

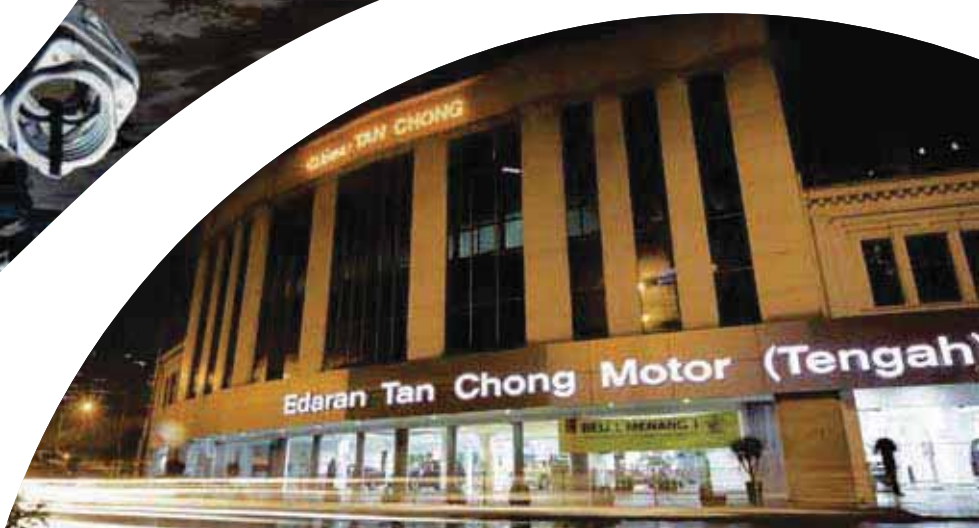


**TAN CHONG MOTOR HOLDINGS BERHAD**

(Company No. 12969-P)

ANNUAL REPORT **2017**

**RESILIENCY BEYOND 60**





# 46<sup>th</sup> AGM

Annual General Meeting of

**TAN CHONG MOTOR HOLDINGS BERHAD**

will be held at

**THE GRAND BALLROOM**

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

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



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## CORPORATE INFORMATION

### DIRECTORS

#### DATO' TAN HENG CHEW

*President*

#### SIEW KAH TOONG

*Independent Non-Executive Director*

#### HO WAI MING

*Chief Financial Officer*

#### DATO' NG MANN CHEONG

*Senior Independent Non-Executive Director*

#### DATO' KHOR SWEE WAH @ KOH BEE LENG

*Group Chief Executive Officer*

#### LEE MIN ON

*Independent Non-Executive Director*

### AUDIT COMMITTEE

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

### REGISTERED ADDRESS

62-68 Jalan Sultan Azlan Shah  
51200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Tel : +603 4047 8888  
Fax : +603 4047 8636  
Web : [www.tanchonggroup.com](http://www.tanchonggroup.com)  
Email : [tcmh@tanchonggroup.com](mailto:tcmh@tanchonggroup.com)

### AUDITORS

KPMG PLT

### NOMINATING AND REMUNERATION COMMITTEE

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

### LISTING

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

### BOARD RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

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

### REGISTRARS

Tricor Investor & Issuing House  
Services Sdn Bhd (11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Tel : +603 2783 9299  
Fax : +603 2783 9222  
Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

### COMPANY SECRETARIES

Ho Wai Ming  
Chang Pie Hoon

## BUSINESS DIVISIONS



1

### ASSEMBLY AND MANUFACTURING

- Motor Vehicles



2

### SALES AND DISTRIBUTION

- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses



3

### AFTER-SALES SERVICES

- Spare Parts
- Workshop



4

### FINANCIAL SERVICES

- Hire Purchase
- Leasing
- Insurance Agency
- Money Lending



5

### PROPERTY

- Investment



# NAVARA BLACK SERIES

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



## REPORT OF THE BOARD OF DIRECTORS



### Dear Valued Shareholders,

THE FINANCIAL YEAR (“FY”) 2017 MARKED A SIGNIFICANT MILESTONE FOR TAN CHONG MOTOR HOLDINGS BERHAD (“TCMH”) GROUP AS WE CELEBRATED OUR 60<sup>TH</sup> ANNIVERSARY.

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

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

## REPORT OF THE BOARD OF DIRECTORS

### FINANCIAL PERFORMANCE OVERVIEW

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

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

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



### DIVIDENDS

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

### BUSINESS PERFORMANCE OVERVIEW

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

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

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

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



## REPORT OF THE BOARD OF DIRECTORS



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

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

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

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

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

## REPORT OF THE BOARD OF DIRECTORS



### CORPORATE GOVERNANCE

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

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

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

### PROSPECTS AND STRATEGIC DIRECTIONS GOING FORWARD

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

The domestic automotive industry is expected to be subdued in 2018 as new vehicle sales remain weak due to the current economic condition coupled with

low consumer appetite for big ticket items such as new cars, as well as the continuing strict financing approval guidelines and higher financing rates, with hikes in overnight policy rates ("OPR").

