



TAN CHONG MOTOR HOLDINGS BERHAD

Registration No.: 197201001333 (12969-P)

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24/7

Driving
Resilience

ANNUAL REPORT 2020

Notice of
49th
Annual
General Meeting

Date : Thursday, 3 June 2021

Time : 2.30 p.m.

Broadcast Venue :

Tricor Business Centre
Manuka 2 & 3 Meeting Room
Unit 29-01, Level 29, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia



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As part of our sustainability initiatives, please scan the above QR code to download our digital copy of Annual Report 2020

About Tan Chong Motor Holdings Berhad

The story of Tan Chong Motor Holdings Berhad ("TCMH") dates back to 1957, when our founder, the late Tan Sri Tan Yuet Foh, set out to realise his dream of building an automotive empire in Malaysia.

Incorporated in 1972 and listed on the Main Market of Bursa Malaysia Securities Berhad in 1974, TCMH is today one of Malaysia's largest conglomerates with extensive operations across the globe. The Group is widely recognised as a pioneer in the Malaysian automotive industry, and is renowned for its reliable product quality, design and value delivered.

TCMH is involved in a myriad of business activities, including the assembly and distribution of motor vehicles and commercial vehicles, after-sales services and spare parts, education, trading and motor-related financial services such as hire purchase financing, insurance agency and leasing to property investments – both locally and abroad. We have also established long-term strategic business partnership with prominent local and international brands over the years, in bringing quality products and services to many markets. Today, we are the exclusive distributor of Nissan passenger vehicles in Myanmar, Laos, Cambodia and Malaysia, as well as Renault vehicles in Malaysia. Our presence in Vietnam includes both passenger cars and commercial vehicles. As one of the leading distributors of commercial vehicles on Malaysian roads, TCMH's well-established and organised sales distribution network - coupled with parts division and service workshops set-up at strategic locations – empower us to consistently create and deliver value to customers.



Our Global Presence



OVERSEAS' VENTURES

Apart from being one of the market leaders in Malaysia's automotive industry, TCMH has expanded internationally to Myanmar, Vietnam, Cambodia, Laos and Thailand. This complements our core Malaysian operations, as we strive to replicate overseas the success we enjoy in Malaysia. Our competitive edge stems from over 60 years' experience in the automotive industry and related sectors; boosting our confidence in our ability to continue ensuring growth and delivering excellence in everything we do. We continue to improve on our efficiency - and transform our portfolio via product development and innovation - to leave a positive impact on lives around the world.

6 Presence in over **countries**

- Malaysia
- Vietnam
- Thailand
- Laos
- Myanmar
- Cambodia

Sales network covers more than



200

strategically-located retail and service outlets

Corporate Information

BOARD OF DIRECTORS

Dato' Tan Heng Chew
President

Dato' Ng Mann Cheong
Senior Independent
Non-Executive Director

Ng Chee Hoong
Independent
Non-Executive Director

**Dato' (Dr.) Khor Swee Wah @
Koh Bee Leng**
Deputy President

Ho Wai Ming
Group Chief Executive Officer

Lee Min On
Independent
Non-Executive Director

Dato' Chan Choun Sien
Independent
Non-Executive Director

AUDIT COMMITTEE

Ng Chee Hoong (*Chairman*)
Dato' Ng Mann Cheong
Lee Min On
Dato' Chan Choun Sien

NOMINATING AND REMUNERATION COMMITTEE

Dato' Ng Mann Cheong (*Chairman*)
Ng Chee Hoong
Lee Min On
Dato' Chan Choun Sien

BOARD RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Lee Min On (*Chairman*)
Dato' Ng Mann Cheong
Ng Chee Hoong
Dato' Tan Heng Chew
Dato' Chan Choun Sien

COMPANY SECRETARIES

Ho Wai Ming (MIA 12986)
(SSM Practicing Cert. 201908002199)
Wong Poh Chun (MAICSA 7013841)
(SSM Practicing Cert. 201908002090)

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SHARE REGISTRAR

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Fax : +603 7721 3399

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities
Berhad
[Registration no. 200301033577
(635998-W)]
Date of Listing : 4 February 1974
Stock Name : TCHONG
Stock Code : 4405
Sector : Consumer Products &
Services
Sub-sector : Automotive

Report of the Board of Directors

Dear Valued Shareholders,

We are pleased to present the Annual Report of Tan Chong Motor Holdings Berhad (“TCMH”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2020 (“FY2020”).

It had been a challenging year in 2020 as the unprecedented Covid-19 pandemic wreaked havoc on the global economic scene. Governments around the world have been injecting various forms of economic stimuli to revive ailing economies and to a certain extent had managed to stall worsening conditions.

The Group launched the long-awaited all-new Almera Turbo in November 2020 and will continue to take appropriate initiatives to penetrate the domestic market. The Group will remain focused on diversifying its revenue stream through innovative business ideas and strengthening its regional footholds in the countries we operate in.

Uncertainties posed by the pandemic invariably cast doubts on when the global economy will eventually recover. However, International Monetary Fund (“IMF”) predicts that the global economy will grow by 5.5% in 2021, drawing hopes on a vaccine-powered recovery for most industries and businesses across the world in the later part of 2021. The road to recovery is undoubtedly an enduring one but the Group remains steadfast in overcoming the obstacles ahead.

FINANCIAL PERFORMANCE OVERVIEW

The Group recorded a revenue of RM2.96 billion in FY2020 (2019: RM4.17 billion) with loss before tax of RM161.3 million (2019: profit before tax of RM114.3 million) amid the exceptionally challenging market conditions. The Group continued to strive to achieve cost efficiency and drive better utilisation of resources for a more resilient business structure to ensure long term financial sustainability. The Group recorded shareholders’ funds of RM2.8



billion with net assets per share at RM4.36 as of 31 December 2020.

DIVIDENDS

In view of the weaker financial performance in quarter 4 and for the full year of FY2020, the Board is not recommending any final dividend (2019: final single tier dividend of 2.0 sen per share). The Board had earlier declared an interim single tier dividend of 1.5 sen per share which was paid on 28 December 2020 (2019: interim single tier dividend 2.0 sen per share). Therefore, the total net dividend paid for the year is 1.5 sen per share or RM9.8 million (2019: 4.0 sen per share or RM26.1 million) in payout.

BUSINESS PERFORMANCE OVERVIEW

On the domestic front, the Government’s support to stimulate the automotive sector by providing full sales tax exemption on all locally assembled cars until the end of 2020 had helped to boost higher sales of new vehicles in the second half of 2020.

The sales tax exemption has been further extended to 30 June 2021 and should provide a breather to the industry in the prolonged sluggish economy following unabated Covid-19 cases. Overall, the total industry volume (“TIV”) registered in 2020 was 529,434 units, a decrease of 74,847 units, representing 12.4% reduction compared to 604,281 units in 2019.

Regionally, despite the Covid-19 scourge, Vietnam managed to achieve a positive Gross Domestic Product (“GDP”) growth of 2.9% in 2020 and the TIV reduced slightly by 8% to 296,634 units. The Government supported locally assembled vehicles from July until December 2020 with a 50% reduction in registration tax in order to stimulate vehicle sales during the second half of 2020. Even though the partnership with Nissan Motor Co., Ltd. (“NML”) in Vietnam had ended, the Group remains committed as ever to strengthen its strategic partnership with NML which has been built for more than 60 years, based on the foundation of mutual respect and understanding. The Group will continue

Report of the Board of Directors

to work closely with NML to expand further in other high potential markets in the Indochina region, covering Myanmar, Cambodia and Laos.

The investments made in Vietnam over the years and the strategy to tap the local market remain intact. Through collaborations with other car brands, the Group is poised to build its business and in July 2020, launched 2 new models of MG brand sport utility vehicle (“SUV”) under SAIC Motor International Co., Ltd. The models have been well received in Vietnam and had garnered sales of more than 500 units as of end of 2020. The Group continues to tap on the commercial vehicles segment with buses branded under King Long and other pick-up models which are also in the pipeline.

Myanmar experienced a resurgence of Covid-19 cases since September 2020 with government-imposed lockdowns severely affecting the nation’s economy. The automotive industry was not spared as vehicle registrations plunged due to closure of the Road Transport and Administrative Department (“RTAD”) for a total of 3.5 months in 2020. Despite such headwinds, the Group managed to make inroads in the Myanmar market with further expansion of its sales network, achieving a commendable market share of 4% amid stiff competition.

The Group had implemented business continuity plans during the initial MCO period and followed through with various business recovery plans to minimise the risks posed by the pandemic.

A series of cost containment measures was also implemented throughout 2020, including rightsizing the organisation, halting recruitment and deferment of discretionary spend. The Group also instituted more stringent working capital controls to achieve better operational cash flows and a stronger cash position to steer the Group through this pandemic.

Taking cognizance of the unprecedented impacts from the pandemic, the Group has taken various precautionary measures to ensure strict compliance with standard operating procedures (“SOP”) for the safety and well-being of our staff, customers, and business partners across all locations where the Group is operating in.

PROSPECTS AND STRATEGIC DIRECTIONS MOVING FORWARD

The local automotive industry in 2021 is expected to face another challenging period with the third wave of Covid-19 outbreak since October 2020. The implementation of Movement Control Order (“MCO”) 2.0 since 13 January 2021 has caused a major dent on the vehicle sales performance in the traditionally peak season prior to the Chinese New Year festival. Bank Negara Malaysia had recently revised the forecast of the country's GDP growth at 6.0% to 7.5%, largely underpinned by the expected recovery of the global economy, which is estimated to rebound by 5.5% growth in 2021. However, the downside risks to the outlook remain, coming from ongoing uncertainties surrounding the pandemic and potential challenges that might affect the vaccination programmes domestically and globally.

Despite the aforementioned challenges, Malaysia’s TIV for the automotive sector is expected to rebound in 2021, supported by the various economic stimulus packages initiated by the government. The Malaysia Automotive Association (“MAA”) at the beginning of 2021 had announced that the TIV was anticipated to come in 8% higher year-on-year at 570,000 units, from 529,434 units in 2020, taking into account the sales tax exemption for passenger vehicles under “Pelana Jana Semula Ekonomi Negara” (PENJANA) economic recovery plan which has now been extended to 30 June 2021 and the low hire purchase loan interest rates which will assist to spur automobile sales.

The uncertainties surrounding the political situations in Myanmar has exacerbated complications to the recovery path of business operations in the country, already impacted by the pandemic. Management will keep a close tab on the developments to review and adjust our plans accordingly.

On a brighter note, the pandemic has catalysed the Group towards accelerating digital technology adoption and changed the way of doing things – focusing more on online platforms and virtual processes. With the roll-out of online application such as DriveOn, it allows the Group to have better connectivity with customers



Report of the Board of Directors

and offers them a real-time and worry-free solution to plan for their vehicle maintenance. The Group remains steadfast to adapt to the new norms and continues to improve on its digital technology application and capability to drive business operations effectively despite disruptions caused by the pandemic.

The financial position and fundamentals of the Group are strong, and we are well positioned for further growth as we roll out the Group's strategic plans. The Group believes in the long term potential of Malaysia and future growth of the regional markets. The Group remains committed to the strategy of further strengthening our regional footholds in Vietnam, Myanmar, Laos, Cambodia, and Thailand. The regional expansions have helped the Group mitigate its reliance on a single market as business recovery rates are different in each market, as shown during this pandemic. We are cautiously optimistic of the prospects to grow on the back of robust demand for new vehicles in a region that adapts to the new normal and the global economy will be back on the recovery path, powered by the ongoing vaccination programmes across the world.

In response to the challenging conditions caused by the pandemic, the Group remains focused on optimising its operations and expects to mitigate adverse impact through continuous cost containment initiatives to maintain a sustainable financial position and drive business growth.

ACKNOWLEDGEMENT

The Board of Directors expresses our gratitude to stakeholders which include our valued principals, customers, business partners and looks forward to their continued support. Our sincere appreciation also goes to our shareholders, bankers and financiers who have supported the Group over the years as we strive to build a stronger business and provide sustainable returns for their investments in our Group.



To my fellow Board members, I wish to express my heartfelt gratitude for your invaluable advice and contribution to the Group as we journey to build a long term sustainable business, contributing to the economic growth of the countries we operate in. I also wish to thank Mr. Siew Kah Toong, who had retired as Independent Non-Executive Director and we wish him well on his future endeavours. At the same time, we would like to extend a warm welcome to Mr. Ng Chee Hoong and Dato' Chan Choun Sien, whose skills and experience will contribute greatly to the future success of the Group.

The Board of Directors is also grateful to the Management Team and staff of TCMH Group who have been working diligently to weather difficult times and we look forward to their continued commitment and resilience in charting the growth path of the Group in the years ahead.

On behalf of the Board,

DATO' TAN HENG CHEW
President

15 April 2021

Management Discussion and Analysis



OVERVIEW

The global economy has been severely affected by the unprecedented pandemic. Governments from all around the world have been pumping in money to stall the downward spiral of the economy, however, the world's economy is still estimated to contract by 3.5% in 2020, according to International Monetary Fund ("IMF").

The Malaysian automotive industry has been highly competitive despite weakened consumer sentiment in an economy trying to grasp with the impacts brought on by the pandemic. With the full sales tax exemption for locally assembled vehicles from 15 June 2020 to 31 December 2020, which has now been further extended to 30 June 2021, total industry volume ("TIV") had seen some gradual improvement during the second half of 2020. Similarly, the businesses in the overseas markets have also been affected by the pandemic, albeit to a lesser extent.

Operating in such a challenging environment caused by the pandemic, Tan Chong Motor Holdings Berhad ("TCMH", "the Group") recorded lower sales in 2020 compared to 2019. Consequently, the Group turned in a Loss Before Tax of RM161 million in the financial year ended 31 December 2020 ("FY2020").

The Group remained resilient and implemented various key costs containment measures and rationalisation of the businesses to stay agile in overcoming the challenges. We believe the business fundamentals remain robust and are backed by the strong balance sheet and the Group is poised to tap on the long term potential of Malaysia and the growing markets in the Asean region.

The Group continued with a planned approach to sustain our market position with new models introduction and innovative solutions to respond to the mobility needs of the market. As the automotive sector continues to evolve, the Group will continue to innovate and ensure we build a sustainable business model for the future.

Management Discussion and Analysis

STRATEGIC INITIATIVES

IMPROVE COMPETITIVENESS IN DOMESTIC MARKET



1

The Group launched the highly anticipated all-new Almera Turbo on 1 November 2020 and will be launching the new Nissan Navara in April 2021 with the aim to regain our top 3 sales leadership in the pick-up segment. Other new models are also in the pipeline and will be announced at a later stage.

In addition, the Group has continued with its strategy to innovate and explore new approaches in delivering mobility solutions to our customers by leveraging on technology. This includes the way of sales and distribution of vehicles are organised such as virtual showroom which has shown marked improvement in adoption rate by the customers under the new norm. The Group has also further grown the car subscription programme through offering a wider range of new and used vehicles to the customers. All these are integrated into Tan Chong's automotive eco-system to deliver end-to-end mobility solutions to cater to our discerning customers, from sales showrooms to after-sales services to financing and insurance needs.

STRENGTHEN REGIONAL Foothold IN ASEAN



2

The Group remains committed to strengthening our foundations in the Asean market namely Vietnam, Myanmar, Laos, Cambodia and Thailand as long-term strategic investments. The expansion of the sales and distribution network, backed by the automotive assembly plants in Vietnam and Myanmar formed the backbone structure of the Group in these countries. Sales of new vehicles and revenue continue to improve over the years notwithstanding the market challenges.

EFFICIENT FINANCIAL MANAGEMENT FOCUSING ON CONSERVING CASH AND COST OPTIMISATION



3

The Group continued to focus on ensuring a sustainable and solid financial position in FY2020. In view of the disruptive effects arising from the pandemic, the Group had carried out its business recovery plans in 2020 and implemented various cost containment initiatives throughout the year which covered rightsizing of the organisation, freezing of new recruitment, deferment of discretionary spend, among others. We have also adopted more prudent and efficient working capital management to conserve the Group's cash position and the results was a commendable one as the Group managed to reduce its Net Debt position from RM1.2 billion at the end of 2019 to RM847 million at the end of 2020.

The Group will continue with its strategy to drive further cost optimisation and rationalising the business operations across all locations where the Group is operating in. The Group has a strong financial position and is backed by a strong asset base. The Group's net asset position remained at a healthy level of RM2.8 billion at the end of FY2020 (2019: RM3.0 billion). The Group had implemented business continuity plans during the initial MCO period and followed through with various business recovery plans subsequent to that to mitigate the risks posed by the pandemic.

Management Discussion and Analysis

REVIEW OF GROUP FINANCIAL PERFORMANCE

The Group recorded revenue of RM2,960 million and loss before tax (“LBT”) of RM161 million in FY2020 compared to revenue of RM4,172 million and profit before tax of RM114 million respectively in financial year ended 31 December 2019 (“FY2019”). The decline in sales and financial performance were largely caused by the disruptions brought on by the pandemic in Malaysia and across the region. It is worth noting that apart from the adverse effects from the pandemic, the settlement of the Bills of Demand from Royal Malaysian Customs Department as announced by the Company on 29 March 2021 had also partly contributed to the loss position in FY2020.

Despite the loss, the financial position of the Group at the end of FY2020 remained strong with shareholders’ funds of RM2,842 million (2019: RM3,020 million) and net assets per share of RM4.36 (2019: RM4.63). The Group recorded cash and cash equivalents of RM752 million at the end of FY2020 (2019: RM420 million), which included the RM170 million of Liquid Investments in Quoted Unit Trusts with Licensed Financial Institutions (“Unit Trusts”) (2019: RM12 million). Consequently, the Group’s Net Debt improved to RM847 million and recorded a net gearing ratio of 30% as at 31 December 2020 (2019: 42%).

The Group had undertaken various measures to conserve its cash and part of the initiatives was to tighten the control on capital expenditure, reduced from RM240 million in FY2019 to RM128 million in FY2020. As a result of more stringent inventory reordering process, coupled with targeted inventory reduction exercise, the Group managed to reduce the inventory level to RM773 million (2019: RM1,527 million).

On revaluation of properties, the Group undertook a revaluation exercise on its investment properties to reflect the current market value at the end of FY2020. The loss on revaluation (net of deferred tax) of RM0.7 million had been incorporated into



the consolidated financial statements for the financial year ended 31 December 2020.

BUSINESS PERFORMANCE AND MARKET OUTLOOK

AUTOMOTIVE DIVISION – PASSENGER VEHICLES

2020 Nissan Business Performance

The Group saw a decline in its overall performance last year, registering 14,160 new vehicles in 2020, a decline of approximately 7,100 units, or 33.3% reduction compared to the previous year mainly caused by the pandemic-led economic downturn. The decline was also partly contributed by the discontinuation of sales of the popular Navara double-cab pick-up model in quarter 4 of 2020. The decline resulted in the Group attaining a lower market share of 2.7% in 2020 compared to 3.5% in 2019. Nonetheless, Nissan remained in the top three Non-National vehicle brands and maintained its 5th position in the overall market performance in 2020.

The launch of the highly anticipated All-New Nissan Almera Turbo was disrupted by the pandemic but was finally launched on 1 November 2020 amid stiff competition from other car makers. The Group has a full model line-up of Nissan that covers almost all segments in the market (Passenger Cars, Multi-purpose Vehicles (“MPV”), Sports Utility Vehicles (“SUV”), Pick-up and Van) and the top three best-selling Nissan models are Nissan Serena (MPV), Nissan Almera (B-Sedan) and Nissan Navara (Pick-

up), which made up to 78% of total Nissan sales in 2020.

In terms of segment performance, the Nissan Serena S-Hybrid remained as the No.1 best seller in the non-national mid-size MPV Segment, while Nissan Almera and X-Trail both captured 3rd positions in their respective B-Sedan and C-SUV segments for non-national makes in 2020.

