounts			
At 1 January 2015	22	876	898
At 31 December 2015/1 January 2016	15	530	545
At 31 December 2016	8	284	292

Property, plant and equipment under revaluation model

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

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 RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Group				
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
2015				
Cost	132,275	121,875	338,680	592,830
Accumulated depreciation	-	(33,068)	(102,571)	(135,639)
Accumulated impairment loss	(2,798)	-	(1,672)	(4,470)
	129,477	88,807	234,437	452,721

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment under revaluation model (continued)

Fair value information

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
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
2015				
Freehold land	-	-	343,252	343,252
Long term leasehold land	-	-	443,216	443,216
Buildings	-	-	417,841	417,841
	-	-	1,204,309	1,204,309

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.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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 whereas property in Vietnam was at RM33 per square foot.

Titles

The titles to certain properties with a total cost of RM36,435,000 (2015: RM43,101,000) have yet to be issued by the relevant authorities.

4. INVESTMENT PROPERTIES

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Group				
At 1 January 2015	142,396	6,670	24,012	173,078
Transfer	* 2,500	* 1,063	* 3,241	6,804
Change in fair value recognised in profit or loss	4,519	782	1,450	6,751
At 31 December 2015/1 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	156,501	11,395	30,870	198,766

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

4. INVESTMENT PROPERTIES (continued)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2016				
Freehold land	-	-	156,501	156,501
Long term leasehold land	-	-	11,395	11,395
Buildings	-	-	30,870	30,870
	-	-	198,766	198,766
2015				
Freehold land	-	-	149,415	149,415
Long term leasehold land	-	-	8,515	8,515
Buildings	-	-	28,703	28,703
	-	-	186,633	186,633

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.

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.

4. INVESTMENT PROPERTIES (continued)

Fair value information (continued)

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 RM300 to RM910.

5. PREPAID LEASE PAYMENTS

	Group	
	2016	2015
	RM'000	RM'000
Long term leasehold land		
Cost		
At 1 January	56,416	48,441
Additions	1,329	167
Effects of movement in exchange rates	2,573	7,808
At 31 December	60,318	56,416
Amortisation		
At 1 January	6,618	3,917
Amortisation for the year	1,910	1,926
Effects of movement in exchange rates	447	775
At 31 December	8,975	6,618
Carrying amount		
At 1 January	49,798	44,524
At 31 December	51,343	49,798

6. INTANGIBLE ASSETS

	Group	
	2016 RM'000	2015 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	
	2016 RM'000	2015 RM'000
(i) Malaysia property	648	648
(ii) Vietnam vehicles distribution network	13,944	13,944
	14,592	14,592

(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 3% from 2022 (2015: 3% from 2021).
- Total Industry Volume is projected to grow at the following rates per annum:
 - FY 2017 - 13%
 - FY 2018 - 14%
 - FY 2019 to 2021 - 9%
- Market share to grow gradually from 4% to 6% with the introduction of new models and increase in dealer's network.
- A pre-tax discount rate of 6.54% was applied in determining the recoverable amount.

The above estimates are particularly sensitive in the following areas:

- An increase of 3 percentage point in the discount rate used would not result in any impairment loss.
- A 5 percentage point decrease in future planned revenues would not result in any impairment loss.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	1,628,921	1,530,850
Less: Impairment loss	(20,638)	(20,638)
	1,608,283	1,510,212

Details of the subsidiaries are in Note 35.

Although the Group owns less than half of the ownership interest in TC Express Auto Services and Spare Parts (Thailand) Company 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.

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")

NOTES TO THE FINANCIAL STATEMENTS



7. INVESTMENTS IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries (continued)

	TCMA RM'000	NVL RM'000	TCEAS (Thai) RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
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)
2015					
NCI percentage of ownership interest and voting interest	30%	26%	51%		
Carrying amount of NCI	19,870	(15,397)	(5,854)	(221)	(1,602)
Total comprehensive income/(loss) allocated to NCI	1,663	(7,414)	(919)	(583)	(7,253)

Summarised financial information before intra-group elimination

	TCMA RM'000	NVL RM'000	TCEAS (Thai) RM'000
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	13,166	9,469	(215)
Dividend paid to NCI	300	-	-

7. INVESTMENTS IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries (continued)

Summarised financial information before intra-group elimination (continued)

	TCMA RM'000	NVL RM'000	TCEAS (Thai) RM'000
2015			
As at 31 December			
Non-current assets	68,435	31,670	1,034
Current assets	144,799	53,256	1,392
Non-current liabilities	(5,091)	-	-
Current liabilities	(141,910)	(144,146)	(13,904)
Net assets/(liabilities)	66,233	(59,220)	(11,478)
Year ended 31 December			
Revenue	175,581	265,833	865
Profit/(loss) for the year	6,347	(22,050)	(580)
Total comprehensive income/(loss)	5,544	(28,517)	(1,802)
Cash flows used in operating activities	(1,281)	(41,110)	(1,510)
Cash flows used in investing activities	(1,535)	(2,875)	(1,089)
Cash flows (used in)/from financing activities	(1,000)	45,026	1,972
Net (decrease)/increase in cash and cash equivalents	(3,816)	1,041	(627)
Dividend paid to NCI	300	-	-

8. EQUITY-ACCOUNTED INVESTEEES

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interests in associates	a	40,342	38,091	12,246	12,246
Interest in joint venture	b	2,549	2,324	1,406	1,406
		42,891	40,415	13,652	13,652

NOTES TO THE FINANCIAL STATEMENTS



8. EQUITY-ACCOUNTED INVESTEES (continued)

(a) Interests in associates

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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	20,754	18,503	-	-
	40,342	38,091	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	
			2016 %	2015 %
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

8. EQUITY-ACCOUNTED INVESTEEES (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 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	KEV	THK	Total
	RM'000	RM'000	RM'000	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



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 2015				
Non-current assets	14,094	10,411	36,518	
Current assets	72,827	11,742	47,364	
Non-current liabilities	-	-	(1,708)	
Current liabilities	(32,897)	(27)	(42,149)	
Net assets	54,024	22,126	40,025	
Year ended 31 December 2015				
Profit for the year	1,573	3,684	1,876	
Other comprehensive income	5,789	-	-	
Total comprehensive income	7,362	3,684	1,876	
Included in the total comprehensive income is:				
Revenue	3,414	3,633	91,832	
	TCCT	KEV	THK	Total
	RM'000	RM'000	RM'000	RM'000
Reconciliation of net assets to carrying amount as at 31 December 2015				
Group's share of net assets	24,554	5,532	8,005	38,091
Group's share of results for the year ended 31 December 2015				
Group's share of profit for the year	715	921	375	2,011
Group's share of other comprehensive income	2,631	-	-	2,631
Group's share of total comprehensive income	3,346	921	375	4,642
Other information				
Dividends received by the Group	-	1,125	-	1,125

8. EQUITY-ACCOUNTED INVESTEES (continued)

(b) Interest in joint venture

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	500	500	1,406	1,406
Share of post-acquisition reserve	2,049	1,824	-	-
	2,549	2,324	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	
	2016	2015
Percentage of ownership and voting interest	50%	50%

	Group	
	2016 RM'000	2015 RM'000

Summarised financial information

As at 31 December

Non-current assets	146	151
Current assets (including cash and cash equivalents)	6,185	5,766
Non-current liabilities	(101)	(59)
Current liabilities	(1,133)	(1,211)
Cash and cash equivalents	2,506	1,888

Year ended 31 December

Profit and total comprehensive income	750	710
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8. EQUITY-ACCOUNTED INVESTEES (continued)

(b) Interest in joint venture (continued)

	Group	
	2016 RM'000	2015 RM'000
Included in the total comprehensive income:		
Revenue	8,082	7,697
Depreciation and amortisation	38	28
Interest income	46	17
Income tax expense	243	245
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	2,549	2,324
Group's share of results for year ended 31 December		
Group's share of profit/total comprehensive income	375	355
Other information		
Cash dividend received by the Group	150	250

9. OTHER INVESTMENTS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 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	2,550
Less: Impairment of asset-backed notes		-	-	(2,062)	(2,062)
		1	1	139	489