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

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



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

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

## REPORT OF THE BOARD OF DIRECTORS



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

### ACKNOWLEDGEMENT

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

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

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

On behalf of the Board,

**DATO' TAN HENG CHEW**

*President*

12 April 2018



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

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

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

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

## STRATEGY OVERVIEW

### i. Improve competitiveness in domestic market

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

### ii. Regional expansion to widen the foothold in ASEAN

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

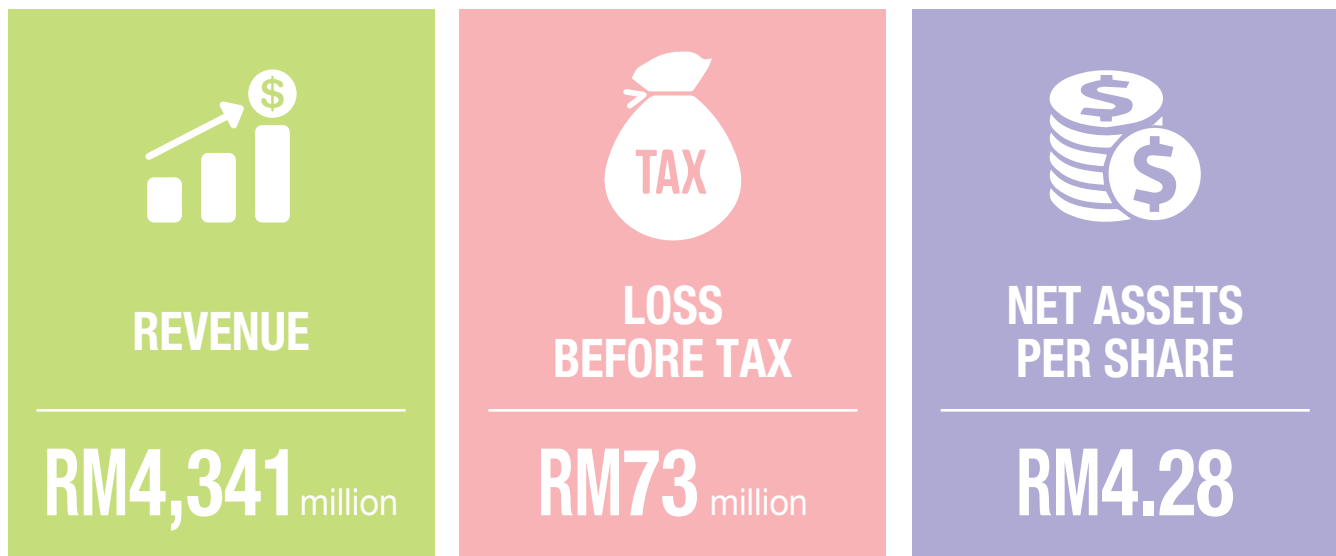
growth from regional operations has validated our strategy for regional diversification. In FY2017, the overseas revenue contributed 17% of the Group's total revenue.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS



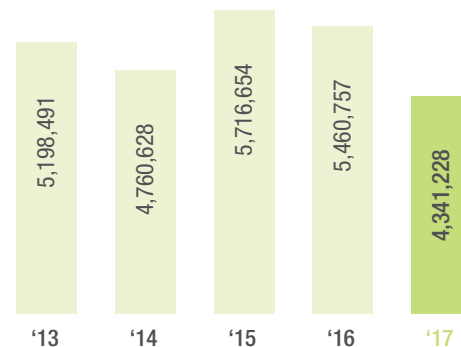
### GROUP FINANCIAL PERFORMANCE REVIEW

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

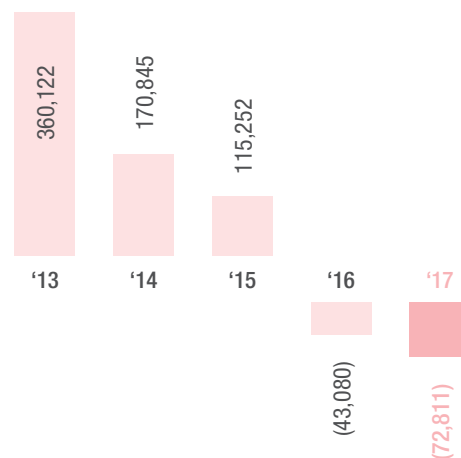
TCMH Group continued to undertake active measures to manage and mitigate the foreign exchange costs of imported materials. However, the fluctuation in the foreign exchange rates resulted in higher costs of sales that could not be fully passed on to our customers in order to sustain sales in an intensely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

