



TAN CHONG MOTOR HOLDINGS BERHAD

Registration No.: 197201001333 (12969-P)

THE INDELIBLE JOURNEY

ANNUAL REPORT 2019



NOTICE OF 48TH ANNUAL GENERAL MEETING

Date : Thursday, 6 August 2020
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

CORE VALUES



My Word Is My Bond

Trustworthiness & Integrity

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



Say It Out

Courage

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



Do More With Less

Frugality

The quality of being economical or prudent in savings and lack of wastefulness and being thrifty in spending Company's money.



What's Next

Innovation & Creativity

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



Always Online

24/7 Mindset

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



Never Give Up

Perseverance

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



Stay Focused!

Diligence

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

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ABOUT TAN CHONG MOTOR HOLDINGS BERHAD

Tan Chong Motor Holdings Berhad (TCMH) was incorporated in 1972 and listed on the Main Market of Bursa Malaysia Securities Berhad in 1974. Tan Chong Group was founded in 1957 when its Founder, the late Tan Sri Tan Yuet Foh began the journey to realise his vision of building a reliable and affordable automotive brand in Malaysia. Today, TCMH is a well-known Malaysia-based diversified multinational company and one of Malaysia’s largest conglomerates with businesses that operate across the globe.

TCMH is principally an investment-holding company. Its core businesses are focused on key sectors; from 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. TCMH also partners with some of the world’s leading brands to deliver quality products and services to our customers. Having achieved a notable market share for heavy commercial vehicles (HCV), light commercial vehicles (LCV) and buses, TCMH is recognised as one of the leading commercial vehicle distributors in Malaysia. TCMH is also the franchise holder and exclusive distributor of Nissan vehicles in Vietnam, Myanmar, Laos, Cambodia and Malaysia as well as Renault vehicles in Malaysia which are supported by an extensive network of sales branches, authorised dealership outlets and after-sales service centres nationwide.



ASSEMBLY AND MANUFACTURING

- ▶ Motor Vehicles

SALES AND DISTRIBUTION

- ▶ Passenger Cars
- ▶ Light Commercial Vehicles
- ▶ Trucks
- ▶ Buses

AFTER-SALES SERVICES

- ▶ Spare Parts
- ▶ Workshop

FINANCIAL SERVICES

- ▶ Hire Purchase
- ▶ Leasing
- ▶ Insurance Agency
- ▶ Money Lending

PROPERTY

- ▶ Investment

OUR GLOBAL PRESENCE

OVERSEAS' VENTURES

Having served Malaysian consumers for many decades, TCMH today has ventured and expanded the business overseas. As TCMH continues to grow through diversification, it has made significant inroads into the overseas market by expanding its automotive business operations overseas into emerging markets such as Vietnam, Cambodia, Myanmar and Laos. With the aim to provide excellent customer service to the overseas markets whilst benefitting from Tan Chong's

63-years of vast and in-depth vehicle distribution experience, TCMH is focused on network expansion by continuing to bring in the latest models to the respective countries. Today, it occupies a prominent presence in Vietnam and Myanmar with modern automotive assembly plants. TCMH will continue to contribute to the development and growth of the region's economy and investing community in which it operates.



Presence in over

6

countries

sales network covers more than

170

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*

SIEW KAH TOONG
*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*

AUDIT COMMITTEE

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

NOMINATING AND REMUNERATION COMMITTEE

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

BOARD RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

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

COMPANY SECRETARIES

Ho Wai Ming (MIA 12986)
Wong Poh Chun (MAICSA 7013841)

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Email : tcmh@tanchonggroup.com

SHARE REGISTRAR

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(11324-H)]
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AUDITORS

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Fax : +603 7721 3399

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in
Malaysia

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
[Registration no. 200301033577
(635998-W)] : Main Market
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 our Annual Report for the financial year ended 31 December 2019 as Tan Chong Motor Holdings Berhad (“TCMH”, “the Group”) continues to forge ahead, leveraging on our foundation in the regional markets and expansion of business networks.



REPORT OF THE BOARD OF DIRECTORS

The Group continues to make its mark in the domestic automotive scene, notwithstanding the highly competitive market conditions where businesses and consumers are seen to be more cautious and careful in their spending habits due to the current economic uncertainties.



On the global front, the on-going trade tensions between the economic superpowers continue to affect global trade and market volatility and impacting the direction of the Ringgit throughout 2019.

FINANCIAL PERFORMANCE OVERVIEW

The Group recorded a revenue of RM4.17 billion in FY2019 (2018: RM4.86 billion) with profit before tax of RM114 million (2018: RM179 million) despite the challenging market conditions. The Group continued to focus on ensuring financial sustainability with cost optimisation actions and practiced robust financial management policies throughout the Group. The Group has shareholders’ funds of RM3.0 billion with net asset per share of RM4.63 as at 31 December 2019.

DIVIDENDS

The Board recommended the payment of a final single tier dividend of 2.0 sen per share (2018: single tier dividend 2.0 sen per share) for shareholders’ approval at the forthcoming Annual

General Meeting. Combined with the interim single tier dividend of 2.0 sen per share (2018: interim single tier dividend 2.0 sen per share) paid on 30 September 2019, the total net dividend for the year is 4.0 sen per share (2018: 4.0 sen per share). The total net dividends paid and payable for FY2019 will be RM26 million (2018: RM26 million).

BUSINESS PERFORMANCE OVERVIEW

The domestic automotive industry continues to remain competitive where many choices are abound for the consumers. The Total Industry Volume (TIV) has remained flattish for the past few years in spite of the offerings in the market. In the post-tax holiday sales period where sales of new cars were front-loaded in 2018, consumers were more careful in their spending and shopping for offers in 2019. The much anticipated National Automotive Policy (NAP) 2019 did not materialise as the industry and consumers ruminate what the policy holds for them. On the back of these market conditions,

FY2019 recorded 604,287 new vehicles sold compared to 598,714 units in FY2018 [source: *Malaysian Automotive Association (“MAA”) Market Review for 2019 and Outlook for 2020 Report*]. This represents an improvement of 1% in new vehicles sold.

TCMH Group’s regional business expansion programme continues to be on track. Construction of the new automotive assembly plant in Bago, Myanmar has been completed in 2019 and is now operational. This new automotive assembly plant will be able to meet the demands of the Myanmar market and enable the Group to expand and capitalise on the growing automotive market in Myanmar. We expect this new plant will further strengthen the Group’s foothold in the emerging Myanmar market and the surrounding region.

TOTAL INDUSTRY VOLUME (2019 TIV)

604,287
 compared to 2018 TIV of 598,714 units

Nissan Motor Co Ltd (“NML”) has extended the joint-venture agreement with TCMH Group in Nissan Vietnam Co Ltd (“NVL”) until 30 September 2020 whereby TCMH Group will continue to manage the business operation of NVL to service the Vietnam market. TCMH Group will explore future business plans and opportunities in Vietnam with NML. TCMH Group will continue to leverage on the strategic partnership that has been built with NML for more than 60 years based on the foundation of mutual respect and understanding. The Group will continue to work closely with NML and strengthen this long-term partnership which has expanded across ASEAN.

PROSPECTS AND STRATEGIC DIRECTIONS GOING FORWARD

The looming geopolitical developments and trade tensions between economic superpowers USA and China in addition to the price fluctuations in commodities are expected to continue to be played out in 2020 fuelling further uncertainties in a fragile global economy battered by the unprecedented COVID-19 pandemic outbreak. This is expected to create constant background buzzing repercussions to the financial markets impacting foreign currencies markets.

The domestic automotive industry is expected to be subdued in 2020 as new vehicle sales are expected to be lower due to sluggish consumers’ sentiments and depressed economic conditions. As we begin a new decade with the onset of 2020, consumers’ behaviours are also foreseen to evolve with new patterns of cars ownership and mobility solutions driven by the changing consumers demographic. Consumers are likely to change their behaviours in order to adjust and adapt to a new normal in a world with COVID-19. Likewise, businesses would also have to adapt

to these changes. Digital technology will play an important role to drive these changes in the new normal. As such, we need to leverage on the technology platform to adapt to the new ways of conducting business operations.

As a result of the movement control order (MCO), economic and social activities came to an almost complete halt from 18 March 2020 to 12 May 2020 in order to contain and suppress the COVID-19 pandemic in Malaysia. This has severely hampered sales and production of vehicles in Malaysia. Even though the government has started to relax the control measures, the automotive sector is expected to experience even greater competitive pressure under these extremely challenging market conditions. However, the industry is expected to benefit from the sales tax exemption announced by the Prime Minister of Malaysia during his announcement of Short Term Economic Recovery Plan (PENJANA) on 5 June 2020. Against this backdrop for the domestic automotive industry, TCMH Group will maintain its cautious position under these challenging climates.

The Group has implemented business continuity plans during the MCO period and will follow through with the business recovery plans in the post-MCO period to overcome the challenges and focus on the key imperatives to ensure a sustainable position.

We believe the Group’s business fundamentals remain robust and are backed by the strong balance sheet and assets of the Group. This will ensure the Group’s overall strategy remains intact. We believe in the long term potential of Malaysia and the future growth of the regional markets.

TCMH Group remains committed to our roots in Malaysia while cultivating and branching out to the Indo-China

emerging markets such as Cambodia, Laos, Vietnam and Myanmar to capitalise on the automotive industry driven by strong economic growth. We have seen the improving sales and revenue contribution from these new markets to the Group. We are cautiously optimistic the prospects will continue to grow on the back of robust demand for new vehicles in a region that will adapt to the new normal and will continue its march to economic growth.

ACKNOWLEDGEMENT

The Board appreciates the unwavering support of the stakeholders in TCMH Group which include our valued principals, customers, business partners and loyal shareholders, for their confidence in the Group and looks forward to their continued support in the years to come. For our shareholders, bankers and financiers who have supported the Group with their investments, we remain committed to provide sustainable returns for their investments in our Group.

To the many dedicated staff of TCMH Group who continued to work tirelessly and faithfully in these testing times and build the Group’s foundation for the future, the Board extends its thanks to all management and staff of the Group for their perseverance, resilience and commitment. To my fellow Board members, I would like to express my gratitude for your valued advice, guidance and contribution to the Group as we chart the next course and continue TCMH Group’s journey.

On behalf of the Board,

DATO’ TAN HENG CHEW
President

11 June 2020

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MANAGEMENT REPORT AND LEADERSHIP

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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The one-off boost from the “tax holiday” sales in Financial Year (“FY”) 2018 saw the Group recording higher sales and better financial results compared to FY2019. The sales of new vehicles were pulled ahead in FY2018 as consumers rushed to enjoy the “tax holiday” sales which resulted in softer demand for new vehicles in the early part of 2019. The domestic automotive market was also highly competitive as automotive players campaigned hard to gain market share.

The Group remained resilient in these challenging times by leveraging on our core strategies and strengths to take advantage of the new business opportunities available.

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, so too must our Group continue to challenge ourselves to innovate and ensure we build a sustainable business model for the future.

STRATEGIC OVERVIEW



IMPROVE COMPETITIVENESS IN DOMESTIC MARKET

The Group continues to introduce new models into the automotive market such as the Nissan X-Trail Hybrid and the full electric vehicle, Nissan Leaf which have been well received by the consumers.

In addition, we have also started to innovate and explore new approaches in delivering mobility solutions to our customers by leveraging on technology. This includes the way the sales and distribution of vehicles are organised such as virtual cars showroom and also offering wider range of choices to customers to access the new vehicles such as subscription programmes. 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.



REGIONAL EXPANSION TO WIDEN THE Foothold IN ASEAN

The Group continues to remain committed to strengthening our foundations in the ASEAN market namely Vietnam, Myanmar, Laos and Cambodia as long-term strategic investments. The ever widening sales and distribution network supported by the after-sales service and spare parts, 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 POSITIVE CASH FLOW POSITION AND COST OPTIMISATION

The Group continues to focus on ensuring a sustainable and solid financial position in FY2019. The Group has a strong financial position and is backed by a strong asset base. The Group’s net asset position improved to a healthy RM3.0 billion at the end of FY2019 (2018: RM2.8 billion).

GROUP’S NET ASSET POSITION

RM3.0 BILLION

2018: RM2.8 billion

MANAGEMENT DISCUSSION AND ANALYSIS



GROUP FINANCIAL PERFORMANCE REVIEW

For FY2019, the Group recorded revenue of RM4,172 million (2018: RM4,858 million) arising from lower sales units and profit margin was lower due to the highly competitive business environment bundled with softer consumer sentiment and weaker Ringgit. Despite these challenges, the Group recorded Profit Before Tax (“PBT”) of RM114 million (2018: RM179 million) and Net Profit of RM47 million (2018: RM103 million). FY2019 earnings per share was 6.69 sen compared to FY2018 earnings per share of 16.23 sen.

The financial position of the Group remains strong with shareholders’ funds at RM3,008 million (2018: RM2,819 million), cash and cash equivalents of RM408 million (2018: RM522 million) and net gearing ratio of 0.42 times of shareholders’ funds as at 31 December 2019 (2018: 0.31). Net asset per share was RM4.63 (2018: RM4.35). The Group

undertook a revaluation exercise on its properties classified under its property, plant and equipment and investment properties to reflect their current market value. The revaluation surplus (net of deferred tax) of RM149.7 million has been incorporated into the consolidated financial statements for the financial year ended 31 December 2019.

SHAREHOLDERS’ FUNDS (FY2019)

RM3,008 MILLION

compared to RM2,819 million in FY2018

NET ASSET PER SHARE (FY2019)

RM4.63

compared to RM4.35 in FY2018

BUSINESS PERFORMANCE AND MARKET OUTLOOK

AUTOMOTIVE DIVISION – PASSENGER VEHICLES

2019 Nissan Business Performance and 2020 Market Outlook

2019 Business Performance

In 2019, concerns about the US-China trade war, the moderating global economic growth, and geopolitical uncertainties, had impacted the growth of our country’s economy which resulted in another challenging year for the automotive industry.

Besides the global economic slowdown, Malaysia also faced several domestic issues such as rising cost of living, Ringgit depreciation against major foreign currencies, lower business confidence as well as weaker consumer sentiment. Our economic growth continued to drop year on year

MANAGEMENT DISCUSSION AND ANALYSIS

(y-o-y), 4.3% for 2019, down 0.4% from 4.7% in 2018. The GDP growth recorded was the lowest since the global financial crisis in 2009 [source: Bank Negara Malaysia].