2021 Nissan Market Outlook

The local automotive industry is expected to face another challenging period in 2021 with the third wave of Covid-19 outbreak since October 2020. In view of the current development of the pandemic, the Group holds a cautious view of the outlook for the local automotive market in 2021. However, the Malaysia Automotive Association (“MAA”) had announced at the beginning of 2021 that the total industry volume (“TIV”) is expected to grow by 8% to reach 570,000 units in 2021, from 529,434 units in 2020. The forecast was premised on the economic stimulus packages initiated by the Government and after taking into account the extension of the sales tax exemption and low hire purchase loan interest rates.

The Group will continue with its plans to grow sales with the all-new Nissan Almera Turbo in 2021. In addition, the Group also aims to regain the top 3 sales leadership in the pick-up segment with the launch of the new Nissan Navara in April 2021. Other new models are also in the pipeline and will be announced at a later stage.

Management Discussion and Analysis

2020 Renault Business Performance

In February 2020, the Group launched the Renault E-Store, allowing end-to-end online shopping experience for customers. From shopping to securing a loan, to having the car registered and delivered to your doorstep all from the comfort of your home. Today, all of Renault's sales and subscription activities are conducted through the E-Store.

Renault Subscription was recognised as Frost & Sullivan's Best Practices Award as Car-Subscription Company of the Year (Malaysia) in 2020. Introduced since July 2019, the programme hit a new high in 2020 where the Renault fleet size grew from 270 units to 1,500 units in a span of a year and registered over 5,425 users along the way.

With the success of the Renault Subscription programme, we further expanded the platform to introduce "GoCar Subs" – a used vehicle, multi-brand subscription programme. From its initial pilot run in July 2020 to the subsequent official launch in October 2020, the programme had quickly picked up momentum and accumulated over 543 users over the period with a fleet size of 280 units at the end of December 2020. The programme now boasts over 18 car brands and 60 different models offered in 5 fixed price categories (Econ, Base, Plus, Exec and Luxe).

2021 Renault Market Outlook

The E-Store will be further enhanced with many new added features to stay ahead of the competition. Among the new features would be shopping assistance, automated test drive management, booking status tracker, service appointment and booking for door-to-door service.

After-sales is an area of focus as the internal fleet of subscription cars continues to grow. The service centre will start catering for non-Renault cars to have a better control of cost and an opportunity to tap into the large number of off-warranty cars out in the market. The expansion of the service center which is expected to be completed

by second quarter of 2021 with a total of 30 vehicle hoists, enabling a capacity of up to 3,000 intakes per month and this will be timely to tap on the large addressable market of off-warranty cars.

For the franchise business, there will be an all-new model in the C-segment which will be introduced in the local market by second quarter of 2021. This will enable Renault to have market coverage in the B, C, D and sports utility segments. All Renault products will continue to be offered for retail sales as well as subscription.

Subscription for non-Renault cars is expected to accelerate in 2021 as there is strong demand for used car's subscription. With Renault and GoCar Subs running in parallel, we expect the fleet size for subscription to grow to over 3,000 units by the end of 2021.

AUTOMOTIVE DIVISION – COMMERCIAL VEHICLES

2020 Commercial Vehicle Business Performance

The pandemic outbreak had caused major disruptions to the Commercial Vehicle Division's operations in the first half of 2020, affecting the distribution, after-sales

2020 FLEET SIZE

1,500 units

FY2019 : 270 units

services and manufacturing activities. Business sectors such as construction, manufacturing and tourism which are the targeted customers of the Commercial Vehicle Division have been severely impacted by the pandemic.

The sales performance of Trucks Division had nevertheless stabilised in the second half of 2020, driven by improved demand for trucks of all segments. The light-duty trucks segment had recovered the most, benefiting from the growing e-commerce and logistic industries in Malaysia arising primarily from the changing shopping habits of consumers from brick and mortar shops to online channels.

Towards the end of 2020, Trucks Division added a new Chinese-brand light-duty truck model to its product range offering an option to its customers that are involved in the last mile delivery business and essential industries. It is expected that the new light-duty truck model would contribute positively to Trucks Division's market share in 2021 in the light-duty truck segment



Management Discussion and Analysis

which occupies the biggest market size of the commercial trucks in Malaysia.

The Bus Division has seen lower customer demand from the transportation and tourism industries which are affected by the pandemic since early 2020. During the financial year under review, Truckquip Sdn. Bhd., the manufacturing arm of the Bus Division, had continued its pursuit of productivity, design and quality improvement as well as product development in preparation for the eventual business expansion into overseas markets in the Asean region.

2021 Commercial Vehicle Market Outlook

Despite the challenging business environment and uncertainty posed by the pandemic, the Trucks Division will strive to grow its business by targeting the industries that will benefit from the implementation of various construction and mega infrastructure projects in Malaysia as announced under Malaysia's National Budget 2021.

The Bus Division will continue to work on its product development to ensure that the latest design and technology are incorporated into its product offerings in the various targeted markets. Notwithstanding the challenging business environment, the Bus Division has been actively seeking new business opportunities by widening the customer base in both local and overseas markets.

VIETNAM 2020 BUSINESS PERFORMANCE & 2021 OUTLOOK

2020 Vietnam Business Performance

Vietnam's TIV reduced slightly by 8% to 296,634 units in 2020. The Group registered lower sales volume of 3,421 units in 2020, 46% reduction compared to 6,366 units in 2019, mostly due to the non-renewal of the Distribution Agreement in Vietnam with Nissan Motor Co., Ltd. in September 2020.



► Handover ceremony for 23 units of Double Decker bus (DD12) to Sani Express



► Delivery of FDU30-M5

The strategy to tap on the high growth potential market in Vietnam remains intact and the Group will continue to build the business through collaborations with other car brands. On top of the passenger vehicles segment, the Group will also tap on the commercial vehicles segment. All the staff previously employed under the Nissan business had been redeployed to work under the new car brands.

In July 2020, TC Services Vietnam Co., Ltd. ("TCSV") officially launched the MG brand in Vietnam. The first two models introduced to the Vietnamese market were MG ZS and MG HS. These two models belong to the B-SUV & C-SUV segments which are the

fastest growing segments in Vietnam. TCSV had successfully appointed 21 dealerships and achieved sales volume of more than 500 units from August to December 2020.

In quarter 4 of 2020, TC Motor Vietnam Co., Ltd. ("TCMV") launched the King Long 29-seater and 35-seater buses in Vietnam and had successfully appointed 3 dealers so far.

2021 Vietnam Business Outlook

In January 2021, TCSV launched the all new MG ZS MCE completely-built-up ("CBU") model from Thailand which is the preferred variant by the local consumers. The new MG ZS offers higher specifications compared with other competitors in the B-SUV segment with attractive price positioning and will be the main volume driver for TCSV in 2021.

The Group is also exploring the possibility to assemble completely-knocked-down ("CKD") MG in Vietnam. At the same time, the Group is evaluating new models in other product segments for introduction into the market to enhance the product line-up and increase the market share in Vietnam.

Management Discussion and Analysis

2020 MYANMAR BUSINESS PERFORMANCE AND 2021 MARKET OUTLOOK

2020 Myanmar Business Performance

The Group achieved a commendable sales of 1,040 units in 2020 with a 4% market share, declined slightly compared to 5% in 2019. The decline was mainly attributed to fierce competition from competitors' updated models in the B-segment where our aging Nissan Sunny was competing against. The decline was also compounded by the shrinking B-segment with the MPV segment gaining popularity where Nissan was not represented. The emergence of more market players from China and Korea add to the already competitive market scenario.

Despite the prevailing headwinds, the Group expanded the market coverage with three (3) new dealerships located in Mandalay and Pyin Oo Lwin in quarter 3 of 2020 and in Yangon in quarter 4 of 2020. These new dealerships would be vital in our expansion plans and new model launches that have been planned in 2021. At the same time, the Group has accelerated its digital agenda through online sales activities and social media in view of the Covid-19 situation and reach out to the consumers directly despite the movement restrictions.

On a brighter note, Nissan Terra was awarded the Best Mid-size SUV 2020 in Myanmar in quarter 3 of 2020; awarded by MilkyWay Automotive, one of the few popular car magazines in Myanmar.

2021 Myanmar Market Outlook

The lingering uncertainties due to the local political situation in Myanmar are mounting and could impact economic recovery in the country in the short to medium term.

The Group's plans for new launches and expansion of sales network hinge on the political situation in Myanmar, which remains highly uncertain currently. The Group will monitor the progress closely and navigate through the challenges by adjusting its business recovery plan accordingly in order to minimise the impacts to the Group.

2020 LAOS BUSINESS PERFORMANCE AND 2021 MARKET OUTLOOK

2020 Laos Business Performance

The Covid-19 had caused a lockdown in the country from 30 March 2020 to 3 May 2020 and subsequently a restricted entrance of international travellers. The sales performance of Tan Chong Motor (Lao)



► New Brand Launch in Vietnam: Morris Garages ("MG") in July 2020

Co., Ltd. ("TCML") was adversely impacted by these measures whereby it recorded a decline in sales by 5% in 2020 compared to 2019 (declined from 729 units in 2019 to 694 units in 2020).

Due to the nature of Laos' country landscape, the population is scattered throughout the vast country. Thus, TCML has been adopting the Regional Market Coverage Plan via outlets located in major townships as well as expanding the sales and marketing activities via frequent provincial roadshows to reach out to potential customers in smaller townships.

In addition to the normal marketing activities, TCML also continues to embark on aggressive social media digital marketing to reach out to more customers. The conventional marketing activities and digital marketing initiatives have extended the outreach of the brand visibilities and sales prospecting. Some of the highlights in 2020 were as follows:

- (i) Laos New Year sales activities
- (ii) Continuous social media posting on sanitisation information and public education
- (iii) Win-A-Nissan Terra Lucky Draw Campaign at Vientiane Centre and continuous roadshows and test-drives (X-Trail, Navara and Terra)



Management Discussion and Analysis

(iv) Participated in Champassak government relationship building organised by Embassy of Malaysia and Malaysian Business Chamber Laos, and Vientiane Motor Expo 2020.

2021 Laos Market Outlook

Laos' GDP is expected to have a slow recovery of 4.5% in 2021 depending on the depth and duration of the global pandemic. Nevertheless, TCML remains cautiously positive on the outlook for 2021 with the launches of new model change of our core models - Nissan Navara and Nissan Terra, as well as the introduction of an all-new model in the sedan segment. These model launches are expected to excite the market and boost our sales performance in 2021, despite the expectation that the automotive TIV will undergo a consolidation stage due to more stringent loan approval process and fierce competition in the industry.

2020 CAMBODIA BUSINESS PERFORMANCE AND 2021 MARKET OUTLOOK

2020 Cambodia Business Performance

Cambodia was not spared by the pandemic; the tourism industry which accounts for more than a quarter of the country's GDP, continues to suffer. Although Cambodia did not go into lockdown, as a precaution, the Cambodian government has closed entertainment venues such as karaoke bars, nightclubs, cinemas and museums nationwide. Although exports of manufacturing products have been hit by the pandemic, exports of certain products like bicycles, electrical parts, vehicle parts and accessories, rice and other agricultural commodities have surged. Domestic tourists have supported a partial recovery of the travel and tourism industry.

Due to the abovementioned impacts, sales in Tan Chong Motor Cambodia Pty. Ltd. ("TCMC") had declined by 31% in 2020 (from 688 units in 2019 to 478 units in 2020). Nevertheless, TCMC had continued to invest

in a series of integrated aggressive sales and marketing initiatives to strengthen the Nissan brand and its market positioning to drive further sales momentum moving forward.

2021 Cambodia Market Outlook

Cambodia's GDP is expected to grow by 5.9% in 2021, compared to a contraction of 4.0% in 2020. However, overall market's purchasing power is expected to reduce, resulting in the shift of consumer behaviour to buy used vehicles and from grey importers.

TCMC will remain resilient through these challenging times and will be executing its sales and marketing initiatives as planned in 2021. The Group is cautiously optimistic that we could see better prospects with the launch of a new model in our core models line-up as well as the introduction of an all-new B-segment sedan in sustaining the sales momentum.

2020 THAILAND BUSINESS PERFORMANCE AND 2021 MARKET OUTLOOK

2020 Thailand Business Performance

Despite the challenges that we have been facing with the outbreak of Covid-19 in Thailand since February 2020, the Group has managed to mitigate the impacts through expanding the export business of automotive parts from second half of 2020.

The export growth was realised through our strategy of increasing the number of stock keeping units ("SKUs") of new automotive parts through sourcing and new product development of Tan Chong brand, collaborating with reputable parts manufacturers in China who produce cost competitive and good quality products. We had identified and worked on a wide range of SKUs through these China suppliers on wheel bearings, water pumps, clutch sets, ignition coils and spark plugs for the Malaysian market at competitive prices.

On the commercial vehicle segment, the Group encountered some challenges in 2020 in the importation of M5 minibus for sale in Thailand. The launch of M5 minibus was delayed by the homologation process, mainly caused by Covid-19 and was finally resolved in quarter 4 of 2020.

The M5 minibus which is branded under TQ (intellectual property right owned by the Group) was finally imported into Thailand in mid-December 2020 and had undergone the required safety test and is now ready for launch in the second half of 2021.

2021 Thailand Business Outlook

A new business segment that distributes the TQ M5 minibus will be established in quarter 2 of 2021. The budgeted sales for this new business segment is small initially but the Group will continue to build the dealers network to tap into the market potential in Thailand.

The division's Kunsan office in China is expected to be operational by the second half of 2021. With this setup, we expect to have better collaborations with quality automotive parts manufacturers in China that we can work with, to support our continuous sourcing and new product development initiatives. This is crucial for our products sourcing to enable us to become an automotive parts exporter and trader with extensive range of products to fulfil the market demand.

ASSEMBLY & MANUFACTURING DIVISION

2020 Assembly and Manufacturing Division Business Performance & 2021 Market Outlook

The Assembly and Manufacturing division suffered from low production volume in 2020 as a result of the economic downturn which was caused by the Covid-19 pandemic. Prudent measures had been taken to mitigate the cost impact with initiatives such as:

Management Discussion and Analysis



- a) Cost rationalisation through right-sizing of manpower and the expansion of shared services among the plants.
- b) Adoption of Lean initiatives in the manufacturing operations such as inventory control and cost reduction activities through waste identification and reduction to ensure optimal operating cost.
- c) Reduction of dependency on human workforce through investment in automation such as installation of robots in body shop, which is in line with the Industrial 4.0 initiatives.
- d) Expansion of Integrated Factory Automation (“IFA”) with in-house developed Automated Guided Vehicle (“AGV”) for efficient parts supply and Low Cost Automation (“LCA”) such as Karakuri and Minomi racking systems to reduce non-value added motions of humans and contributing to productivity improvement.

- e) Installation of in-house developed Pokayoke (error-proof) Systems in assembly processes to avoid human error and guaranteeing the assembly quality.
- f) Implementation of Nissan Quality Assurance Requirements (“QAR”)/Quality Assurance Level (“QAL”) system to further enhance the quality level of vehicles assembled to meet consumer demand.

In order to remain competitive in the automotive assembly business which has high dependency on manual workforce, Human Resources Development is one of our key priorities to prepare our talents for the future. Some of the crucial training programmes that had been rolled out are listed below:

- a) Nissan Important AB Auditor Certification programme

- b) Alliance Production Way (“APW”), Daily Management Diagnosis (“DMD”) and Shop floor Management System
- c) Nissan Industrial Engineering Expert Certification programme
- d) Nissan QAR/QAL System Training programme
- e) Safety programme such as HIRARC

Some of the key achievements in 2020 included:

- a) Started the assembly of the all-new Nissan Almera Turbo equipped with Nissan Intelligent Mobility features at Serendah Plant;
- b) Started the assembly of China-brand light commercial vehicle (“LCV”) at Segambut Plant; and
- c) Completed the installation, testing and commissioning in progress of a new body panel stamping parts operation and a fully automated door hemming operation for the all-new Almera Turbo.

Going forward, the reduction of volume for aging models is expected to be countered by new and minor change models. Some of the new model production preparations are currently in progress with upgrades to the existing facilities and engineering trials being conducted.

AFTER-SALES SERVICE DIVISION

2020 Local After-Sales Service Division Business Performance

Tan Chong Ekspres Auto Servis Sdn. Bhd. (“TCEAS”) is the dedicated after-sales service provider for all Nissan, Renault, Bison and INFINITI vehicles in Malaysia.

Despite the disruptions caused by the pandemic, Body & Paint (“B&P”) business segment continued to be the main driver of the business with a small reduction of 6% in revenue compared to 2019. The reduction was partially mitigated by our expansion of B&P network during the year.

Management Discussion and Analysis



TCEAS participated in the Nissan Service Technician Excellence Competency Award (“NISTEC”) Asia & Oceania regional contest held in Bangkok, Thailand, with participants from six (6) countries.

We are proud to mention that our Technician had emerged as the 1st Runner Up for NISTEC award prevailing over other more experienced contestants.

On the business operations front, one of the core strategic priorities is on B&P business expansion. For this business segment, we will continue to invest to expand our B&P network, facilities upgrades and technical skills development.

Our introduction of value-added promotions, service campaigns and continuous enhancements of service network facilities had yielded positive results during the year.

2021 Local After-Sales Service Division Market Outlook

We will continue to implement our mid to long term strategies to grow our business, this will include upgrading our operating systems, improving and refurbishing our facilities to ensure high standard of service quality, developing B&P hubs, enhancing our marketing communications and retention programmes and continuous improvement on work efficiency and cost management.

Moving forward, we will continue with our strategy to enhance our after-sales service network which comprises of a total of seventy seven (77) centres. This has helped to broaden our customer-base and support by leveraging on a nationwide after-sales service network backed by experienced technical staffs and strong support teams.

2020 Overseas After-Sales Service Division Business Performance

E-Garage’s service networks across Indochina countries had withstood different levels of impacts that came from the several waves of Covid-19 and political instability in 2020.

In order to protect the customers’ health and well-being during the pandemic period, E-Garage provides customers with services like the disinfection service when receiving and before delivering the car, Pick-up & Delivery Service, in addition to Door-to-Door Service etc.

Through the proactive customer service activities during these challenging times, E-Garage had gained about 40% growth on the number of Service Agreement signed by fleet customers.

2021 Overseas After-Sales Service Division Market Outlook

Most of the countries in the Asean region had forecasted certain level of economic recovery in 2021 and E-Garage is going to resume the network expansion plans. The Group will set up a new outlet in Thailand in 2021 as the first step of building a wider after-sales service networks in Indochina and Thailand.

Body & Paint service will also be extended to the E-Garage networks progressively. Apart from the full-scale Body & Paint facilities in Phnom Penh, the new spray booth will also be established in Siem Reap in Cambodia in the next 1 to 2 years.



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FINANCIAL SERVICES DIVISIONS

FINANCIAL SERVICES: FINANCING DIVISION

2020 Financial Services Division (Financing) Business Performance & 2021 Market Outlook

Against the backdrop of Covid-19 pandemic, the consumer credit financing division recorded a revenue of RM56.3 million in FY2020 (2019: RM60.2 million) with profit before tax of RM13.0 million (2019: RM12.8 million). The six-month (April 2020 – September 2020) loan moratorium introduced by Bank Negara Malaysia (BNM) had significantly impacted the business unit's collections of loan repayments. However, proactive efforts and measures were undertaken by the business unit to improve its collection efficiency and tightened its credit risk policies. During this challenging economic environment, credit underwriting is periodically reviewed with additional scrutiny on loan issuance to achieve desirable asset quality.

The financial lending for FY2021 will be challenging amid the uncertainty of Covid-19 pandemic. More stringent financing guidelines will take precedence, in conjunction with tighter cost control to mitigate the adverse impacts. Furthermore, in response to current market conditions, aspects of lending portfolio such as vehicle make, customer profile, loan tenure and interest rate will constantly be reviewed to ensure they remain relevant and robust enough to address existing and emerging credit risk exposure.

FINANCIAL SERVICES: INSURANCE DIVISION

2020 Financial Services Division (Insurance) Business Performance & 2021 Market Outlook

The decline in new car sales had not only directly impacted the new car insurance business but had knock-on effects on other insurance products such as TC Extended



Warranty Plus Programme as well as the RTI-GAP insurance. The new insurance business targeting non-Nissan makes has also been adversely affected as a result of the above. Despite the setbacks and challenges, the insurance division had subsequently bounced back in the second half of 2020 with aggressive sales initiatives to achieve an improved insurance renewal retention rate. The overall retention rate had improved by 2.6% year-on-year to 78% in 2020, representing a respectable rate in the insurance market.