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

### REVENUE (RM'million)



### LOSS BEFORE TAX (RM'million)



## MANAGEMENT DISCUSSION AND ANALYSIS



### BUSINESS PERFORMANCE REVIEW

#### Automotive Division

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

#### (i) Malaysia

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

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

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

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### (ii) Vietnam

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

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

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

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



### (iii) Myanmar

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### (iv) Laos

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

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

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

### (v) Cambodia

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

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



### Commercial Vehicles Division

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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



### After-Sales Service Division

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS



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

### Assembly and Manufacturing Division

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

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

- (a) This includes reviewing of production line utilisation and shift operation;
- (b) Review of production pattern to optimise usage of resources i.e. human resources and utilities and looking into alternative source of material supply with more competitive price advantage; and
- (c) Continue to explore other business opportunities with manufacturing and assembly services.

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Services Division

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

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



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

### BUSINESS OUTLOOK AND PROSPECTS

#### Automotive Division

##### (i) Malaysia

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

### (ii) Vietnam

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

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

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

### (iii) Myanmar

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

### (iv) Laos

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

### (v) Cambodia

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



## MANAGEMENT DISCUSSION AND ANALYSIS



### Commercial vehicles

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

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

### After-Sales Service Division

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

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

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

### Assembly and Manufacturing Division

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS



### Financial Services Division

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

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

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

### Human Resources

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS



### CONCLUSION

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

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

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

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





## RENAULT CAPTUR

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

## EIGHT-YEAR FINANCIAL HIGHLIGHTS

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

## PROFILE OF DIRECTORS

### DATO' TAN HENG CHEW

*JP, DJMK*

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

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

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

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

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

### DATO' NG MANN CHEONG

*DSSA, SMP, JP*

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

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

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

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



## PROFILE OF DIRECTORS

## SIEW KAH TOONG

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

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

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

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

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

DATO' KHOR SWEE WAH @ KOH BEE LENG  
DJMK

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

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

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

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

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

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

## PROFILE OF DIRECTORS

### HO WAI MING

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

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

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

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

### LEE MIN ON

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

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

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

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

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

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

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Save as disclosed above, none of the Directors has:

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

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

## PROFILE OF KEY SENIOR MANAGEMENT

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

### 1. NICHOLAS TAN CHYE SENG

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

#### Qualification:

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

#### Working Experience:

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

#### Present Directorship(s):

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

#### Family relationship with any director and/or major shareholder:

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

### 2. CHRISTOPHER TAN KOK LEONG

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

#### Qualification:

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

#### Working Experience:

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

#### Present Directorship(s):

Listed Entity : Nil  
Other Public Companies : Nil

#### Family relationship with any director and/or major shareholder:

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



## PROFILE OF KEY SENIOR MANAGEMENT

### 3. WONG KING YOON

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

#### Qualification:

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

#### Working Experience:

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

#### Present Directorship(s):

Listed Entity : Nil  
Other Public Companies : Nil

### 4. TEONG SENG KIANG

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

#### Qualification:

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

#### Working Experience:

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

#### Present Directorship(s):

Listed Entity : Nil  
Other Public Companies : Nil

## PROFILE OF KEY SENIOR MANAGEMENT

5. **YAO TSU-WEI (also known as Michael Yao)**  
Head of After Sales Division (w.e.f. 1 March 2013)  
Aged 54, Male, Taiwanese

**Qualification:**

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

**Working Experience:**

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

**Present Directorship(s):**

Listed Entity : Nil  
Other Public Companies : Nil

6. **LEE JIUNN SHYAN (also known as Lawrence Lee)**  
Head of Assembly and Manufacturing Division (w.e.f. 1 January 2018)  
Aged 48, Male, Malaysian

**Qualification:**

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

**Working Experience:**

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

**Present Directorship(s):**

Listed Entity : Nil  
Other Public Companies : Nil

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

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





TAN CHONG

— Tan Chong Group's

PLANT  
PLANT

— Saturday, 14



# SUSTAINABILITY STATEMENT

## OUR ROADMAP TO SUSTAINABILITY:

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

## ENVIRONMENT

- Towards A Greener Planet

## ECONOMIC

- Empowering The Next Generation

## SOCIAL

- Giving Hope; Celebrating Life

## MOVING BEYOND 60



# SUSTAINABILITY STATEMENT

## INTRODUCTION

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

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

## BOARD OF DIRECTORS' OVERVIEW

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

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

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

To start with, we have put in place strong leadership and managed allocation of resources, in order to move forward with our strategic directions. Our corporate governance practices provide a framework of accountability and responsible business practices that begin with an independent and highly effective Board. We are committed to diversity and inclusion, which includes ethnicity, cultural background and gender. Our people continue to show resilience. Sustainability is reflected in the choices made each day by our employees – whether it is going the extra mile for our customers or doing their part in strengthening and enriching local communities. Underneath the

sophistication of the financial services and products we offer, there is strength that drives us forward to overcome the economic, environmental and social challenges that come our way. We have implemented various projects; focusing on areas such as community development and education and employees' growth. We reach out to communities to improve their quality of life and we provide community-based learning opportunities, especially for underprivileged groups. Another highly ranked aspect is employee training and development.