In spite of this, the local automotive industry remained resilient, achieving three (3) straight years of growth in new vehicle sales and surpassing the 600,000 unit level, 1% growth compared to 2018. The Total Industry Volume (TIV) of new motor vehicles registered in 2019 reached 604,287 units which is 5,573 units higher compared to 598,714 units registered in 2018. However, this growth was driven predominantly by the new models from the national brands [source: Malaysian Automotive Association].

The overall performance of Nissan in 2019 has softened in tandem with the weaker consumer sentiment and tight lending guidelines, with registration of 21,239 new vehicles, lower by 7,371 units i.e. 25.8% reduction compared to year 2018. This has resulted in Nissan attaining a lower market share in 2019 at 3.5% compared to 4.8% in 2018. Nonetheless, Nissan remained in the top three non-national vehicle brands and still steadily maintained its fifth position in overall market performance in 2019.



Nissan has a full model line-up that covers almost all segments in the market (Passenger Cars, MPV, SUV, Pick-up and Van). Amongst the current line-up, the best-selling Nissan models are Nissan Serena (MPV), Nissan Almera (B-Sedan), Nissan Navara (Pick-up) and the new Nissan X-Trail (SUV).

In terms of segment performance, the Nissan Serena S-Hybrid ranked first in the Mid-size MPV Segment since the model was launched in May 2018, while Nissan Almera and X-Trail ranked third in the B-Sedan and C-SUV segments respectively for non-national makes.

2020 Market Outlook

With the moderate growth seen in 2019, the local automotive industry in

2020 is expected to remain challenging. Apart from geopolitical tensions and COVID-19 virus outbreak, the traditional risks such as the rising cost of living, continued tightening of loan approval policy, the weaker Ringgit and intense competition amongst automotive companies will continue to exert pressure on the growth of this sector.

Nissan remains optimistic with plans to launch new models in 2020. A Full Model Change (FMC) core model i.e. the all-new Nissan Almera is expected in the second-half of 2020. It is anticipated to create further excitement in the biggest and highly competitive B-Sedan segment with its breakthrough design and advance Nissan Intelligent Mobility (NIM) drive assist technologies. The recent launch of this model in other markets has already gained positive reviews among motoring journalists and car buyers alike, and the lower engine capacity turbocharged engines would be a big attraction among our cost conscious buyers.

2019 Renault Business Performance and 2020 Market Outlook

2019 Business Performance

2019 was a breakthrough year for our Renault business division which moved away from its brick and mortar



MANAGEMENT DISCUSSION AND ANALYSIS

business of selling vehicles, relying on branch and hire-purchase loans to drive sales, into the introduction of vehicle subscription programme called “Renault Subscription - Welcome to Freedom”, the first automotive company in Malaysia to offer such a service. It is a type of subscription based business model where a customer pays a periodic fee for the use of one or more vehicles without the need to worry about vehicle depreciation and other ownership issues such as service, maintenance, insurance and road tax, as these are being taken care of by our Renault division which retains ownership of the vehicles. It is a flexible and alternative way to owning a car, completely different compared to being locked down to a long-term hire-purchase loan.

Renault business division has also set up a Digital Engagement Centre to complement the digitalisation of our operations and have actively tapped on social media for brand building and to engage with the targeted customer

For FY2019, we had garnered

423 units of retail sales and
567 units under subscription programme, grabbing market share from its direct competitors

segment. For FY2019, we had garnered 423 units of retail sales and 567 units under subscription programme, grabbing market share from its direct competitors.

2020 Market Outlook

Year 2020 will continue to be one of opportunity for Renault. The Subscription offering will continue to expand, with the support of digital technology and great products and services. We will start by further digitalising our operations with the introduction of our own Online Store in February 2020, allowing full transaction of sales and subscription to be conducted through the internet. The

Renault E-Store is expected to be the pioneer in Malaysia, enabling interested buyers to enjoy fully digitalised end-to-end customer experience in car subscription and/or purchase. We will also be stepping up on the Renault Subscription with enhanced user experience through a newly developed mobile application and new packages for customers. To further increase reach amongst a wider base of customers, we will be introducing Pre-Owned Renault Subscription plan which focuses on affordability with various commitment tenures of weekly, monthly and yearly periods.

To continue to offer services that customers appreciate, we will be launching our Door-2-Door concierge service to support customers in picking and delivering cars for servicing and new deliveries which customers can easily book via the Renault E-Store. This initiative, along with the Renault E-Store will offer customers quick convenience from the comfort of their homes.



2019 Vietnam Business Performance and 2020 Market Outlook

2019 Business Performance

In 2019, the Vietnam TIV had shown a growth of 11.7% (2018: 5.84%). In correlation to the TIV growth, the Nissan CBU sales had increased by 28.3% with the Nissan Navara model continuing to be the main sales contributor in 2019. The new MC model Navara A-IVI which was launched in 2019 is equipped with the latest Nissan technology known as Nissan Intelligent Mobility (“NIM”). The Navara A-IVI Black Series was also showcased in the 2019 Vietnam Motor Show.

The Nissan CKD recorded lower sales volume in 2019. This was ascribed to the closure of our Vietnam plant to accommodate expansion and refurbishment works from June 2019 to September 2019. With the completion of the said expansion and refurbishment works, there was an increase of 150% in the plant’s monthly production capacity and the paint shop had been extensively upgraded with automation.

On our dealers’ network, we have successfully expanded our 3S Nissan authorised dealerships in the northern region of Vietnam from twenty-three (23) in 2018 to twenty-five (25) in 2019 with two (2) additions.

2020 Market Outlook

In anticipation of additional regulations and guidelines to be introduced by the Vietnam Government in 2020 following the announcement of Vietnam Automotive Policy (“VAP”), we believe our automotive assembly plants in Vietnam would be in a position to leverage on and align with the VAP for competitive advantage.



We believe that the timely expansion of our plant facilities which are in line with the VAP will support the Group’s participation in the local automotive industry.

2019 Laos Business Performance and 2020 Market Outlook

2019 Business Performance

In 2019, Laos business division achieved an increase in sales by 25% year-on-year (“y-o-y”) partly contributed by realisation of a full year sales for Nissan Terra, a large SUV, and improvement of sales due to adoption of the Regional Market Coverage Plan by locating the outlets in major cities as well as expanding sales and marketing activities through various provincial roadshows to reach out to smaller townships, given that the population is scattered throughout the vast country.

In addition, Laos business division continued to embark on aggressive digital marketing such as social media, mobile, video, email marketing, etc. to reach out to more customers. These digital marketing initiative increases the outreach of the brand visibility and

sales prospects. Among the initiatives were the New Year sales activities, continual roadshows and test-drives for X-Trail, Navara and Terra to entice customers to have a hands-on experience, use of the showrooms as community collection centres for flood relief and donation, utilising Nissan vehicles to deliver the flood donation relief to affected provinces as well as organising a “Win-A-Nissan Terra Lucky Draw Campaign”.

2020 Market Outlook

Macroeconomics growth in Laos is projected to improve moderately in 2020, with forecasted growth of around 6.5%. This growth is backed by several key drivers including newly completed hydropower projects, infrastructure spending, small and medium-sized enterprises and the burgeoning tourism and agriculture sectors, which contribute to an overall positive market sentiment.

MANAGEMENT DISCUSSION AND ANALYSIS



We remain confident on the 2020 outlook and would introduce additional model variants in order to compete in the market, albeit an expected consolidation in the automotive market with more stringent loan approval process and fierce competition in the industry.

In 2019, our y-o-y sales continued to grow upwards by an increase of 39%. The year recorded a full year sales for Nissan Terra, being the main contributor to the overall sales growth

2019 Cambodia Business Performance and 2020 Market Outlook

2019 Business Performance

In 2019, Cambodia’s business division’s sales continued to grow upwards by 39% y-o-y. The year recorded a full year

sales for Nissan Terra, being the main contributor to the overall sales growth.

Our growth was also attributed to a series of aggressive integrated sales and marketing initiatives introduced to strengthen Tan Chong and Nissan brand sales momentum. Two (2) major milestones achieved during 2019 were the official opening of a new Nissan Showroom at Russian Federation Boulevard, Phnom Penh, Kingdom of Cambodia and the winning of the 2019 Nissan Global Award for National Sales Company for second consecutive year.

2020 Market Outlook

In 2020, the economy of Cambodia is expected to consolidate in moderation for export growth. The GDP is expected to be 6.5% in 2020 (2019: 7.0%).

Nonetheless, we remain confident that we are able to achieve good performance with our robust sales and marketing plans in 2020 coupled with our new and modern showroom at Russian Federation Boulevard. Plans for additional model variants are also in the pipeline to sustain the sales momentum.

2019 Myanmar Business Performance and 2020 Market Outlook

2019 Business Performance

2019 was an eventful year for Myanmar business units where we launched the Nissan Terra, a new large SUV in February and won the “Best Large-Size Family SUV Category” in Myanmar Car of The Year Award 2019.

We expanded the market coverage with two (2) new dealerships opened in Nay Pyi Taw and Mandalay in Q2 2019 and Q4 2019 respectively. Both markets have since gained momentum through sales and marketing activities and contributed positively to Myanmar’s business overall financial performance.

In view of the rapid expansion, we have relocated the headquarters to a new double-storey building along a prominent street near Asia World Port Terminal in Q4 2019 to accommodate more employees and provide better service to customers.

In addition, the assembly plant had been relocated from the existing plant in Hlaing Thar Yar to a full-fledge assembly

plant in the industrial area of Bago Region in Q3 2019, ready for higher production volume of vehicles.

Full-fledge assembly plant in the industrial area of Bago region



2020 Market Outlook

In 2020, Myanmar's economy is projected to grow by 6.6%, backed by the momentum of building reforms, planned large-infrastructure projects and investment in sectors undergoing liberalisation.

With the introduction of the latest Myanmar Auto Policy, we foresee more models to be introduced in the market in 2020 and thus creating intense competition among players.

Despite the geopolitical tensions, we remain optimistic that current momentum will be sustained via a series of robust sales and marketing activities, introduction of additional model variants as well as incremental sales from the two (2) new dealerships appointed in 2019.

AUTOMOTIVE DIVISION – COMMERCIAL VEHICLES

2019 Trucks & Buses Commercial Vehicle Business Performance and 2020 Market Outlook

2019 Business Performance

Despite the anticipated challenging market conditions in 2019, the Group's commercial vehicle division (truck division) was able to adhere to its strategic plans through focusing primarily on the distribution and after-sales service for trucks and buses category in the country as well as identified strategic partners to expand market and customer base. The manufacturing arm of the truck and bus commercial division continued to address challenges by focusing on quality improvements, after-sales service support and the launch of an all new double-decker body.

Truck division had in 2019 successfully gained access into Thailand market with fleet orders of thirty-five (35) units.

Truck division also continued its focus on the growth of the commercial vehicle segment by introducing new models. The New Quester with enhancements to the existing Quester heavy-duty truck was introduced at the Malaysia Commercial Vehicle Expo 2019 held at the MINES International Exhibition & Convention Centre in June 2019. The New Quester will enable logistics companies in Malaysia to tackle critical industry challenges and boost their bottom line through Smart Logistics. It represents an evolution to smarter solutions in today's transport challenges. Building on proven robustness and reliability, New Quester introduces key features such as automated manual transmission,

retarder, electrical cab tilt, engines with higher horse-power and user-friendly telematics. These delivered greater productivity, fuel efficiency, uptime, driver efficiency and safety.

The new King Long bus chassis launched by King Long is made available in two (2) variants, namely the premium and standard specifications, aimed at fleet owners and tour and travel operators. The new bus chassis is designed to provide customers with reputable and reliable bus chassis solutions for various applications to meet our customers' business demands. It offers excellent innovation for efficient mobility and better movement. This is the bus chassis that will set new benchmarks in bus performance, comfort, reliability, durability and safety, which are highly essential aspects in the bus industry.

2020 Market Outlook

Notwithstanding the challenging and uncertain economic environment in 2020, and barring any unforeseen circumstances, it is expected that there will be business growth in logistics and industries that provides essential services, palm oil industry and infrastructure and construction projects.

Truck division aspires to leverage on the above activities to grow its trucks business portfolios in 2020, whilst 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.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSEMBLY AND MANUFACTURING DIVISION

2019 Business Performance

The Group’s Assembly and Manufacturing Division continued to focus on operating on two (2) automotive assembly plants. Some of the key achievements of the division in 2019 include:

- a) Commencement of the assembly of Nissan X-Trail Minor Change with additional Hybrid variant and equipped with Nissan Intelligent Mobility features at Serendah Plant.
- b) Commencement of the assembly of UD Kuzer light commercial vehicle (“LCV”) and Quester Prime Mover 4AT/MT at Segambut Plant.
- c) Gold Award from the Regional Team Excellence Convention organised by the Malaysia Productivity Corporation held in July 2019.
- d) 5-Star Award from the National Team Excellence Convention held in November 2019.

Cost and productivity have always been the key focus of the Assembly Division. In view of the ever rising cost of production, prudent measures have been taken by the division to mitigate the cost impact with initiatives that include:

- a) Investment in automation through installation of seven (7) units of robots in bodyshop.
- b) Adoption of LEAN initiative in manufacturing operation such as inventory control and cost reduction activities through identified and reduced waste.
- c) Integration of in-house developed Poka-Yoke Systems (Error-proof) into existing assembly processes to guarantee the first step assembly quality.
- d) Expansion of Integrated Factory Automation with in-house developed Automated Guided Vehicle for efficient parts supply and Low Cost Automation such as Karakuri and Minomi racking system to reduce non-value added motions of human and implementation of the Nissan

Quality Assurance Requirements / Quality Assurance Level system to further enhance the quality level of vehicles assembled.

The Human Resource Development programme is also one of the focuses of the division in 2019. This is to prepare our talents for the future in order to remain competitive in the automotive assembly business.

Some of the crucial training programmes which had been rolled out in 2019 include:

- a) Nissan Important AB Auditor Certification.
- b) Alliance Production Way (“APW”), Daily Management Diagnosis, Shop Floor Management System.
- c) Nissan Industrial Engineering Expert Certification.
- d) Nissan QAR/QAL System Training.

Aside from the above, Quality Control (“QC”) Story approach has also been utilised as a tool adopted from APW on troubleshooting and production process improvements that arise from the shop floor.