9. OTHER INVESTMENTS (continued)

Note	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Fair value through profit or loss financial asset:				
Liquid investments with licensed financial institutions	3,001	3,416	-	-
Representing items:				
At cost/amortised cost	-	-	138	488
At fair value	3,002	3,417	1	1
	3,002	3,417	139	489
Market value of liquid investments with licensed financial institutions	3,002	3,416	-	-

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 as 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
2016			
Class C	2,200	December 2029	5.00%
2015			
Class C	2,550	June 2016	5.00%

NOTES TO THE FINANCIAL STATEMENTS



10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

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

Group	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets						
Property, plant and equipment/ investment properties						
- capital allowances	-	-	(7,583)	(4,913)	(7,583)	(4,913)
Provisions	40,132	21,723	-	-	40,132	21,723
Unabsorbed capital allowances	9,256	2,244	-	-	9,256	2,244
Tax loss carry-forwards	20,620	16,313	-	-	20,620	16,313
Other items	336	355	-	-	336	355
Net tax assets/(liabilities)	70,344	40,635	(7,583)	(4,913)	62,761	35,722
Deferred tax liabilities						
Property, plant and equipment/ investment properties						
- capital allowances	-	-	(9,879)	(16,829)	(9,879)	(16,829)
- revaluation	-	-	(166,334)	(136,789)	(166,334)	(136,789)
Provisions	7,210	8,607	-	-	7,210	8,607
Unabsorbed capital allowances	-	1,403	-	-	-	1,403
Tax loss carry-forwards	53	101	-	-	53	101
Other items	-	-	(167)	(284)	(167)	(284)
Net tax assets/(liabilities)	7,263	10,111	(176,380)	(153,902)	(169,117)	(143,791)
Company						
Deferred tax assets						
Property, plant and equipment – capital allowances	18	2	-	-	18	2
Provisions	5,751	4,664	-	-	5,751	4,664
Net tax assets	5,769	4,666	-	-	5,769	4,666

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 1.1.2015	Recognised in profit or loss (Note 26)	Effects of movement in exchange rate	At 31.12.2015/ 1.1.2016	Recognised in profit or loss (Note 26)	Effects of movement in exchange rate	Recognised in other comprehensive income (Note 27)	At 31.12.2016
	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	(7,153)	2,240	-	(4,913)	(2,670)	-	-	(7,583)
Provisions	22,346	(623)	-	21,723	19,257	-	(848)	40,132
Unabsorbed capital allowances	1,648	596	-	2,244	7,012	-	-	9,256
Tax loss carry-forwards	17,439	(3,246)	2,120	16,313	2,907	1,400	-	20,620
Other items	507	(152)	-	355	(19)	-	-	336
	34,787	(1,185)	2,120	35,722	26,487	1,400	(848)	62,761

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

	At 1.1.2015	Recognised in profit or loss (Note 26)	At 31.12.2015/ 1.1.2016	Recognised in profit or loss (Note 26)	Recognised in other comprehensive income (Note 27)	At 31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment/investment properties						
- capital allowances	(21,666)	4,837	(16,829)	6,950	-	(9,879)
- revaluation	(138,700)	1,911	(136,789)	1,761	(31,306)	(166,334)
Provisions	7,346	1,261	8,607	(1,397)	-	7,210
Unabsorbed capital allowances	325	1,078	1,403	(1,403)	-	-
Tax loss carry-forwards	-	101	101	(48)	-	53
Other items	1,070	(1,354)	(284)	117	-	(167)
	(151,625)	7,834	(143,791)	5,980	(31,306)	(169,117)

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 1.1.2015 RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2016 RM'000
Company					
Property, plant and equipment – capital allowance	(21)	23	2	16	18
Provisions	4,115	549	4,664	1,087	5,751
	4,094	572	4,666	1,103	5,769

Unrecognised deferred tax assets

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

	Group	
	2016 RM'000	2015 RM'000
Unabsorbed capital allowances	27,309	19,963
Tax losses carry-forwards	292,544	227,147
Taxable temporary differences	(17,145)	-
Provisions	460	13,999
	303,168	261,109
Deferred tax assets not recognised at 24%	72,760	62,666

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 RM170,324,000 (VND842,901,480,000) (2015: RM133,361,000 (VND690,071,522,000)) (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.

11. HIRE PURCHASE RECEIVABLES

	Group	
	2016 RM'000	2015 RM'000
Gross repayments receivables	696,270	551,302
Less: Unearned income receivables	(133,201)	(78,401)
	563,069	472,901
Less: Impairment loss	(28,531)	(20,924)
	534,538	451,977
Current		
Hire purchase receivables	84,221	86,677
Less: Impairment loss	(10,082)	(4,207)
	74,139	82,470
Non-current		
Hire purchase receivables	478,848	386,224
Less: Impairment loss	(18,449)	(16,717)
	460,399	369,507
	534,538	451,977

	Gross repayments receivables 2016 RM'000	Unearned income receivables 2016 RM'000	Present value of minimum hire purchase receivables 2016 RM'000	Gross repayments receivables 2015 RM'000	Unearned income receivables 2015 RM'000	Present value of minimum hire purchase receivables 2015 RM'000
Group						
Current						
Less than one year	117,939	(33,718)	84,221	107,452	(20,775)	86,677
Non-current						
Between one and five years	388,907	(86,594)	302,313	307,478	(45,749)	261,729
After five years	189,424	(12,889)	176,535	136,372	(11,877)	124,495
	578,331	(99,483)	478,848	443,850	(57,626)	386,224
	696,270	(133,201)	563,069	551,302	(78,401)	472,901

NOTES TO THE FINANCIAL STATEMENTS



12. FINANCE LEASE RECEIVABLES

	Note	Group	
		2016 RM'000	2015 RM'000
Finance lease receivables		498	15,539
Less: Unearned interest		(38)	(2,528)
		460	13,011
Current			
Finance lease receivables	13	298	3,858
Non-current			
Finance lease receivables		162	9,153
		460	13,011

	Future minimum lease payments 2016 RM'000	Unearned interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Unearned interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
Group						
Current						
Less than one year	328	(30)	298	4,887	(1,029)	3,858
Non-current						
Between one and five years	170	(8)	162	10,652	(1,499)	9,153
	498	(38)	460	15,539	(2,528)	13,011

Finance lease receivables less than one year are classified under current assets as receivables.

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current					
Amount due from subsidiaries	a	-	-	772,802	899,351
Less: Impairment loss		-	-	(9,261)	(9,261)
		-	-	763,541	890,090
Current					
Trade receivables		524,583	502,120	-	-
Less: Impairment loss		(17,266)	(14,306)	-	-
		507,317	487,814	-	-
Finance lease receivables	12	298	3,858	-	-
Other receivables		171,345	61,271	369	273
Amount due from subsidiaries	b	-	-	10,213	152,102
		678,960	552,943	10,582	152,375
Current					
Deposits		13,832	28,625	77	79
Prepayment	c	99,338	240,519	67	380
		113,170	269,144	144	459

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 at 6.05% (2015: 6.05%) per annum.

Note b

The current amount due from subsidiaries is in respect of advances that are unsecured, repayable on demand and subject to interest ranging from 4.38% to 4.64% (2015: 4.64% to 4.67%) per annum.

Note c

As at 31 December 2016, there is a prepayment made on inventories of RM70,935,000 (2015: RM210,820,000).

NOTES TO THE FINANCIAL STATEMENTS



14. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Raw materials	119,302	80,153
Unassembled vehicle packs	915,274	905,821
Work-in-progress	17,461	9,358
Manufactured inventories and trading inventories	9,892	6,244
Used vehicles	49,923	55,323
New vehicles	494,281	467,833
Spare parts and others	143,575	120,463
	1,749,708	1,645,195
Recognised in profit or loss:		
Inventories recognised as cost of sales	4,228,955	4,377,688
Write-down to net realisable value	2,361	8,218
Reversal of write-down	7,179	-

The write-down and reversal are included in cost of sales.

15. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Nominal value 2016 RM'000	Assets 2016 RM'000	Liabilities 2016 RM'000	Nominal value 2015 RM'000	Assets 2015 RM'000	Liabilities 2015 RM'000
	Group					
Derivatives designated as hedging instrument – forward exchange contracts	78,647	102	(5,164)	300,122	6,045	-

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.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	191,718	145,391	212	637
Deposits with licensed banks	35,842	20,465	-	-
	227,560	165,856	212	637

17. SHARE CAPITAL AND RESERVES

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2016 '000	2016 RM'000	2015 '000	2015 RM'000
Ordinary shares of RM0.50 each				
Authorised	1,000,000	500,000	1,000,000	500,000
Issued and fully paid	672,000	336,000	672,000	336,000

Ordinary shares

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 in the Annual General Meeting held on 25 May 2016 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 2,000 (2015: 96,000) of its issued shares from the open market at prices ranging from RM1.83 to RM2.05 (2015: RM2.90 to RM2.97) per ordinary share. The cumulative total number of shares bought back at the end of the year was 19,337,000 (2015: 19,335,000). These transactions were financed by internally generated funds.

As at 31 December 2016, the number of outstanding shares in issue after deducting treasury shares held was 652,663,000 (2015: 652,665,000) ordinary shares of RM0.50 each.

The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. 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.

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Term loans – unsecured	-	71,590	-	-
Medium Term Notes (“MTNs”) – unsecured	747,604	747,085	747,604	747,085
	747,604	818,675	747,604	747,085
Current				
Term loans – unsecured	45,415	18,750	-	-
Commercial Papers – unsecured	-	150,000	-	150,000
Bills payable – unsecured	24,391	3,484	-	-
Revolving credit – unsecured	989,925	483,799	-	-
Recourse obligation on financing sold to Cagamas Berhad – secured	-	14,724	-	-
	1,059,731	670,757	-	150,000
	1,807,335	1,489,432	747,604	897,085

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 33.5.

19. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Recognised liability for employee benefits	58,300	51,058	23,287	18,959

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 of a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 60.

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Balance at 1 January	51,058	43,726	18,959	16,744
Included in profit or loss				
Current service cost	9,565	6,715	4,328	2,365
Interest cost	1,874	1,605	-	33
	11,439	8,320	4,328	2,398
Included in other comprehensive income				
Remeasurement gain				
- Actuarial gain arising from:				
- Financial assumptions	(638)	-	-	-
- Experience adjustments	(2,896)	-	-	-
	(3,534)	-	-	-
Others				
Benefits paid	(663)	(988)	-	(183)
Balance at 31 December	58,300	51,058	23,287	18,959

19. EMPLOYEE BENEFITS (continued)

Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting period (expressed as weighted averages):

	2016	2015
	%	%
Discount rate	5.00 and 6.00	5.75 and 6.00
Future salary increases	5.50 and 6.50	6.50

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 RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2016				
Discount rate (1% movement)	(3,687)	4,308	(309)	327
Future salary growth (1% movement)	3,504	(3,131)	403	(389)
2015				
Discount rate (1% movement)	(3,323)	3,926	(82)	95
Future salary growth (1% movement)	3,837	(3,337)	108	(93)

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

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current					
Non-trade					
Amount due to subsidiaries	a	-	-	358,912	366,962
Current					
Trade					
Trade payables		246,733	359,243	-	-

20. PAYABLES AND ACCRUALS (continued)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-trade					
Payables and accruals		414,902	318,351	7,485	4,888
Amount due to subsidiaries	b	-	-	939	9,835
		414,902	318,351	8,424	14,723
		661,635	677,594	8,424	14,723

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% (2015: 6.05%) per annum.

Note b

The current amount due to subsidiaries is in respect of advances that are unsecured, repayable on demand and are subject to interest ranging from 4.38% to 4.64% (2015: 4.64% to 4.67%) per annum.

21. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	5,042,841	5,332,482	-	-
Services rendered	352,036	327,594	-	-
Financial services income	65,880	56,578	-	-
Dividend income	-	-	47,575	58,390
	5,460,757	5,716,654	47,575	58,390

22. FINANCE INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income of financial assets that are not at fair value through profit or loss	2,375	3,874	41,446	44,042
Other finance income	5,556	11,778	-	-
Recognised in profit or loss	7,931	15,652	41,446	44,042

NOTES TO THE FINANCIAL STATEMENTS



23. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Term loans	862	5,125	-	-
- Bills payable	2,741	2,159	-	-
- Revolving credit	28,088	23,429	-	-
- Medium Term Notes	35,333	35,244	35,333	35,244
- Commercial Papers	4,457	2,190	4,457	2,190
- Other borrowings	1,455	3,627	18,217	19,898
Recognised in profit or loss	72,936	71,774	58,007	57,332

24. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit before tax is arrived at after crediting:				
Bad debts recovered	7	60	-	-
Dividend income from:				
- Unquoted subsidiaries	-	-	47,425	58,140
- Joint venture	-	-	150	250
Fair value adjustment on investment properties	4,960	6,751	-	-
Gain on disposal of property, plant and equipment	5,659	2,812	-	53
Interest income	7,931	15,652	41,446	44,042
Net gain on foreign exchange:				
- Unrealised	28,410	43,020	-	13,335
- Realised	38,352	5,547	17,451	-
Rental income on leased assets	2,402	2,852	-	-
Rental income on land and buildings	2,202	2,416	-	-
Reversal of impairment loss on:				
- Property, plant and equipment	2,326	-	-	-
- Hire purchase receivables	2,548	2,129	-	-
- Trade receivables	3,362	931	-	-
- Other investments	-	-	-	242
Reversal of write-down of inventories	7,179	-	-	-

24. (LOSS)/PROFIT BEFORE TAX (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit before tax is arrived at after charging:				
Audit fee				
Current year				
- KPMG Malaysia	600	590	57	51
- Overseas affiliates of KPMG Malaysia	145	136	-	-
- Other auditors	63	38	-	-
Under provision in prior year	15	8	-	-
Non-audit fee				
Current year				
- KPMG Malaysia	138	475	27	37
- Overseas affiliates of KPMG Malaysia	160	74	-	-
- Other auditors	6	17	-	-
Under provision in prior year	39	-	-	-
Amortisation of prepaid lease payments	1,910	1,926	-	-
Bad debts written off	271	2,267	-	-
Depreciation of property, plant and equipment	124,148	131,224	189	318
Direct operating expenses of investment properties generating rental income	329	504	-	-
Loss on disposal of property, plant and equipment	-	-	17	-
Interest expense	72,936	71,774	58,007	57,332
Inventories written off	6,384	29	-	-
Write-down of inventories	2,361	8,218	-	-
Impairment loss on:				
- Property, plant and equipment	4,930	-	-	-
- Hire purchase receivables	10,170	4,170	-	-
- Trade receivables	8,114	1,263	-	-
Net loss on foreign exchange:				
- Unrealised	33,959	17,590	20,101	-
- Realised	19,509	13,724	-	-
Non-executive directors:				
- Fee	444	444	444	444
- Allowance and benefits	170	150	170	150
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	47,949	49,093	884	1,212
- Expenses related to defined benefit plans	11,439	8,320	4,328	2,398
- Wages, salaries and others	451,406	463,237	5,951	6,732
Property, plant and equipment written off	600	532	-	-
Rental expense on:				
- Land and buildings	37,559	32,800	222	222
- Motor vehicles	1,940	-	-	-
Warranty claim	1,842	1,323	-	-

NOTES TO THE FINANCIAL STATEMENTS



25. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive directors:				
- Remunerations	17,804	16,087	6,792	6,378
- Other short term benefits	293	140	277	123
	18,097	16,227	7,069	6,501
Other key management personnel:				
- Remuneration and other short term employee benefits	6,076	10,419	-	-
	24,173	26,646	7,069	6,501

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.