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

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



# SUSTAINABILITY STATEMENT



TAN CHONG

## Core Values (TCFIMPeD)

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).

### Courage Say It Out!

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

### Frugality Do More with Less

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

### Innovation & Creativity What's Next?

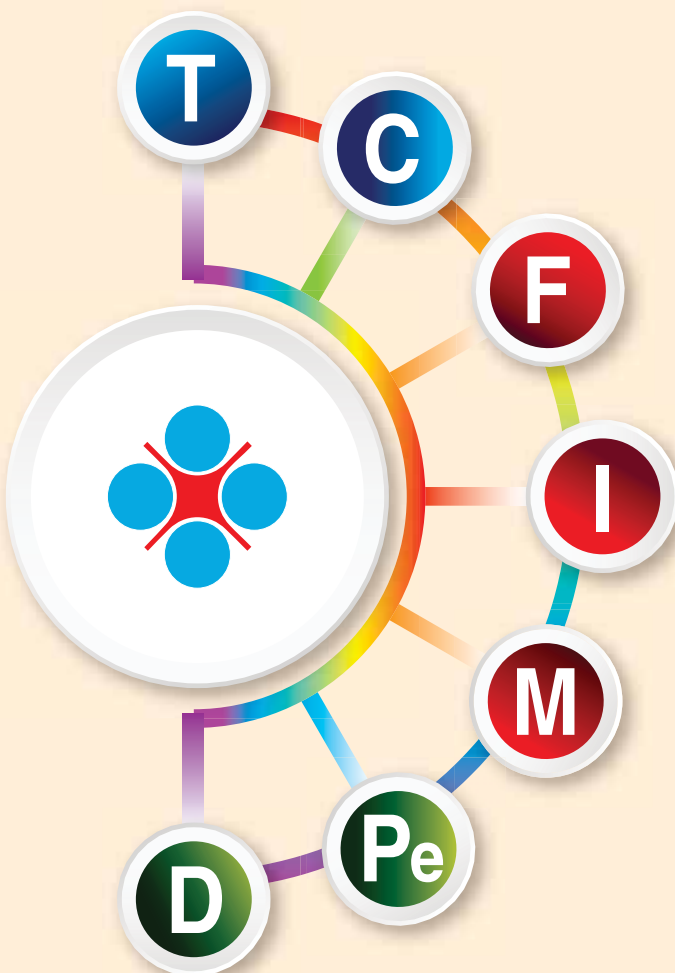
The capability or act of designing or developing something original or unusual and the application of ideas or implementation of something new for the organisation.

### 24/7 Mindset Always Online

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

### Perseverance Never Give Up!

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



### Diligence Stay Focused!

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



# SUSTAINABILITY STATEMENT

## SUSTAINABILITY GOVERNANCE

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

## OUR REPORTING FRAMEWORK

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



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



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



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

## SUSTAINABILITY STATEMENT

### ENVIRONMENT

Towards a Greener Planet

#### TAN CHONG CELEBRATES ITS 60<sup>TH</sup> ANNIVERSARY BY GOING GREEN



*Management team at “Plant A Tree, Plant A Life” ceremony*

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

One such instance is the “Plant A Tree, Plant A Life” event that took place at the Group’s assembly plant in Serendah, Selangor. Held in conjunction with its 60<sup>th</sup> anniversary celebration on 14<sup>th</sup> October 2017, this move

included the planting of 60 trees around the facility’s compound and involved members of the Board, senior management and employees; signifying its commitment to preserve the environment. The Board trusts that such initiatives will generate the “ripple effect”, where the actions taken today will help make way for a “greener world” for 60 years more and beyond.

# SUSTAINABILITY STATEMENT

## WASTE MANAGEMENT

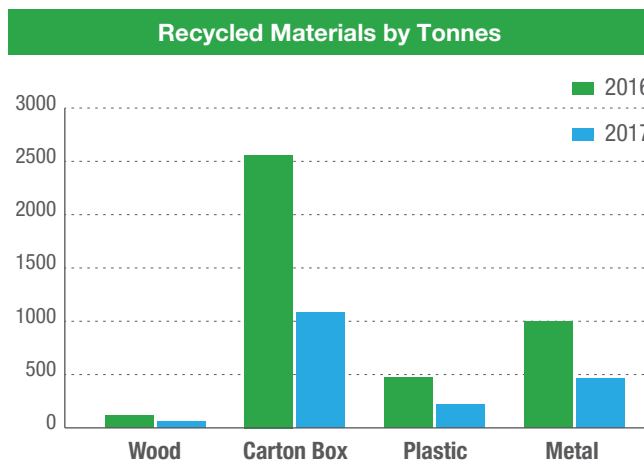
Tan Chong Motor Assemblies Sdn Bhd (TCMA) has, since its inception, embarked on programmes not only to be a leader in automotive production plants but also a major contributor to environmental conservation, social development and economic growth.