2020 Market Outlook

2020 remains challenging for the automotive assembly business with foreign currency exchange rate volatility expected to continue, the end-of-production for certain models as well as increase in minimum wage in Year 2020. The profit margin in assembly business will further be affected by the volatility of volume due to cautious consumer spending behaviour over higher cost of living.



Notwithstanding this, the division will continue to explore business opportunities for the manufacturing and assembly services and mitigate the cost impact through continuous focus on cost-saving and productivity enhancing initiatives.

In addition, the incoming new models are expected to improve the assembly volume with some of the new models already in assembly test runs and facilities upgraded to complement it in early 2020.

AFTER-SALES SERVICE DIVISION

2019 After-Sales Service Business Performance and 2020 Market Outlook

2019 Business Performance

Amidst a challenging business environment in 2019, the after-sales service division achieved encouraging business performance during the financial year under review albeit at a slower pace. Despite declining Units in Operation (“UIO”) over that last three years, the after-sales service business unit overall revenue managed to increase by 3% compared to FY2018. The revenue increase came mainly from the Body & Paint (“B&P”) business segment which continued to register growth over the previous year.

Key reasons for the growth in B&P revenue are mainly attributed to the diligent implementation of our midterm plans on B&P business and one of the key actions is to expand our network of B&P Centres and standalone B&P Hubs.

Currently, we have a total of twenty-three (23) B&P centres nationwide. B&P business revenue contribution towards



overall total revenue increased over last year and now B&P contributes a healthy portion to our total after-sales service revenue. Although UIO for the after-sales service business declined compared to 2018, we still managed to achieve increase of after-sales service revenue compared to last year due to better marketing campaigns and customer retention activities.

Technology is driving more informed customer decisions. As we are conscious of the rapid advancement of technology and the importance of digitalisation in our business, our first mobile app, ‘DriveOn’, was launched in 2019 to provide real-time convenience for customers to plan their vehicle maintenance and increase efficiency. We strive to continuously provide value to our customers before and after-sales, with the aim of retaining our customers via various marketing enhancement strategies such as exclusive membership that offers 24-hour road assistance, towing and minor on-the-spot repair services throughout Malaysia and also extended warranties.

2020 Market Outlook

Amidst a challenging business environment, the UIO is forecasted to decrease in 2020. We remain cautiously optimistic of the prospects ahead as the industry will continue to see margin pressure due to the intense competition and uncertainties surrounding the local and global economy.

After-sales service is part of the Group’s “Brand Promise” and a sound and consistent after-sales service often contributes to a sustainable competitive advantage for the Group. Hence, we will continue to challenge the status quo by improving and refurbishing our facilities to ensure high standards of quality and service. We will also implement best practices to improve our operational efficiency and cost competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL SERVICES DIVISION

2019 Financial Services Business Performance and 2020 Market Outlook

2019 Business Performance

The consumer credit financing division continued to diversify into the used car financing segment which broadened its net interest margin. As a result, the business unit recorded a 34% growth in PBT in FY2019 compared to FY2018. In addition, the growth in used car financing segment enabled healthy spread of vehicle range, shorter financing terms and breaking up into smaller financing size in the overall portfolio. In terms of credit underwriting, it had persisted in moving forward with greater vigilance towards loan issuance and refining credit policies for more desirable asset quality. At the end of FY2019, total

net hire-purchase (HP) receivables amounted to RM647 million.

For our insurance division, despite having registered a lower revenue in FY2019 due to lower new car sales and take-up rate in its extended warranty programme, a higher premium rate and better retention rate was achieved from the renewal of motor insurance following the launch of NISCARE programme for Nissan customers and through better promotion of aggregator pricing platform that enabled generation of multiple motor insurance quotations in a single click.

2020 Market Outlook

The financial lending for FY2020 is expecting weaker growth due to the potential slowdown in the economy. The business unit is prioritising liquidity by establishing more proactive measures in collection and recovery to navigate through the challenging

landscape. Simultaneously, the financing guidelines shall be more stringent to minimise the risk of asset deterioration in the face of a potential weaker economic environment. The business unit will continue to be more cautious in lending and building resilience in the operations in the coming year.

For the insurance division, it is expecting stiffer market conditions that could lead to lower premiums generated from new vehicles whilst focusing on maintaining renewals and retention rates. The emphasis in 2020 will be to grow new channels and new markets, leveraging on our expanding telemarketing capabilities, non-motor products, and new digital aggregator platform. Working closely with the insurance principals to develop new products and services will continue to be a core strategy to meet the changing needs of our customers going forward.



HUMAN RESOURCES

As we move into 2020, with our focus on the Group's business growth strategies and in anticipation of economic challenges in the region, Group Human Resources continues to focus on capability building and retention of talents. This is in line with the Group's long term focus on talent management and sustainability.

The foundations for talent management and succession planning are also being put in place with the intent that we will have clarity on the identified talents and their development and retention programmes. These talents will be critical in driving the Group's success and sustainability in the future.

CONCLUSION

During the financial year 2019, the global trade tensions had caused market uncertainties, impacting the domestic economic conditions which saw more cautious business and consumer sentiments. The domestic automotive market experienced highly competitive trading conditions with various brands vying for market positions.

While the recent announcement of the National Automotive Policy 2020 has provided some measures of clarity and direction for the next level of the automotive industry development, the domestic automotive industry outlook is expected to be challenging in 2020 as consumers' spending is anticipated to be cautious due to the current economic and market uncertainties. Business confidence and consumer sentiment have been greatly impacted by the ongoing COVID-19 virus outbreak both regionally and globally.

The COVID-19 pandemic poses an unprecedented medical emergency around the world as most countries were forced to impose lock down measures to control the outbreak. Malaysia was no exception as the government has imposed the Movement Control Order ("MCO") since 18 March 2020 in order to contain the spread of the virus. This was an extraordinary situation as economic and social activities came to a halt as a result of the MCO. During the MCO period, sales and production operations were hampered as these activities were not allowed to operate. In the later phases of the MCO, the authorities permitted automotive repairs and maintenance activities to

resume. Certain of the Group's service centres and spare parts centres were eventually permitted to resume operations albeit with limited capacity.

The Group's business continuity plans were activated during the MCO period. Leveraging on digital technology, our business adapted by continuing sales and marketing activities online via virtual car showrooms and social media to connect and communicate with customers and to garner sales bookings. Cost containment measures were activated immediately and continuous monitoring of the supply chain of parts and components is carried out to avoid any disruption to the production. These measures and activities are expected to continue and will be reviewed and refined throughout the year to ensure the Group maintains a sustainable financial position.

The countries in which the Group has business operations such as Vietnam, Laos, Cambodia and Myanmar have also implemented lock down measures of varying degrees. Considering these countries were affected to a lesser extent by the COVID-19 pandemic, some of our business operations were able to continue with limited capacity while observing stringent health and safety protocols to ensure the well-being of our customers and staff. The diversification of operations into the regional countries has also helped the Group to mitigate the COVID-19 impact on our business. Similarly, the various economic and social activities in these markets will also have to adapt to the new normal. We will continue to monitor the developments in these countries and implement the necessary counter measures to ensure operational sustainability.

MANAGEMENT DISCUSSION AND ANALYSIS

Although Malaysia has commenced on the recovery phase of the MCO (RMCO) from 10 June 2020, whereby most economic and social activities have been allowed to resume, there are still uncertainties as businesses and consumers alike need time to familiarise and adjust to a new normal. Bank Negara Malaysia expected Malaysia's gross domestic product (GDP) growth in 2020 to be between -2.0% and 0.5% due to the COVID-19 pandemic. Apart from Malaysia, most of the countries around the world have also started to relax the lock-down measures to revive their battered economy.

In a move to revitalise demand in the domestic auto sector, the government had on 5 June 2020 announced that sales tax will be fully exempted for completely knocked-down (CKD) passenger vehicles and

halved exemption for fully-imported, completely-built-up (CBU) passenger vehicles from 15 June to 31 December 2020. At the start of the year, Malaysian Automotive Association ("MAA") had forecasted a Total Industry Volume ("TIV") of 600,000 units for year 2020. Due to the COVID-19 situation, it was reported that MAA has revised the TIV to 400,000, a downward revision of 33% as sales activities were hampered by the MCO which started on 18 March 2020 and weaker consumer sentiment and economic downturn. It is hoped that the sales tax exemption will provide a booster to the domestic automotive industry.

The Group has been taking active measures to improve its competitiveness in the domestic market with the expected launch of new models in the coming quarters. Simultaneously, we will continue to

maintain our focus on the key business strategies to drive the Group's vision forward. We will continue to strengthen the network of sales and distribution supported by the after-sales service and spare parts operations in the domestic and overseas automotive markets. The automotive assembly plants established in key overseas markets such as Vietnam and Myanmar will form one of the strategic investments for the Group.

The Group will maintain its cautious position under this challenging climate and will remain committed to growing both its businesses in Malaysia and overseas markets in Vietnam, Laos, Cambodia and Myanmar whilst ensuring the sustainable financial position for the Group and all its stakeholders.



EIGHT-YEAR FINANCIAL HIGHLIGHTS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| RESULTS | | | | | | | | |
| Revenue | 4,172,447 | 4,858,206 | 4,341,228 | 5,460,757 | 5,716,654 | 4,760,628 | 5,198,491 | 4,087,883 |
| Profit/(Loss) before tax | 114,327 | 178,586 | (72,811) | (43,080) | 115,252 | 170,845 | 360,122 | 225,351 |
| Tax expense | (67,635) | (76,049) | (23,578) | (15,954) | (45,350) | (51,191) | (124,495) | (61,803) |
| Profit/(Loss) for the year | 46,692 | 102,537 | (96,389) | (59,034) | 69,902 | 119,654 | 235,627 | 163,548 |
| Profit/(Loss) attributable to: | | | | | | | | |
| Owners of the Company | 43,645 | 105,932 | (88,597) | (54,943) | 74,865 | 105,853 | 250,952 | 165,855 |
| Non-controlling interests | 3,047 | (3,395) | (7,792) | (4,091) | (4,963) | 13,801 | (15,325) | (2,307) |
| STATEMENT OF FINANCIAL POSITION | | | | | | | | |
| Assets | | | | | | | | |
| Property, plant and equipment | 2,250,999 | 1,773,114 | 1,825,620 | 1,863,022 | 1,704,190 | 1,731,688 | 1,693,133 | 858,730 |
| Investment properties | 216,725 | 207,376 | 202,000 | 198,766 | 186,633 | 173,078 | 44,671 | 51,979 |
| Prepaid lease payments | - | 43,436 | 45,609 | 51,343 | 49,798 | 44,524 | 24,270 | 16,535 |
| Intangible assets | 759 | 759 | 14,592 | 14,592 | 14,592 | 14,592 | 14,592 | 13,944 |
| Equity-accounted investees | 61,811 | 57,914 | 45,797 | 42,891 | 40,415 | 36,793 | 33,918 | 30,409 |
| Other investments | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Deferred tax assets | 95,741 | 96,075 | 67,098 | 62,761 | 35,722 | 34,787 | 26,397 | 24,339 |
| Hire purchase receivables | 551,779 | 655,383 | 745,066 | 460,399 | 369,507 | 350,594 | 376,451 | 251,153 |
| Finance lease receivables | - | - | 585 | 162 | 9,153 | 636 | 1,504 | 2,378 |
| Total non-current assets | 3,177,814 | 2,834,058 | 2,946,368 | 2,693,937 | 2,410,011 | 2,386,693 | 2,214,937 | 1,249,468 |
| Current assets | 2,655,401 | 2,640,647 | 2,449,274 | 2,882,708 | 2,761,369 | 2,619,869 | 2,767,454 | 2,716,737 |
| Total Assets | 5,833,215 | 5,474,705 | 5,395,642 | 5,576,645 | 5,171,380 | 5,006,562 | 4,982,391 | 3,966,205 |
| Equity and Liabilities | | | | | | | | |
| Share capital | 336,000 | 336,000 | 336,000 | 336,000 | 336,000 | 336,000 | 336,000 | 336,000 |
| Reserves | 2,708,944 | 2,525,874 | 2,485,161 | 2,562,520 | 2,485,524 | 2,443,592 | 2,397,733 | 1,656,023 |
| Treasury shares | (25,364) | (25,283) | (25,282) | (25,278) | (25,274) | (24,990) | (24,809) | (24,795) |
| Total equity attributable to owners of the Company | 3,019,580 | 2,836,591 | 2,795,879 | 2,873,242 | 2,796,250 | 2,754,602 | 2,708,924 | 1,967,228 |
| Non-controlling interests | (11,548) | (17,733) | (14,511) | (8,952) | (1,602) | 5,951 | (6,761) | 2,638 |
| Total equity | 3,008,032 | 2,818,858 | 2,781,368 | 2,864,290 | 2,794,648 | 2,760,553 | 2,702,163 | 1,969,866 |
| Non-current liabilities | 926,798 | 804,718 | 986,104 | 975,021 | 1,013,524 | 1,101,119 | 491,679 | 412,471 |
| Current liabilities | 1,898,385 | 1,851,129 | 1,628,170 | 1,737,334 | 1,363,208 | 1,144,890 | 1,788,549 | 1,583,868 |
| Total Equity and Liabilities | 5,833,215 | 5,474,705 | 5,395,642 | 5,576,645 | 5,171,380 | 5,006,562 | 4,982,391 | 3,966,205 |
| FINANCIAL STATISTICS | | | | | | | | |
| Basic earnings/(loss) per share (sen) | 6.69 | 16.23 | (13.57) | (8.42) | 11.47 | 16.22 | 38.44 | 25.41 |
| Gross dividend per share (sen) | 4.00 | 3.00 | 2.00 | 4.00 | 5.00 | 6.00 | 21.00 | 12.00 |
| Net assets per share (RM) | 4.63 | 4.35 | 4.28 | 4.40 | 4.28 | 4.22 | 4.15 | 3.01 |
| Return on invested capital (%) | 2.15% | 4.63% | -0.44% | 0.36% | 3.07% | 4.29% | 9.26% | 8.88% |
| Return on shareholders equity (%) | 1.49% | 3.76% | -3.13% | -1.94% | 2.70% | 3.87% | 10.73% | 8.71% |
| Net debt/Equity (%) | 42.44% | 30.82% | 47.06% | 54.88% | 47.21% | 34.28% | 36.41% | 29.54% |

* The comparatives of statement of profit or loss and statement of financial position have not been restated for the adoption of new accounting standards.