26. TAX EXPENSE/(INCOME)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Recognised in the profit or loss				
Income tax expense	48,694	59,064	-	-
(Over)/Under provided in prior years	(273)	(7,065)	2	-
	48,421	51,999	2	-
Deferred tax expense				
Reversal of temporary differences	(30,598)	(10,232)	(1,109)	(570)
Crystallisation of deferred tax liabilities arising from revaluation surplus	(2,645)	(2,631)	-	-
Under/(Over) provided in prior years	776	6,214	6	(2)
	(32,467)	(6,649)	(1,103)	(572)
	15,954	45,350	(1,101)	(572)

26. TAX EXPENSE/(INCOME) (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Reconciliation of tax expense				
(Loss)/Profit before tax	(43,080)	115,252	14,001	44,674
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	(10,339)	28,813	3,360	11,169
Effect of tax rates in foreign jurisdictions	2,583	1,275	-	-
Double deduction	(287)	(283)	-	-
Non-deductible expenses	22,268	16,247	7,417	7,345
Income not subject to tax	(5,866)	(17,786)	(11,886)	(19,084)
Tax exempt income	-	(461)	-	-
Crystallisation of deferred tax liabilities arising from revaluation surplus	(2,645)	(2,631)	-	-
Different tax rate for fair value in investment properties	(357)	(926)	-	-
Unrecognised deferred tax assets	10,094	21,692	-	-
Effect of changes in tax rates	-	261	-	-
	15,451	46,201	(1,109)	(570)
Under/(Over) provided in prior years	503	(851)	8	(2)
	15,954	45,350	(1,101)	(572)

27. OTHER COMPREHENSIVE INCOME/(LOSS)

	2016			2015		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax expense RM'000	Net of tax 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	-	-	-

NOTES TO THE FINANCIAL STATEMENTS



27. OTHER COMPREHENSIVE INCOME/(LOSS) (continued)

	2016			2015		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences for foreign operations	(9,712)	-	(9,712)	(11,266)	-	(11,266)
Share of other comprehensive income of an equity-accounted associate	1,321	-	1,321	2,631	-	2,631
Cash flow hedge	(11,107)	-	(11,107)	6,045	-	6,045
	(19,498)	-	(19,498)	(2,590)	-	(2,590)
	187,241	(32,154)	155,087	(2,590)	-	(2,590)

28. (LOSS)/EARNINGS PER ORDINARY SHARE

Group

Basic (loss)/earnings per ordinary share

The calculation of basic earnings per ordinary share as at 31 December 2016 was based on the loss attributable to ordinary shareholders of RM54,943,000 (2015: Profit attributable to ordinary shareholders RM74,865,000) and the weighted average number of ordinary shares outstanding during the year is 652,664,000 (2015: 652,703,000).

Weighted average number of ordinary shares

	Group	
	2016 '000	2015 '000
Issued ordinary shares at 1 January	652,665	652,761
Effect of treasury shares held	(1)	(58)
Weighted average number of ordinary shares at 31 December	652,664	652,703

29. DIVIDENDS

Dividends recognised in the current year and previous year by the Company are:

	Sen per share (net of tax)	Total RM'000	Date of payment
2016			
Interim 2016 ordinary	1.00	6,527	29 September 2016
Final 2015 ordinary	3.00	19,580	21 June 2016
Total		26,107	
2015			
Interim 2015 ordinary	2.00	13,053	30 September 2015
Final 2014 ordinary	3.00	19,580	23 June 2015
Total		32,633	

Proposed final dividend

After the end of the reporting period, a final single tier dividend of 1 sen per share (2015: 3 sen per share) in respect of the year ended 31 December 2016 was proposed 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.

30. 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.

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



30. OPERATING SEGMENTS (continued)

	Vehicles assembly, Manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	5,383,492	5,646,861	65,880	56,578	11,385	13,215	5,460,757	5,716,654
Inter-segment revenue	412	2,932	1,380	1,490	82,860	74,638	84,652	79,060
Segment EBITDA	101,565	245,295	23,348	23,511	34,014	38,195	158,927	307,001
Depreciation and amortisation	(101,994)	(108,324)	(1,158)	(1,339)	(22,906)	(23,487)	(126,058)	(133,150)
Finance costs	(53,547)	(54,469)	(2,580)	(2,935)	(16,809)	(14,370)	(72,936)	(71,774)
Finance income	690	2,675	223	319	7,018	12,658	7,931	15,652
Share of profit of equity- accounted investees, net of tax	1,451	743	749	715	1,030	908	3,230	2,366
Unallocated corporate expenses							(14,174)	(4,843)
(Loss)/Profit before tax							(43,080)	115,252
Tax expense							(15,954)	(45,350)
(Loss)/Profit for the year							(59,034)	69,902

31. COMMITMENTS

	Group	
	2016 RM'000	2015 RM'000
(a) Capital commitments		
<i>Property, plant and equipment:</i>		
Authorised but not contracted for	30,179	72,162
Contracted but not provided for		
In Malaysia	79,851	77,137
Outside Malaysia	1,003	5,798
	111,033	155,097

31. COMMITMENTS (continued)

	Group	
	2016 RM'000	2015 RM'000
(b) Non-cancellable operating lease		
<i>Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:</i>		
Not later than 1 year	1,838	-
More than 1 year but not later than 5 years	7,351	-
More than 5 years	117,222	-
	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.

32. 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 35.
- (ii) The substantial shareholders of the Company.

32. RELATED PARTIES (continued)

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	
	2016 RM’000	2015 RM’000
With WTCH Group		
Purchases	(16,037)	(12,710)
Sales	81,391	39,360
Provision of hire purchase and leasing	17,692	25,573
Insurance agency, workshop services and administrative services	5,505	5,193
Travel agency and car rental services	(7,371)	(3,862)
Rental income receivable	1,075	917
Rental expense payable	(489)	(469)
Contract assembly fee receivable	596	730
With APM Group		
Purchases	(106,509)	(111,289)
Sales	11,120	14,738
Insurance agency, workshop services and administrative services	737	864
Rental income receivable	32	25
Rental expense payable	(1,677)	(1,861)
With TCIL Group		
Sales	7,143	9,967
Rental income receivable	82	103
Contract assembly fee receivable	45,597	18,121

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

32. RELATED PARTIES (continued)

Significant related party transactions (continued)

- (ii) Significant transactions with Nissan Motor Co., Ltd. Group, which is a substantial shareholder of the Company, are as follows:

	Group	
	2016 RM'000	2015 RM'000
Purchases	(2,252,516)	(2,308,154)
Sales	-	336
Technical assistance fee and royalty	(22,798)	(28,621)

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	
	2016 RM'000	2015 RM'000
Purchases	(8,460)	(25,865)
Technical assistance fee	(203)	(1,934)

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

- (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 122A of the Companies Act, 1965.

	Group	
	2016 RM'000	2015 RM'000
Purchases	(614,526)	(190,096)
Sales	17,836	17,532
Insurance agency, workshop services and administrative services	12	-
Rental income receivable	295	224

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

32. RELATED PARTIES (continued)

Significant related party transactions (continued)

- (v) Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2016 RM'000	2015 RM'000
Subsidiaries		
Dividend income receivable	47,425	58,140
Interest income receivable	41,319	43,730
Disposal of property, plant and equipment	-	417
Management fees payable	(1,079)	(1,103)
Rental expense payable	(222)	(222)
Interest expense payable	(18,215)	(19,898)
Purchases of property, plant and equipment	-	(329)

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 2016 and 31 December 2015 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 25.