Insurance division remains cautiously optimistic of the outlook in 2021 as it had learnt to optimise its business operationally and strategically. The division is expected to face fierce competition from direct insurers and price comparison websites moving forward. Accordingly, it had started to embark on some business opportunities that have high growth potentials. The rejuvenated TC Warranty Plus Programme now covers an extended term of the sixth and seventh year of the insured car. The pandemic has to a certain extent accelerated the digitisation journey of the division with the expansion of its distribution channel through its own insurance price comparison website. This aggregator platform is called Golnsuran (<https://Golnsuran.com>). The primary focus of the platform is on motor insurance renewal and will be expanded to include non-motor insurance products eventually.

With this online platform, the business is able to reach out to a much wider group of customers. The division expects this channel to be the catalyst of change in how most of the insurance businesses are distributed in the future.

HUMAN RESOURCES

The Group recorded a major achievement for the year as it was being accorded special recognition by Kincentric, a Global consulting firm (previously known as AON Hewitt) for the Kincentric COVID Resilience Award Malaysia 2020 at the virtually-held Kincentric Best Malaysia 2020 Learning Conference & Award Ceremony, which was held on 16th December 2020.

The pandemic has led our businesses to change the ways of doing things. We have utilised technology to produce a new corporate video, changed the traditional orientation programme for new hires to an online on-boarding programme, implemented a new in-house performance management system, converted face-to-face training programmes to weekly e-learning emails and partnered with various external professional bodies to provide financial literacy, health and well-being webinars to our employees.

As we move forward, our focus is still on supporting the businesses to recover their operations through strict standard

Management Discussion and Analysis



operating procedures (“SOP”) and guidelines while ensuring that staff safety and well-being take precedence. Together with this, the focus will also be on talent management and development to build the required competence and capabilities within the organisation, recognising that our workforce has shown remarkable agility and resilience in adapting to the new normal, epitomising the Tan Chong spirit to adapt and evolve for the sustainability of our business.

CONCLUSION

Malaysia’s GDP contracted by 3.4% in quarter 4 of 2020, culminating in a full year contraction of 5.6% in a pandemic-marred year. For the full year of 2021, Bank Negara Malaysia had recently revised the forecast of the country’s Gross Domestic Product (“GDP”) growth at 6.0% to 7.5%, primarily driven by the expected recovery of the global economy.

However, the economic conditions will continue to be challenging with the ebb and flow of the Covid-19 as resurgence or mutations may continue for some time to come and to a large extent depending on the effectiveness of the vaccination

programmes that have started across the globe. The black swan event of the pandemic worldwide has caused tremendous shift in the consumers’ behaviours. To ensure the sustainability of the Group, we will continue to adapt to these new disruptions and adjust our strategic initiatives accordingly.

The Malaysian Government’s incentives of full sales tax exemption for locally assembled vehicles and 50% exemption for imported completely-built-up (“CBU”) vehicles has been extended to 30 June 2021 and is expected to continue benefitting the industry for the first half of 2021 and the Malaysia Automotive Association (“MAA”) had earlier forecasted the TIV to grow by 8% in 2021.

The all-new Almera Turbo which was launched in November 2020 will be the Group’s main catalyst for sales growth in 2021. Taking cognizance of the highly competitive domestic automotive industry, the Group will continue to take appropriate actions to penetrate the domestic market with other new product launches moving forward.

The Group expects challenging conditions ahead in view of the uncertainties surrounding the economic recovery in Malaysia as well as in the region caused by the pandemic. The management is monitoring closely the development in Myanmar as the uncertainties in the political situation may impact the business environment and consumer spending severely and will implement the necessary action plans to mitigate the adverse effects.

One of the top agendas of the Group is to drive further digitalisation across the businesses and we have continued to drive online sales and marketing activities through virtual car showrooms and social media to connect and communicate with customers and to garner sales bookings. Technology also plays a big part in how the Group managed through the perpetual lockdowns since early 2020 to allow staff to work from home, hold virtual meetings and adopting other virtual processes which have allowed the Group to adapt to the new norms and be able to continue with its business operations effectively.

We are confident that the Group’s overall business fundamentals remain strong and we have shown that we are capable in adapting to the new norms of business operations. The strong balance sheet and assets of the Group will provide the foundation to weather through these challenges.

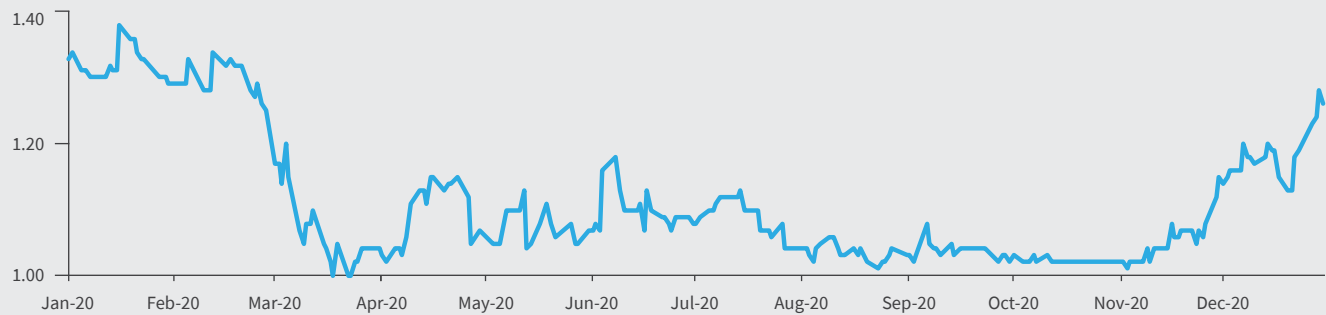
Forging ahead, the Group will continue to take active measures to improve its competitiveness in all the markets we operate in. The Group will also maintain the focus on optimising its operations and conserve cash through further cost containment initiatives as well as strengthening its working capital management and putting in tighter controls over capital expenditure. Through these prudent management of resources, the Group expects to navigate through the pandemic crisis and maintain a sustainable financial position and drive further business growth.

Eight-Year Financial Highlights

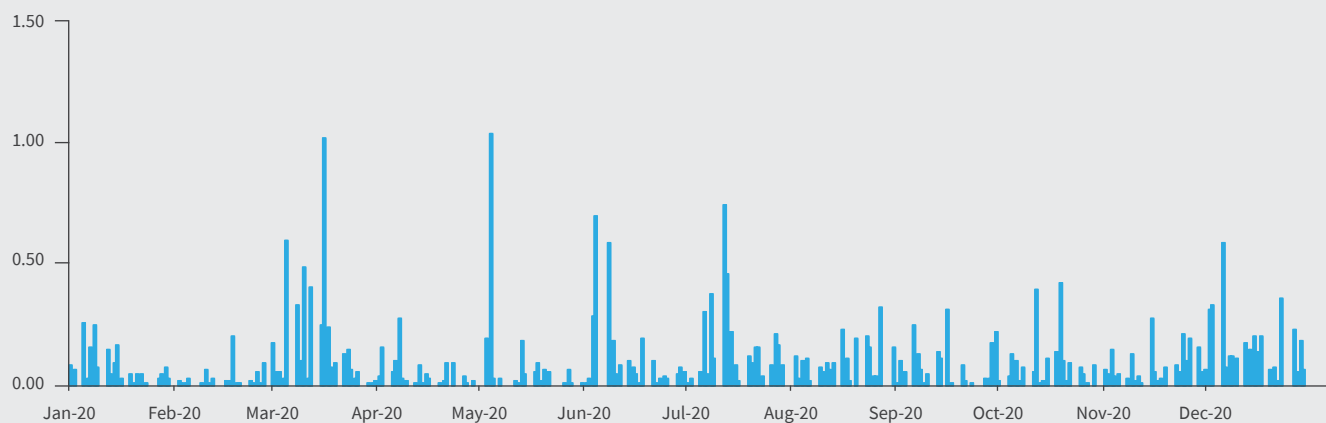
	2020	2019	2018	2017	2016	2015	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
RESULTS								
Revenue	2,959,619	4,172,447	4,858,206	4,341,228	5,460,757	5,716,654	4,760,628	5,198,491
(Loss)/Profit before tax	(161,298)	114,327	178,586	(72,811)	(43,080)	115,252	170,845	360,122
Tax expense	(15,455)	(67,635)	(76,049)	(23,578)	(15,954)	(45,350)	(51,191)	(124,495)
(Loss)/Profit for the year	(176,753)	46,692	102,537	(96,389)	(59,034)	69,902	119,654	235,627
(Loss)/Profit attributable to:								
Owners of the Company	(165,580)	43,645	105,932	(88,597)	(54,943)	74,865	105,853	250,952
Non-controlling interests	(11,173)	3,047	(3,395)	(7,792)	(4,091)	(4,963)	13,801	(15,325)
STATEMENT OF FINANCIAL POSITION								
Assets								
Property, plant and equipment	2,311,657	2,250,999	1,773,114	1,825,620	1,863,022	1,704,190	1,731,688	1,693,133
Investment properties	230,495	216,725	207,376	202,000	198,766	186,633	173,078	44,671
Prepaid lease payments	-	-	43,436	45,609	51,343	49,798	44,524	24,270
Intangible assets	759	759	759	14,592	14,592	14,592	14,592	14,592
Equity-accounted investees	75,969	61,811	57,914	45,797	42,891	40,415	36,793	33,918
Other investments	-	-	1	1	1	1	1	1
Deferred tax assets	120,384	95,741	96,075	67,098	62,761	35,722	34,787	26,397
Hire purchase receivables	489,860	551,779	655,383	745,066	460,399	369,507	350,594	376,451
Finance lease receivables	-	-	-	585	162	9,153	636	1,504
Total non-current assets	3,229,124	3,177,814	2,834,058	2,946,368	2,693,937	2,410,011	2,386,693	2,214,937
Current assets	2,091,368	2,655,401	2,640,647	2,449,274	2,882,708	2,761,369	2,619,869	2,767,454
Total Assets	5,320,492	5,833,215	5,474,705	5,395,642	5,576,645	5,171,380	5,006,562	4,982,391
Equity and Liabilities								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	2,531,552	2,708,944	2,525,874	2,485,161	2,562,520	2,485,524	2,443,592	2,397,733
Treasury shares	(25,866)	(25,364)	(25,283)	(25,282)	(25,278)	(25,274)	(24,990)	(24,809)
Total equity attributable to owners of the Company	2,841,686	3,019,580	2,836,591	2,795,879	2,873,242	2,796,250	2,754,602	2,708,924
Non-controlling interests	(16,995)	(11,548)	(17,733)	(14,511)	(8,952)	(1,602)	5,951	(6,761)
Total equity	2,824,691	3,008,032	2,818,858	2,781,368	2,864,290	2,794,648	2,760,553	2,702,163
Non-current liabilities	432,381	926,798	804,718	986,104	975,021	1,013,524	1,101,119	491,679
Current liabilities	2,063,420	1,898,385	1,851,129	1,628,170	1,737,334	1,363,208	1,144,890	1,788,549
Total Equity and Liabilities	5,320,492	5,833,215	5,474,705	5,395,642	5,576,645	5,171,380	5,006,562	4,982,391
FINANCIAL STATISTICS								
Basic (loss)/earnings per share (sen)	(25.38)	6.69	16.23	(13.57)	(8.42)	11.47	16.22	38.44
Gross dividend per share (sen)	1.50	4.00	3.00	2.00	4.00	5.00	6.00	21.00
Net assets per share (RM)	4.36	4.63	4.35	4.28	4.40	4.28	4.22	4.15
Return on invested capital (%)	-4.92%	2.15%	4.63%	-0.44%	0.36%	3.07%	4.29%	9.26%
Return on shareholders equity (%)	-5.65%	1.49%	3.76%	-3.13%	-1.94%	2.70%	3.87%	10.73%
Net debt/Equity (%)	29.81%	42.44%	30.82%	47.06%	54.88%	47.21%	34.28%	36.41%

Daily Share Prices & Volume Traded on Bursa Malaysia Securities Berhad

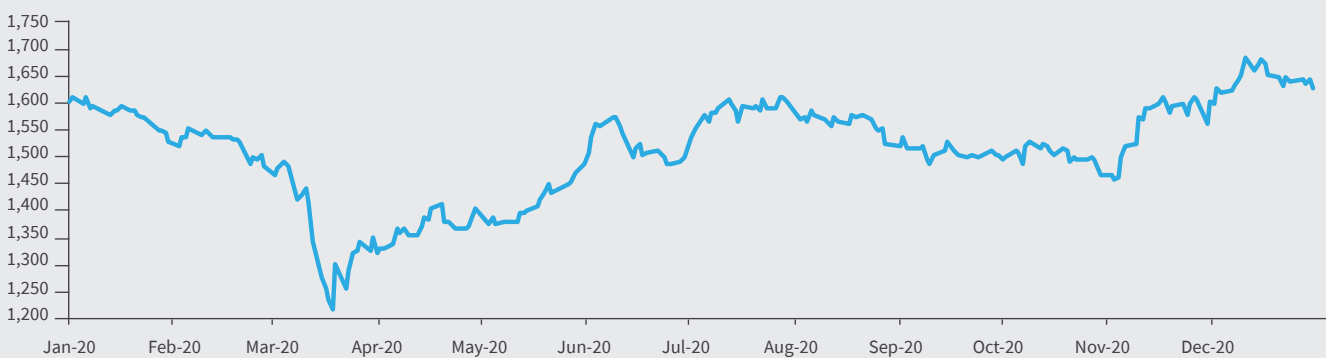
Share Price (RM)



Volume Traded (Million)



Composite Index



Profile of Directors

1

DATO' TAN HENG CHEW

 Date of Appointment | 19 October 1985

Nationality: Malaysian | Gender: Male | Age: 74

Dato' Tan Heng Chew, JP, DJMK, 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 on 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' (Dr.) 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 nine (9) Board meetings held in 2020.

2

DATO' NG MANN CHEONG

 Date of Appointment | 31 July 1998

Nationality: Malaysian | Gender: Male | Age: 76

Dato' Ng Mann Cheong, DSSA, SMP, JP, was appointed to the Board on 31 July 1998. He is the Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed. He is the Chairman of the Nominating and Remuneration Committee, and a member of the Audit Committee and the 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 51 years and is a Senior Partner of Syed Alwi, Ng & Co. He is also a past Legal Advisor of Malaysian Crime Prevention Foundation.

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

Dato' Ng attended all the nine (9) Board meetings held in 2020.

Profile of Directors

3

DATO' (DR.) KHOR SWEE WAH @ KOH BEE LENG (Also known as Dato' (Dr.) Rosie Tan)

 Date of Appointment | 22 March 2013

Nationality: Malaysian | Gender: Female | Age: 72

Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng, also known as Dato' (Dr.) Rosie Tan, DJMK, 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 to Group Senior Executive Vice President on 28 November 2016. On 1 January 2018, her corporate title was changed to Group Chief Executive Officer and subsequently to Deputy President on 1 January 2020.

Dato' (Dr.) Rosie Tan graduated from the University of Newcastle, New South Wales, Australia with a Bachelor of Commerce (Accounting) degree in year 1970. Dato' (Dr.) Rosie Tan has been conferred the Honorary Doctor of Philosophy Degree (International Business) in conjunction with the 32nd Convocation Ceremony of University Utara Malaysia ("UUM") on 19 October 2019. Together with the conferment, she has also been appointed as a Member of University-Industry Advisory Council of UUM.

Dato' (Dr.) 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 50 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 minimising 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.

As a passionate person, Dato' (Dr.) Rosie Tan has also worked tirelessly behind the scenes to advance many social causes. 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 was a Trustee of the

Pink Triangle Foundation, a non-profit organisation providing HIV AIDS Education to the Malaysian society. She was also a Treasurer and Trustee for the Datin Seri Endon Breast Cancer Foundation (2004 - 2007). 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. She was awarded the prestigious Entrepreneur of The Year in the Automotive Industry at the 12th Asia Pacific Entrepreneurship Awards ("APEA") 2018 Malaysia in recognition of her notable entrepreneurial achievements, excellence and contribution towards the development of the automotive industry.

Dato' (Dr.) Rosie Tan believes that even from a business point of view, there is a necessity to drive corporate sustainability for any business empire to thrive. She pioneered corporate sustainability and incorporated environmental/charity campaigns within the Group. This is notable through her active contribution and conscientious efforts towards reach-out programmes such as tree-planting at its assembly plant in Serendah to reduce carbon footprint and enhance ecosystem; establishing after-school daycare centres to help improve the lives of underprivileged children and bettering the lives of those who are unfortunate and needy.

Dato' (Dr.) Rosie Tan is the 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' (Dr.) Rosie Tan attended all the nine (9) Board meetings held in 2020.

Profile of Directors

4

HO WAI MING (Also known as Daniel Ho)

 Date of Appointment | 22 March 2013

Nationality: Malaysian | Gender: Male | Age: 50

Ho Wai Ming, also known as Daniel Ho, 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 subsequently changed to Chief Financial Officer on 1 January 2015 and he was appointed as the Group Chief Executive Officer on 1 January 2020.

Mr. Ho is a Fellow of the Association of Chartered Certified Accountants (“ACCA”), a Member of the Malaysian Institute of Accountants (“MIA”) and a Member of the Chartered Tax Institute of Malaysia (“CTIM”). He is also a registered ASEAN Chartered Professional Accountant (“ACPA”).

Mr. Ho has more than 25 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. He is also the Chairman of the Group’s Risk Management and Sustainability Committee. During his over 14 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 has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Mr. Ho attended all the nine (9) Board meetings held in 2020.

5

LEE MIN ON

 Date of Appointment | 28 November 2016

Nationality: Malaysian | Gender: Male | Age: 61

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

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

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

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

Mr. Lee also sits as an Independent Non-Executive Director of APM Automotive Holdings Berhad, Warisan TC Holdings Berhad, Kotra Industries Berhad and Lii Hen Industries Berhad, and serves as Audit Committee Chairman of IIAM. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Mr. Lee attended all the nine (9) Board meetings held in 2020.

Profile of Directors

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NG CHEE HOONG

 Date of Appointment | 3 November 2020

Nationality: Malaysian | Gender: Male | Age: 54

Ng Chee Hoong was appointed to the Board on 3 November 2020. He is an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Board Risk Management and Sustainability Committee and the Nominating and Remuneration Committee.

He is a Fellow of the Association of Chartered Certified Accountants ("ACCA"), a member of the Malaysian Institute of Accountants ("MIA") and a member of the Chartered Tax Institute of Malaysia ("CTIM").

Mr. Ng is the sole partner of CNG, an accounting firm which provides auditing and taxation services. He has more than 30 years of experience in the provision of audit and assurance services. Prior to joining the Group, Mr. Ng was a partner in BDO (now known as BDO PLT) (from June 1990 to February 2009), PKF (from March 2009 to September 2010 and from March 2019 to April 2020) and Grant Thornton Malaysia (now known as Grant Thornton Malaysia PLT) (from October 2010 to February 2017), all are accounting firms. Mr. Ng then joined Tradewinds Plantation Berhad, an oil palm and rubber plantation company and served as a Chief Financial Officer from March 2017 to February 2019, being responsible for overseeing the finance functions and supporting the Chief Executive Officer.

Mr. Ng also sits on the Board of PESTECH International Berhad ("PIB"), a company listed on the Main Board of Bursa Malaysia Securities Berhad and MOG Holdings Limited ("MOG"), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited as an Independent Non-Executive Director. He is also the Chairman of Audit Committee, as well as a member of the Nomination Committee and Remuneration Committee of PIB and MOG.

Mr. Ng attended one (1) Board meeting held in 2020 as he was only appointed to the Board on 3 November 2020.

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DATO' CHAN CHOON SIEN (Also known as Dato' Christopher Chan)

 Date of Appointment | 1 April 2021

Nationality: Malaysian | Gender: Male | Age: 50

Dato' Chan Choun Sien, also known as Dato' Christopher Chan, DIMP, was appointed to the Board on 1 April 2021. He is an Independent Non-Executive Director, and a member of the Audit Committee, the Board Risk Management and Sustainability Committee and the Nominating and Remuneration Committee.