X-Trail X-Tremer - A Bold & Aggressive SUV

Showcasing a more aggressive appearance with a distinctive Black Silhouette Roof, Roof Rails and Door Mirrors, the New X-Trail X-Tremer is designed to turn heads. A New Gloss Black V-Motion Grille Cladding, Gloss Black TOMEI AeroKit and Alloy Wheels further enhance this distinctive character, while its luxurious Brown Nappa Leather interior exudes sophistication.



PROFILE OF DIRECTORS

DATO' TAN HENG CHEW JP, DJMK



APPOINTMENT TO THE BOARD | 19/10/1985

Dato' Tan Heng Chew, JP, DJMK, 73, a Malaysian, Male, was appointed to the Board on 19 October 1985 and was subsequently appointed as the Executive Deputy Chairman on 1 January 1999. He was re-designated as the Executive Deputy Chairman and Group Managing Director on 1 July 2012. His corporate title was changed to President effective 1 January 2015. He is a member of the Board Risk Management and Sustainability Committee.

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

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

Dato' Tan is the spouse of Dato' (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 six (6) Board meetings held in 2019.

Dato' Ng Mann Cheong DSSA, SMP, JP



APPOINTMENT TO THE BOARD | 31/07/1998

Dato' Ng Mann Cheong, DSSA, SMP, JP, 75, a Malaysian, Male, was appointed to the Board on 31 July 1998. He is the Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed. He is the Chairman of the Nominating and Remuneration Committee, and a member of the Audit Committee and 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 six (6) Board meetings held in 2019.

PROFILE OF DIRECTORS

SIEW KAH TOONG



APPOINTMENT TO THE BOARD | 01/07/2010

Siew Kah Toong, also known as David Siew, 65, a Malaysian, Male, was appointed to the Board on 1 July 2010. He is an Independent Non-Executive Director, the Chairman of the Audit Committee, and a member of the Nominating and Remuneration Committee and the Board Risk Management and Sustainability Committee.

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

Mr. Siew joined Sekhar & Tan, Chartered Accountants in 2009 and is the Managing Partner. Prior to that, he served as the Managing Partner of BDO, one of the leading accounting firms in Malaysia.

He has many years of experience in auditing, financial reporting and corporate advisory and has served as the audit engagement partner on many public listed companies. Mr. Siew was also involved in the role of Special Administrator for several public listed companies pursuant to the Pengurusan Danaharta Nasional Berhad Act, 1998 and successfully restructured them for re-listing. He served for four (4) years as the Finance Director of Malaysian Mosaics Berhad where he was involved in the reorganisation of the Group, restructuring of banking and financing arrangements and mergers and acquisitions besides improving the financial reporting systems.

Mr. Siew is also an Independent Non-Executive Director of Fraser & Neave Holdings Bhd and Great Eastern Life Assurance (Malaysia) Berhad. He was previously an Independent Non-Executive Director of Wing Tai Malaysia Berhad.

Mr. Siew attended all the six (6) Board meetings held in 2019.

DATO' (DR.) KHOR SWEE WAH @ KOH BEE LENG DJMK



APPOINTMENT TO THE BOARD | 22/03/2013

Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng, also known as Dato' (Dr.) Rosie Tan, DJMK, 71, a Malaysian, Female, was appointed to the Board as Executive Director on 22 March 2013. Her corporate title was changed to Executive Vice President on 1 January 2015 and 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 University Utara Malaysia.

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 40 years' stint in the Group, she managed the multi-currency exposure of the Group and introduced the use of various innovative hedging products as part of her efforts in 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 six (6) Board meetings held in 2019.

HO WAI MING



APPOINTMENT TO THE BOARD | 22/03/2013

Ho Wai Ming, also known as Daniel Ho, 49, a Malaysian, Male, was appointed to the Board as Executive Director and Group Financial Controller on 22 March 2013 and 1 April 2013 respectively. His corporate title was subsequently changed to Chief Financial Officer effective 1 January 2015. He was appointed as the Group Chief Executive Officer with effect from 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.

Mr. Ho attended all the six (6) Board meetings held in 2019.

LEE MIN ON



APPOINTMENT TO THE BOARD | 28/11/2016

Lee Min On, 60, a Malaysian, Male, was appointed to the Board on 28 November 2016. He is an Independent Non-Executive Director, the Chairman of the Board Risk Management and Sustainability Committee, and a member of the Audit Committee and 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. He is also an audit committee member 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 six (6) Board meetings held in 2019.

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 2019.

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 23 to 25 in the Annual Report 2019, and the following Senior Management Personnel:



CHONG CHOON YENG

Chief Financial Officer (*w.e.f. 14 May 2020*)
Aged 48, Male, Malaysian



Qualification:

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



Present Directorship(s):

Listed Entity: Nil
Other Public Companies: Nil

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.



NICHOLAS TAN CHYE SENG

Head of Financial Services Division
(*w.e.f. 5 March 2012*)
Aged 46, Male, Malaysian



Qualification:

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



Present Directorship(s):

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

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.

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)

(w.e.f. 1 January 2016)

Aged 43, Male, Malaysian

**Qualification:**

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

**Present Directorship(s):**

Listed Entity: Nil

Other Public Companies: Nil

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.

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.

**WONG KING YOON**

Head of Commercial Vehicles Division

(w.e.f. 1 January 2014)

Aged 68, Male, Malaysian

**Qualification:**

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

**Present Directorship(s):**

Listed Entity: Nil

Other Public Companies: Nil

Working Experience:

- Joined Tan Chong Industrial Equipment Sdn Bhd ("TCIE"), a wholly-owned subsidiary of TCMH which is engaged in distribution of commercial vehicles and spare parts, in 1977 as a Technical Assistant.
- Held various senior positions during his 40 years tenure with TCIE where he gained experience in trucks and bus business before his appointment as Director of TCIE on 28 March 2005.
- Pioneered the Service and Technical Department of TCIE. Instrumental in charting the growth and prospects of TCIE, including the securing of UD Trucks and Bus Franchise in Malaysia for the Group.
- Assumed a new role on 1 January 2018 as Executive Vice President of Regional Business Development, responsible to grow and expand the Truck Group's business expansion regionally.

PROFILE OF KEY SENIOR MANAGEMENT



ONG SIEW LUAN

Head of Group Procurement & Supply Chain Management Division
(w.e.f. 1 January 2020)
Aged 51, 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



Present Directorship(s):

Listed Entity: Nil
Other Public Companies: Nil

Working Experience:

- Joined Tan Chong Motor Holdings Berhad in June 1997, as a Finance Executive under Group Finance & Administration and re-assigned to Internal Audit Department after 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 and Tan Chong Mekong Trading (Thailand) Co., Ltd on 8 July 2014, 11 November 2019 and 17 January 2017 respectively.



YAO TSU-WEI

(also known as Michael Yao)

Head of After-Sales Division
(w.e.f. 1 March 2013)
Aged 56, Male, Taiwanese



Qualification:

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



Present Directorship(s):

Listed Entity: Nil
Other Public Companies: Nil

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, a wholly-owned subsidiary of TCMH which is engaged in automotive workshop services and was promoted to the position of Executive Vice President, After-Sales, Spare Parts & Workshop in 2019.

PROFILE OF KEY SENIOR MANAGEMENT

**TEONG SENG KIANG**

Head of Assembly and Manufacturing Division
(w.e.f. 1 March 2020)

Aged 61, Male, Malaysian

**Qualification:**

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

**Present Directorship(s):**

Listed Entity: Nil

Other Public Companies: Nil

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.

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

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

03

SUSTAINABILITY STATEMENT

30-45

OUR ROADMAP TO SUSTAINABILITY

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OUR REPORTING FRAMEWORK

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|---------------------------------|----|
| Economic | |
| • <i>Economic Redefined</i> | 35 |
| Environmental | |
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MOVING FORWARD

45

SUSTAINABILITY STATEMENT



ABOUT THIS STATEMENT

This is our third Sustainability Statement in our journey towards becoming a leader in sustainability advocacy. It highlights our economic, environmental and social effort, progress and commitment to our various stakeholder groups.

Tan Chong Motor Holdings Berhad's ("TCMH" or "the Group") Sustainability Statement 2019 intends to keep the Group's stakeholders abreast of its social, economic and environmental progress throughout FY2019. The reporting scope encompasses the Group's businesses and operations both in Malaysia and Indochina.

BOARD OF DIRECTORS' OVERVIEW

We are proud to present the Sustainability Statement of Tan Chong Motor Holdings Berhad, which expounds on our commitment to sustainability and illustrates our various endeavours to build up the Economic, Environmental and Social ("EES") initiatives for the financial year under review. At TCMH, we acknowledge that realising the 17 United Nations Sustainable Development Goals ("UNSDGs") is not the responsibility of the government alone. It requires the commitment and collective efforts of all sectors of society; the private sector, academia, civil society and of course, every single individual.

The Board of Directors ("Board") of TCMH is conscious of the impact TCMH, as an automotive company, has upon the economy, environment and society as a whole. The Board is also aware that sustainability cannot be viewed in isolation as it is part of an ecosystem which creates sustainable value to TCMH, its subsidiaries and all its stakeholders. To ensure all sustainability-related matters are internalised and monitored by the Board, sustainability plans will be incorporated into the Board agenda for deliberation and discussion.

At TCMH, it has always been our tradition to engage stakeholders in making inclusive decisions, empathising with customers, managing perceptions and addressing varied requirements as well as satisfying needs in business development and the management of business operations. The Group recognises that its decisions have an impact on not only the Group as a corporate entity but also on stakeholders whom it comes in contact with directly and indirectly. Hence, their opinions and voices are given various platforms to influence our business decisions. Insightful feedbacks from stakeholders are of paramount importance to the Group for continual improvement in delivering excellence in product quality and services. As we regularly engage our internal and external stakeholders in a continual and iterative manner to garner feedback and opinions, we are able to make informed business and management decisions, with a more comprehensive understanding on the emerging risks and opportunities pertaining to socio-economic and environmental impacts of our businesses; effectively translating them into products and services that meet customer expectations.

SUSTAINABILITY STATEMENT

Since embarking on the sustainability journey, TCMH has embedded the fundamental aspects of sustainability in its business operations, with the aim of creating positive impacts on the spheres of operations. The Group has strengthened its implementation of sustainability initiatives pursuant to a firm belief in Corporate Responsibility; fully committed in contributing towards realising the UNSDGs.









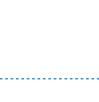


SUSTAINABILITY GOVERNANCE

The Board has established a Board Risk Management and Sustainability Committee (“BRMSC”) which assists the Board in overseeing risk management and sustainability activities across the Group. The BRMSC comprises three (3) Independent Non-Executive Directors and an Executive Director. The Group Risk Management and Sustainability Committee, which is chaired by the Group Chief Executive Officer, consists of senior management personnel and is tasked to develop sustainability plans and initiatives at its periodic meetings during the financial year under review.

STAKEHOLDERS’ ENGAGEMENT

We define stakeholders as individuals or groups who impact or are impacted by our businesses. These include our investors, customers, suppliers, business partners, employees, society and communities, the government, authorities and regulators, the media, non-governmental organisations, international bodies and many others. Engagement sessions with our stakeholders are centred on issues material to our organisation. The table below sets out the types of engagements conducted for each stakeholder group. The Group is committed to ensure that communications on our businesses, operations and financial performance are accurate, timely, factual, informative, consistent, broadly disseminated and in accordance with applicable legal and regulatory requirements.



| | STAKEHOLDER GROUP | STAKEHOLDER DESCRIPTION | METHOD OF ENGAGEMENT |
|---|---------------------------|--|---|
|  | PRINCIPAL PARTNERS | These stakeholders are our long-term business partners whom we engaged with in joint-ventures or other partnership/agency agreements | <ul style="list-style-type: none"> ▶ Principal Engagement ▶ Summit and Conference |
|  | CUSTOMERS | Our customers comprise retail customers, businesses and governments, both local and international | <ul style="list-style-type: none"> ▶ Marketing Plan ▶ Customer Satisfaction Survey ▶ Customer Feedback Channel |
|  | EMPLOYEES | Our employees are key enablers of all our business activities and are involved in all parts of our value chain | <ul style="list-style-type: none"> ▶ Employee Engagement Survey ▶ Trade Union ▶ Event and Function |
|  | SHAREHOLDERS | Shareholders are the owners of the Company | <ul style="list-style-type: none"> ▶ Annual General Meeting ▶ Quarterly Announcement ▶ Regular Update and Communication |
|  | REGULATORS | Regulators stipulate and enforce the laws and regulations in the various markets where we operate | <ul style="list-style-type: none"> ▶ Regular Update and Communication |
|  | LOCAL COMMUNITIES | Our communities include, but are not limited to, the people who reside in the areas we operate, NGOs, other businesses and institutions | <ul style="list-style-type: none"> ▶ Donation and Financial Aid ▶ Contribution to Environmental and Social Enhancement ▶ Sustainability-Related Programme ▶ Volunteer Programme ▶ Event and Roadshow |
|  | ANALYSTS | Include sell-side analysts and fund managers who write reports on the Group's results, performance and plans | <ul style="list-style-type: none"> ▶ Analysts and Fund Managers' Briefing ▶ One-to-One Meeting ▶ Investor Conference/JP Morgan Corporate Day |
|  | MEDIA | Our media stakeholders include news editors and reporters who are responsible for the public dissemination of information related to our Group | <ul style="list-style-type: none"> ▶ Event and Press Conference ▶ Media Briefing ▶ Corporate Interview ▶ Press Conference |
|  | VENDORS/ SUPPLIERS | Include general suppliers, localised part suppliers, consultants, contractors and all service vendors | <ul style="list-style-type: none"> ▶ Vendor Registration ▶ Contract Negotiation ▶ Vendor Appointment ▶ Supplier Audit and Evaluation |

SUSTAINABILITY STATEMENT

MATERIALITY

Materiality is the threshold at which sustainability topics become sufficiently important that they should be reported. However, not all material topics are of equal importance and the emphasis within this report reflects the relative priority of these areas. As a responsible company, we recognise the fact that our ability to succeed depends on how we respond to the changing economic, environmental and social expectations and our integration of all into the different communities that we operate in. As with our FY2018 reporting, for stronger relevance, this statement only encompasses the most pertinent initiatives and activities of the Group rather than every aspect of our operations.