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

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

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

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



Waste water treatment plant



Recycled paper after compacting

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



Recycle bin at headquarters



# SUSTAINABILITY STATEMENT

## ENERGY MANAGEMENT – SOLAR PANEL/RENEWABLE ENERGY

To better manage energy consumption, our plant at Serendah has installed a 1 Megawatt capacity solar panel system. This helps to reduce the dependency on fossil fuel to generate electricity and hence reducing carbon dioxide CO<sub>2</sub> emission. The plant is also looking into expanding to its potential capacity of 30 megawatts.

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



An aerial view of solar panel roof

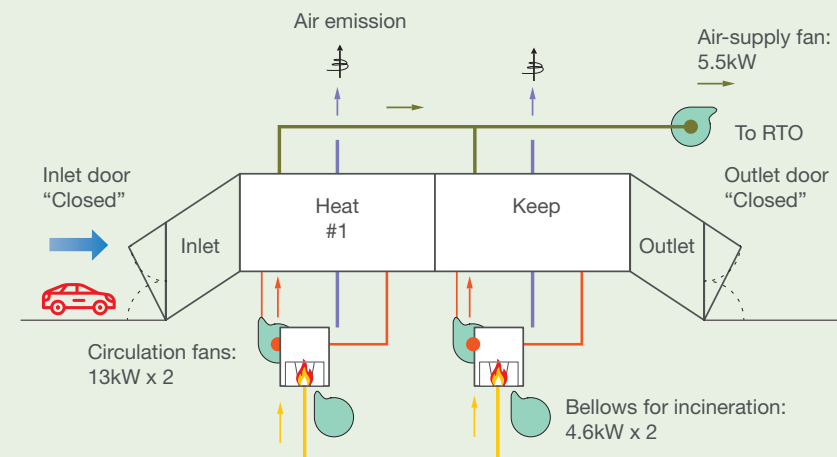
## ENERGY CONSERVATION AND CARBON DIOXIDE (CO<sub>2</sub>) REDUCTION

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

### Optimisation of Oven System Operation

The plant has optimised its oven operation time to better utilise natural gas consumption. As a result, 8MW of electricity and 10t-CO<sub>2</sub> was reduced per year.

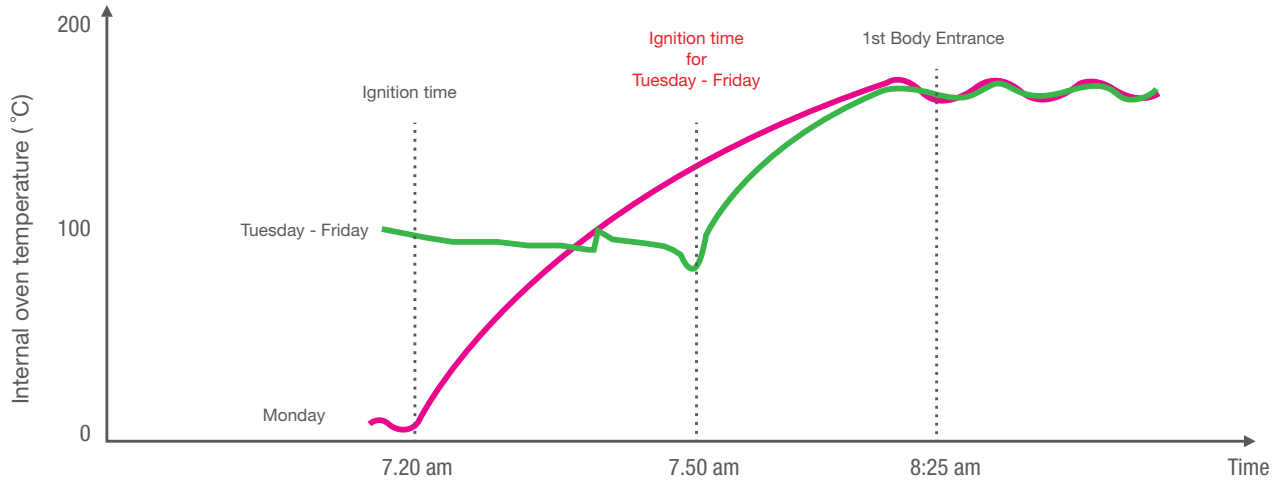
Description	Before	After	Reduction	%
Energy (MWh) / Year	18	10	8	45
CO <sub>2</sub> ton / Year	22.7	12.5	10.1	