Dato' Christopher Chan is a Certified Practising Accountant with CPA Australia. He is a graduate from the University of Melbourne, Australia with a Bachelor of Laws (Honours) degree and a Bachelor of Commerce degree both in year 1994. Dato' Christopher Chan had attended a leadership programme at INSEAD in year 2010 to 2011.

Dato' Christopher Chan was a former Managing Director of Investment Banking at CIMB Investment Bank Berhad. He has over 24 years of experience in some of the largest mergers and acquisitions in Malaysia, IPOs, equity and debt fund raisings, and corporate restructuring exercises, as well as regional private banking in Southeast Asia. He was named as one of the top 10 investment bankers in Asia (ex-Japan) by Brendan Wood International Journal in 2006.

Dato' Christopher Chan is currently the President of the Malaysian Mergers and Acquisitions ("M&A") Association, a body representing M&A practitioners in Malaysia. In addition, he is the Deputy Chairman of the Finance and Capital Market Consultative Committee of the Associated Chinese Chambers of Commerce and Industry Malaysia.

Dato' Christopher Chan is the Independent Non-Executive Chairman of Hextar Industries Berhad (formerly known as SCH Group Berhad); an Independent Non-Executive Director of Rubberex Corporation (M) Berhad, Esthetics International Group Berhad and Selangor Dredging Berhad.

Dato' Christopher Chan did not attend any Board Meeting held in 2020 as he was appointed to the Board on 1 April 2021.

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.

Profile of Key Senior Management

Key Senior Management of Tan Chong Motor Holdings Berhad (“TCMH”) Group comprises Dato' Tan Heng Chew – President, Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng – Deputy President, Mr. Ho Wai Ming – Group Chief Executive Officer, whose profiles are included in the Profile of Directors on pages 21 to 24 in the Annual Report 2020, and the following Senior Management Personnel:

CHONG CHOON YENG

CHIEF FINANCIAL OFFICER



Date of Appointment | 14 May 2020

Aged 49, Male, Malaysian

Qualification:

- The Chartered Institute of Management Accountants (“CIMA”)
- Malaysian Institute of Accountants (“MIA”)

Working Experience:

- Has more than 25 years of experience in the field of financial management practices covering all aspects of accounting and finance, treasury management, tax planning and compliance, corporate restructuring, strategic planning as well as investors relation in various industries with multinational corporations (MNCs) and local public listed companies such as Carlsberg in Malaysia, Hong Leong Industries Berhad, Tropicana Corporation Berhad among others prior to joining Tan Chong Group.
- Joined the Group on 14 May 2020 as the Chief Financial Officer of Tan Chong Group.
- Appointed as Director of TC Management Services Corporation Sdn. Bhd., a wholly-owned subsidiary of TCMH which is engaged in the provision of management services, on 8 January 2021.

Present Directorship(s):

Listed Entity: Nil
Other Public Companies: Nil

NICHOLAS TAN CHYE SENG

HEAD OF FINANCIAL SERVICES DIVISION



Date of Appointment | 5 March 2012

Aged 47, 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 (MUV) and developed supporting eco-system for car financing, shared mobility (GoCar and Grab Inc.), 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' (Dr.) Khor Swee Wah @ Koh Bee Leng, a Director of TCMH.

Profile of Key Senior Management

CHRISTOPHER TAN KOK LEONG

HEAD OF MOTOR DIVISION (MALAYSIA)

 Date of Appointment | 1 January 2016

Aged 44, 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' (Dr.) Khor Swee Wah @ Koh Bee Leng, a Director of TCMH.

SAY TECK MING

HEAD OF COMMERCIAL VEHICLES DIVISION

 Date of Appointment | 1 April 2020

Aged 50, Male, Malaysian

Qualification:

- Malaysian Institute of Accountants ("MIA")
- Associate Chartered Management Accountant ("ACMA")
- Post Graduate Diploma, University of Leicester (UK)

Working Experience:

- Joined the Group in January 2005 as Head of Internal & Management Audit. Prior to joining the Group, worked in Tractors Malaysia, a subsidiary of the Sime Darby Group.
- In 2009, transferred to head the Finance Division of Nissan Business Stream, managing branch operations control and finance matters. In 2013, moved to the front line and held the position of Head of Business for Nissan sales and distribution for the northern and eastern region.
- Transferred to head the Insurance Division of the Group in 2016 and subsequently, the setting up of the Tan Chong Contact Centre until January 2020.
- Responsible for the overall business of sales and distribution of trucks and buses, after-sales and spare parts of commercial vehicle division of the Group in 2020.
- Appointed as Director of TC Trucks After Sales Sdn. Bhd. on 9 May 2020, and TC Trucks Group Sdn. Bhd., TC Trucks Sales Sdn. Bhd., Tan Chong Industrial Equipment Sdn. Bhd., and Truckquip Sdn. Bhd. on 22 May 2020.

Present Directorship(s):

Listed Entity: Nil

Other Public Companies: Nil

Profile of Key Senior Management

ONG SIEW LUAN

**HEAD OF GROUP PROCUREMENT & SUPPLY CHAIN
MANAGEMENT DIVISION**



Date of Appointment | 1 January 2020

Aged 52, Female, Malaysian

Qualification:

- Associate Chartered Management Accountant (“ACMA”)
- Chartered Global Management Accountant (“CGMA”)
- Bachelor of Business Degree in Business Administration, Royal Melbourne Institute of Technology (“RMIT”), Australia

Working Experience:

- Joined the Group in June 1997, as a Finance Executive under Group Finance & Administration and re-assigned to Internal Audit Department after five (5) years. Prior to joining the Group, worked as external auditor in a Public Accountant firm.
- In 2003, transferred to Tan Chong & Sons Motor Company Sdn. Bhd. (Spare Parts Division). Held various senior positions in managing the complete value chain of distribution and sourcing of products. Also held senior position as Head of Business Units in other subsidiaries in managing auto parts and accessories for replacement markets.
- Promoted as Executive Vice President of Spare Parts Division on 1 July 2016.
- Transferred to TC Management Services Corporation Sdn. Bhd. as Head of Group Procurement & Supply Chain Management Division effective from 1 January 2020.
- Appointed as Director of Tan Chong Trading (Malaysia) Sdn. Berhad, Tan Chong Mekong Regional Co., Ltd., Tan Chong Mekong Trading (Thailand) Co., Ltd., and Extreme Market Place Sdn. Bhd. on 8 July 2014, 11 November 2019, 17 January 2017 and 22 January 2021 respectively.

Present Directorship(s):

Listed Entity: Nil

Other Public Companies: Nil

YAO TSU-WEI

(Also known as Michael Yao)

HEAD OF AFTER-SALES DIVISION



Date of Appointment | 1 March 2013

Aged 57, 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 & Workshop of Tan Chong Ekspres Auto Servis Sdn. Bhd. (“TCEAS”), a wholly-owned subsidiary of TCMH which is engaged in automotive service centres and was promoted to the position of Executive Vice President, After-Sales, Spare Parts & Workshop in 2019.
- Appointed as Director of TCEAS on 1 July 2020.

Present Directorship(s):

Listed Entity: Nil

Other Public Companies: Nil

Profile of Key Senior Management

TEONG SENG KIANG

HEAD OF ASSEMBLY AND MANUFACTURING DIVISION



Date of Appointment | 1 March 2020

Aged 62, 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. Assigned additional role of overseeing Tan Chong Motor Assemblies Sdn. Bhd. effective 1 January 2018.
- Appointed as Director of Edaran Tan Chong Motor Sdn. Bhd., Tan Chong & Sons Motor Company Sdn. Bhd., Tan Chong Motor (Myanmar) Company Limited, Tan Chong Motor Assemblies Sdn. Bhd., TC Module Integrator Sdn. Bhd. and TCM Stamping Products Sdn. Bhd. on 20 July 2012, 28 December 2012, 1 January 2020, 14 February 2013, 21 December 2016 and 10 December 2010 respectively.

Present Directorship(s):

Listed Entity: Nil

Other Public Companies: Nil

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

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

Sustainability Statement



ECONOMIC SUSTAINABILITY



ENVIRONMENTAL SUSTAINABILITY



SOCIAL SUSTAINABILITY

ABOUT THIS STATEMENT

This is our fourth Sustainability Statement (“Statement”), providing an overview of our efforts, performance and achievements to deliver sustainable economic, environmental and social (“EES”) values to our stakeholders for the financial year ended 31 December 2020. This statement sets out our continuous efforts in addressing the material sustainability issues related to our business and the environment or community we operate in; namely Malaysia, Myanmar, Cambodia, Vietnam, Thailand and Laos.

Sustainability Statement

BOARD OF DIRECTORS' OVERVIEW

The Board of Directors ("Board") of Tan Chong Motor Holdings Berhad ("TCMH" or "the Group") understands that achieving the United Nations Sustainable Development Goals (UNSDGs) which are relevant to the Group's operations is imperative for business growth, continuity and stability. Through joint efforts at various levels, the Group remains vigilant of the risks and opportunities on economic, environmental and social aspects of our business over the short, medium and long terms.

At TCMH, we believe that for profitability and sustainability to co-exist, integrity and accountability are the key elements. Here, clear policies and standards are established to ensure all employees and directors exercise sound judgement in discharging their responsibilities. This imperative applies to our suppliers, business partners, and contractors, too. Sustainable practices have also been integrated into our operations with the activities in the value chain being reviewed from time to time for compliance.

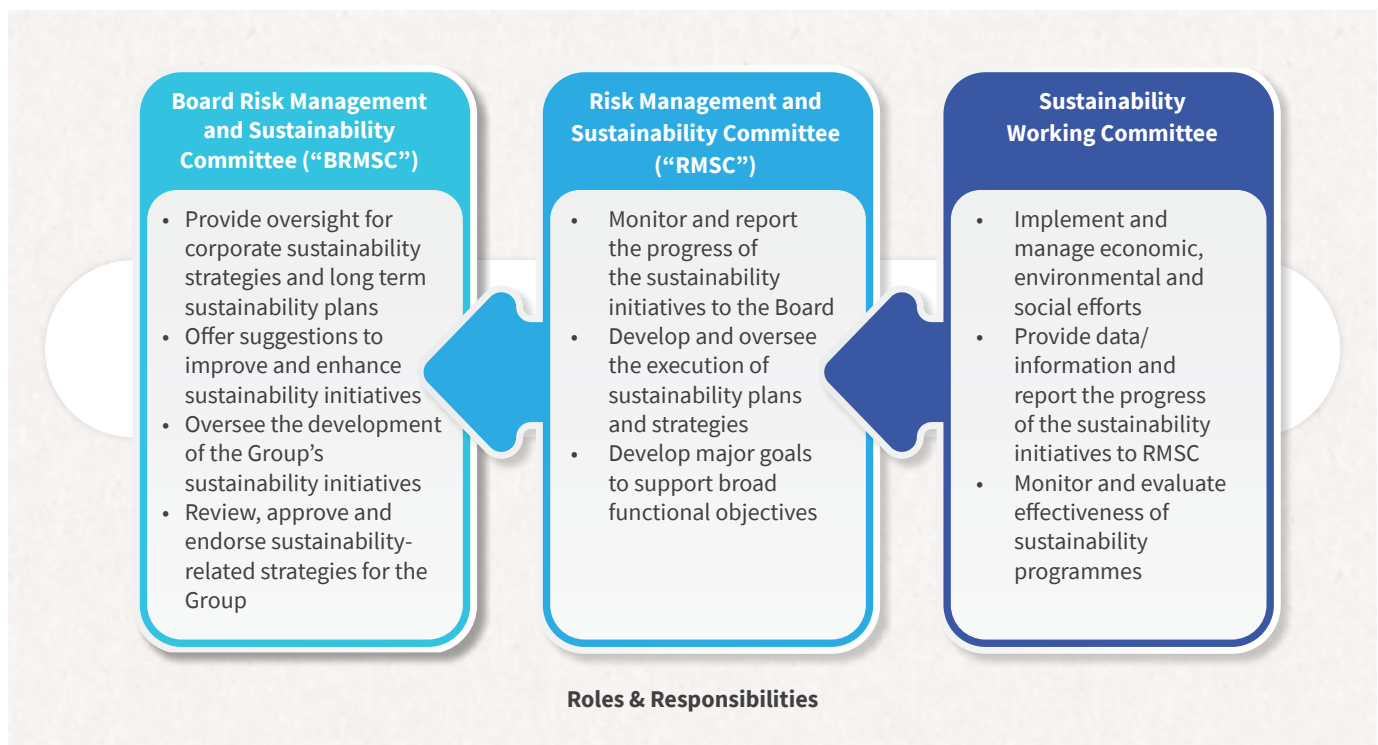
2020 was undoubtedly a challenging year for global markets as the Covid-19 pandemic crippled economic activities far and wide. This scourge continues to have a profound impact on economic and social aspects of business. As a leading player in the automotive industry, TCMH is mindful of our responsibility to address the challenges faced by our stakeholders and the industry. In this context, we remain committed to protecting the health and safety

of our employees, customers and other stakeholders. Important measures have been put in place in all our business premises and workplaces to safeguard our teams and stem the spread of the virus. We have been leveraging on technology to strengthen business continuity and resilience. Several initiatives and incentives, focusing on customer experience, were introduced to ease our stakeholders during the Covid-19 pandemic. Amid this challenging environment, TCMH focuses on leveraging our fundamental strengths and exploring opportunities to compete more effectively.

Accordingly, the Group aligns its organisational culture - as well as business model and strategies - with sustainable practices for social progress, environmental equilibrium and economic growth.

SUSTAINABILITY GOVERNANCE

For effective integration of EES considerations into the Group's strategic decision-making process, clear and effective sustainability governance structures, comprising the Board at the apex of the hierarchy, have been enacted across the Group. The Board is assisted by the Risk Management and Sustainability Committee ("RMSC"), helmed by the Group Chief Executive Officer ("CEO"), and comprising Business Units and Group Functional Support Divisions worldwide to drive sustainability plans and initiatives across the Group at its quarterly meetings during the financial year under review.



Sustainability Statement


STAKEHOLDER ENGAGEMENT

Continuous engagement with stakeholders is crucial to the Group's success in developing farsighted and comprehensive sustainable business strategies. As the Group views its stakeholders as partners in extending its positive sustainability impact, it maintains ongoing dialogue and communication with stakeholders through various channels, with the aim of deepening mutual understanding, based on transparency, accountability, trust, respect and consistency.



Sustainability Statement

The following table demonstrates our key stakeholder groups, engagement mechanisms and how we respond to our key stakeholders.

Stakeholders (Internal/External)	Engagement Mechanisms		Our Responses
	Activities/Functions	Objectives/Purposes	
Analysts 	<ul style="list-style-type: none"> Quarterly Analysts & Fund Managers' Briefing Annual & Quarterly Financial Results Announcements Other announcements made to Bursa Malaysia Securities Berhad Investor Relations Channel Corporate Website Press Release and Coverage 	<ul style="list-style-type: none"> To gain better insight into the business and increase investor confidence To increase their understanding of our business 	<ul style="list-style-type: none"> Regular updates and communication via communication channels Ensuring transparent communication to all
Customers 	<ul style="list-style-type: none"> Customer Satisfaction Survey Customer Feedback Channel Social Media Marketing Events and Roadshows 	<ul style="list-style-type: none"> To accelerate performance improvement and decision-making processes To enhance customer experience 	<ul style="list-style-type: none"> Ensuring customer satisfaction through high-quality products and services
Employees 	<ul style="list-style-type: none"> Trade Union Events & Functions Training Programmes Intranet and Email Blast Mid-Year and Annual Performance Appraisal 	<ul style="list-style-type: none"> To retain talent To raise employee awareness of ethics & compliance To improve productivity and efficiency 	<ul style="list-style-type: none"> Implementing a robust learning and development plan across all areas of the business Opportunity for career development Enhancement of employee benefits and welfare
Local Communities & NGOs 	<ul style="list-style-type: none"> Social Enhancement and Environmental Contribution Programmes Events & Roadshows Strategic Partnership 	<ul style="list-style-type: none"> To enhance community relationships To empower local communities 	<ul style="list-style-type: none"> Conducting sustainability-related programmes
Media 	<ul style="list-style-type: none"> Events and Press Conferences Corporate Interview Media Briefing Press Release, Coverage and Advertisements 	<ul style="list-style-type: none"> To gain positive publicity and exposure To spread and disseminate information to a wider audience 	<ul style="list-style-type: none"> Taking note and responding to media queries
Principal Partners 	<ul style="list-style-type: none"> Principal Engagement Summit and Conference 	<ul style="list-style-type: none"> To build meaningful and long-lasting partnerships 	<ul style="list-style-type: none"> Conducting regular meeting for review of decision and updates
Regulators 	<ul style="list-style-type: none"> Dialogues and meetings with the authorities Public-private Partnership for Community Investments 	<ul style="list-style-type: none"> To ensure compliance with regulations and guidelines 	<ul style="list-style-type: none"> Regular updates and communication via communication channels Conducting programmes to support Government initiatives
Shareholders 	<ul style="list-style-type: none"> Annual General Meeting ("AGM") Annual & Quarterly Financial Results Announcements Other announcements made to Bursa Malaysia Securities Berhad Investor Relations Channel Corporate Website Press Release and Coverage 	<ul style="list-style-type: none"> To provide useful information to the Board To improve the Group's relations with its shareholders To increase shareholder value 	<ul style="list-style-type: none"> Regular updates and communication via communication channels

Sustainability Statement

Suppliers & Vendors



- Vendor Registration
- Contract Negotiation
- Vendor Appointment
- Supplier Audit and Evaluation

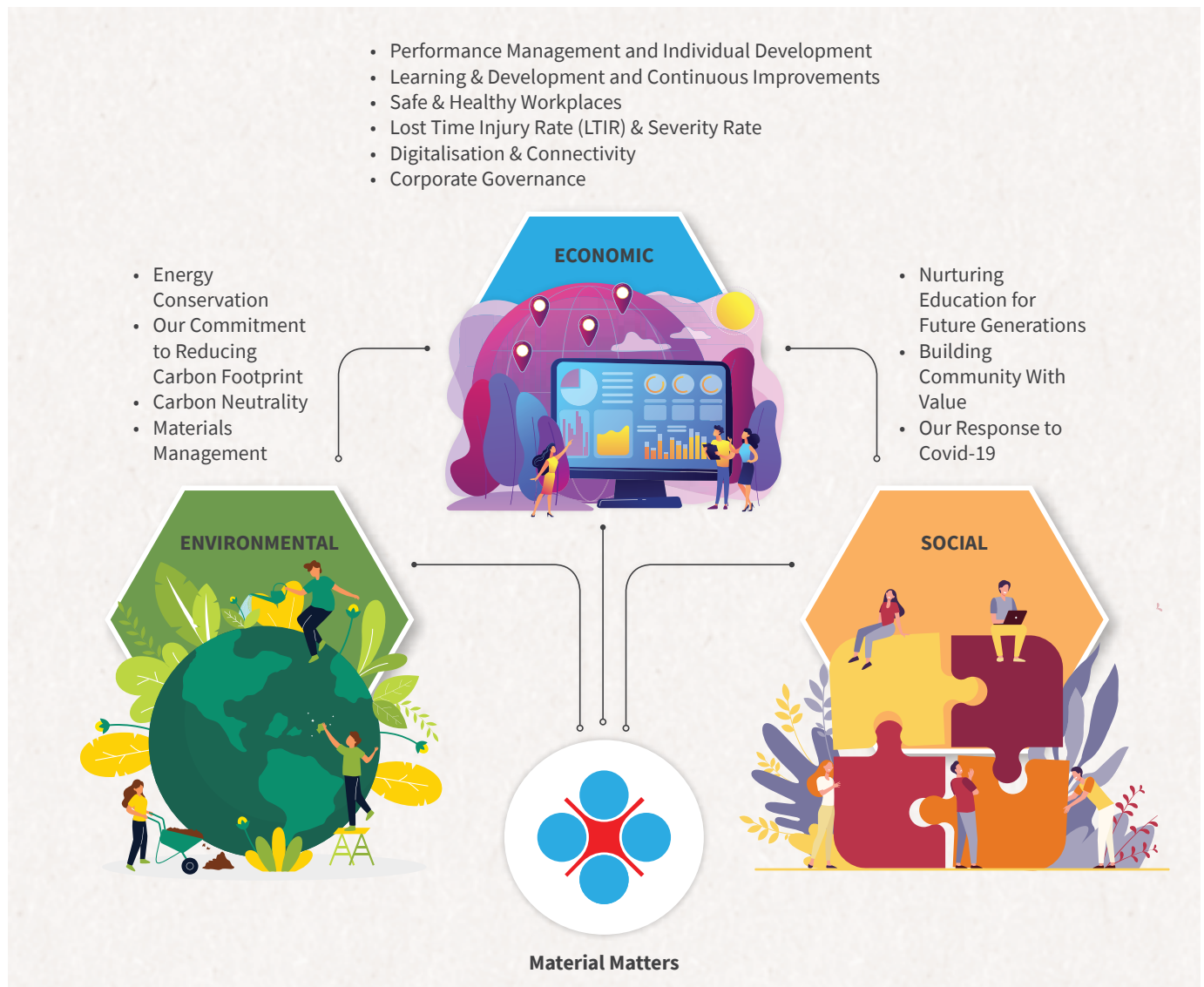
- To ensure sustainable procurement
- To achieve cost savings and quality control

- Evaluating supplier performance
- Supplier training workshops to ensure compliance

*All meetings/events were held virtually due to the Covid-19 pandemic

MATERIALITY

To address the rapidly evolving business environment, TCMH conducts materiality reviews internally to identify and prioritise key material topics that matter most to our business and stakeholders. The outcomes of such reviews are assimilated into our updated sustainability roadmap to create long-term sustainability strategy and generate sustainable company value for the Group. As with our FY2019 reporting, this statement only encompasses the most pertinent initiatives and activities of the Group rather than every aspect of our operations. As at 2020, only the business operations that are still active or ongoing are included for the purpose of reporting material sustainability matters. Going forward, we aim to increase engagement with our business units to implement effective material assessment and reporting progressively.