MATERIAL MATTERS



OUR ECONOMIC SUSTAINABILITY

Economic Redefined



INVESTOR RELATIONS

We are committed to maintaining an open dialogue with our shareholders and the Board recognises the importance of that relationship in the governance process. The Chairman, supported by other Board members and the Management, has overall responsibility in ensuring that we listen to and effectively communicate with our shareholders. We have an Investor Relations team that facilitates communication between the Group and the investment community and is supported by the Management. The Investor Relations team has extensive programmes that involve the holding of regular analyst briefings, conference calls and plant visits, all intended to keep the investment community abreast of the Group's operations, strategic developments and financial performance. The Investor Relations team provides the investment community with an up-to-date view of the Group's financial performance and operations via analyst briefing sessions which coincide with the after-release of the quarterly financial results to Bursa Malaysia Securities Berhad every quarter.

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS

14 May 2019

First Quarter Ended
31 March 2019
Kuala Lumpur

20 Aug 2019

Second Quarter Ended
30 June 2019
Kuala Lumpur

26 Nov 2019

Third Quarter Ended
30 September 2019
Kuala Lumpur

28 Feb 2020

Fourth Quarter Ended
31 December 2019
Kuala Lumpur

BUSINESS & DEALERSHIP NETWORK EXPANSION

Our vast Dealership Network has enabled comprehensive and timely customer service delivery. The strategic locations of our outlets ensure that we capture demand, achieve greater scale within the markets we operate in, boost operational efficiencies and generate better returns. Simultaneously, our local leading assembly plants have enabled more competitive pricing and ensured our customers receive products and services that meet our stringent quality standards and those of our principals.

HUMAN CAPITAL MANAGEMENT

As we continue to grow our business and develop our human capital, we are focused on ensuring diversity and inclusion. We have developed a pool of talents and have created employment opportunities for local communities. We believe in injecting new blood into the organisation through graduate hires and internship programmes as part of giving back to society through enabling employment.

To support the Government's call for a healthier nation, the Group has organised several sports activities annually, to promote healthy lifestyles, enhance unity and strengthen relationship amongst team players. This has helped to improve productivity and create a work, learn and play environment for them.

Various internal and external trainings were also conducted in collaboration with Tan Chong Education for employees to improve their performance at work, hence increasing business productivity.

SUSTAINABILITY STATEMENT

CONTINUOUS IMPROVEMENTS AT OUR PLANTS

TCMH has its own Regional Training Centre to equip all new operators on the basic skills of vehicle assembly. The training centre is designed by following the Nissan Global Training Centre standards in which TCMH has adopted six main training areas covering Body Shop, Paint Shop, Assembly Shop, Quality, Logistics & Maintenance. Training presents a prime opportunity to expand the knowledge base of all employees. Employees who receive the necessary training are better at performing their jobs. They become more competent and are able to follow standard operating procedures for basic tasks to ensure safety, quality and productivity.

As part of its continuous efforts in improving the Group’s performance, TCMH utilises QC Story approach as a platform for trouble-shooting and resolving challenges that arise in the plant. This has helped to manage and mitigate issues related to quality and costs of shop floor management.



NO. OF KAIZEN PROJECTS

114 FY2019

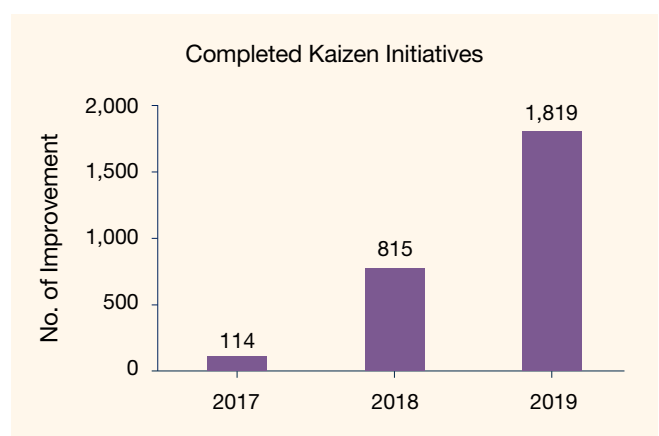
105 FY2018 | 112 FY2017

Kaizen is the Japanese word for Continuous Improvement which aims to eliminate waste in processes. By adopting this philosophy, TCMH consistently encourages its employees to strive at improving their processes by practising Kaizen.

Topics in relation to Safety, Quality, Cost or Timely Delivery are selected by our employees and analysed for possibilities of further improvement. Ideas are put in place to achieve the targeted Quality or Productivity KPIs which contribute to the improvement of the company’s performance in terms of competitiveness and profitability.

TCMH rewards its employees for contributing towards the improvement of company performance. The best Kaizen of each month is rewarded as a token of appreciation for the efforts taken to improve the company processes. This recognition increases employees’ motivation, generates employees’ loyalty and promotes bonding between them and the organisation.

OCCUPATIONAL HEALTH & SAFETY

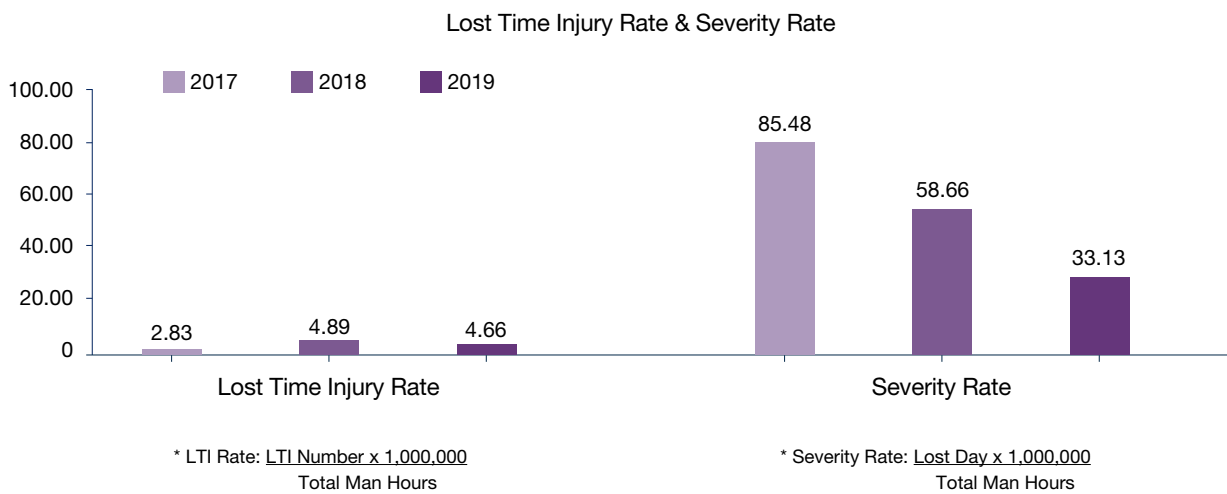


The health and safety of our employees, business associates and local communities is a top priority and we employ proactive measures to prevent accidents and to minimise such risks. As TCMH is concerned about the health and safety of its stakeholders and is committed to create an environmentally-conscious workplace, several safety trainings and programmes were organised during the year to continuously promote the environment, health and safety (EHS) culture at all levels of the organisation.



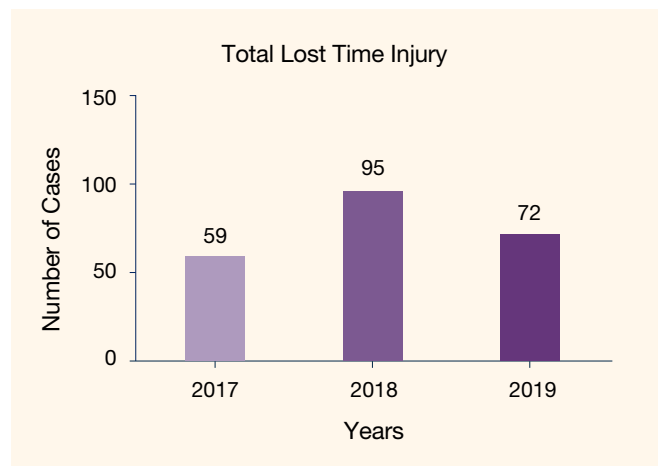
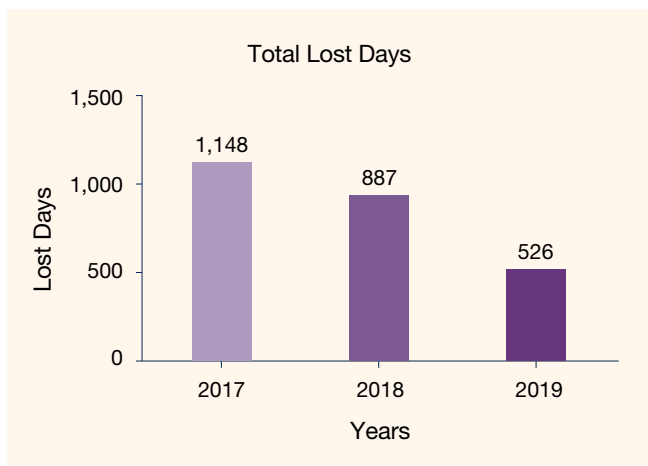
LOST TIME INJURY RATE (LTIR)

In building a sustainable workforce, the health and safety of our employees are of prime importance. In realising the UNSDGs, the Group, especially at the assembly plants, continuously embarks on and improves working conditions to create safe workplaces, with safe mindset, within a safe culture. Several programmes rolled out with this purpose in mind have benefitted both the employees as well as the company in generating a safer workplace and a resilient workforce. All operating units in the Group are committed to continue their focus on improving management competency and employees' awareness on safety through internal and external audits and management review processes.



The main contributors to accidents are our manufacturing and service workshops. The Group continues to conduct risk assessments, audits, process enhancements, accountabilities, trainings and awareness talks to the front-line workers to remedy exposure to injuries.

The Group targets to reduce LTIR and severity rate by 20% on a yearly basis. Although we did not achieve our LTIR target, we managed to reduce severity rate in FY2019 by 43.52%.



SUSTAINABILITY STATEMENT

There was a total of 72 workplace injuries reported in Tan Chong Motor Holdings group of companies. Compared to year 2018, the number of accidents has decreased from 95 cases to 72 cases (-24.21%). The lost days from the incidents have decreased as well this year, which is 526 days compared to last year's 887 days (-40.7%). LTIR saw an increase in 2018 as the reporting awareness in other industries was getting better. Previously mainly SOCSO claimable accidents were reported. After implementing the awareness talk and training, non-SOCSO claimable accidents were also reported. Overall, the lost days of the incidents reduced although the reported injuries increased.

The reduction of the lost-time injury rate and severity rate for workplace incident for the financial year under review indicates that employees' awareness towards workplace safety has improved with the implementation of safety programmes, such as safety induction, awareness briefing, safe work instruction, safety alert, tool-box briefing and other activities that strengthened the understanding of employees on the safe work practice as well as implications of incidents.

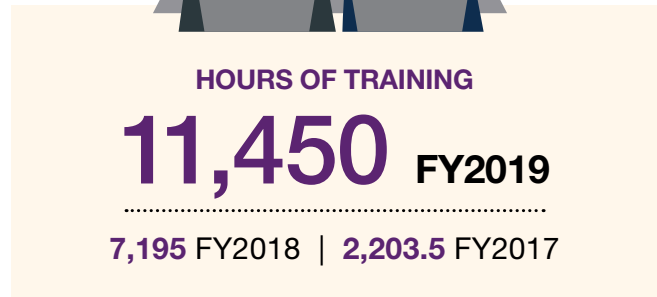
Due to the diversity of business activities, hazards and risks of accidents are varied. The trainings conducted by EHS are mainly for general knowledge and targeted to those identified hazards (EHS management training, EHS Legislation Training, Fire Prevention and Emergency Preparedness, Chemical Management, Ergonomic Training, Forklift Training, etc.). To reduce the LTIR, more operational trainings are required to improve the skills and safety awareness when dealing with hazardous tasks. Besides, the commitment of management to undertake corrective and preventive measures, especially to improve the work process and equipment, is even more crucial towards incident management.

TRAINING HOURS RELATING TO ENVIRONMENT, HEALTH & SAFETY

Upskilling the workforce is key imperative for building a versatile and knowledgeable organisation as it ensures the company's resilience during times of volatility and economic instability. Ongoing training, being one of the main strategies, ensures employees continually garner skills, knowledge and experience in building quality products and services. Moreover, skills and knowledge in building a safe, healthy and environmentally-sound organisation are essential for both employees and customers' confidence. Accordingly,

trainings related to environment, health and safety are prioritised at the assembly plants.

The graph below indicates the number of training hours delivered to employees on topics relating to environment, health and safety. These trainings included awareness-creation, knowledge-development and competency-upskilling; held both internally and externally. The number of trainings increased in 2019 to further enhance the level of awareness, especially on the shop-floor.



TECHNOLOGY ADOPTION

Technology adoption continues to be a strategic thrust for business growth to shift and adapt in order to stay competitive in today’s rapidly changing environment. Technology adoption not only changes the way we conduct our businesses, but also improves the overall productivity and ultimately reduces costs of manufacturing. Being said, below are the technology adoption initiated at our plants:

Robot (Improves efficiency, speed and quality)



Spot Welding – Body Side Main



Spot Welding – Body Side Sub

Auto Guided Vehicle (Supply Solution)



White Body Transfer



Seat Supply

Poka-yoke (A mechanism that helps an equipment operator to prevent mistakes)



ATF Filling



ABS Piping

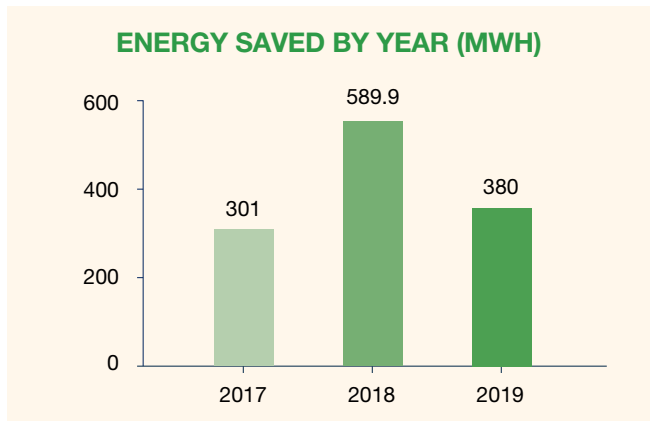
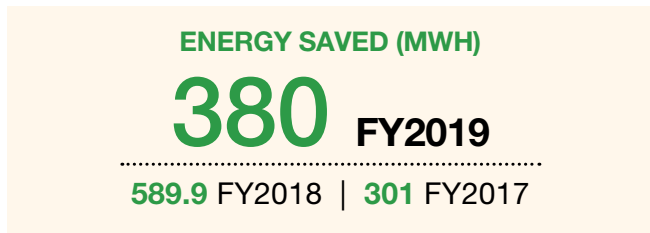
SUSTAINABILITY STATEMENT



TCMH remains committed to environmental sustainability matters in each of the markets we operate.