### Oven Temperature Trend Chart

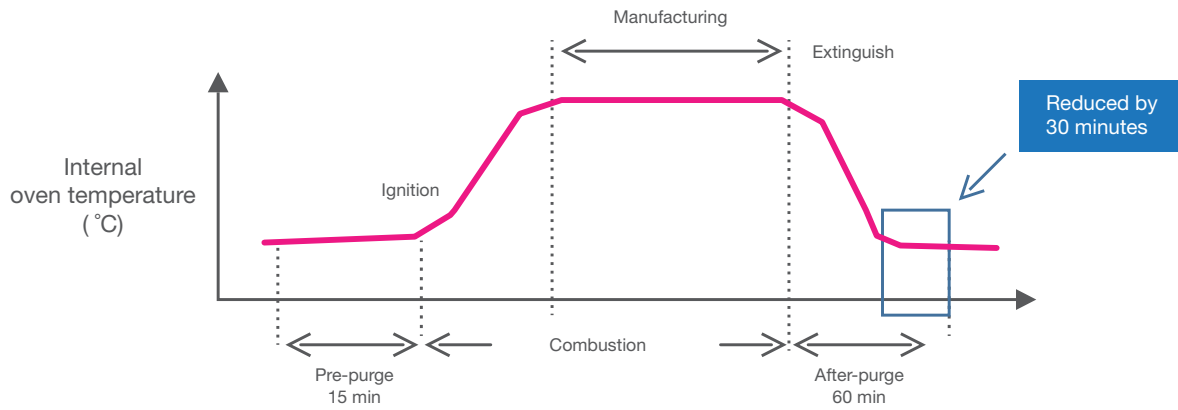
The oven's function is to dry the painted car body. The circulation fan transfers the heated air from the burner to the oven area. This is aimed at saving energy by delaying time of oven ignition, so that temperature is increased just before body input.

# SUSTAINABILITY STATEMENT



## Purging Time Chart

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



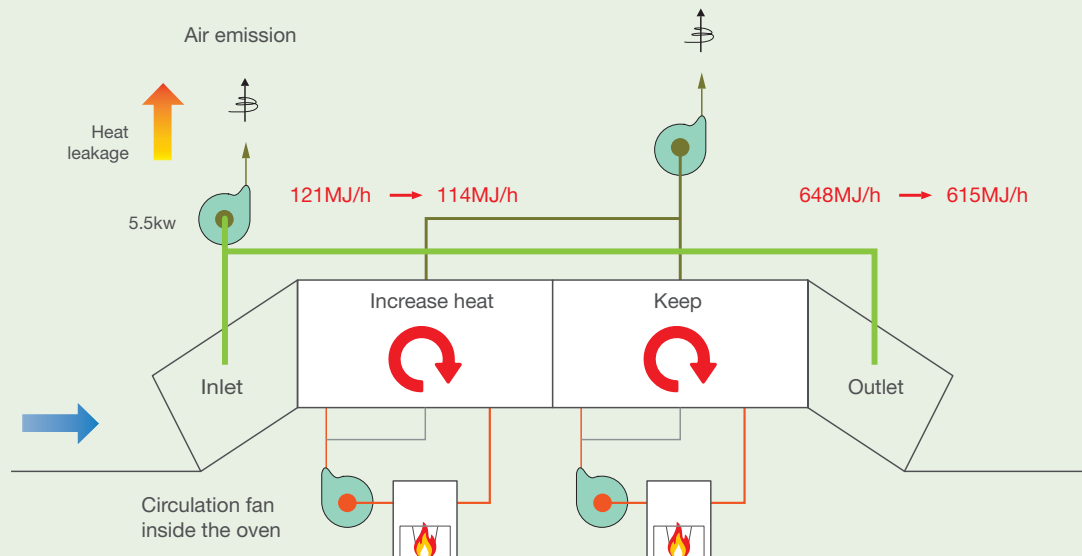
## Oven System Ventilation Fan

To further improve energy conservation, ventilation fans operation time was optimised as well to reduce energy loss and simultaneously reduce emission of carbon dioxide. With this, the plant could successfully conserve 4,533 m<sup>3</sup>N/year of liquid petroleum gas and reduce carbon dioxide emission by 26.16t-CO<sub>2</sub> per year.