33. FINANCIAL INSTRUMENTS

33.1 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

33. FINANCIAL INSTRUMENTS (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	FVTPL DUIR RM'000	Derivatives designated as hedging instrument RM'000
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
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	-
2015					
Financial assets					
Group					
Other investments	3,417	-	3,416	1	-
Trade and other receivables	549,085	549,085	-	-	-
Hire purchase receivables	451,977	451,977	-	-	-
Finance lease receivables	13,011	13,011	-	-	-
Deposits	28,625	28,625	-	-	-
Derivative financial assets	6,045	-	-	-	6,045
Cash and cash equivalents	165,856	165,856	-	-	-
	1,218,016	1,208,554	3,416	1	6,045

NOTES TO THE FINANCIAL STATEMENTS



33. FINANCIAL INSTRUMENTS (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	FVTPL DUIR RM'000	Derivatives designated as hedging instrument RM'000
2015					
Financial assets					
Company					
Other investments	489	488	-	1	-
Amount due from subsidiaries	1,042,192	1,042,192	-	-	-
Other receivables	273	273	-	-	-
Deposits	79	79	-	-	-
Cash and cash equivalents	637	637	-	-	-
	1,043,670	1,043,669	-	1	-
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	-

33. FINANCIAL INSTRUMENTS (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM'000	FL RM'000	Derivatives designated as hedging instrument RM'000
2015			
Financial liabilities			
Group			
Borrowings	1,489,432	1,489,432	-
Payables and accruals	677,594	677,594	-
	2,167,026	2,167,026	-
Company			
Borrowings	897,085	897,085	-
Payables and accruals	381,685	381,685	-
	1,278,770	1,278,770	-

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	5,556	11,778	-	-
Loans and receivables	30,826	35,040	58,897	57,619
Financial liabilities measured at amortised cost	(59,642)	(54,521)	(58,007)	(57,332)
Derivatives designated as hedging instrument	(11,107)	6,045	-	-
	(34,367)	(1,658)	890	287

33.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33. FINANCIAL INSTRUMENTS (continued)

33.4 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 RM'000	Individual impairment RM'000	Collective impairment RM'000	Net 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

33. FINANCIAL INSTRUMENTS (continued)

33.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(a) Trade receivables (continued)

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2015				
Not past due	287,323	(244)	(287)	286,792
Past due 1 - 30 days	56,182	-	(11)	56,171
Past due 31 - 90 days	27,441	(28)	(9)	27,404
Past due more than 90 days	131,174	(13,564)	(163)	117,447
	502,120	(13,836)	(470)	487,814

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	14,306	13,974
Impairment loss recognised	8,114	1,263
Impairment loss reversed	(3,362)	(931)
Impairment loss written off	(1,792)	-
At 31 December	17,266	14,306

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.

33. FINANCIAL INSTRUMENTS (continued)

33.4 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 RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
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
2015				
Not past due	380,925	-	(450)	380,475
Past due 1 - 30 days	46,673	-	(343)	46,330
Past due 31 - 90 days	22,210	-	(976)	21,234
Past due more than 90 days	23,093	(4,584)	(14,571)	3,938
	472,901	(4,584)	(16,340)	451,977

The movements in the allowance for impairment losses of hire purchase receivables during the financial year were:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	20,924	18,883
Impairment loss recognised	10,170	4,170
Impairment loss reversed	(2,548)	(2,129)
Impairment loss written off	(15)	-
At 31 December	28,531	20,924

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.

33. FINANCIAL INSTRUMENTS (continued)

33.4 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 RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2016				
Not past due	460	-	-	460
Past due 1 - 30 days	-	-	-	-
Past due 31 - 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
	460	-	-	460
2015				
Not past due	11,237	-	-	11,237
Past due 1 - 30 days	348	-	-	348
Past due 31 - 90 days	328	-	-	328
Past due more than 90 days	1,098	-	-	1,098
	13,011	-	-	13,011

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.

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.

33. FINANCIAL INSTRUMENTS (continued)

33.4 Credit risk (continued)

Investments and other financial assets (continued)

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.

33.5 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.

33. FINANCIAL INSTRUMENTS (continued)

33.5 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 RM'000	More than 2 years but not later than		More than 1 year but not later than		
			Not later than 2 years RM'000	later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	later than 5 years RM'000
2016							
<i>Non-derivative financial liabilities</i>							
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
<i>Derivative financial liabilities</i>							
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

33. FINANCIAL INSTRUMENTS (continued)

33.5 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	More 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	More than 5 years RM'000
2015									
<i>Non-derivative financial liabilities</i>									
Term loans	3.30 – 4.40	90,340	25,000	65,340	-	100,896	25,000	75,896	-
Bills payable	3.80 – 4.80	3,484	3,484	-	-	3,484	3,484	-	-
Revolving credit	1.02 – 7.80	483,799	483,799	-	-	483,799	483,799	-	-
Medium Term Notes	4.50 – 4.70	747,085	-	249,118	497,967	936,098	34,845	377,753	523,500
Commercial Papers	3.67 – 3.83	150,000	150,000	-	-	150,000	150,000	-	-
Payables and accruals	-	677,594	677,594	-	-	677,594	677,594	-	-
Recourse obligation on financing sold to Cagamas Berhad	4.05	14,724	14,724	-	-	14,724	14,724	-	-
		2,167,026	1,354,601	314,458	497,967	2,366,595	1,389,446	453,649	523,500

33. FINANCIAL INSTRUMENTS (continued)

33.5 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
2016							
<i>Non-derivative financial liabilities</i>							
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

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	More 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	More than 5 years RM'000
2015									
<i>Non-derivative financial liabilities</i>									
Medium Term Notes	4.50 – 4.70	747,085	-	249,118	497,967	936,098	34,845	377,753	523,500
Commercial Papers	3.67 – 3.83	150,000	150,000	-	-	150,000	150,000	-	-
Amount due to subsidiaries									
- Non-current	6.05	366,962	-	366,962	-	388,062	-	388,062	-
- Current	4.64 – 4.67	9,835	9,835	-	-	9,835	9,835	-	-
Payables and accruals	-	4,888	4,888	-	-	4,888	4,888	-	-
		1,278,770	164,723	616,080	497,967	1,488,883	199,568	765,815	523,500

33. FINANCIAL INSTRUMENTS (continued)

33.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

33.6.1 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 US 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:

	2016		2015	
	Denominated in		Denominated in	
	USD RM'000	JPY RM'000	USD RM'000	JPY RM'000
Group				
Receivables	700	1,072	1,202	1,664
Intra-group balances	99,369	-	(48,644)	-
Cash and cash equivalents	24,380	1,497	5,520	560
Payables and accruals	(27,214)	-	(2,168)	(5)
Borrowings	(302,394)	-	(174,297)	-
Derivative financial (liabilities)/assets	(5,020)	(144)	5,936	109
Net exposure	(210,179)	2,425	(212,451)	2,328

33. FINANCIAL INSTRUMENTS (continued)

33.6 Market risk (continued)

33.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A simulated 5% strengthening in the USD/JPY against Ringgit 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.

	2016		2015	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
USD	(7,987)	(7,796)	(7,967)	(8,190)
JPY	92	98	87	83

A simulated 5% weakening of USD/JPY against the Ringgit 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.

33.6.2 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.

33. FINANCIAL INSTRUMENTS (continued)

33.6 Market risk (continued)

33.6.2 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets:				
Assets-backed notes	-	-	138	488
Hire purchase receivables	534,538	451,977	-	-
Finance lease receivables	460	13,011	-	-
Amount due from subsidiaries	-	-	763,541	890,090
Deposits with licensed banks	35,842	20,465	-	-
Financial liabilities:				
Term loans	-	(25,000)	-	-
Medium Term Notes	(747,604)	(747,085)	(747,604)	(747,085)
Commercial Papers	-	(150,000)	-	(150,000)
Recourse obligation on financing sold to Cagamas Berhad	-	(14,724)	-	-
Amount due to subsidiaries	-	-	(358,912)	(366,962)
	(176,764)	(451,356)	(342,837)	(373,469)
Floating rate instruments				
Financial assets:				
Amount due from subsidiaries	-	-	10,213	152,102
Financial liabilities:				
Term loans	(45,415)	(65,340)	-	-
Bills payables	(24,391)	(3,484)	-	-
Revolving credit	(989,925)	(483,799)	-	-
Amount due to subsidiaries	-	-	(939)	(9,835)
	(1,059,731)	(552,623)	9,274	142,267

33. FINANCIAL INSTRUMENTS (continued)

33.6 Market risk (continued)

33.6.2 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
	2016	2016	2015	2015
	RM'000	RM'000	RM'000	RM'000
Group				
Floating rate instruments	(8,054)	8,054	(4,145)	4,145
Company				
Floating rate instruments	70	(70)	1,067	(1,067)

33.7 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:

	Carrying amount	Expected cash flows	Under 1 year
	RM'000	RM'000	RM'000
Group			
2016			
Forward exchange contracts	(5,062)	(5,062)	(5,062)
2015			
Forward exchange contracts	6,045	6,045	6,045

33. FINANCIAL INSTRUMENTS (continued)

33.7 Hedging activities (continued)

Cash flow hedge (continued)

During the financial year, a loss of RM5,062,000 (2015: gain of RM6,045,000) was recognised in other comprehensive income. The (loss)/gain on the hedging derivative is included in the carrying amount of the inventory acquired. The (loss)/gain 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).