ENERGY CONSERVATION

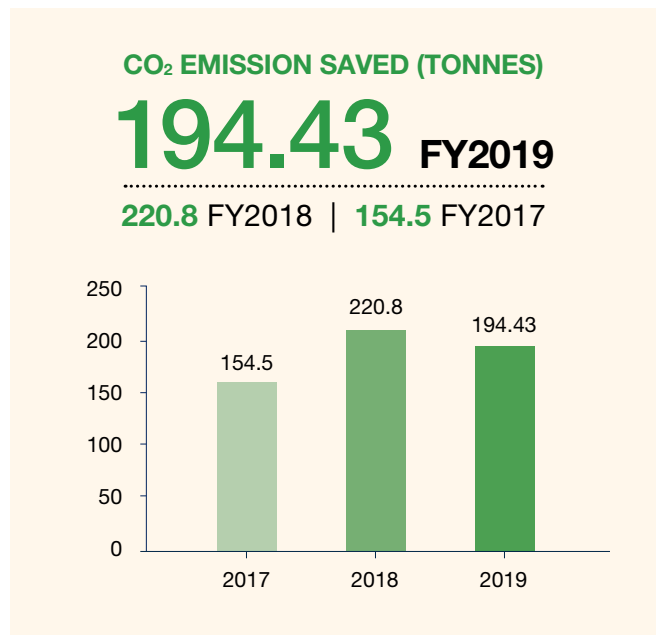
The Group continuously strives to improve on energy consumption via various means. Through the last few years, several aspirations were brought to attention and implementation with the focus to increase efficiency in energy consumption; hence striving towards energy conservation. This was implemented through solar panel installation, optimising operation and equipment performance, purchase or replacement of equipment with energy-saving versions. These have brought about tremendous and encouraging results to further improve operational efficiency in energy management and conservation, especially at the assembly plants.



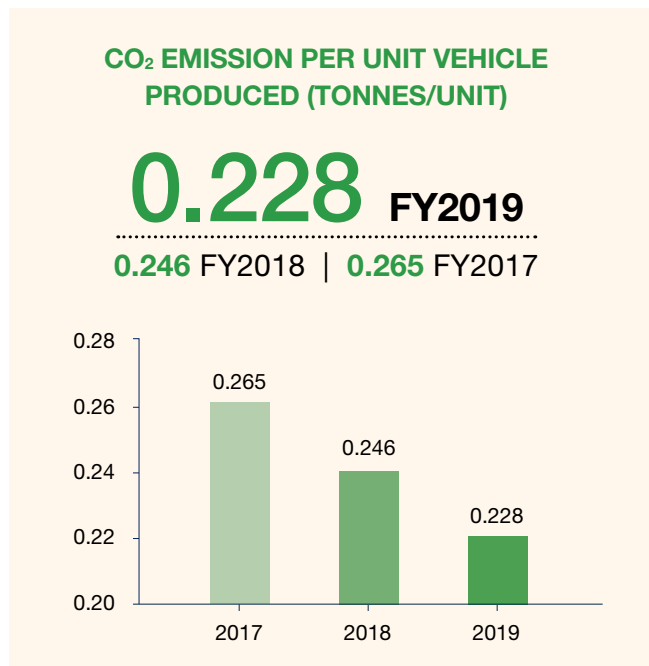
The yearly savings shown in the graph are results of new ideas generated and implemented, which will become a standard or optimum operation method moving forward. More opportunities identified were implemented in 2018. Although lesser projects were implemented in 2019, initiatives from previous years continued to bear fruit towards energy conservation.

CARBON NEUTRALITY

The Group is embarking on a new direction to achieve carbon neutrality. The aim is consistent with UN’s global effort to reduce carbon emission. Several efforts have been planned and carried out to mitigate effects of climate change caused by increasing levels of carbon dioxide in the atmosphere. Efforts such as gradual conversion of reliance on fossil fuel to solar panels as source of energy generation have been planned for the next few years. Several tree and mangrove planting activities have also been embarked upon at Group and assembly plant levels with the same aim. In addition, the plants have continuously improved their operational efficiency by optimising energy consumption, material management and process streamlining. Several more projects are in the pipeline for roll-out to further strengthen our stance on carbon neutrality. Having close working relationships with government agencies, non-governmental entities as well as environmental conservationists, we see great opportunities ahead to pave the way to be an environmentally-responsible organisation.



As CO₂ emission is very much related to energy used, the high savings in 2018 was also due to several energy conservation and emission reduction activities done.



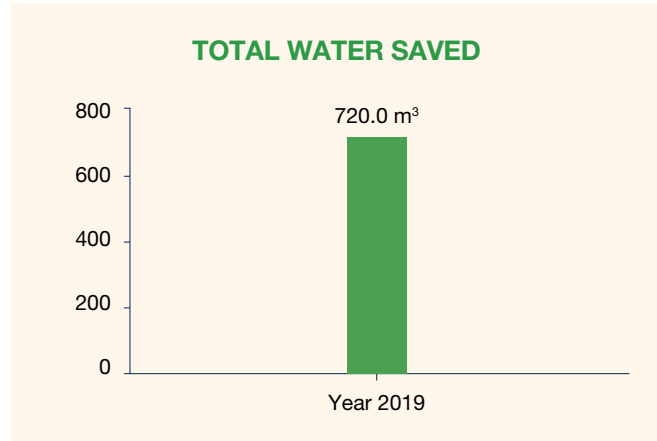
From the table above, it is clear that there is a gradual reduction of CO₂ generated per unit of vehicle produced. This is in line with the resilient conservation activities and implementation rolled out by the assembly plants. The company sees more avenues for improvement in the coming years to further support the cause to mitigate the impact of climate change on carbon emission.

JOURNEY TO ZERO EMISSION

The Group is fully committed towards doing our part for a better tomorrow and the Journey to Zero Emission demonstrates our support for the Government’s initiative to promote green technology and ensure sustainable development. The electric Nissan LEAF is a major step towards the Journey to Zero Emission, which aims to conserve the environment and resources as well as to reduce carbon emissions that contribute to global warming. Powered purely by an electric motor, the LEAF emits no carbon dioxide (CO₂) or other unhealthy particles; in short, zero emission.

EFFLUENT AND WATER MANAGEMENT

Depletion of clean water is an increasing risk worldwide. With rampant pollution and unabated plastic contamination in our waterways, the need to manage our clean water is not only a need, but has become a risk to the survival of our planet. The Group has taken steps to support this cause by improving our water consumption and recycling of used water strategies. Efforts including rain water harvesting, effluent water recycling and water reuse have commenced at pilot stages at the assembly plants. Several opportunities for improvement have been identified with great potential to further our efforts in water conservation. Simultaneously, our employees have also been urged to implement this effort at their hostels and homes. The Group believes that practical and realistic effluent and water management plays a part in our business sustainability and that of the environment as well. We see more areas for reduction since the project for water conservation commenced in 2019. The data collected since will be further analysed to generate further improvements.



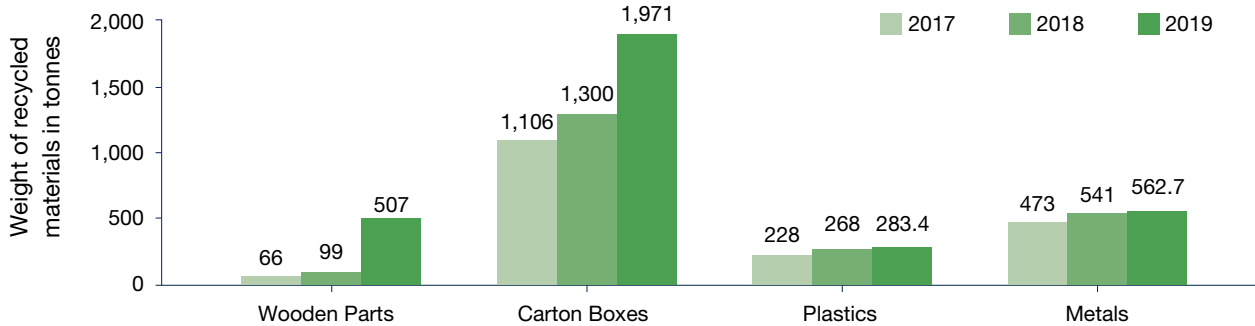
SUSTAINABILITY STATEMENT

MATERIALS MANAGEMENT

As part of our activity in sustaining resources, the assembly plants have continued their routine recycling programme. Wastes such as wooden parts, carton boxes, plastics and metals were put up for recycling into other materials. An audit on our waste recycling counterpart, OCK Recycle Sdn Bhd, confirmed that the activity was very beneficial in reducing impact on natural resources. Wooden parts were formed into pallets, whereas plastics were melted down and processed to form pellets. The pellets were later molded into other plastic-based items such as packaging materials. The total waste by category recycled to-date is as follows:

| RECYCLED MATERIAL BY TONNES | 2017 | 2018 | 2019 |
|-----------------------------|-------|-------|-------|
| Wooden Parts | 66 | 99 | 507 |
| Carton Boxes | 1,106 | 1,300 | 1,971 |
| Plastics | 228 | 268 | 283.4 |
| Metals | 473 | 541 | 562.7 |

RECYCLED MATERIALS BY WEIGHT



ENVIRONMENTAL CONSERVATION

TCMH has extended its efforts to reconnect with nature and enhance environmental awareness through its third series of Nissan Nurtures Nature (NNN) campaign held at Kuala Selangor Nature Park.

A total of 61 participants involving TCMH employees, Nissan family members and friends, worked together to plant 310 new mangroves to battle climate change in the near future. Mangroves are important in the ecosystem as they are capable of storing four times more carbon mass than tropical forests; thereby reducing the amount of carbon dioxide (CO₂). They are also known to help prevent erosion by stabilising sediments with their dense roots and branch network, filtering pollutants and trapping garbage that originates from land.

Protecting natural ecosystems like mangrove forests not only helps preserve biodiversity but also helps sustain a vital resource for local communities.



OUR SOCIAL SUSTAINABILITY

Community Enrichment

The need for companies to adopt sustainable practices is becoming more important nowadays as stakeholders are increasingly demanding such practices in their investment decisions. As a corporation which puts stakeholders at the heart of our businesses, TCMH always seeks to mitigate any negative social impact it may cause via social investment in order to create a positive social impact and to maximise financial gain. Hence, we have aligned our sustainable agenda to all UNSDGs. With this agenda in mind, TCMH has embarked on several social initiatives under the following five key goals:



NURTURING OUR FUTURE GENERATION

TCMH believes that children are the most important resources for future economic growth. To nurture our future generation, TCMH has established after-school daycare centres at 4 schools with provision of meals, counselling and tuition since 2009. This initiative contributes to the healthy growth and development of children. To-date, there are over 200 students who have benefitted from this programme with a total investment of RM1.5 million. To further inject fun into their lives, the Group has also organised day trips for these children. This project has instilled brand awareness amongst our stakeholders and it also helps to drive development of new markets and create opportunities for growth.



SUSTAINABILITY STATEMENT

BUILDING OUR SURROUNDING COMMUNITIES

TCMH's aspirations for the surrounding communities are to ensure that they also benefit from the project from inception to post completion. Each year, the Group strives to commit and contribute monetary donations to alleviate the burdens of its surrounding communities from rising costs of living. Donations are made to places of worship, various agencies and charitable organisations. TCMH's long-term aspirations are to empower people in its community to be self-sustaining.



PUTTING VALUE ON HUMAN LIFE

TCMH strives for sustainable results that allow our businesses to thrive along with our communities for collective solutions. In 2019, many provinces in central and southern Laos were struggling to cope with floods after days of heavy rain unleashed by a tropical depression. Hence, TCMH continues to provide humanitarian aid in disaster-prone areas in the region and support communities in rebuilding their lives by setting up flood relief collection centres in two of our Nissan showrooms. This gesture has helped cement long-term stakeholders trust as a basis for sustainable business models and increased the Group's stability and resilience.

Besides, TCMH also encourages employees' involvement in societal volunteerism that is aligned with the Group's values and goals by bringing different teams of employees together as change agents, exposing them to new experiences and perspectives. This initiative has supported their personal and career development as well as boosted their sense of well-being, on top of building long-term relationships with each other and with the communities.





MOVING FORWARD
TCMH's spirit and aspirations for long-term business sustainability mark exciting times for the organisation and its team of personnel.

As we enter into an era of new opportunities and challenges, our Group has enormous potential and is poised to convert opportunities so as to become more successful as an organisation, together with our stakeholders. Since our inception, the Group has supported numerous social and community initiatives in Malaysia and Indochina by touching the lives of millions positively through environmental, social and educational programmes. As a constructive partner in the communities in which

we operate, the Group will continue to drive progress and enhancement on societal, environmental and business-critical initiatives. The support we received thus far from our shareholders has been remarkable and we hope that our shareholders will continue to partner with us as we strive towards sustainability excellence to leave an indelible mark.