Sustainability Statement



ECONOMIC SUSTAINABILITY

Our People

TCMH believes that our employees are crucial to our long-term success and sustainability. As a global business, our ability to understand, embrace and operate in a diverse workplace environment is key to attracting, motivating and retaining the right talents needed. With this in mind, we continue to forge a positive workplace culture, where employees can thrive and grow to meet the demands of a rapidly evolving workplace landscape.

Performance Management and Individual Personal Development

TCMH values our employees' expertise in their areas of responsibilities. The Group adopts a fair and objective approach to managing performance and ensuring that the workforce is adequately rewarded with a pay-for-performance culture. Annually, employees are required to set their goals and personal development plans based on the Group's business strategy to ensure that individual and corporate objectives are aligned. The Group has developed a Human Resources Information System (HRIS) and rolled out the first module on Performance Management in 2020. This online module is linked to the compensation and talent management for the Group for overall management of the growth and development of employees within the Group.

Learning and Development

TCMH recognises that consistent, continuous learning is critical to maintaining a skilled, productive and motivated workforce. From 2018 to 2020, a number of internal and external training programmes were organised to further equip employees with relevant knowledge and skills, with a 49% increase in staff being up-skilled in 2019, compared to 2018.

Approach	Item	2018	2019	2020
Internal Training	Total Programme Organised	20	31	4
	Total Staff Attended	589	935	60
	Total Cost Incurred	RM304,801	RM443,189	RM22,138
External Training	Total Programme Attended	58	56	8
	Total Staff Attended	112	108	9
	Total Cost Incurred	RM145,581	RM113,308	RM16,549

In 2020, in response to the Covid-19 pandemic, and work-from-home SOPs, the Learning & Development team also adapted the content of the Guided Managerial Development Framework (GMDF) to weekly e-learning emails sent to employees. These emails reached approximately 3,700 staff in TCMH every week, with e-learning sessions also made available on the HR portal. The total number of e-learning emails is as follows in the relevant categories:

Category	No. of E-learning Email
Personal Effectiveness	10
Supervisory Skills	11
Managerial Skills	8

Sustainability Statement

Given that the pandemic was unprecedented, and to provide well-being support for our employees, a series of financial and health webinars as well as e-newsletters in partnership with third party providers were organised. The financial webinars helped to introduce financial literacy topics such as understanding basic financial products, loan & credit management, retirement planning. While the health webinars covered common health issues such as low back pain and posture, respiratory system and hypertension.

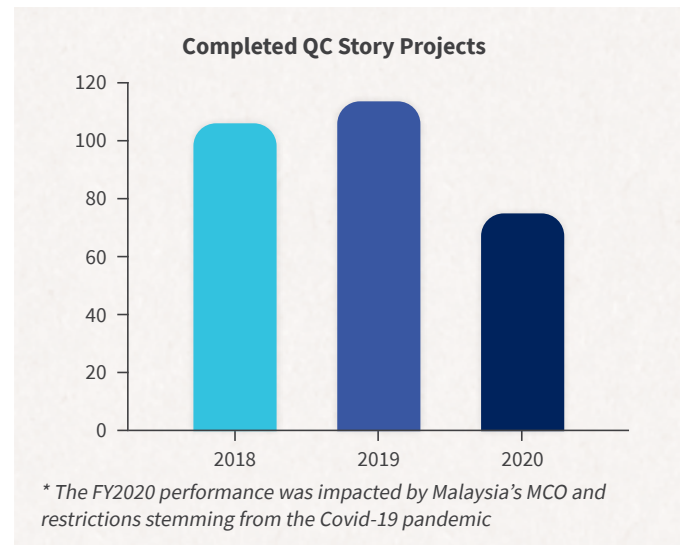
Programme	Category	No. of Session
Financial Literacy	Webinar	12
Healthcare	Webinar	7
	E-newsletter	10

With remote working now being the “new norm”, face-to-face programmes have been converted to blended learning programmes for 2021, leveraging and adapting to readily available digital learning tools and content which allow learning to be expanded across multiple business locations, including Indochina.

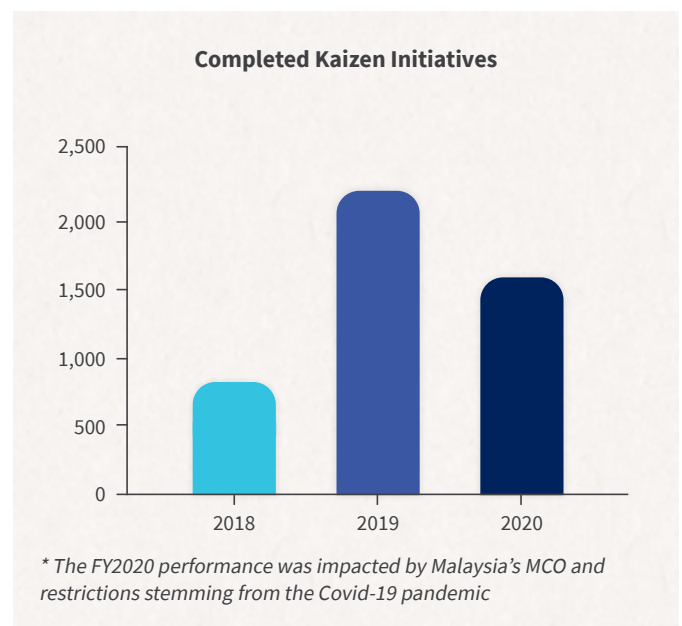
Continuous Improvement at Our Plants

To ensure a consistently high level of quality throughout the entire assembly manufacturing processes, TCMH has established its own Regional Training Centre (RTC) - built and equipped with the latest tools according to the latest Nissan Global Centre Training standards with Nissan certified trainers. The RTC offers a wide training curriculum, including Body Shop, Paint Shop, Assembly Shop, Quality, Logistics and Maintenance. It aims to coach and develop highly skilled employees from the ground up, to enable them to perform their jobs efficiently and smoothly. At the RTC, new employees are exposed to both theoretical knowledge and hands-on training on real-world assembly lines, with new employees evaluated at the end of their training, to be selected to pursue their career with the Group.

TCMH also engages its employees in problem-solving, via a QC Story approach. Employees are encouraged to identify root causes and recommend measures to minimise issues related to quality and operational costs. It is compulsory for all supervisory staff in cross functional teams to come together in several groups and to complete at least three (3) QC projects in a year per group.



The Group continues to practise a culture of continuous improvement (Kaizen) in the plant where employees are actively engaged in improving the manufacturing processes, to achieve operational excellence and effectiveness. Every employee is challenged to use their initiative and creativity to grow in their jobs by continuous improvements in relation to safety, quality, cost or timely delivery. Reward tokens are presented to the best Kaizen of each month at the monthly meetings, with employees officially recognised for their contributions in introducing creative, innovative methods to improve company processes. This fosters employee motivation and total participation. The Group targets to have a minimum 60% of department headcount (from supervisory staff to engineer level) must submit at least one (1) kaizen per month per individual.



Sustainability Statement

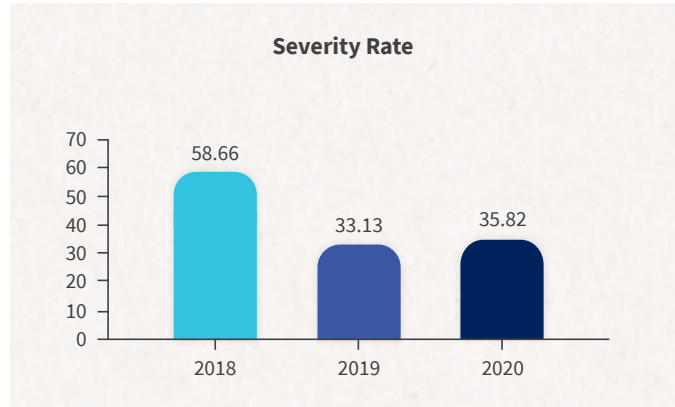
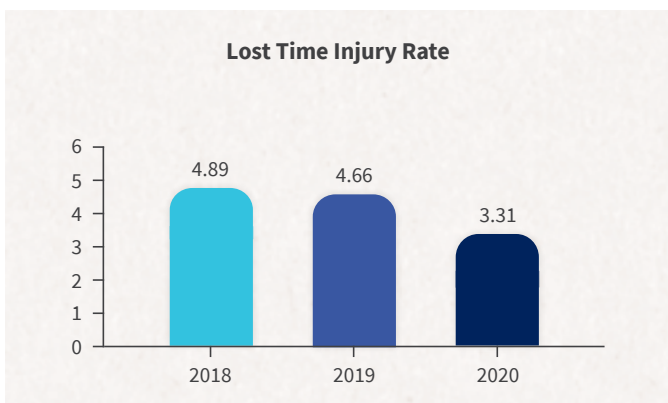


Safe and Healthy Workplaces

As a priority for TCMH, all matters relating to occupational safety and health are closely monitored by the Environment, Health, and Safety Team (EHS) which reports to top management on a regular basis. To effectively control and protect our employees from potential workplace hazards, the Group takes a proactive approach in ensuring that proper design, preventative maintenance and safe work procedures are maintained and observed, as the case may be, at all times. In addition, proper Personal Protective Equipment (PPE) are also provided; consistently and correctly used in our assembly plants to control or minimise safety hazards and worker exposure.

The EHS team also undertakes ongoing risk assessments and safety audits to ensure that each business unit consistently meets, if not exceeds, all applicable Occupational Safety and Health Administration (OSHA) standards.

The Group regularly conducts workplace safety training such as fire drills and fire extinguisher training for employees to ensure they are equipped with the knowledge to identify, assess and respond to emergency situations. Clear and consistent procedures are also implemented and monitored to prevent, manage and report occupational injury and illness. All occupational injury and illness data reported is analysed and utilised to reduce recurring workplace incidents.



TCMH targets to reduce the LTIR and severity rate by 15% on a yearly basis (LTIR: ≤ 3.96 , severity rate: ≤ 28.16). While we continue to work towards reducing our severity rate target in FY2020; we are pleased to inform that we managed to reduce the LTIR by exceeding the set target by 16.41% in 2020.

The Group's lost-time injury rate (LTIR) fell from 4.66 in 2019 to 3.31 in 2020, however, the severity rate increased from 33.13 in 2019 to 35.82 in 2020 due to the increase in the number of lost days despite the evident decrease in the number of accidents. These figures were calculated based on actual total manhours. The Group will continue to educate and raise awareness among our employees via the implementation of safety programmes and stringent enforcement of safety measures in the workplace. We remain committed to continuous process improvement in providing a safe and healthy work environment for our employees.

Training Hours Relating to Environment, Health & Safety

	Training Hours Per Employee - EHS	
	2019	2020
TCMA	8.84 Hours/Employee	2.68 Hours/Employee
TCIEV	6.75 Hours/Employee	4.94 Hours/Employee
TCMM	5 Hours/Employee	8 Hours/Employee

* The FY2020 performance was impacted by Malaysia's MCO and restrictions stemming from the Covid-19 pandemic

For 2020, there was a downtrend in the average training hours per employee as compared to 2019, due to Covid-19 curtailing measures imposed by the government.

In Myanmar, the plant was relocated from Yangon to Bago in 2020, and to ensure that all staff were transitioned appropriately to the new premise, training was provided to ensure that they were upskilled and familiar with the new premise and processes, resulting in a higher number of average hours per employee.

Sustainability Statement



Digitalisation & Connectivity

At TCMH, our businesses have been adapting to changing norms, with many business units expediting their technology plans and implementing digital applications to improve efficiency and elevate customer experience.

For example, our first-ever vehicle service mobile application “DriveOn by Tan Chong” has provided a real-time convenience and hassle-free experience for Nissan, Renault and Infiniti owners to plan their vehicle maintenance. At our plants, we have automated our assembly line through smart manufacturing technology such as robotics, auto-guided vehicles and poka-yoke to elevate our production processes to the Industry 4.0 requirements. Our spare parts division has also gone online by opening an e-commerce portal, in addressing our competitive business environment.

The Group has also accelerated the delivery of online features to support our customers remotely with initiatives, which included introduction of the new online showroom by Nissan and UD Trucks Malaysia enabling customers to submit online forms for sales enquiries or request for vehicle booking arrangements as well as doorstep test drive appointments, with just a few simple clicks. With the launch of the new Renault E-Store, customers can now enjoy the ultimate convenience in purchasing a Renault vehicle or begin their ownership journey, anytime and anywhere.

Internally, HR has also leveraged technology for more efficient HR processes and service delivery. The Group has rolled out a new HR portal which provides a single, targeted and customised access point for each employee – both locally and abroad.

The implementation of an e-onboarding/induction programme for new hires and the e-learning series with blended development programmes in 2021, and implementation of the Performance

Management module from the in-house developed HRIS system called AIMS are some other examples. Moving forward, the Group continues to leverage new technologies to maintain a competitive edge, whilst ramping up our cybersecurity efforts to safeguard customers’ data.

Corporate Governance

At TCMH, the Board is committed to delivering long-term strategic imperatives through performance and maintaining a healthy corporate culture that engenders integrity, transparency and accountability. As such, material information concerning its financial performance, risk factors and operating activities is announced through Bursa Malaysia Securities Berhad and its official channels in a timely and accurate manner to enable stakeholders make informed decisions. A final check-and-balance measure implemented lies in the establishment of various independent standing committees within our Board that allows for impartial monitoring within, so as to avoid conflict of interest and ensure the accuracy of data and information shared.

Policies such as Code of Business Conduct & Ethics (“CBCE”), Fraud Prevention Policy (“FPP”), Special Complaints Policy and Anti-Bribery & Anti-Corruption Policy (“ABAC Policy”) have been implemented to ensure that businesses and employees do not participate in questionable activities. All these policies apply to business decisions in every area of the Group worldwide. Pertinent policies and procedures are disseminated on a timely basis to all employees and business partners for better understanding and awareness.

In addition, the Group has set up the new Group Integrity Office to inculcate integrity and ethical values within the organisation. The Group has zero-tolerance of illegal/unethical conduct and takes stern action against employees who violate the law or our Corporate Compliance policies.

Sustainability Statement



ENVIRONMENTAL SUSTAINABILITY

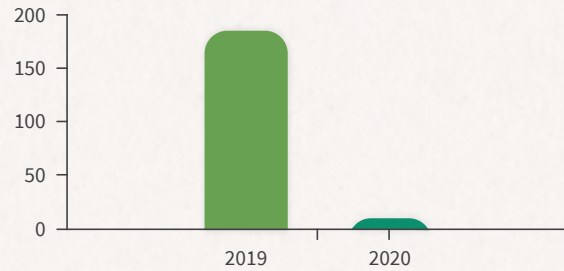
As a responsible conglomerate, the Group has and continues to demonstrate unwavering effort in addressing environmental concerns through the implementation of energy efficiency initiatives, carbon neutrality, rainwater harvesting and water recycling as well as waste and materials management.

Energy Conservation

As part of our ongoing effort to improve energy efficiency, the Group implements best practices and searches for innovative ways to reduce energy consumption in the manufacturing process. This is achieved through the continuous maintenance of equipment, and by investing in more energy-efficient equipment, solar panel installation and equipment and process optimisation. In response to the Covid-19 pandemic, our assembly plants have optimised equipment utilisation and effectiveness by shutting down redundant equipment due to lower production volumes. This has helped save the company on unnecessary expenditure, whilst reducing electricity consumption in the production processes.

While the Group continues to yield energy savings from energy efficiency initiatives, our assembly plant in Vietnam is also studying plans to install a solar panel system at their premises. All in all, a total of 1,064.71MWh of energy was harnessed from our solar panel initiative in 2020.

Energy Saved By Year (MWh) - Vietnam's Plant



* The FY2020 performance was impacted by Malaysia's MCO and restrictions stemming from the Covid-19 pandemic

The results shown in the graphs are the yearly savings from the new energy efficient ideas generated and implemented in our plants. Although fewer projects were implemented in 2020, our energy conservation efforts are bearing fruit even as we capitalise on earlier initiatives. We continue to explore more energy-friendly/efficient means to be assimilated into our daily business processes.

Our Commitment to Reducing Carbon Footprint

TCMH consistently strives to reduce CO₂ emissions in the development of our vehicle fleet to ensure a more sustainable environment. To meet customer demand, the Group has introduced the fully-electric model and hybrid model to the market. Every year, we continue to concentrate our efforts on improving fuel efficiency and reducing CO₂ emissions by investing in product planning and development. For example, the newly-launched All-New Nissan Almera Turbo in 2020 demonstrated remarkable fuel economy of 18.4km/L, compared to previous models. In addition, data also shows that one electric vehicle can save 4.6 tonnes of CO₂ annually; equivalent to planting 209 trees.

Another decisive factor is the use of solar energy in our value chain to drive revenue and reduce emissions. By taking measures to enhance electromobility, the Group expects to make a significant contribution in achieving the NAP 2020 objective of reducing carbon emissions from vehicles by improving fuel economy levels in Malaysia by 2025 in line with the ASEAN Fuel Economy Roadmap.