33.8 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.

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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)

33. FINANCIAL INSTRUMENTS (continued)

33.8 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		
2015										
Group										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Liquid investments with licensed financial institutions	-	3,416	-	3,416	-	-	-	-	3,416	3,416
Hire purchase receivables	-	-	-	-	-	-	451,977	451,977	451,977	451,977
Finance lease receivables	-	-	-	-	-	-	13,011	13,011	13,011	13,011
Derivative financial assets - forward exchange contracts	-	6,045	-	6,045	-	-	-	-	6,045	6,045
	-	9,462	-	9,462	-	-	464,988	464,988	474,450	474,450
Financial liabilities										
Borrowings	-	-	-	-	-	-	(1,489,432)	(1,489,432)	(1,489,432)	(1,489,432)

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33. FINANCIAL INSTRUMENTS (continued)

33.8 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		
2016										
Company										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Asset-backed notes	-	-	-	-	-	-	138	138	138	138
Amount due from subsidiaries	-	-	-	-	-	-	773,753	773,753	773,753	773,753
	-	1	-	1	-	-	773,891	773,891	773,892	773,892
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)
2015										
Company										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Asset-backed notes	-	-	-	-	-	-	488	488	488	488
Amount due from subsidiaries	-	-	-	-	-	-	1,042,192	1,042,192	1,042,192	1,042,192
	-	1	-	1	-	-	1,042,680	1,042,680	1,042,681	1,042,681
Financial liabilities										
Borrowings	-	-	-	-	-	-	(897,085)	(897,085)	(897,085)	(897,085)
Amount due to subsidiaries	-	-	-	-	-	-	(376,797)	(376,797)	(376,797)	(376,797)
	-	-	-	-	-	-	(1,273,882)	(1,273,882)	(1,273,882)	(1,273,882)

33. FINANCIAL INSTRUMENTS (continued)

33.8 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 (2015: 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.

34. 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 2016 and 31 December 2015 were as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
Total borrowings	18	1,807,335	1,489,432
Less: Other investments	9	(3,001)	(3,416)
Cash and cash equivalents	16	(227,560)	(165,856)
Net debt		1,576,774	1,320,160
Total equity attributable to owners of the Company		2,873,242	2,796,250
Net debt-to-equity ratios		0.55	0.47

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.

35. SUBSIDIARIES

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are shown below:

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
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

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
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

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
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 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 Aluminium Castings Sdn. Bhd.	Casting, machining and assembly of aluminium parts and components	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 and money lending	100	100
TC Contact Centre Services Sdn. Bhd. (formerly known as TCIBS 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

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
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 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
Vincus Holdings Sdn. Bhd.	Investment holding	100	100

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in Malaysia:			
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
Cyberguard Vehicle Security Technologies 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 IBS Sdn. Bhd.	Dormant	100	100
Tan Chong Private Education Sdn. Bhd.	Dormant	100	100
Tan Chong Motorcycles (Malaysia) Sdn. Bhd.	Dormant	100	100
TC Automotive Electronics Sdn. Bhd.	Dormant	100	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

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in Malaysia:			
TC Security Services Sdn. Bhd.	Dormant	51	51
TC Transmission Sdn. Bhd.	Dormant	100	100
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

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016 %	2015 %
Incorporated in Labuan:			
TC Capital Resources (Labuan) Pty Ltd	Dormant	100	100
TC Assets Labuan (V) Pte Ltd	Dormant	100	100
Incorporated in Cambodia:			
# TC Express Auto Services and Spare Parts (Cambodia) Pty. Ltd.	Automobile workshop services and trading of spare parts	100	100
^ Tan Chong Motor (Cambodia) Pty. Ltd.	Importation and distribution of motor vehicles	100	100
^ T C Motor Sales (Cambodia) Pty. Ltd.	Dormant	100	100
Incorporated in Vietnam:			
# TC Motor Vietnam Co. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
@ TCIE Vietnam Pte. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
@ Nissan Vietnam Co. Ltd.	Importation and distribution of motor vehicles and spare parts	74	74
# TC Motorcycles (Vietnam) Co. Ltd.	Importation and distribution of motorcycles and motorcycle components	100	100
# TC Services Vietnam Co., Ltd.	Retail distribution of automobiles, automobile workshop services and trading of spare parts	100	100
@ ³ TC Systems (Vietnam) Co., Ltd.	Producing software products, providing IT solutions & services and integrating IT systems	100	-
Incorporated in Laos:			
^ Tan Chong Motor (Lao) Sole Co. Ltd.	Importation and distribution of motor vehicles	100	100
^ Tan Chong Motorcycles (Laos) Co. Ltd.	Dormant	100	100

35. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2016	2015
		%	%
Incorporated in Myanmar:			
[^] E-Garage Auto Services and Spare Parts (Myanmar) Company Limited	Servicing, maintenance of, repairing of all kinds of vehicles and machines	90	90
[^] ETCM (Myanmar) Company Limited	Provision of services relating to vehicle distribution	100	100
[^] Tan Chong Motor (Myanmar) Company Limited	Assembly, sales and distribution of motor vehicles, trading of spare parts and automotive workshop services	100	100
[^] TC Express Auto Services & Spare Parts (Myanmar) Company Limited	Dormant	100	100
Incorporated in Thailand:			
^{# *} TC Express Auto Services and Spare Parts (Thailand) Co. Ltd.	Automotive workshop services and trading of spare parts	49	49
[#] Tan Chong Mekong Regional Co., Ltd.	Regional operating headquarters	100	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 2016 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.		
[∂]	Companies incorporated during the year.		
[@]	Audited by other member firms of KPMG International.		

36. SIGNIFICANT EVENTS

- (i) On 17 February 2016, Tan Chong Motor (Myanmar) Company Limited (“TCM Myanmar”), a wholly-owned subsidiary of the Company, entered into a land lease agreement with The Factory/Enterprises Establishment Supervision Committee, Bago Regional Government, the Republic of the Union of Myanmar to lease a piece of land for 50 years extendable by two terms of ten years each in Bago Region, Myanmar. TCM Myanmar intends to construct an automotive assembly/manufacturing facility to produce motor vehicles.

36. SIGNIFICANT EVENTS (continued)

- (ii) On 8 April 2016, the Group received an Enterprise Registration Certificate dated 7 April 2016 (“Enterprise Registration Certificate”) from Hanoi Authority for Planning and Investment, Business Registration Division, Vietnam confirming the registration of the establishment of its wholly-owned subsidiary named TC Systems (Vietnam) Company Limited for the purpose of producing software products, providing IT solutions and services and integrating IT systems (“Project”) in Hanoi City, Vietnam.

The Project was approved for implementation by Hanoi City People’s Committee, Authority for Planning and Investment, Vietnam on 5 April 2016 as evidenced by an Investment Registration Certificate dated 5 April 2016. The duration of the Project is for a period of 30 years from the issuance date of the Investment Registration Certificate.

The total investment capital for the Project is USD5.0 million of which USD0.8 million is capital contribution as charter capital.

- (iii) Premium Commerce Berhad (“PCB”), a structured entity (“SE”) established for the securitisation of the Group’s hire purchase receivables, completed the issuance of Notes Series 2016-A of RM219.75 million on 28 December 2016.

The proceeds from the issuance of the Notes were used by the SE for the acquisition of hire purchase receivables from TC Capital Resources Sdn. Bhd. (“TCCR”), a wholly-owned subsidiary of the Company. RM204.00 million of Class A Notes and RM4.50 million of Class B Notes were issued to investors in the debt capital markets while Class C Notes of RM11.25 million was subscribed by TCCR.