04

GOVERNANCE

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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 2019, 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 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. Salient features of the Board Charter are published on the Company’s website at www.tanchonggroup.com.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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

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

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

The Independent Non-Executive Directors, which comprise half of the Board size, are responsible for providing insights, unbiased and independent views, advice and judgement to the Board, 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 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 to employees of the Group for raising concerns relating to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 six (6) Board meetings and the attendances of the Directors are as follows:

| Name | No. of Board Meetings Attended | Percentage of Attendance (%) |
|--|--------------------------------|------------------------------|
| Dato' Tan Heng Chew | 6/6 | 100 |
| Dato' Ng Mann Cheong | 6/6 | 100 |
| Siew Kah Toong | 6/6 | 100 |
| Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng | 6/6 | 100 |
| Ho Wai Ming | 6/6 | 100 |
| Lee Min On | 6/6 | 100 |

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 Secretary also explains to the Board at its meetings, 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"> Warisan TC Holdings Berhad : Corporate Liability Provision Under The Malaysian Anti-Corruption Commission Amendment Act 2018 - Implications to The Group, Directors & Management Bursa Malaysia : Cyber Security in the Boardroom – Accelerating from Acceptance to Action Bursa Malaysia and Institute of Corporate Directors Malaysia : Demystifying The Diversity Conundrum – The Road to Business Excellence Tan Chong Motor Holdings Berhad : Budget 2020 Tax Proposals, Latest Corporate Tax and Sales & Service Tax Developments |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Name | Details of Programme |
|----------------------|---|
| Dato' Ng Mann Cheong | <ul style="list-style-type: none"> • The Iclif Leadership and Governance Centre and The Malaysian Institute of Integrity : “Let’s Get Real” on Anti-Bribery • Audit Committee Institute - ACI Breakfast Roundtable 2019 covering Corporate Liability on corruption under the MACC Act 2009 and Business Continuity Management • The Iclif Leadership and Governance Centre : CG Watch – How Does Malaysia Rank? • Bursa Malaysia and Institute of Corporate Directors Malaysia : Demystifying The Diversity Conundrum – The Road to Business Excellence • Bursa Malaysia : Cyber Security in the Boardroom - Accelerating from Acceptance to Action • Swiss Re Corporate Solutions Kuala Lumpur and Labuan IBFC : Adding Confidence to Captives – Managing Volatility via Self Insurance • Tan Chong Motor Holdings Berhad : Corporate Liability Provision Under The Malaysian Anti-Corruption Commission Amendment Act 2018 - Implications to The Group, Directors & Management • Bursa Malaysia and Institute of Corporate Directors Malaysia : Bursa Malaysia Thought Leadership Series – The Convergence of Digitisation and Sustainability • Bursa Malaysia and Institute of Corporate Directors Malaysia : Bursa Malaysia Thought Leadership Series – Sustainability-Inspired Innovations – Enablers of the 21st Century • Tan Chong Motor Holdings Berhad : Budget 2020 Tax Proposals, Latest Corporate Tax and Sales & Service Tax Developments • Securities Commission Malaysia’s Audit Oversight Board : Audit Oversight Board Conversation with Audit Committees |
| Siew Kah Toong | <ul style="list-style-type: none"> • Fraser & Neave Holdings Berhad and Cocoland Holdings Berhad : “Diabetes and its complications. How can we help to reduce it?” • Bursa Malaysia : Case Study Workshop for Independent Directors – Towards Boardroom Excellence • The Malaysian Institute of Accountants : Engagement Session with Audit Committee Members on Integrated Reporting • CPA Australia : Income Tax on Property Development Activities • The Malaysian Institute of Accountants : MFRS 17 – Overview and Implementation of Accounting for Insurance Contracts • Bursa Malaysia : Cyber Security in the Boardroom - Accelerating from Acceptance to Action • The Iclif Leadership and Governance Centre : Financial Institutions Directors Education Core Module A for Insurance Companies • Tan Chong Motor Holdings Berhad : Corporate Liability Provision Under The Malaysian Anti-Corruption Commission Amendment Act 2018 - Implications to The Group, Directors & Management • Inland Revenue Board and Chartered Tax Institute of Malaysia : National Tax Conference 2019 • The Malaysian Institute of Certified Public Accountants : Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) for Accountants • Fraser & Neave Holdings Berhad and Cocoland Holdings Berhad : Directors’ Continuing Education Programme 2019 • Chartered Tax Institute of Malaysia : Budget 2020 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Name | Details of Programme |
|--|---|
| Dato' (Dr.) Khor Swee Wah @ Koh Bee Leng | <ul style="list-style-type: none"> • MIDF Amanah Investment Bank Berhad : MIDF Luncheon Talk – Dealing with the Rising Cost of Living • Tan Chong Motor Holdings Berhad : Anti-Trust and Competition Law • Universiti Utara Malaysia : Mesyuarat Majlis Penasihat Universiti Industri (MPUI) - UUM • Tan Chong Motor Holdings Berhad : Corporate Liability Provision Under The Malaysian Anti-Corruption Commission Amendment Act 2018 - Implications to The Group, Directors & Management • Tan Chong Motor Holdings Berhad : Budget 2020 Tax Proposals, Latest Corporate Tax and Sales & Service Tax Developments |
| Ho Wai Ming | <ul style="list-style-type: none"> • Axcelasia Taxand Sdn Bhd : CFO Series 2019 • Nissan Futures Hong Kong – Transform The Way We Drive and Live • Bursa Malaysia and Institute of Corporate Directors Malaysia : Bursa Malaysia Thought Leadership Series – Leadership Greatness in Turbulent Times – Building Corporate Longevity • IBFD-Asia Pacific, IFA Malaysia and Labuan IBFC : New Economy Taxation - Digital Tax Today • Tan Chong Motor Holdings Berhad : Corporate Liability Provision Under The Malaysian Anti-Corruption Commission Amendment Act 2018 - Implications to The Group, Directors & Management • Tan Chong Motor Assemblies Sdn Bhd : Leadership Summit Program • Tan Chong Motor Holdings Berhad : Budget 2020 Tax Proposals, Latest Corporate Tax and Sales & Service Tax Developments • Bursa Malaysia and The Malaysian Institute of Accountants : Integrated Reporting : Communicating Value Creation • TC Management Services Corporation Sdn Bhd (Group Finance and Administrations) : MFRS 16 • TC iTech Sdn Bhd : Cyber Risk Awareness |
| Lee Min On | <ul style="list-style-type: none"> • The Iclif Leadership and Governance Centre and The Malaysian Institute of Integrity : “Let’s Get Real” on Anti-Bribery • Bursa Malaysia and Institute of Corporate Directors Malaysia : Bursa Malaysia Thought Leadership Series – Leadership Greatness in Turbulent Times – Building Corporate Longevity • Audit Committee Institute : ACI Breakfast Roundtable 2019 covering Corporate Liability on corruption under the MACC Act 2009 and Business Continuity Management • TC iTech Sdn Bhd : Cyber Risk Awareness • Bursa Malaysia : Case Study Workshop for Independent Directors – Towards Boardroom Excellence • Bursa Malaysia : Corporate Liability Provision (Section 17A) of the MACC Act 2009 • Securities Commission Malaysia : Audit Oversight Board Conversation with Audit Committees |

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 six (6) members, three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition of the Board fulfills the requirements as set out in the Listing Requirements of Bursa 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, as well as corporate governance, risk management and internal audit. The profiles of the Directors are set out on pages 23 to 25 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 make 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 20 January 2020, 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’ Tan Heng Chew and Mr Siew Kah Toong, 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 2019 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 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 and Mr Siew Kah Toong have served as Independent Non-Executive Directors 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 and Mr Siew Kah Toong have remain unimpaired and their judgement over business dealings of the Company have not been influenced by the interest of the other Directors or substantial shareholders and recommended that Dato’ Ng Mann Cheong and Mr Siew Kah Toong be retained as Independent Non-Executive Directors, 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 2020:

- (i) The development of an Anti-Bribery & Anti-Corruption Framework towards fulfilling the requirements of Section 17A of the MACC Act 2009 so as to safeguard the interest of the Company, 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 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) and Mr. Siew Kah Toong (appointed on 1 July 2010) who each 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 proposed revision to the Board Charter;
- Reviewed the remuneration of Executive Directors and Senior Management Personnel of the Group; and
- Reviewed the proposed extension of the Executive Service Contract of the Group CEO and Senior Management.

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 six (6) Directors, comprising five (5) 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 2019 amounted to RM31,925,129 and RM24,729,707 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 www.tanchonggroup.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT**I. AUDIT COMMITTEE**

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee which comprises three (3) members, all of whom are Independent Non-Executive Directors, with Mr. Siew Kah Toong as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out in year 2019, are set out in the Audit Committee Report of this Annual Report.

One of the key responsibilities of the Audit Committee in its Terms of Reference (“Audit Committee Charter”) is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and 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 two (2) years before being appointed as a member of the Audit Committee.

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

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has 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

Siew Kah Toong (*Independent Non-Executive Director*)

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

Dato’ Tan Heng Chew (*Executive Director*)

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

The Risk Management and Sustainability Committee (“RMSC”), 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, two (2) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In line with the MCCG 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 Standards for the Professional Practices of Internal Auditing and Code of Ethics 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 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 conform 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.

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 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.

During the financial year under review, the Company has also organised one (1) plant visit for shareholders. Shareholders, who registered for the said visit, were given a plant tour to get to know the car assembly processes at the Group’s assembly plant in Serendah, Selangor Darul Ehsan.

II. CONDUCT OF GENERAL MEETINGS

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

At the 47th AGM of the Company held on 30 May 2019, all the Directors (including the chair of the Board Committees) were present in person to engage directly with, and to be accountable to, the shareholders for their stewardship of the Company. The members of Senior Management of the Company were also present 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 President presented to the meeting the strategic business direction of the Group; while the CFO presented the Group’s financial performance, some key initiatives, overview of market outlook and the Group’s strategies and actions going forward. 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 47th 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 11 June 2020.

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 required by 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 2019 and up to the date of approval of this Statement for inclusion in the Company’s Annual Report. For the purpose of disclosure, this Statement has considered and, where pertinent, 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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

During the year, the Board continued to adopt the 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 has continued to strengthen and review the risk management and internal control system across all its business units and subsidiaries to ensure that the system meets business needs and supports the effective management of risks.

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 Board Risk Management and Sustainability Committee ("BRMSC"), which comprises three (3) Independent Non-Executive Directors and an Executive Director as its members. The Head of Group Risk Management, Head of Group Internal Audit and major business units risk owners attend the BRMSC meeting as invitees.

Reporting to BRMSC is undertaken by Risk Management and Sustainability Committee ("RMSC"), which comprises heads of major business units of the Group as its members. 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 a meeting and updates from RMSC and GRM. BRMSC reviewed and endorsed the following:

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

The Board has received assurance in writing from the President and Group Chief Executive Officer, who served in the position of Group Chief Financial Officer during the financial year under review before his re-designation to his present role in early 2020, 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 STRUCTURE

A holistic risk management system is applied throughout the businesses. Set out below is the risk governance structure 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 important part of the business with the aim to facilitate the implementation of risk management framework and processes across the Company and its subsidiaries. The Group will continually seek to improve the risk management processes, enabling risks to be proactively managed and minimising 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 which is aligned with the ISO 31000:2009 Risk Management - Principles and Guidelines.

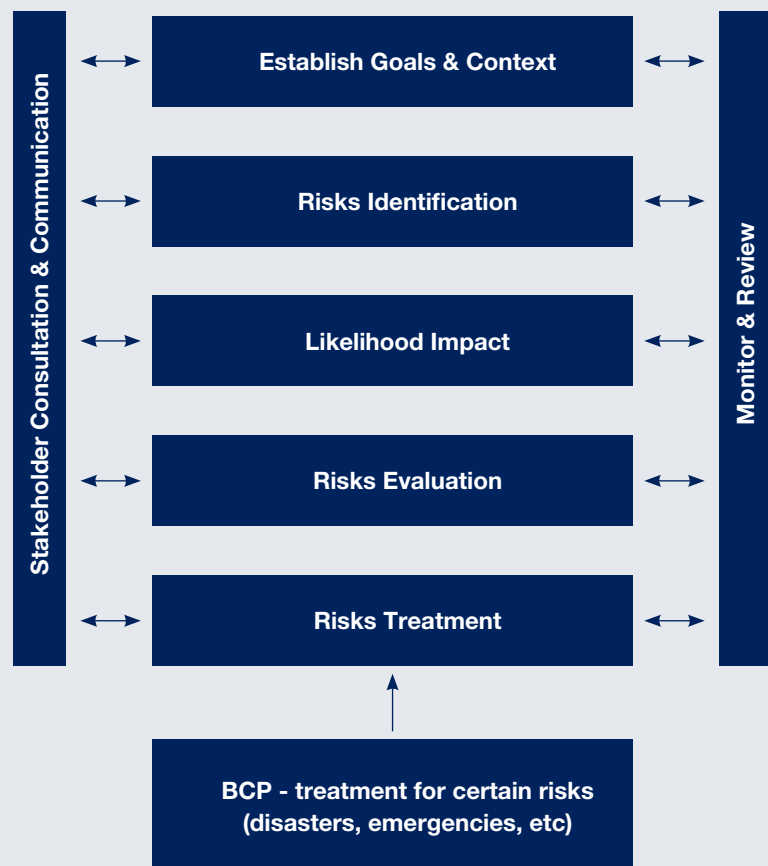
The risk assessment process which comprises the key elements of risk identification, likelihood/impact analysis, risk evaluation and risk treatment (as illustrated in the risk framework opposite).

All identified risks are described, analysed and reported by 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 Company's risk appetite, which is defined as the level of risk the Group is prepared to accept to achieve its objectives.

Our risk parameters comprise various matrices including reputational, financial, operational, service interruption and social impact.

Eventually, identified risks are rated either "High, Moderate or Low" based on the likelihood of their occurrence and impact, as well as 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

During the financial year under review, the following risk assessment process was undertaken:

- HODs identified the risks affecting their business by assessing the existing as well as emerging risks under the strategic, financial, operational and compliance categories;
- Working together with GRM, the HODs assessed the likelihood and impact of said risks, their control effectiveness and the action plans taken to manage those risks to a desired level which were then compiled in their risk profiles;
- These risk profiles were then consolidated into the Corporate Risk Map of the Group for presentation to the RMSC and BRMSC;
- During the year, two (2) RMSC and BRMSC meetings were held in May and November 2019 to table or update risks and present mitigation plans for Senior Management and Board approval based on the current risk appetite of the Group; and
- Additional presentations on risks arising from trends faced by the auto industry and issues related to workers' immigration matters were also presented during the abovementioned meetings to ensure the RMSC and HODs were made aware of current issues that could be potentially faced by the Group.

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.