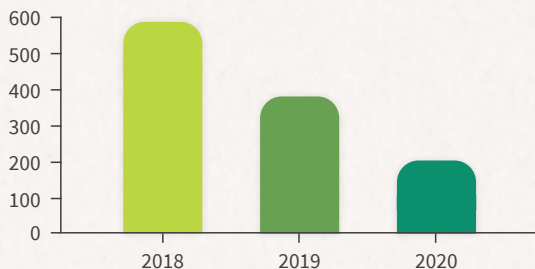
Energy Saved

2018
589.9 MWh

2019
380 MWh

2020
204.25 MWh

Energy Saved By Year (MWh) - Malaysia's Plants



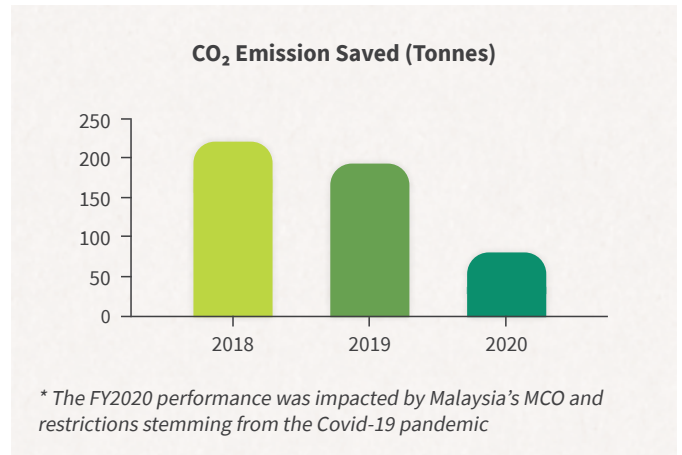
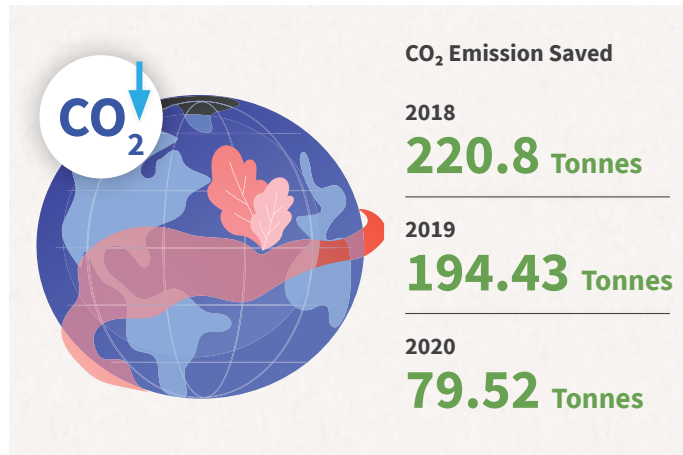
* The FY2020 performance was impacted by Malaysia's MCO and restrictions stemming from the Covid-19 pandemic



Sustainability Statement

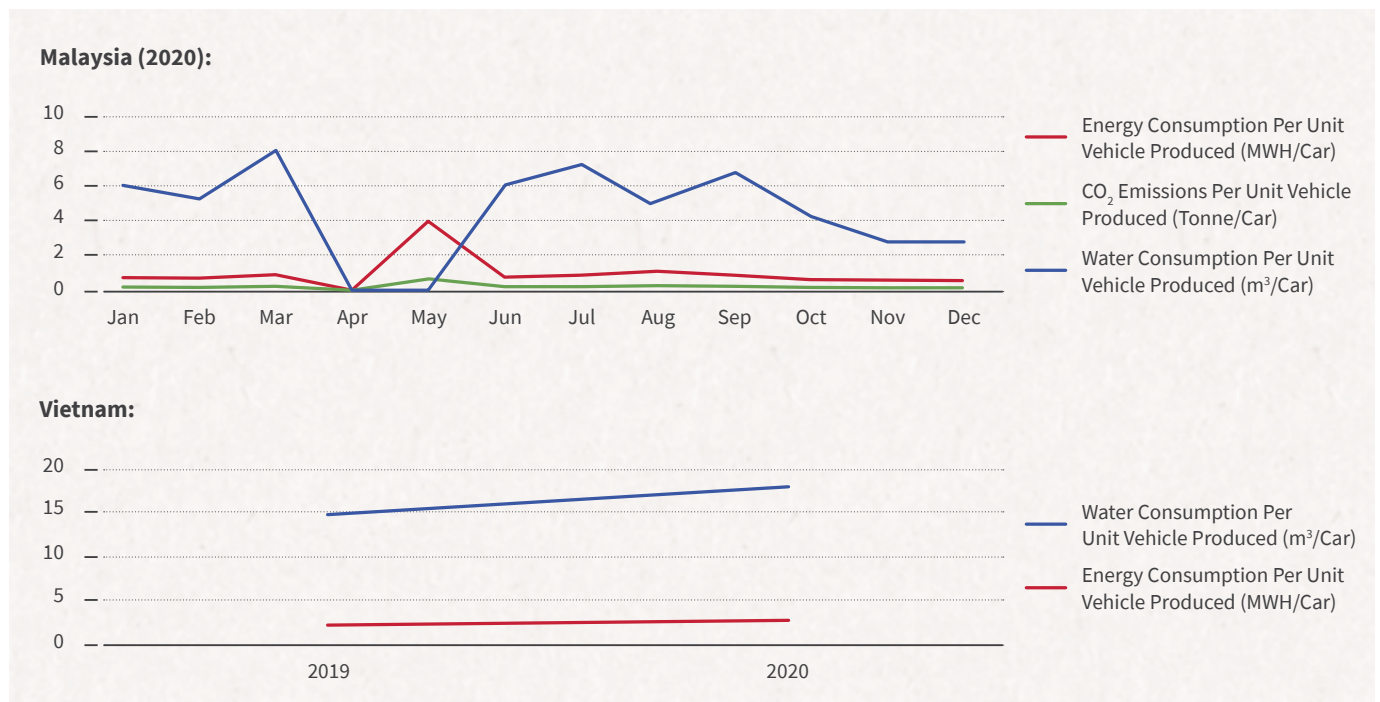
Carbon Neutrality

The Group continues to monitor and minimise our carbon footprint - by implementing energy reduction initiatives, as well as by adopting renewable energy sources. The former includes continuing to improve on our business processes' efficiency, to minimise wastage and hence maximise energy utilisation. The latter involves exploring and utilising eco-friendly resources to help drive business processes, especially where manufacturing is concerned.



Since CO₂ emission is directly proportional to energy usage, our low savings in 2020 was due to lesser energy-friendly initiatives done in our plants due to the pandemic. However, the Group is pleased to report that in 2020 alone, our solar panel initiative has reduced CO₂ emission levels by 261 tonnes. We will continue to explore more avenues to reduce and minimise CO₂ emissions.

Energy, Water Consumption & CO₂ Emissions per Unit Vehicle Produced



Sustainability Statement

	Energy Consumption Per Unit Vehicle Produced	CO ₂ Emissions Per Unit Vehicle Produced	Water Consumption Per Unit Vehicle Produced
Malaysia's Plants	1.115MWh (No data for 2018 & 2019)	0.273 Tonnes (2019: 0.228 , 2018: 0.246)	5.072m ³ (No data for 2018 & 2019)
Vietnam's Plant	2.885MWh (2019: 2.081MWh)	N/A	14.98m ³ (2019: 12.39m ³)

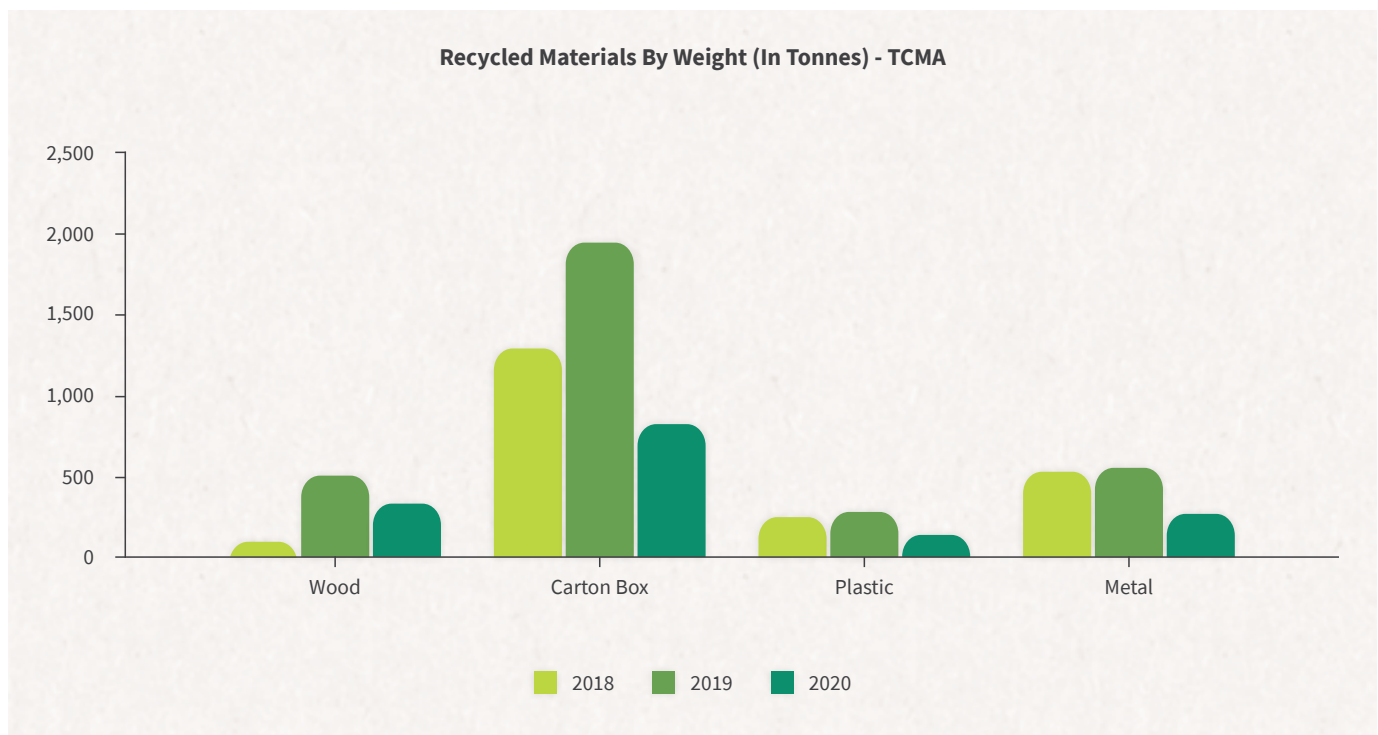
* The FY2020 performance was impacted by Malaysia's MCO and restrictions stemming from the Covid-19 pandemic

The stringent monitoring of our core business processes shows that to produce a vehicle, we consume approximately 1.115MWh of energy and 5.072m³ of water in Malaysia, and 2.885MWh of energy and 14.98m³ of water in Vietnam. While there was no 2019 and 2018 data (to benchmark against in Malaysia) where energy consumption per unit vehicle produced and water consumption per unit vehicle produced are concerned, the graph above shows that the former was increasing due to the enforcement of the MCO that led to lower production – while the latter appeared to be decreasing – throughout 2020. The Group will of course continue to monitor this year's data to evaluate our performance vis-à-vis these key environmental indicators.

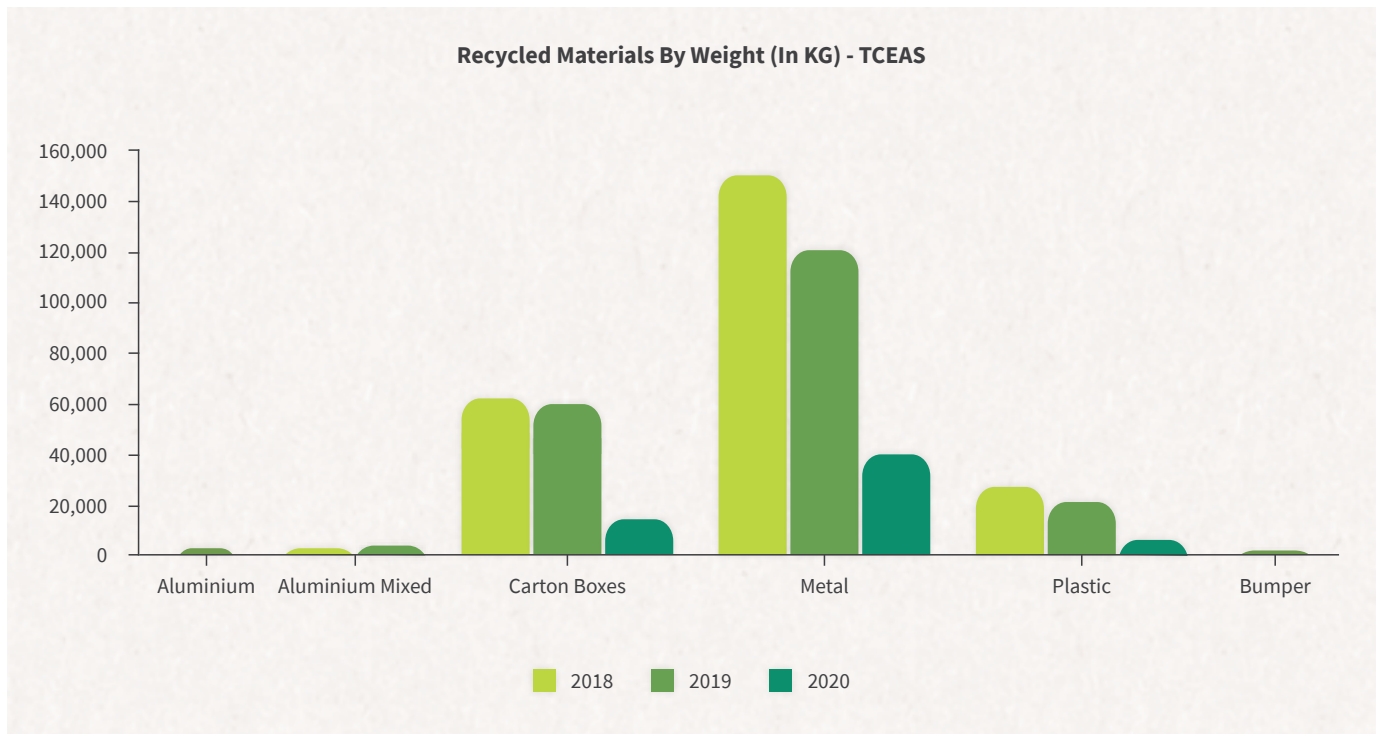
Economies of scale played a hand in 2020, where CO₂ emissions per unit vehicle produced were concerned. They actually increased by 19.74%, from 0.228 to 0.273 tonnes per vehicle. Due to lower production caused by the pandemic in 2020, manufacturing efficiency decreased in tandem, leading to a slightly higher emission in the overall production process.

Where energy and water consumption per unit vehicle were concerned, we incurred inevitable overhead costs, despite the initiatives taken to minimise energy and water consumption. We continue to explore means to address this and indeed, all key consumption indicators, to play our role in combating climate change.

Materials Management



Sustainability Statement



Material production involves the conversion of raw materials into usable ones; a process that incurs significant quantities of energy, while producing equally substantial CO₂ emission levels. Recognising the need for efficient materials management, the charts indicate that the Group – via its subsidiaries Tan Chong Ekspres Auto Service (TCEAS) and Tan Chong Motor Assemblies (TCMA) – is successfully managing its energy usage and CO₂ emission. 2020 saw a decrease in the quantity of recycled materials, as our plants and workshops complied with the lockdown enforced by the Malaysian Government in March and April 2020. All recyclable materials are sold to our recycling counterparts to ensure that nothing is wasted. We remain encouraged by these positive indicators and will remain vigilant in reducing wastage and promoting recycling.

TCMH also manages a variety of hazardous and toxic wastes, routinely generated in their daily operations, especially its automotive workshop. To meet environmental protection standards, TCMH ensures that all wastes are safely handled by licensed contractors, without compromising public health and the environment. Employees involved in this process are also trained in the proper handling of scheduled wastes.

Sustainability Statement



SOCIAL SUSTAINABILITY



As an active member in the communities we serve, TCMH is involved in social engagement programmes that aim to address societal needs and challenges pertinent to our business. These have been achieved via our annual childcare programme, gender empowerment, timely and effective relief activities, humanitarian aid and donation to charitable causes. Since employees are stakeholders as well as members of the communities we serve, the Group remains steadfast in encouraging employees to be involved in our various CSR activities.

Our Response to Covid-19

The Group is committed to protecting labour rights and promoting a safe and secure working environment for all employees, both local and foreign. Safety measures and Standard Operating Procedures (SOPs) have been implemented in all our business premises and workplaces in a timely manner so that we can continue to protect our stakeholders and stem the spread of the virus. The Group ensures all foreign workers nationwide underwent mandatory Covid-19 screening. We have also carried out hostel cleaning, sanitising, and disinfection at our workers' hostels. Disposable face masks, gloves and hand-sanitisers are also provided in the hostels as part of our efforts to prevent the spread of Covid-19.

To build business resilience and maintain continuity during and after Covid-19, we have also implemented a Business Continuity Plan (BCP) to provide guidance for our business operations at early stages of the pandemic. Clear policies and messages were also sent to employees to keep them informed of daily developments and of the latest business decisions.



Sustainability Statement



TCMH understands that our customers, both individuals and businesses, are going through a tough time because of the pandemic. To alleviate their financial burden, several relief measures such as alternative repayment plans, free vehicle health checks, extended warranty coverage were introduced to provide comprehensive assistance to our customers.

The Group also collaborated with Suriana Welfare Society to alleviate rural poverty by contributing food aid to 300 poor families living in various public housing projects in the Klang Valley as part of its philanthropic initiative to support Covid-19 relief efforts during the Movement Control Order (MCO). Despite the uncertainty, TCMH continues to serve stakeholders as a safe, responsibly-managed entity.

We are proud to announce that in FY2020, TCMH was accorded the Special Kincentric COVID Resilience Award Malaysia by Kincentric for its concerted effort to combat Covid-19, whilst driving positive employee experience amidst unprecedented challenges. The enterprises shortlisted for this award were judged on four different aspects, i.e., senior leadership and communication, care and concern, wellness and safety, and virtual work effectiveness; identified through Kincentric's research and insights on employee experience during the pandemic.

According to the survey conducted by Kincentric from 2 to 10 April 2020 in collaboration with our sister company Warisan TC Holdings Berhad, 87% of the participating employees said that they were able to get the connection and support they needed from their superiors during the lockdown. 84% of them opined that the Group has acted effectively in responding to the Covid-19 pandemic, 82% of them said that the wellbeing of the employees was taken care of by the Group whilst 76% of the respondents commented that the adequate support and guidance provided by the Group allowed them the flexibility to manage their work and personal obligations. The survey covered 56 other companies and a total of 41,167 employees. Our scores were in the top 25th percentile as compared to the other participants which included global companies and MNCs.



Moving Forward – The Ripple Effect

What we do today creates a ripple effect across the community strata in which we are present. The Group continues to explore means to augment our social sustainability initiatives by leveraging on technology, to allow us to keep in tandem with evolving stakeholder trends, for a better, brighter future. Once an emerging trend is identified, it is immediately assimilated into our list of sustainability practices. This, in turn, is integrated into our latest activities to create the desired ripple effect. We continue to hold each and every stakeholder responsible in upholding individual practices and ethics, so that the symbiotic relationship between the Group and stakeholders – especially business partners – is further strengthened, moving forward.

Corporate Governance Overview Statement

The Board of Directors (“Board”) of Tan Chong Motor Holdings Berhad (“Company”) recognises the importance of having high standards of corporate governance in the Company in order to safeguard the interest of its stakeholders as well as enhancing shareholders’ value. The Directors consider corporate governance to be synonymous with four (4) key concepts, namely transparency, accountability, integrity and corporate performance.

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

This Statement provides an overview of the Company’s application of the Principles and Practices set out in the Malaysian Code on Corporate Governance (“MCCG”) and the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) during the financial year ended 31 December 2020, and the details on how the Company has applied each of the Practices during the financial year under review are disclosed in the Corporate Governance Report, which is available for viewing on the Company’s website at <https://www.tanchonggroup.com>.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

All members of the Board are aware of their responsibility to make decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders, besides safeguarding their interests. The roles and responsibilities of the Board are clearly set out in the Board Charter, which serves as a reference point for Board activities. The Board Charter provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees, the Board Chairman and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. This Board Charter is periodically reviewed by the Board to be in line with regulatory changes and to reflect any changes made to the terms of reference of the Board Committees. The Board Charter which was last revised on 25 August 2020 is published on the Company’s website at <https://www.tanchonggroup.com>.