37. SUBSEQUENT EVENT

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 THB 25 has been paid for each share.

38. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised profits	1,893,976	2,015,062	930,445	946,669
- Unrealised profits	39,576	35,000	23,220	18,001
	1,933,552	2,050,062	953,665	964,670
Total share of retained earnings of associates and joint venture:				
- Realised profits	19,451	18,019	-	-
- Unrealised loss	(609)	(323)	-	-
	18,842	17,696	-	-
Total retained earnings before consolidation adjustments	1,952,394	2,067,758	953,665	964,670
Less: Consolidation adjustments	(106,721)	(151,608)	-	-
	1,845,673	1,916,150	953,665	964,670

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS



pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 62 to 163 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 38 on page 164 to the financial statements has been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Khor Swee Wah @ Koh Bee Leng
Director

Dato' Seow Thiam Fatt
Director

Kuala Lumpur,
Date: 31 March 2017

STATUTORY DECLARATION



pursuant to Section 169(16) of the Companies Act, 1965

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 62 to 164 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 31 March 2017.

Ho Wai Ming
MIA 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 2016 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 62 to 163.

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 2016, 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, 1965 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 is 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.



INDEPENDENT AUDITORS' REPORT

to the Members of Tan Chong Motor Holdings Berhad
(Company No. 12969-P) (Incorporated in Malaysia)

Information Other Than The Financial Statements And Auditors' Report Thereon (continued)

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.

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, 1965 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.

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)

- 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.

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 35 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 38 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

We draw attention to the fact that USD equivalent consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income on page 64, 65, 68 and 69 do not form part of audited financial statements. We have not audited these statements and accordingly, we do not express an opinion on these statements.

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

31 March 2017
Petaling Jaya, Selangor

Chua See Guan
Approval Number: 03169/02/2019 J
Chartered Accountant

TEN LARGEST PROPERTIES OF THE GROUP

as at 31 December 2016

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	500.00	41	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	245.50	10	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	78.00	37	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	70.00	48	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	2016
6	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	45.81	4	2013	2016
7	Lot 92, Seksyen 46, Kuala Lumpur	Used vehicle display and storage yard	50,228	-	Freehold	45.70	-	24.8.2012	2016
8	No 2, Jalan Johor Jaya, 81100 Johor Bahru, Johor	Office, showroom, service, spare parts & training centre	93,830	277,425	Freehold	45.69	2	21.5.2015	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	36.00	34	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	34.50	2	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 20 March 2017



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	270	3.55	4,533	- ⁽¹⁾
100 - 1,000	2,427	31.93	2,146,510	0.32
1,001 - 10,000	3,943	51.87	16,659,093	2.48
10,001 - 100,000	800	10.52	23,348,798	3.47
100,001 - 32,633,149 ⁽²⁾	158	2.08	266,616,502	39.68
32,633,150 and above ⁽³⁾	4	0.05	343,887,564	51.17
Sub Total	7,602	100.00	652,663,000	97.12
Treasury shares			19,337,000	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' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
1 Dato' Tan Heng Chew	26,985,362	4.13	286,749,730 ⁽¹⁾	43.94
2 Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	- ⁽²⁾	-	-
3 Dato' Seow Thiam Fatt	88,000	0.01	-	-
4 Dato' Ng Mann Cheong	-	-	150,000 ⁽³⁾	0.02
5 Dato' Khor Swee Wah @ Koh Bee Leng	10,217,890	1.57	303,517,202 ⁽⁴⁾	46.50
6 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 20 March 2017

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name	No. of Shares Held	Direct		Indirect	
		%	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	50,956,300	7.81	-	-	
4 Dato' Tan Heng Chew	26,985,362	4.13	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 <i>Employees Provident Fund Board</i>	51,393,900	7.87
3 Tan Chong Consolidated Sdn Bhd	37,371,100	5.73
4 Cartaban Nominees (Asing) Sdn Bhd <i>Exempt AN for Daiwa Securities Co Ltd Client Acc</i>	37,333,324	5.72
5 Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera</i>	32,492,200	4.98
6 Tan Kim Hor	31,316,715	4.80
7 Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Tan Heng Chew (MM1063)</i>	20,305,100	3.11
8 Pang Sew Ha @ Phang Sui Har	10,548,791	1.62
9 CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)</i>	9,087,400	1.39
10 Tan Chong Consolidated Sdn Bhd	8,667,900	1.33
11 Tan Boon Pun	8,241,240	1.26
12 Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for UBS Switzerland AG (Clients Assets)</i>	7,283,700	1.12
13 Tan Ban Leong	7,252,295	1.11
14 Tan Beng Keong	7,252,295	1.11
15 Tan Chee Keong	7,252,295	1.11

ANALYSIS OF SHAREHOLDINGS

as at 20 March 2017



THIRTY LARGEST SHAREHOLDERS (continued)

Name	No. of Shares Held	%
16 Tan Hoe Pin	7,252,295	1.11
17 Key Development Sdn Berhad	6,334,400	0.97
18 Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Khor Swee Wah @ Koh Bee Leng (PB)</i>	6,175,590	0.95
19 Amanahraya Trustees Berhad <i>Amanah Saham Malaysia</i>	5,073,000	0.78
20 Chinchoo Investment Sdn Berhad	4,705,000	0.72
21 Gan Teng Siew Realty Sdn Berhad	4,679,000	0.72
22 Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Dimensional Emerging Markets Value Fund</i>	4,462,600	0.68
23 Amanahraya Trustees Berhad <i>Public Islamic Select Treasures Fund</i>	3,612,800	0.55
24 UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)</i>	3,327,004	0.51
25 Lee Lang	3,296,496	0.50
26 Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew (E-KLC)</i>	3,274,700	0.50
27 DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt AN for EFG Bank AG (A/C Client)</i>	3,246,300	0.50
28 Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew</i>	3,154,900	0.48
29 Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Ching Ching</i>	2,000,000	0.31
30 Amanahraya Trustees Berhad <i>Public Islamic Equity Fund</i>	1,910,000	0.29
TOTAL	556,091,580	85.20



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of TAN CHONG MOTOR HOLDINGS BERHAD will be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Thursday, 25 May 2017 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 2016 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a final single tier dividend of 1 sen per share for the financial year ended 31 December 2016. **Resolution 2**
3. To re-elect Mr. Lee Min On who retires and being eligible, offers himself for re-election in accordance with Article 81 of the Company's Articles of Association, as a Director of the Company. **Resolution 3**
4. To re-elect Mr. Siew Kah Toong who retires by rotation and being eligible, offers himself for re-election in accordance with Article 101 of the Company's Articles of Association, as a Director of the Company. **Resolution 4**
5. To re-elect Dato' Tan Heng Chew who retires by rotation and being eligible, offers himself for re-election in accordance with Article 101 of the Company's Articles of Association, as a Director of the Company. **Resolution 5**
6. To re-elect Dato' Ng Mann Cheong who in accordance with the resolution passed at the Forty-Fourth Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965 holds office as Director of the Company until the conclusion of the Forty-Fifth Annual General Meeting and being eligible offers himself for re-election in accordance with Section 205(6) of the Companies Act, 2016, as a Director of the Company AND THAT he continues to be designated as Independent Non-Executive Director of the Company. **Resolution 6**
7. To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **Resolution 7**

Special Business

To consider and if thought fit, to pass the following resolutions:

8. **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 RM714,000/- in aggregate to the Independent Non-Executive Directors of the Company and of up to an amount of RM36,000/- in aggregate to an Independent Non-Executive Director of TC Euro Cars during the course of the period from 1 January 2017 until the next Annual General Meeting of the Company." **Resolution 8**
9. **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 RM494,600/- 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 1 January 2017 until the next Annual General Meeting of the Company." **Resolution 9**

NOTICE OF ANNUAL GENERAL MEETING



10. PROPOSED GRANT OF AUTHORITY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

“THAT, subject always to the Companies Act, 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 75 of the Act to allot and issue shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares allotted and issued pursuant to this Resolution do not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being of the Company AND THAT in accordance with the provisions of Section 76 of the Act, such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

Resolution 10

11. 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 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 will expire:

- (i) at 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;
- (ii) at 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;

NOTICE OF ANNUAL 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.”