INTERNAL CONTROL SYSTEM

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

- Communication of the Company values i.e. Trustworthiness & Integrity, Courage, Frugality, Innovation & Creativity, 24/7 Mindset, Perseverance and Diligence to all employees;
- A code of conduct is in place - the code requires all employees at all times 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 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 reviews the Company's financial reporting process, financial and operational performance, internal controls, risk management and governance structure;
- Active participation and involvement from the President, Group Chief Executive Officer and Chief Financial Officer in the day-to-day running of the major businesses and discussions with the Management of smaller business units on operational issues;
- Review and approval of annual business plan and budget of all major business units by the Board;
- Variance analysis comparing actual 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;
- HR policies and procedures related to hiring, orientation, training, evaluating, counselling, promotion, compensation and benefits are in place;
- A fraud prevention policy has been adopted by the Group - this policy provides guidance to the Group in preventing fraud and to promote the highest standards of transparency and integrity;

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- Individual project task forces are responsible for assessing and evaluating the feasibility and risk impact that prospective investments would have on the Group. Feasibility study, risk impact and assessment on new investments/projects are evaluated by individual project task force for Board's deliberation;
- Policies and procedures cover major aspects of activities occur throughout the Group are in place. This helps ensure that necessary management directives are carried out and actions are taken to address risks to achieve the Group's objectives. The policies and procedures include a range of control activities as diverse as approvals, authorisations, verifications, reconciliations, review of performance, safeguarding of assets and segregation of duties;
- Periodic management and Board meetings are carried out to discuss pertinent business matters, relevant information and data are collated, captured, reported at the Management and Board meetings to facilitate decision making. Such information includes financial and non-financial, internal and external reporting; and
- Head of Departments are entrusted to perform management and supervisory reviews ensuring that each personnel is performing his/her duties in line with policies and Company's standards. Group Internal Audit carries out separate and independent evaluations on the effectiveness of the internal control systems. 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 are conducted by GIA to ensure that the system is viable and robust.

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

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

WEAKNESSES IN INTERNAL CONTROLS THAT RESULTED IN MATERIAL LOSSES

The Board is of the view that there were no material losses incurred by the Group during the financial year ended 31 December 2019 as a result of weaknesses in internal controls that would require disclosure in the annual report. Nonetheless, the Group continues to take measures to strengthen the risk management processes and internal control environment.

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. From the Group's preliminary assessment, demand for our vehicles, after sales services, and spare parts are likely to be affected by the cautious consumer sentiment. A slowdown in the manufacturing and commercial sector in general, arising from restricted operating capacities and supply-chain disruptions, could also affect our commercial vehicle and contract assembly businesses.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

In the first half of 2020, the Risk Management and Sustainability Committee (“RMSC”) identified key risk exposures arising from the COVID-19 outbreak. The Group and the Board were committed to the monitoring and mitigation of these risks in order to rebound, safeguard and enhance the Group’s operational efficiency. In particular, focus was on ensuring adequate business continuity procedures were undertaken.

Amongst the activities undertaken by the organisation 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 a preventive safety and health measures to COVID-19 in guiding all employees, customers and visitors in compliance with the regulations requirements during the MCO and post MCO.
- Acted swiftly to mitigate the effect or impact from the unprecedented uncertainty and rapidly changing COVID-19 pandemic situation through close monitoring with major business units on the implementation of their business continuity plan and business sustainability.
- Active monitoring of business impact analysis and the business recovery plan post MCO; being watchful over the emerging risks and challenges of the “new norms” faced by major business units in their business sustainability.
- Consistent updates of actions status on the business continuity plan and the recovery plans to stakeholders and the Board to enable the Group to enhance and redeploy its existing capabilities to accelerate the business recovery in the post MCO period.
- 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 which 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 annual report for the year ended 31 December 2019, 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 stakeholders and the Group’s assets.

This Statement is dated 11 June 2020.

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 2019.

COMPOSITION AND MEETINGS

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

| Name | Designation | Attendance |
|--|-------------|------------|
| Siew Kah Toong <i>Independent Non-Executive Director</i> | Chairman | 6/6 |
| Dato' Ng Mann Cheong <i>Senior Independent Non-Executive Director</i> | Member | 5/6 |
| Lee Min On <i>Independent Non-Executive Director</i> | Member | 6/6 |

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

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

The Chief Financial Officer and Head of Group Internal Audit, including other Board members 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 meeting to consider the final audited financial statements and such other meetings as determined by the Audit Committee.

The Committee Chairman has the right to require those who are in attendance to leave the room when matters to be discussed are likely to be hampered by their presence or confidentiality of matters 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 are able to discharge their functions, duties and responsibilities in accordance with the terms of reference of the Audit Committee.

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

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.

AUDIT COMMITTEE REPORT

Details of the activities carried out by the Audit Committee during the financial year in discharging its duties and responsibilities 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 were in compliance with the Malaysian Financial Reporting Standards ("MFRS") 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 2019 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 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 2019 are stated in the Additional Compliance Information on page 67 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 have confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conducts and Practice) of the Malaysian Institute of Accountants via their presentation deck to the Audit Committee as well as 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 also their professional independence and objectivity as external auditors of the Company. Following this assessment, the Audit Committee has recommended and the Board has 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 August 2020; and
- (f) Held a private session with the external auditors, following their presentation of results and findings from their audit, in the absence of Executive Directors, Management and Committee Secretaries on 11 June 2020. This session enabled the external auditors to discuss with candour with the Audit Committee on any other matters noted by the external auditors during the course of their audit of the financial statements for the financial year under review without being beholden to Management's presence.

(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 scope and results of internal audits addressing internal controls over operations, financial and compliance relating to the Group based on the approved Annual Internal Audit Plan;
- (c) 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 processes deficiencies based on the internal auditors’ recommendations;
- (d) Reviewed and discussed the results of the quality assurance review conducted on the Group Internal Audit Department by external consultants;
- (e) Reviewed the performance, competencies, training requirements and effectiveness of the internal audit function; and
- (f) Held private session on a quarterly basis with the Head of Internal Audit without the presence of Executive Directors, Management and Committee Secretaries. This session provided a platform for the Head of Internal Audit to discuss with the Audit Committee Chairman any area(s) of professional reservations he might have, including limitation in his scope of work by Management, if any, during the course of the internal audits.

(4) Related Party Transaction

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

In the case of related party transactions (“RPTs”) entered into by the Group, the Audit Committee reviewed these transactions to ensure that they were undertaken at “arm’s length”, on normal commercial terms of the Group and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the 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; and
- (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.

AUDIT COMMITTEE REPORT

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The Group has in place an in-house internal audit department, which provides the Board, through the Audit Committee, with independent assurance on the adequacy and operating effectiveness of the Group's system of internal 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 internal control procedures and processes is conducted by GIA to ensure that 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.

The internal audit function adopts a risk-based approach that focuses on major business units and functions in the Group for the purpose of identifying areas to be audited on a prioritised basis, vis-à-vis the business risks inherent in the business units concerned. The Group's Internal Audit Plan is tabled annually and approved by the Audit Committee. Action plans are taken by Management to address audit findings and concerns raised in the internal audit reports. GIA also follows 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 during the financial year 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 of the Group covered by GIA included the following:
 - Sales and collections;
 - Procurement and payment process;
 - Inventory planning process and inventory management;
 - E-payment;
 - Bank reconciliation;
 - Business operations and process improvement; and
 - Inventory and logistics management;
- (d) Performed special review and investigation, as deemed necessary;
- (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 ensure that they were undertaken at "arm's length", on normal commercial terms of the Group and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the Listing Requirements of Bursa Securities and the guidelines and procedures in relation to the Shareholders' Mandate for RRPTs obtained.

The Head of GIA also met with the Audit Committee Chairman to present and discuss the internal audit findings without the presence of the Executive Directors and Management.

This Report is dated 11 June 2020.

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 2019 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 ("MUVM") (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 MUVM 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 MUVM.

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.

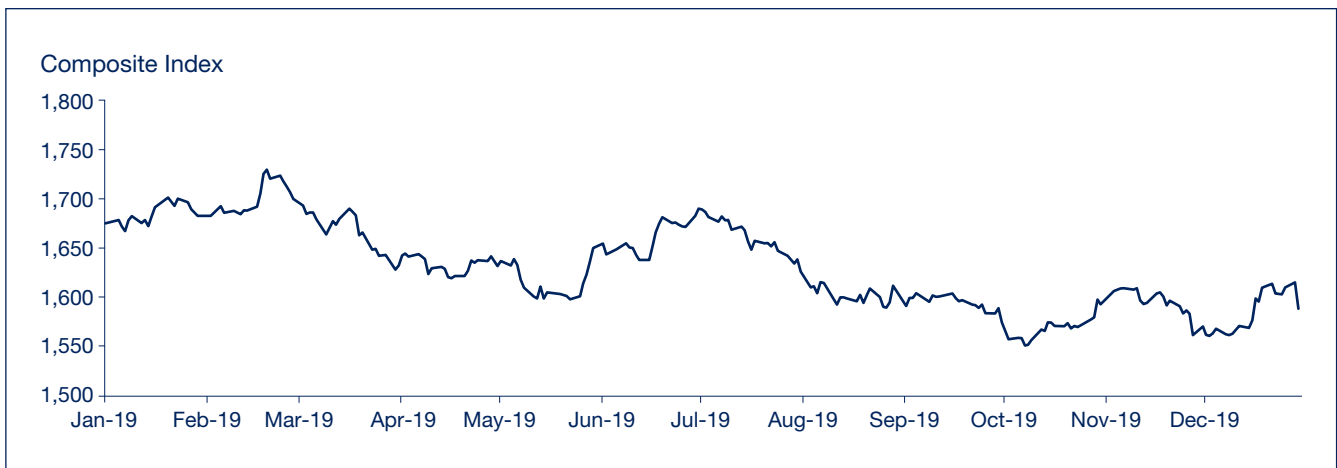
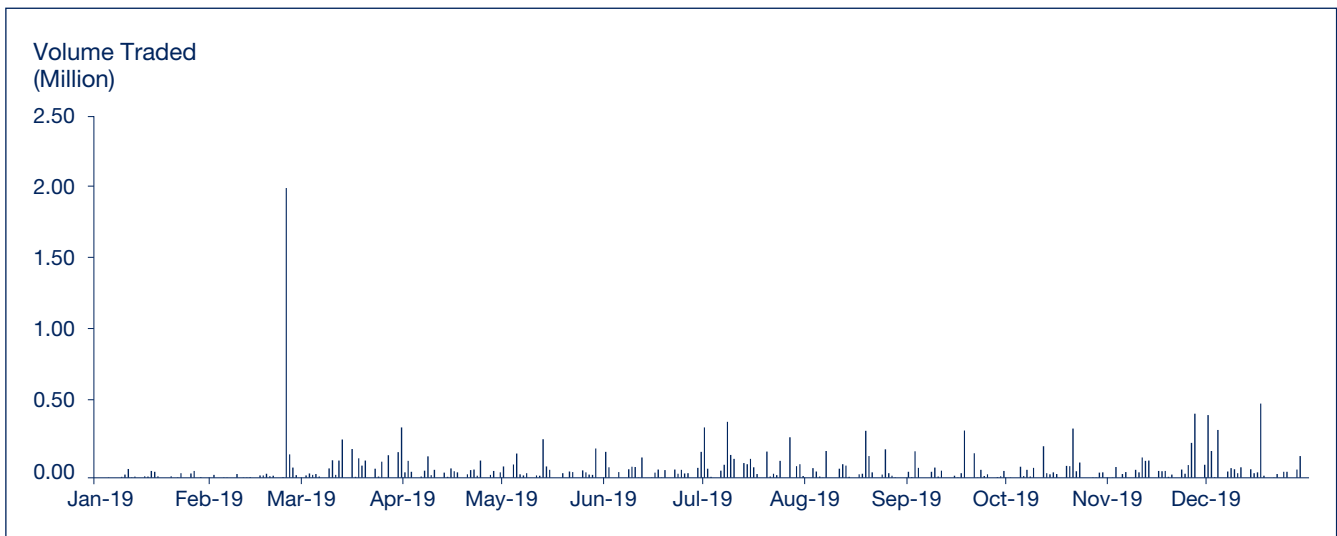
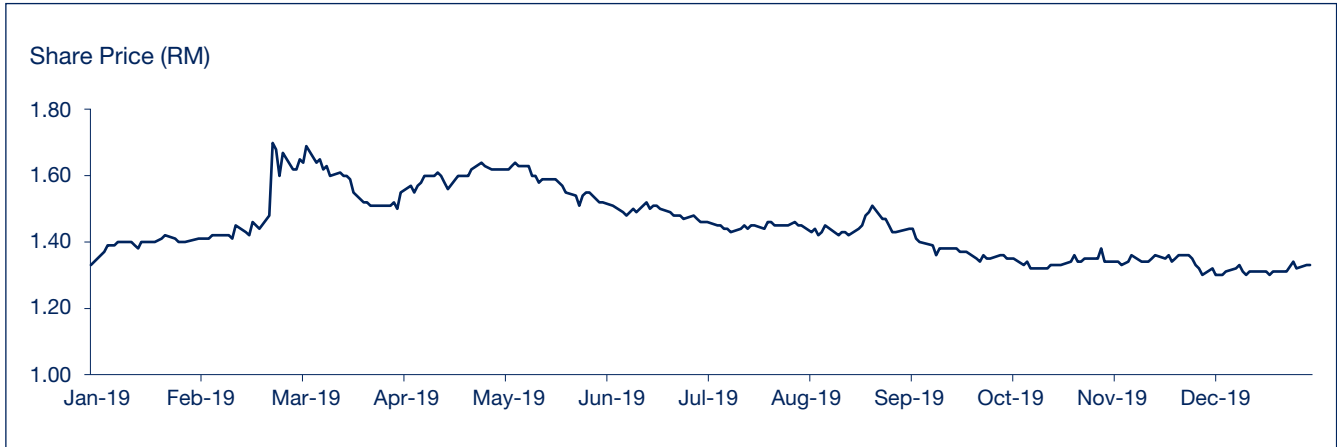
AUDIT AND NON-AUDIT FEES

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 2019 were as follows:

| | Company | Group |
|----------------------|----------------|--------------|
| | 2019 | 2019 |
| | (RM) | (RM) |
| Statutory audit fees | 61,000 | 798,884 |
| Non-audit fees * | 50,000 | 557,561 |

- * *The non-audit fees comprised mainly fees paid to KPMG PLT and their overseas affiliates for tax compliance, tax advisory services and review of compliance of new accounting standards.*

DAILY SHARE PRICES & VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD



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 2019, 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.