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

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

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

Corporate Governance Overview Statement

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

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

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

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

The Board has established a Directors’ Code of Ethics which essentially sets out the standards of conduct expected from all Directors. The Directors’ Code of Ethics is contained in Appendix A of the Board Charter which is published on the Company’s website at <https://www.tanchonggroup.com>. To inculcate good ethical conduct, the Group has also established a Code of Conduct for its employees, which has been communicated to all levels of employees in the Group. The Company also has in place a Special Complaints Policy (“Policy”), which is equivalent to whistle-blowing policy, that serves as an avenue for raising concerns relating to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. On 19 May 2020, the Company has adopted an Anti-Bribery and Anti-Corruption Policy to manage bribery and corruption risks of the Group as guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009.

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

In discharging their responsibilities effectively, the Directors allocate sufficient time to attend Board and Board Committee meetings to deliberate on matters under their purview. During the year, the Board deliberated on matters relating to business strategies and issues concerning the Group, including business plan, annual Group budget, financial results and significant transactions. All Board and Board Committee members are provided with the requisite notice, agenda and board papers prior to the convening of each meeting of the Board and Board Committees in a timely manner. For the financial year under review, the Board convened nine (9) Board meetings and the attendances of the Directors are as follows:

Corporate Governance Overview Statement

Name	No. of Board Meetings Attended	Percentage of Attendance (%)
Dato' Tan Heng Chew	9/9	100
Dato' Ng Mann Cheong	9/9	100
Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng	9/9	100
Ho Wai Ming	9/9	100
Lee Min On	9/9	100
Siew Kah Toong (resigned on 31 October 2020)	7/7	100
Ng Chee Hoong (appointed on 3 November 2020)	1/1	100
Dato' Chan Choun Sien (appointed on 1 April 2021)	0/0	N/A

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

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

Name	Details of Programme
Dato' Tan Heng Chew	<ul style="list-style-type: none"> Tan Chong Motor Holdings Berhad : 2021 Budget Briefing by Mr. Tang Chin Fook Tan Chong Motor Holdings Berhad : Securities Commission Guidelines on Conduct of Directors of a Listed Corporation & its Subsidiaries
Dato' Ng Mann Cheong	<ul style="list-style-type: none"> KPMG PLT : Audit Committee Institute Virtual Roundtable 2020 - ESG Perspective : Managing Recovery and Resilience Tan Chong Motor Holdings Berhad : Securities Commission Guidelines on Conduct of Directors of a Listed Corporation & its Subsidiaries
Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng	<ul style="list-style-type: none"> Tan Chong Motor Holdings Berhad : 2021 Budget Briefing by Mr. Tang Chin Fook Tan Chong Motor Holdings Berhad : Securities Commission Guidelines on Conduct of Directors of a Listed Corporation & its Subsidiaries
Ho Wai Ming	<ul style="list-style-type: none"> Standard Chartered Bank : 2020 Global Outlook – The “Slow-motion” Slowdown Enterprise Asia Center and HELP University : Future Enterprise Series : Sustainability – Key to Economic Recovery KPMG PLT : Globalisation Revisited - Trade, Investments and Value Chains in Asia Pacific EY Corporate Advisors Pte. Ltd. : Global Investment Strategy on Relocation and Expansion - What Major ASEAN Countries are Offering KPMG PLT : KPMG's CEO Webinar Series - Captains' Forum : Transformation Towards Recovery - Session 1 – Financial Resilience KPMG PLT : KPMG's CEO Webinar Series - Captains' Forum : Transformation Towards Recovery - Session 2 – Operational Resilience Association of Chartered Certified Accountants : Asia Pacific Thought Leadership Virtual Forum : Economic Outlook in An Uncertain World - Unpacking the Business Landscape in the Next 18 Months Tricor Services (Malaysia) Sdn. Bhd. : 2021 Malaysian Budget Tan Chong Motor Holdings Berhad : 2021 Budget Briefing by Mr. Tang Chin Fook Tan Chong Motor Holdings Berhad : Securities Commission Guidelines on Conduct of Directors of a Listed Corporation & its Subsidiaries

Corporate Governance Overview Statement

Name	Details of Programme
Lee Min On	<ul style="list-style-type: none"> • KPMG PLT : Malaysian Financial Reporting Standard (“MFRS”) 16 - Lease Arrangement • See Hup Consolidated Berhad : Understand Financial Reporting & Implications of Inaccurate and/or Delay in Reporting, including the roles of the Board, Audit Committee, Management, Company Secretary and Auditors • The Institute of Internal Auditors Malaysia : Section 17A Corporate Liability – Roles of the IA • Warisan TC Holdings Berhad : Corruption Risk Assessment - Section 17A of the MACC Act 2009 (Trainer) • Securities Industry Development Corporation : Listing Requirements on Corporate Governance Reporting • Kumpulan Perangsang Selangor Berhad : How Government, Risk & Controls are Intertwined to provide Assurance on Business Sustainability • Malaysian Institute of Accountants : Webinar on Corporate Liability Provision of the MACC Act 2009 for Chief Financial Officers • Westport Holdings Berhad : Fraud Risk Management – Whose Responsibility is it? • Aeon Credit Service (M) Bhd : ERM Module 1 – An Introduction to Enterprise Risk Management • Tan Chong Motor Holdings Berhad/Warisan TC Holdings Berhad/APM Automotive Holdings Berhad : Securities Commission Guidelines on Conduct of Directors of a Listed Corporation & its Subsidiaries (Trainer)
Ng Chee Hoong	<ul style="list-style-type: none"> • Malaysian Institute of Accountants : MIA Webinar Series – Audit Sampling Procedures Incorporating ISA 300, 315, 450, 500, 530 and other relevant ISAs • Malaysian Institute of Accountants : MIA Webinar Series – Substantive Approach to Auditing and Accounting for Inventories • Lembaga Hasil Dalam Negeri Malaysia and Chartered Tax Institute of Malaysia : National Tax Conference 2020 • Malaysian Institute of Certified Public Accountants : Impairment of Assets & Financial Assets in accordance with MFRS 136 & MFRS 9 • Malaysian Institute of Certified Public Accountants : ISA600 Special Considerations – Audits of Group Financial Statements • Chartered Tax Institute of Malaysia : 2021 Budget Seminar • Tan Chong Motor Holdings Berhad : Securities Commission Guidelines on Conduct of Directors of a Listed Corporation & its Subsidiaries
Dato' Chan Choun Sien (appointed on 1 April 2021)	<ul style="list-style-type: none"> • Malaysian Global Innovation & Creativity Centre (“MaGIC”) : Southeast Asia Webinar - “Rise Above Covid-19” • Transformational Business Network Asia : Virtual Conference - “Survive to Thrive” • Asian Venture Philanthropy Network : Virtual Conference - “The Power of Networks” • AJT Holdings Pte. Ltd. : Webinar - “Wellness, The New Norm - Creating Sustainable Wellness Real Estate Developments” • Associated Chinese Chambers of Commerce and Industries Malaysia : 9th Young Entrepreneurs Conference 2020 • Kuala Lumpur and Selangor Chinese Chamber of Commerce and Industry : Webinar - “Are there still opportunities in the Tech sector?” • Malaysian Productivity Corporation : Webinar - “National E&E Forum 2020”

Corporate Governance Overview Statement

II. BOARD COMPOSITION

The Company is led by an experienced Board which is vital for the continued progress and success of the Group. The current Board consists of seven (7) members, three (3) Executive Directors and four (4) Independent Non-Executive Directors. This composition of the Board fulfills the requirements as set out in the Listing Requirements of Bursa Securities which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be Independent Directors. 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, audit, legal, economics, investment banking, as well as corporate governance, risk management and internal audit. The profiles of the Directors are set out on pages 21 to 24 of the Annual Report.

The Nominating and Remuneration Committee (“NRC”) is entrusted to assess the adequacy and appropriateness of the Board composition, identify and recommend suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity, including gender, age and ethnicity diversity, training requirements for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The NRC held interview sessions to assess and review the individual candidate’s skill, knowledge, expertise and experience as required by the Company, and the NRC upon assessment made recommendation to the Board for approval. The Board has the ultimate responsibility of making the final decision on the appointment of new Directors.

Based on the annual assessment conducted on 12 January 2021, the NRC concluded that the Board, Board Committees and individual Directors have the relevant skill sets and have effectively discharged their stewardship responsibilities to meet the needs of the Company, and the retiring Directors, Dato’ (Dr.) Khor Swee Wah @ Koh Bee Leng and Mr. Ho Wai Ming, are in a position to be re-elected Directors of the Company at the forthcoming Annual General Meeting (“AGM”). All assessments and evaluations carried out by the NRC were duly documented.

The NRC has also assessed the independence of Independent Non-Executive Directors for the financial year ended 31 December 2020 based on criteria set out in paragraph 1.01 of the Listing Requirements and Practice Note 13 of Bursa Securities and concluded that all the Independent Non-Executive Directors have satisfied the independence criteria and each of them is able to provide independent judgement and act in the best interest of the Company.

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

Dato’ Ng Mann Cheong has served as Independent Non-Executive Director for a cumulative term of more than nine (9) years. Following the assessment and recommendation by the NRC, the Board is of the opinion that the independence of Dato’ Ng Mann Cheong has remained unimpaired and his judgement over business dealings of the Company has not been influenced by the interest of the other Directors or substantial shareholders and recommended that Dato’ Ng Mann Cheong be retained as Independent Non-Executive Director, subject to shareholders’ approval at the forthcoming AGM of the Company based on key justifications as set out in the Explanatory Notes of the Notice of the AGM.

Based on the findings of the assessments and evaluations carried out by the NRC, the Board recognised that continued focus and priorities need to be given to the following areas during the financial year ending 31 December 2021 in addition to its core duties of creating long term-value for stakeholders:

- (i) The continued implementation of the Anti-Bribery & Anti-Corruption Framework towards fulfilling the requirements of Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 so as to safeguard the interest of the Group, Directors and shareholders;
- (ii) Building risk resilience by further strengthening controls on certain core areas; and
- (iii) Digital transformation and cybersecurity.

Corporate Governance Overview Statement

A summary of key activities undertaken by the NRC in discharging its duties during the financial year under review and up to the date of this Statement is set out below:

- Reviewed and assessed the independence of Independent Non-Executive Directors;
- Reviewed and recommended the re-election of Directors who are due for retirement by rotation, and the continuation in office as Independent Non-Executive Director for Dato' Ng Mann Cheong (appointed on 31 July 1998) who has served a cumulative period of more than nine (9) years for shareholders' approval at the forthcoming AGM;
- Reviewed the size and composition of the Board based on the required mix of skills, experience, knowledge and diversity;
- Assessed the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director;
- Assessed the Directors' training needs;
- Reviewed the performance of the Chief Financial Officer and the Company Secretary;
- Reviewed the remuneration of Executive Directors and Senior Management Personnel of the Group;
- Reviewed the proposed extension of the Executive Service Contract of the President, Deputy President and Senior Management; and
- Considered and recommended Independent Non-Executive Director for appointment on the Board and Board Committees.

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

The Board currently has seven (7) Directors, comprising six (6) male Directors and one (1) woman Director which is in line with the target set in the Board Diversity Policy.

III. REMUNERATION

The Nominating and Remuneration Committee has been tasked with expanded duties and responsibilities to assist the Board in implementing policies and procedures on matters relating to the remuneration of the Board and Senior Management.

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

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

The remuneration received by Directors of the Company from the Group and Company for the financial year ended 31 December 2020 amounted to RM24,328,098 and RM20,630,922 respectively. Details of the remuneration for each of the Directors on a named basis are set out under Practice 7.1 of the Corporate Governance Report uploaded on the Company's website at <https://www.tanchonggroup.com>.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee which comprises four (4) members, all of whom are Independent Non-Executive Directors, with Mr. Ng Chee Hoong (appointed on 3 November 2020) as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out in year 2020, are set out in the Audit Committee Report of this Annual Report.

Corporate Governance Overview Statement

One of the key responsibilities of the Audit Committee in its Terms of Reference (“Audit Committee Charter”) is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and the provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements. The Audit Committee Charter also includes a requirement for former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

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

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

To assist the Board in the discharge of this responsibility, the Board has established a Board Risk Management and Sustainability Committee (“BRMSC”) which comprises the following members, a majority of whom are Independent Non-Executive Directors for reviewing the adequacy and effectiveness of the risk management and internal control system of the Group:

Chairman

Lee Min On (Independent Non-Executive Director)

Members

Dato’ Ng Mann Cheong (Senior Independent Non-Executive Director)

Dato’ Tan Heng Chew (Executive Director)

Siew Kah Toong (Independent Non-Executive Director) (*Resigned on 31 October 2020*)

Ng Chee Hoong (Independent Non-Executive Director) (*Appointed on 3 November 2020*)

Dato’ Chan Choun Sien (Independent Non-Executive Director) (*Appointed on 1 April 2021*)

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

The Risk Management and Sustainability Committee (“RMSC”), a Management Committee which comprises heads of major business unit of the Group as its members, assists the BRMSC in the Group’s risk management activities.

During the financial year under review, four (4) BRMSC meetings were held to review the principal business risks faced by the Group and the remedial measures to address the risks within the risk appetite of the Group. The Chairman of RMSC and Heads of Group Risk Management, Group Internal Audit and major business units attended the BRMSC meeting as invitees. More details of the risk management framework and its associated initiatives undertaken by the BRMSC and RMSC during the financial year under review are set out in the Statement on Risk Management and Internal Control on pages 56 to 62 of this Annual Report.

In line with the MCGG and the Listing Requirements of Bursa Securities, the Company has in place an in-house internal audit department, i.e. the Group Internal Audit (“GIA”), which reports directly to the Audit Committee on the adequacy and effectiveness of the current system of internal control and risk management. All internal audits carried out are guided by the International Professional Practices Framework of the Institute of Internal Auditors Inc, a globally recognised professional body for internal auditors. The GIA is independent of the activities it audits, and the scope of work covered by the GIA during the financial year under review is set out in the Audit Committee Report included in this Annual Report. During the financial year ended 31 December 2019, a full scope Quality Assurance Review (“QAR”) was conducted by an independent reviewer engaged by the Company to conduct an assessment on GIA to ensure that the quality of the Company’s internal audit conformed with The International Standards for the Professional Practice of Internal Auditing pursuant to the International Professional Practices Framework and the results of the QAR assessment was found to be satisfactory.

Corporate Governance Overview Statement

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

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's shareholders and other stakeholders as well as 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 <https://www.tanchonggroup.com> where shareholders, other stakeholders 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.

II. CONDUCT OF GENERAL MEETINGS

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

At the last AGM, all the Directors (including the chair of the Board Committees) and the external auditors were available to engage with, and to be accountable to, the shareholders for their stewardship of the Company. The members of Senior Management of the Company were also available to respond to any enquiries from the shareholders. During the AGM, the Chairman of the meeting ensured that the meeting was conducted in an orderly manner. The strategic business direction of the Group, the Group's financial performance, some key initiatives, overview of market outlook and the Group's strategies and actions going forward were presented to the meeting. Shareholders or corporate representatives or proxies were then allowed to raise questions or seek clarification on the agenda items of the AGM. A summary of key matters discussed at the AGM is available on the Company's website.

All resolutions set out in the notice of the 48th AGM were voted by poll in accordance with the Listing Requirements of Bursa Securities. In conjunction with this requirement, the Board adopted electronic voting at the AGM to facilitate the voting process in a more efficient manner as well as ensuring transparency and accuracy of the voting results.

This Statement is dated 15 April 2021.

Audit Committee Report

The Board of Directors of Tan Chong Motor Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2020.

COMPOSITION AND MEETINGS

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

Name	Designation	Attendance
Ng Chee Hoong (Appointed on 3 November 2020) <i>Independent Non-Executive Director</i>	Chairman	1/1
Dato' Ng Mann Cheong <i>Senior Independent Non-Executive Director</i>	Member	7/7
Lee Min On <i>Independent Non-Executive Director</i>	Member	7/7
Dato' Chan Choun Sien (Appointed on 1 April 2021) <i>Independent Non-Executive Director</i>	Member	0/0
Siew Kah Toong (Resigned on 31 October 2020) <i>Independent Non-Executive Director</i>	Chairman	6/6

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

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

The Chief Financial Officer and Head of Group Internal Audit, including other Board members and employees attend the Committee meetings upon invitation of the Audit Committee to facilitate discussion of matters on the agenda. Representatives of the external auditors attend the scheduled meetings to table their annual audit plan and consider the final audited financial statements, as well as 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 that needs to be preserved.

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

In line with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), details of the terms of reference of the Audit Committee are available for reference at <https://www.tanchonggroup.com>.

Audit Committee Report

SUMMARY OF ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE

During the financial year under review and up to the date of this report, 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 such work and activities carried out by the Audit Committee for the purpose of the financial year under review 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 the going concern assumption, and ensured the disclosures complied with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and Listing Requirements before recommending the same to the Board for approval to release the quarterly financial results to Bursa Securities;
- (b) Reviewed the annual audited financial statements of the Company and the Group together with the external auditors before recommending the same to the Board for approval; and
- (c) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters highlighted in the financial statements.

(2) External Audit

- (a) Reviewed the external auditors' Audit Plan for the Group, which outlined the responsibilities and the scope of work, anticipated key audit matters, and reporting timelines for the financial year ended 31 December 2020 and the 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, including weaknesses noted in internal controls pertaining to financial reporting, arising from the audit;
- (c) Discussed and reviewed the areas for improvements in the internal control system of certain subsidiaries as highlighted by the external auditors and steps needed to be taken to address the issues;
- (d) Reviewed and approved the nature of, and fees for, non-audit services provided by the external auditors and/or their affiliates in accordance with the Group's policy on non-audit services to ensure that such non-audit services did not compromise the objectivity and independence of the external auditors. Details of non-audit fees incurred by the Company and Group for the financial year ended 31 December 2020 are stated in the Additional Compliance Information on page 63 of this Annual Report;
- (e) Assessed the suitability, objectivity and independence of the external auditors by evaluating, among others, the adequacy of their technical knowledge, experience, skills, independence and objectivity, their audit engagement and the supervisory ability and competency of the engagement team assigned to the engagement. Moreover, the external auditors had confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants via their presentation deck to the Audit Committee as well as their engagement letter. The Audit Committee was satisfied that the external auditors were able to meet the audit requirements and statutory obligations of the Company and their professional independence and objectivity as external auditors of the Company. Following this assessment, the Audit Committee recommended, and the Board had accepted the Audit Committee's recommendation, for KPMG PLT to be re-appointed as the Company's external auditors at the forthcoming Annual General Meeting ("AGM") in June 2021, subject to shareholders' approval; and
- (f) Held two (2) private sessions with the external auditors, following the presentation of their Audit Plan for the financial year ended 31 December 2020 on 23 November 2020, and following their presentation of results and findings from their audit on 26 February 2021, in the absence of Executive Directors, Management and Committee Secretaries. These sessions enabled the external auditors to discuss with candour with the Audit Committee on any other matters noted by the external auditors during their audit of the financial statements for the financial year under review without being beholden to Management's presence.

Audit Committee Report

(3) Internal Audit

- (a) Reviewed and approved the Annual Internal Audit Plan (“Plan”) to ensure adequacy of scope, resources, competencies and coverage of auditable entities in the Group with significant and high risks, including the periodic status of completion of the Plan;
- (b) Reviewed the Internal Audit Charter;
- (c) Reviewed the scope and results of internal audits addressing internal controls over operations, financial and compliance relating to the Group based on the approved Plan;
- (d) Reviewed and discussed 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 business units concerned was requested to rectify and improve internal control procedures and workflow process deficiencies based on the internal auditors’ recommendations; and
- (e) Reviewed the performance, competencies, training requirements and effectiveness of the internal audit function.

(4) Related Party Transaction

Reviewed recurrent related party transactions (“RRPTs”) of the Group on a quarterly basis to determine if the transactions entered into by the Group were within the shareholders’ mandate, in relation to the nature, terms and value limits of the transactions, including “arm’s length” terms of trade.

In the case of related party transactions (“RPTs”) entered into by the Group, the Audit Committee reviewed these transactions to determine if 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 complied with the Listing Requirements of Bursa Securities.