Description	Before	After	Saving	%
LPG (m <sup>3</sup> N) / Year	87,148	82,615	4,533	
CO <sub>2</sub> ton / Year	503	477	26	5.2

# SUSTAINABILITY STATEMENT

## Oven Layout



## Air Compressor

The operation of the air compressor was also optimised to reduce electricity consumption. The air compressor operation was studied in-depth to identify areas for environmental conservation. This resulted in savings of 34MW of electricity and 14t-CO<sub>2</sub> per year.

Description	Before	After	Saving	%
Energy (MWh) / Year	768	730	38	
CO <sub>2</sub> ton / Year	287.2	272.8	14.4	5.0

## Opting for Energy-Saving LED Lights

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

## Cooling Tower

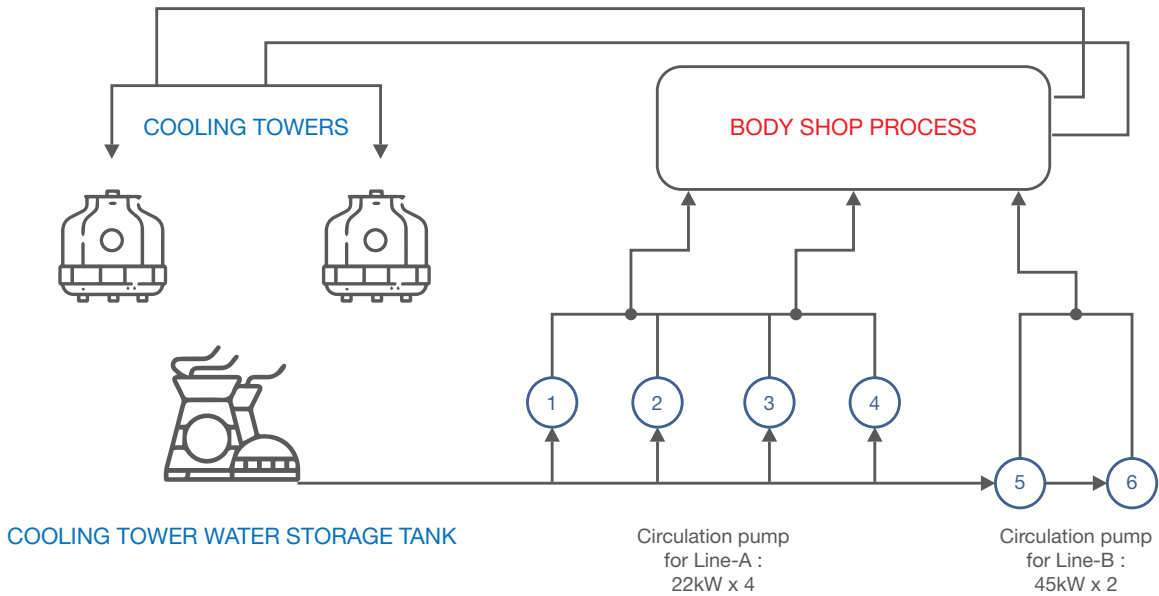
In addition, the operation time of the cooling towers was also optimised to reduce the usage of electricity and the plant managed to reduce electrical consumption by 56MW and CO<sub>2</sub> emission by 21t-CO<sub>2</sub> respectively per year.

Description	Before	After	Saving	%
Energy (MWh) / Year	864	808	56	
CO <sub>2</sub> ton / Year	462.2	432.3	29.9	6.5