Resolution 11

12. 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 28 April 2017 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 –

- (i) until 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) at 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.”

Resolution 12

NOTICE OF ANNUAL GENERAL MEETING



13. 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 28 April 2017 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 –

- (i) until 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) at 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.”

Resolution 13

14. 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 28 April 2017 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”).

NOTICE OF ANNUAL GENERAL MEETING

THAT such approval shall continue to be in force –

- (i) until 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) at 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.”

Resolution 14

15. **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 28 April 2017 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 –

- (i) until 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) at 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.”

Resolution 15

16. To transact any other business of the Company of which due notice shall have been received.

NOTICE OF ANNUAL GENERAL MEETING



NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Forty-Fifth 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 2016 will be paid on 21 June 2017 to shareholders whose names appear in the Register of Members on 1 June 2017.

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 2017 in respect of transfers;
- (2) shares deposited into the depositor's securities account before 12.30 p.m. on 30 May 2017 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
28 April 2017

NOTES:

1. *A depositor whose name appears in the Record of Depositors of the Company as at 17 May 2017 ("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.*

NOTICE OF ANNUAL GENERAL MEETING

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.*
10. *Dato' Haji Kamaruddin @ Abas bin Nordin and Dato' Seow Thiam Fatt, who are over the age of 70 years, were re-appointed as Directors of the Company at the 44th Annual General Meeting held on 25 May 2016 pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the 45th Annual General Meeting of the Company. Both of them have informed the Board that they will not seek re-election as Directors of the Company and accordingly, they will retire at the conclusion of the 45th Annual General Meeting of the Company.*

EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS

1. **Resolution 6 – Re-election of Dato' Ng Mann Cheong as Director and his designation as Independent Non-Executive Director of the Company**

Pursuant to Section 129(6) of the Companies Act, 1965, Dato' Ng Mann Cheong, who is over the age of 70 years, was re-appointed as Director of the Company at the 44th Annual General Meeting held on 25 May 2016 to hold office until the conclusion of the 45th Annual General Meeting of the Company. Dato' Ng Mann Cheong being eligible has offered himself for re-election at the coming 45th Annual General Meeting of the Company. With the enforcement of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors. The proposed Resolution 6, if passed, means that Dato' Ng Mann Cheong will continue to act as a Director of the Company and be subject to retirement by rotation pursuant to Section 205 of the Companies Act, 2016.

Pursuant to the Malaysian Code on Corporate Governance 2012, 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.

Following an assessment and recommendation by the Nominating Committee, the Board recommended that Dato' Ng Mann Cheong who has served as an Independent Non-Executive Director ("INED") for a cumulative term of more than nine (9) years and has offered himself for re-election, be re-elected to the Board and 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 Malaysia Securities Berhad and, therefore, is able to bring independent and objective judgment to the Board on matters deliberated. As an INED, he discharged his duties diligently taking into consideration shareholders' interests when deliberating on matters which may have an impact on their interests;
- (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.

2. **Resolution 7 – Re-appointment of KPMG PLT as Auditors of the Company**

KPMG, a conventional partnership was converted to a limited liability partnership, KPMG PLT, pursuant to Section 29 of the Limited Liability Partnerships Act, 2012 ("LLP Act") as from the date of registration on 27 December 2016. Under Section 29 of the LLP Act, a conventional partnership may be converted to a limited liability partnership if and only if the partners of the limited liability partnership to which the conventional partnership is to be converted, comprises all the partners of the conventional partnership and no one else.

NOTICE OF ANNUAL GENERAL MEETING



Pursuant to Section 39 of the LLP Act, as from the date of registration of KPMG PLT, the re-appointment of KPMG as Auditors of the Company pursuant to a resolution passed at the 44th Annual General Meeting took effect and operated as if KPMG PLT were re-appointed Auditors of the Company instead of KPMG.

The Audit Committee has considered the re-appointment of KPMG PLT as Auditors of the Company based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements. KPMG PLT are approved company auditors and have consented in writing to act as Auditors of the Company as required under Section 264 of the Companies Act, 2016. Both the Audit Committee and the Board have accordingly recommended the re-appointment of KPMG PLT as Auditors of the Company.

3. Resolutions 8 and 9 – 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, provision of driver, provision of mobile devices and payment of broadband charges, 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
- (d) Mobile devices (tablets) & broadband charges @ RM3,500 (average) each

The Board recommends that shareholders approve a maximum aggregate amount of RM750,000/- for the payment of Directors’ fees to the Independent Non-Executive Directors of the Company (i.e. RM714,000/-) and its subsidiary, TC Euro Cars Sdn Bhd (i.e. RM36,000/-) during the course of the period from 1 January 2017 until the next Annual General Meeting of the Company in May 2018.

The Board also recommends that shareholders approve a maximum aggregate amount of RM500,000/- for the payment of benefits to the Independent Non-Executive Directors of the Company (i.e. RM494,600/-) and its subsidiary, TC Capital Resources Sdn Bhd (i.e. RM5,400/-) during the course of the period from 1 January 2017 until the next Annual General Meeting of the Company in May 2018.

4. Resolution 10 – Proposed Grant of Authority Pursuant to Sections 75 and 76 of the Companies Act, 2016

The Company continues to consider opportunities to broaden the operating base and earnings potential of the Company. If any of the expansion or diversification proposals involve the issue of new shares, the Directors of the Company, under normal circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the total number of issued shares (excluding treasury shares) of the Company.

To avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, the Directors of the Company had obtained the general mandate at the Company’s 44th Annual General Meeting held on 25 May 2016 to allot and issue shares in the Company up to an amount of not exceeding in total 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being, for such purpose. The Company has not issued any new shares under the general mandate granted to the Directors at the 44th Annual General Meeting which will lapse at the conclusion of the 45th Annual General Meeting to be held on 25 May 2017.

A renewal of the mandate is being sought at the 45th Annual General Meeting under proposed Resolution 10. The renewed mandate, unless revoked or varied at a general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

5. Resolution 11 – Proposed Renewal of Authority for the Company to Purchase Its Own Ordinary Shares

The proposed Resolution 11, 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, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, 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.



NOTICE OF ANNUAL GENERAL MEETING

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 28 April 2017 (“Circular”), despatched together with the Company’s 2016 Annual Report.

6. Resolutions 12, 13, 14 and 15 – Proposed Shareholders’ Mandate for Recurrent Related Party Transactions

The proposed Resolutions 12, 13, 14 and 15, 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.

Further information on these proposed Resolutions are set out in the Circular despatched together with the Company’s 2016 Annual Report.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 45th 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.

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-Fifth Annual General Meeting of
 the Company to be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia
 on Thursday, 25 May 2017 at 10.30 a.m., and at any adjournment thereof, as indicated below:

		For	Against
Resolution 1	Audited Financial Statements and Reports of the Directors and Auditors thereon		
Resolution 2	Final Single Tier Dividend		
Resolution 3	Re-election of Mr. Lee Min On as Director		
Resolution 4	Re-election of Mr. Siew Kah Toong as Director		
Resolution 5	Re-election of Dato' Tan Heng Chew as Director		
Resolution 6	Re-election of Dato' Ng Mann Cheong as Director and his designation as an Independent Non-Executive Director		
Resolution 7	Re-appointment of KPMG PLT as Auditors		
Resolution 8	Directors' Fees		
Resolution 9	Directors' Benefits		
Resolution 10	Proposed Grant of Authority pursuant to Sections 75 and 76 of the Companies Act, 2016		
Resolution 11	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Resolution 12	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities		
Resolution 13	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad and its subsidiaries and joint ventures		
Resolution 14	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		
Resolution 15	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		

(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:		
	<u>No. of shares</u>	<u>Percentage</u>
Proxy 1	_____	%
Proxy 2	_____	%
Total	_____	100%

Notes:

1. A depositor whose name appears in the Record of Depositors of the Company as at 17 May 2017 ("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 Annual General Meeting 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 45th 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 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.

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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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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
28 April 2017

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 15 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 15 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
28 April 2017

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