(5) Others

- (a) Reviewed the Circular to Shareholders in relation to Shareholders’ Mandate on RRPTs, the review procedures of RRPTs, the RRPT estimates and methods for determination of RRPT transaction price and threshold of authority, Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report to ensure compliance with the relevant regulatory reporting requirements prior to recommending the same to the Board for approval;
- (b) Reviewed valuation of non-current assets of the Group;
- (c) Reviewed the report on irregularities and serious misconduct issued by the Group Compliance Office (as presented by the Head of Investigation and Digital Forensic Services Department) and ensured that remedial action plans were appropriate; and
- (d) Supervised the implementation of the Anti-Bribery and Anti-Corruption Policy for the Group, effective 19 May 2020.

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 governance, risk management and internal control.

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 governance, risk management and internal control procedures and processes is conducted by GIA to assess whether the system is viable, robust and adequate to meet the needs of the Group. 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.

Audit Committee Report

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 risks inherent in the business units concerned. The Group's Internal Audit Plan is tabled annually to, 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 through 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 for the financial year under review encompassed the following:

- (a) Formulated and agreed with the Audit Committee the annual Internal Audit Plan, strategy and scope of work;
- (b) Reviewed compliance with policies, procedures and relevant rules and regulations;
- (c) Reviewed and tested the adequacy and operating effectiveness of internal controls associated with key business units and support functions within the Group. The significant areas and processes, including their underlying risks, of the Group covered by GIA comprised the following:
 - Sales and collections;
 - Payment process;
 - Inventory verification;
 - E-payment;
 - Bank reconciliation;
 - Business operations and process improvement;
 - Inventory and logistics management;
 - External tenancy agreements;
 - Bank financial covenants;
 - Hire purchase and staff loan operation;
 - Cost rationalisation;
 - Project implementation; and
 - Petty cash management;
- (d) Performed special review and investigation, as required;
- (e) Reported audit findings and made recommendations to improve the internal control system at the various business units; and
- (f) Reviewed the RRPTs and RPTs of the Group to determine if 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 complied with the Listing Requirements of Bursa Securities as well as the guidelines and procedures in relation to the Shareholders' Mandate for RRPTs which was obtained at the last Annual General Meeting.

This Report is dated 15 April 2021.

Statement on Risk Management & Internal Control

PURPOSE OF STATEMENT

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) stipulates that a listed issuer must ensure that its board of directors makes a statement (“Statement on Risk Management & Internal Control” or “Statement”) about the state of risk management and internal controls of the listed issuer as a group. The Statement needs to include sufficient and meaningful information for shareholders and other stakeholders to make an informed assessment of the main features and adequacy of the listed issuer’s risk management and internal control system as a group.

Accordingly, the Board of Directors (“Board”) of Tan Chong Motor Holdings Berhad (“Company”) furnishes this Statement, which outlines the nature and scope of the system of risk management and internal control in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2020 and up to the date of approval of this Statement for inclusion in the Company’s Annual Report. For disclosure purpose, this Statement has considered and, where required, included the mandatory contents outlined in the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers”, a publication of Bursa Securities, which provides guidance to listed issuers in preparing the Statement.

BOARD’S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges and assumes its overall responsibility for the Group’s system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and operating effectiveness of this system in meeting the Group’s business objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance (“MCCG”). As such, the Board is aware of its principal responsibilities, as outlined in the following Practices and Guidance of the MCCG, pertaining to risk management and internal control:

- Practice 1.1 and Guidance 1.1

The Board should:

- ensure a sound framework for internal controls and risk management;
- understand the principal risks of the Company’s businesses and recognise that business decisions involve the taking of appropriate risks;
- set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

- Practice 9.1

The Board should establish an effective risk management and internal control framework; and

- Practice 9.2

The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

During the year, the Board continued to adopt a risk management approach which focused on identifying key risks and deploying actions to mitigate the likelihood and impact of the risks on the business. The Group continues to review and improve upon the risk management and internal control system across all its business units and subsidiaries to enable the system to meet business needs and support the effective management of risks to acceptable levels.

Statement on Risk Management & Internal Control

The risk management and internal control system implemented within the Group and appraised by the Board enables Management to:

- Improve decision making, resource planning and prioritisation to achieve the Group's targeted performance and strategic objectives;
- Pursue opportunities while managing risks in a rapidly changing business environment;
- Mitigate loss of resources and missed business opportunities;
- Comply with laws and regulations; and
- Deal with risks should they materialise and the impact thereon.

The Board has delegated the oversight of risk management to one of its sub-committees, namely the Board Risk Management and Sustainability Committee ("BRMSC"), which comprises three (3) Independent Non-Executive Directors and an Executive Director as its members. The Group Chief Executive Officer, Chief Financial Officer and Head of Group Risk Management attend the BRMSC meeting as invitees. Business units risk owners are invited to attend the meeting as and when required.

Reporting to BRMSC is undertaken by the Risk Management and Sustainability Committee ("RMSC"), which comprises heads of major business units of the Group as its members. The RMSC is supported by the Group Risk Management ("GRM") Department. GRM's primary role is to review and update the risk management methodologies applied, specifically those related to risk identification, assessment, controlling, monitoring and reporting.

The BRMSC is committed to ensure effective implementation of risk management and internal control system. The BRMSC reviewed the effectiveness of the risk management and internal control system through meetings with and updates from the RMSC and GRM. During the financial year under review, the BRMSC reviewed and endorsed the following for subsequent reporting to the Board:

- Risk appetite and risk management strategy;
- Risk profiles of the Group, which were developed in line with the Risk Management Policy and Procedures;
- Management's actions required in response to changes in the risk profiles and emerging or potential risks;
- The adequacy and effectiveness of risk management and internal control framework in relation to the Group's activities; and
- The Group Risk Management's work plan and activities.

The Board has received assurance in writing from the President, Group Chief Executive Officer 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.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business and strategic objectives. The system can, hence, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

Statement on Risk Management & Internal Control

RISK MANAGEMENT GOVERNANCE STRUCTURE

A holistic risk management system is applied throughout the businesses. Set out below is the risk governance structure, including the respective remit, adopted by the Group:



RISK MANAGEMENT SYSTEM

The Risk Management Policy and Procedures (“RMPP”) established by the Company are recognised by the BRMSC and RMSC as an imperative part of the business with the aim to facilitate implementation of the risk management framework and processes across the Company and its subsidiaries. The Group continually seeks to improve the risk management processes, enabling risks to be proactively managed and minimise any adverse impact on the Group’s business strategies and objectives.

Statement on Risk Management & Internal Control

How the Group manages risk

The Group adopts the RMPP, aligned with the ISO 31000:2018 Risk Management – Guidelines.

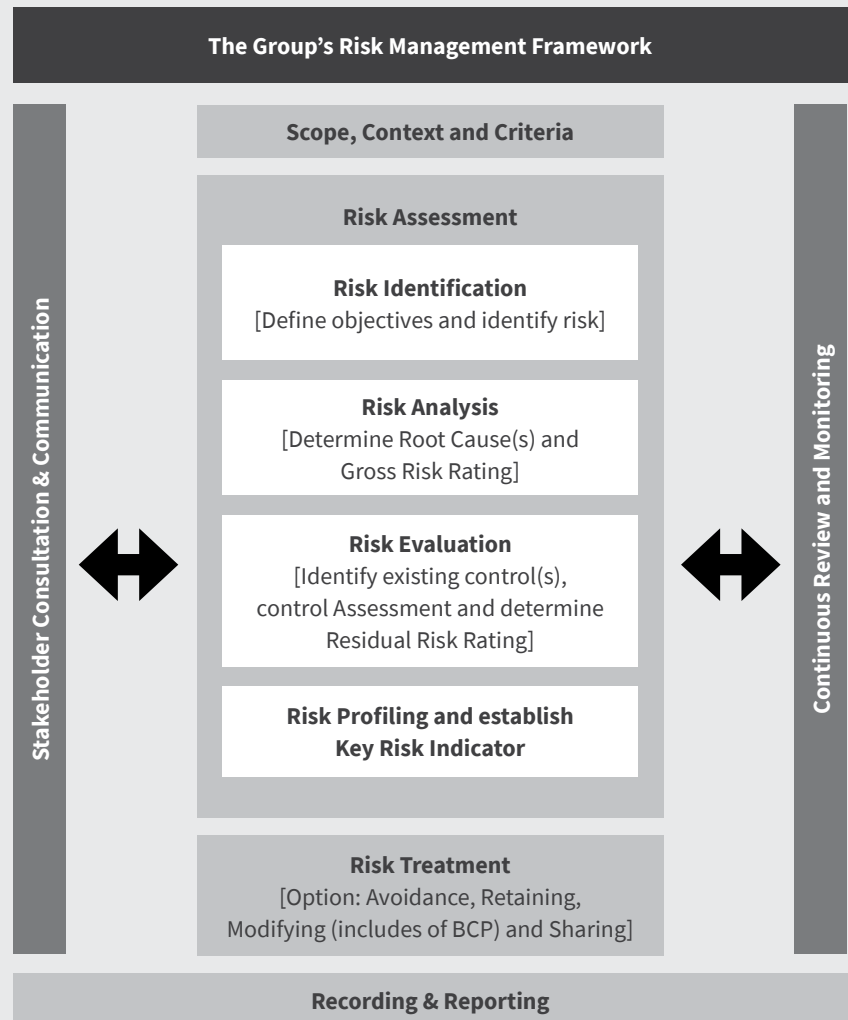
The risk assessment process which comprises key elements of risk identification, likelihood/impact analysis, risk evaluation and risk treatment (as illustrated in the risk framework illustrated opposite).

All identified risks are described, analysed, and reported by the respective risk owners using a risk profile template.

Risks are scored for their likelihood of occurrence and the impact based on the risk parameters established for the business. The parameters deployed reflect the organisation's risk appetite, which is defined as the level of risk the Group is prepared to accept to achieve its objectives.

The Group's risk parameters comprise quantitative (financial) and qualitative (non-financial e.g., reputation and image, business interruption, operational efficiency, governance and regulatory, people, business model sustainability and environmental, health and safety) matrices.

Eventually, identified risks are rated "High, Moderate or Low" based on the likelihood of their occurrence and impact thereof, taking into consideration the effectiveness of existing controls. Risk treatment or risk mitigating plans are formulated to address the risks aligned with the risk appetite.



Statement on Risk Management & Internal Control

SUMMARY OF RISK MANAGEMENT ACTIVITIES DURING THE FINANCIAL YEAR

Key risk management activities carried out by the Board, with assistance from the BRMSC, RMSC and GRM and business units, during the year under review were:

- Reviewed the Group's risk management framework to align with ISO31000: 2018 Risk Management – Guidelines;
- Reviewed the risk parameters to align with the Group's risk appetite and tolerance to address changes in business environment;
- Business units conducted quarterly review to identify and assess the risks affecting their business, where the scope of assessment covered existing as well as emerging risks;
- Business units assessed the likelihood and impact of the said risks, existing controls, control effectiveness and the action plans taken to manage those risks to a desired level;
- GRM facilitated deliberation sessions with the business units to review and challenge the risk rating and risk mitigating plans reported by business units;
- These updated risk profiles were then consolidated into the Corporate Risk Map of the Group for presentation to the RMSC and BRMSC;
- During the year, four (4) RMSC and BRMSC meetings were held to table updated risks and present the mitigation plans for Senior Management and Board approval based on the current risk appetite of the Group;
- Key Risk Indicators ("KRIs"), which essentially corroborate risk ratings in terms of likelihood and impact of risks, were established to provide an early signal of increasing risk exposures in various areas of the business units. When the indicators triggered to an unacceptable level, remedial actions were taken to address the areas of concern, with the planned actions monitored closely by GRM;
- Continuous briefings, which were attended by the business unit personnel to create awareness of risks, embed a corporate risk culture and instil good governance amongst Group personnel;
- In compliance with the requirements stipulated in the Group Anti-Bribery Anti-Corruption Policy, a Conceptual Framework for Corruption Risk Assessment and Risk-Based Anti-Corruption Due Diligence Guidelines were formulated to facilitate and guide business units to assess corruption risks and perform third party due diligence on corruption risks;
- In compliance with Anti Money Laundering/Counter Financing of Terrorism requirements, GRM formulated guidelines for the trust fund company to perform risk assessment and customer due diligence; and
- GRM has also facilitated discussions with business units on how to assess business impact arising from the Covid-19 outbreak and monitor the progress of business continuity plan activated to ensure business adaptation and resilience.

Internal control and risk related matters which warranted the attention of the Board, together with the recommended remedial measures, were highlighted by the RMSC and BRMSC to the Board; and matters or decisions made within the RMSC's and BRMSC's purview were also updated to the Board for notation or further action, as the case might be.

INTERNAL CONTROL SYSTEM

The internal control system established by the Group encompasses key features as described below:

- Communication of Company values, i.e., Trustworthiness & Integrity, Courage, Frugality, Innovation & Creativity, 24/7 Mindset, Perseverance and Diligence, to all employees;
- A code of conduct which requires employees to maintain the highest standards of professionalism and integrity in all that the employees do, including communications with colleagues, customers, clients, suppliers and the public;
- An organisational structure of the Group with formally defined lines of responsibility and delegation of authority for the respective business units. 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 business;
- Board and Audit Committee review the Group's financial reporting process, financial and operational performance, internal controls, risk management and governance structure;
- Active participation and involvement from the President, Deputy President, Group Chief Executive Officer and Chief Financial Officer in the day-to-day running of the major businesses and discussions with the Management of smaller business units on operational issues;

Statement on Risk Management & Internal Control

- Review and approval of annual business plan and budget of all major business units by the Board;
- Variance analysis, comparing actual performance against budget/forecast results is carried out, monitored, and reported to President, Group Chief Executive Officer and Chief Financial Officer. Relevant remedial action plan is formulated to address the significant variance or gaps. On a quarterly basis, the Chief Financial Officer briefs the Audit Committee on how the Group performs in relation to previous quarters as well as the budget;
- HR policies and procedures have been formalised to cover hiring, orientation, training, evaluating, counselling, promotion and compensation and benefits;
- A fraud prevention policy has been adopted by the Group - this policy provides guidance in preventing fraud and to promote transparency and integrity;
- An Anti-Bribery and Anti-Corruption Policy was formalised on 1 June 2020 in line with the Guidelines on Adequate Procedures issued by the Government to promote a culture of integrity in the Group and provide guidance on anti-corruption to internal and external parties;
- Individual project task forces have been formed to assess and evaluate the feasibility and risk impact that prospective investments have on the Group. Feasibility study, risk impact and assessment on new investments or projects are evaluated by individual project task force for the Board's deliberation;
- Policies and procedures, which address the major aspects of activities throughout the Group, have been established to enable necessary management directives to be carried out with actions taken on risks to achieve the Group's objectives. The policies and procedures include a range of control activities as diverse as approval, authorisation, verification, reconciliation, review of performance, safeguarding of assets and segregation of key conflicting functions;
- Periodic management and Board meetings are carried out to discuss pertinent business matters whilst relevant information and data is collated, and reported at the Management and Board meetings to facilitate decision making. Such information includes financial and non-financial, internal and external reporting; and
- Heads of Department are entrusted to conduct management and supervisory reviews ensuring that personnel reporting to them discharge the duties and tasks as entrusted. The Group Internal Audit carries out separate and independent evaluations on the effectiveness of the internal control system, risk management and corporate governance. Internal control deficiencies are reported to the Audit Committee, the Board, President, Group Chief Executive Officer and Chief Financial Officer.

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, risk management, and corporate governance are conducted by GIA to ensure that the systems are viable and robust.

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

The internal audit function and practices are assessed by both the internal and external assessors on a periodical basis according to the International Professional Practices Framework ("IPPF") for internal auditing. The IPPF is the conceptual framework that organises authoritative guidance promulgated by The Institute of Internal Auditors.

On a quarterly basis, internal audit reports are presented and tabled at the Audit Committee meetings. Details of actual work carried out by GIA, 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 2020 amounted to approximately RM 1.19 million (2019: approximately RM 1.30 million).

Statement on Risk Management & Internal Control

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 2020 as a result of weaknesses in internal controls that would require disclosure in the annual report. Nonetheless, the Board continues to take measures to strengthen the risk management processes and internal control environment of the Group.

Covid-19 Event

The Covid-19 pandemic outbreak has caused significant disruptions to the Automotive segment which has affected the Group's operations in Malaysia, Thailand, Vietnam, Cambodia, Myanmar, and Laos. Consequences from the unprecedented event, demand for our vehicles, after-sales services, and spare parts is affected largely due to cautious consumer sentiments. A slowdown in the manufacturing and commercial sector in general, arising from restricted operating capacities and supply-chain disruptions, has affected our commercial vehicle and contract assembly businesses.

The Risk Management and Sustainability Committee ("RMSC") has identified key risk exposures arising from the Covid-19 outbreak and relevant KRIs have been established to identify any indication of increasing risk exposures in various areas of the business units. When the indicators trigger to an unacceptable level, remedial action are taken to address the areas of concern. The Group and the Board are committed to the monitoring and mitigation of these risks to safeguard and enhance Group's operational efficiency. Emphasis is placed on ensuring adequate business continuity with relevant initiatives activated.

Amongst the activities undertaken by the Group to mitigate the identified risks include the following:

- Active communication of the formalised Business Continuity Plan for Covid-19 and Standard Operating Procedures ("SOP") as preventive safety and health measures to combat Covid-19 in guiding all employees, customers, and visitors to comply with the regulatory requirements imposed by the Government on the Movement Control Orders.
- Continuous close monitoring of major business units on the implementation of their business continuity plans and business sustainability to mitigate the effect or impact from the uncertainty and rapidly changing Covid-19 pandemic situation.
- Active monitoring of business impact analysis and the business recovery plan; being watchful of emerging risks and challenges of the "new norms" faced by major business units in their business sustainability. Consistent updates of action status on the business continuity plan and recovery plans to the Board to enable the Group to enhance and redeploy its existing capabilities to accelerate business recovery.
- Active monitoring of liquidity risks and credit risks with proactive actions taken to mitigate the impact on the Group's financial performance and financial position, impacted by lower yield on the Group's products and services and current market sentiments.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, for inclusion in the Company's annual report for the year ended 31 December 2020, 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 and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management & 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 control 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 control is adequate and has operated effectively in all material aspects to safeguard the interests of shareholders and the Group's assets.

This Statement is dated 15 April 2021.

Additional Compliance Information

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

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2020 or entered into since the end of the previous financial year:

- (a) Subscription and Shareholders' Agreement dated 29 May 2020 between Warisan TC Holdings Berhad ("WTCH") and TC Capital Resources Sdn. Bhd. ("TCCR"), TCCL Sdn. Bhd. ("TCCL") (both wholly-owned subsidiaries of Tan Chong Motor Holdings Berhad ("TCMH")) and MUV Marketplace Sdn. Bhd. ("MUV") (a wholly-owned subsidiary of WTCH) to regulate the relationship of the parties as shareholders through the equity participation by TCCR and TCCL by way of subscription of 243,750 new ordinary shares each in MUV at a cash subscription consideration of RM7,500,187.50 to be paid by each of TCCR and TCCL (i.e. at a subscription price of RM30.77 per share).

Upon the completion of the subscription, WTCH holds 84.21% shares whilst TCCR and TCCL each hold 7.895% shares in MUV.

The above item was regarded as related party transaction by virtue of certain major shareholders and a Director in TCMH and WTCH having interest, direct or indirect, in the said transaction, namely:

- (1) Tan Chong Consolidated Sdn. Bhd. ("TCC") is a major shareholder of TCMH and WTCH; and
- (2) Dato' Tan Heng Chew, a Director of TCMH and WTCH, and Mr. Tan Eng Soon, the brother of Dato' Tan Heng Chew are major shareholders of TCMH and WTCH by virtue of their respective shareholdings in TCC pursuant to Section 8(4) of the Companies Act 2016.

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 2020 were as follows:

	Company	Group
	2020	2020
	(RM)	(RM)
Statutory audit fees	61,000	804,500
Non-audit fees *	15,000	198,444

- * The non-audit fees comprised mainly fees paid to KPMG PLT and their overseas affiliates for tax compliance, tax advisory services, transfer pricing study and review of statutory documents.

Additional Compliance Information

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

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

In preparing the financial statements for the financial year ended 31 December 2020, 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.