# SUSTAINABILITY STATEMENT

## Cooling Tower System Layout

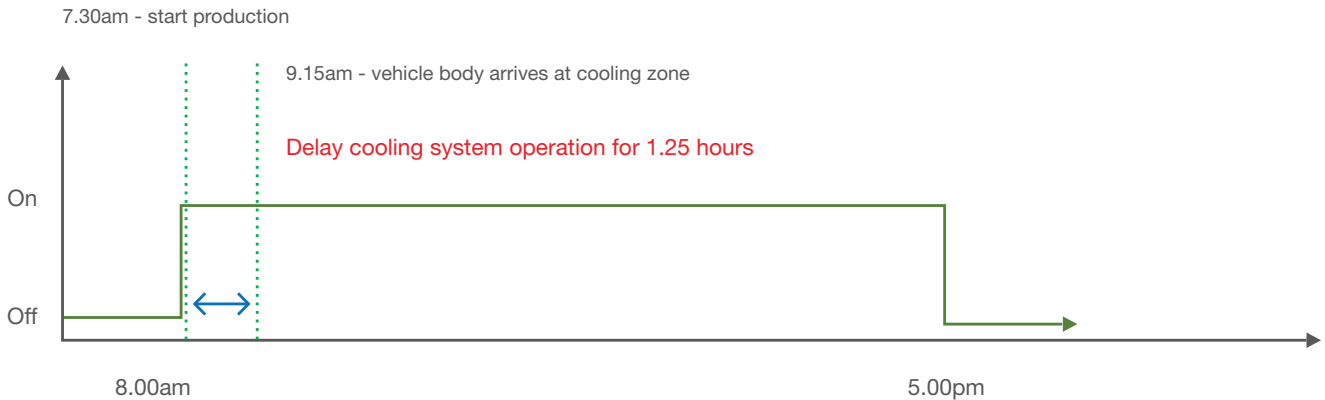


## Cooling Fan

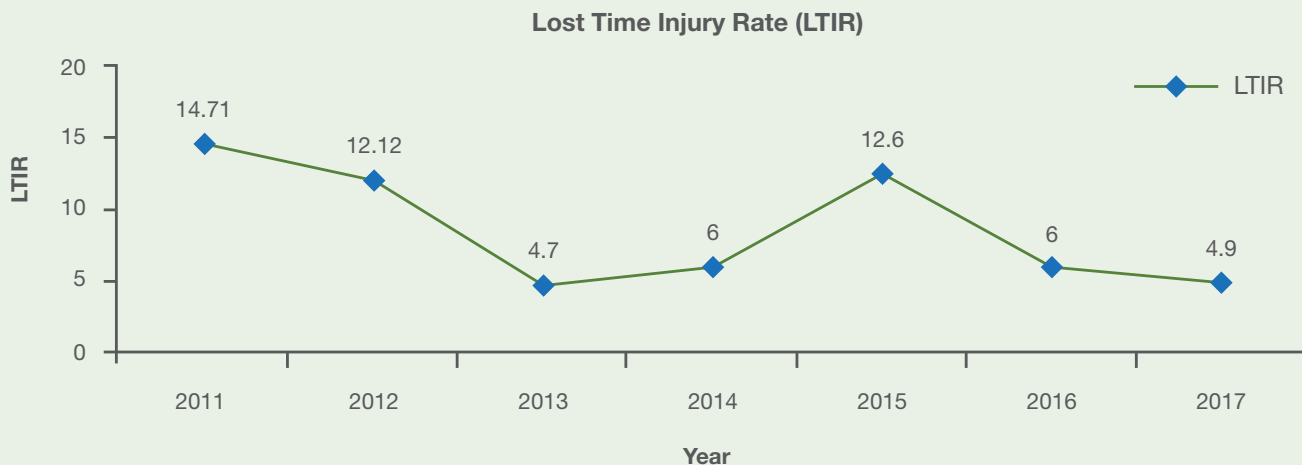
Another initiative taken by the plant was to enhance the effectiveness of the cooling fan by reducing the operation hours by 1.25 hours from 11 hours. The cooling fan reduces the car body temperature to a level suitable for workers to handle. With this initiative, 26kWh of electric energy and 3t-CO<sub>2</sub> could be reduced per year.

Description	Before	After	Saving	%
Energy (MWh) / Year	76	67	9	11.4
CO <sub>2</sub> ton / Year	25.7	22.8	2.9	

## Oven Cooling Operation Time Chart



## SUSTAINABILITY STATEMENT



### SAFETY AT WORK

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

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

### Environment, Health & Safety (EHS)

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

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



*ERT members learning the use of chemical suit.*

### Emergency Response Team (ERT)

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

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

## SUSTAINABILITY STATEMENT



*TCMA's women firefighters in action during fire drill*



*Fire fighting training*

### Other Trainings

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

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

### Fire Drill

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

### Road Safety

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



*Forklift operation training*



*PPE training – hearing protection*



## SUSTAINABILITY STATEMENT

### MEDICAL AND OCCUPATIONAL HEALTH SERVICES

#### Medical Screenings

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



*Bone density check*

#### Health Campaigns

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



*Blood pressure check*

#### Blood Donation Campaign

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



*Breast Cancer Awareness campaign*

#### Pink October

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



*World Health Day participants*

#### World Health Day

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

# SUSTAINABILITY STATEMENT

## ECONOMIC

### Empowering The Next Generation



Shareholders' visit at Serendah plant

### SHAREHOLDERS' PLANT VISIT

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

### SHUTTLE SERVICE

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



Employees queuing for the free shuttle service



Children enjoying themselves at the daycare

### DAYCARE FACILITY

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

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

## SUSTAINABILITY STATEMENT

### LEARNING AND DEVELOPMENT

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

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

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



*Body shop RTC*



*Paint shop RTC*



*Assembly shop RTC*

### Regional Training Centre (RTC)

Training presents a prime opportunity to expand the knowledge base of all employees. Employees who receive the necessary training is better at performing their jobs. They become more competent and are able to follow standard procedures for basic tasks to ensure safety, quality and productivity. In the plant, training is being emphasised for all levels of employees. All new employees will go through a stringent orientation programme which covers soft and technical skills. The plants have their own RTCs to train all new operators on the basic skills of vehicle assembly. The training centres are designed

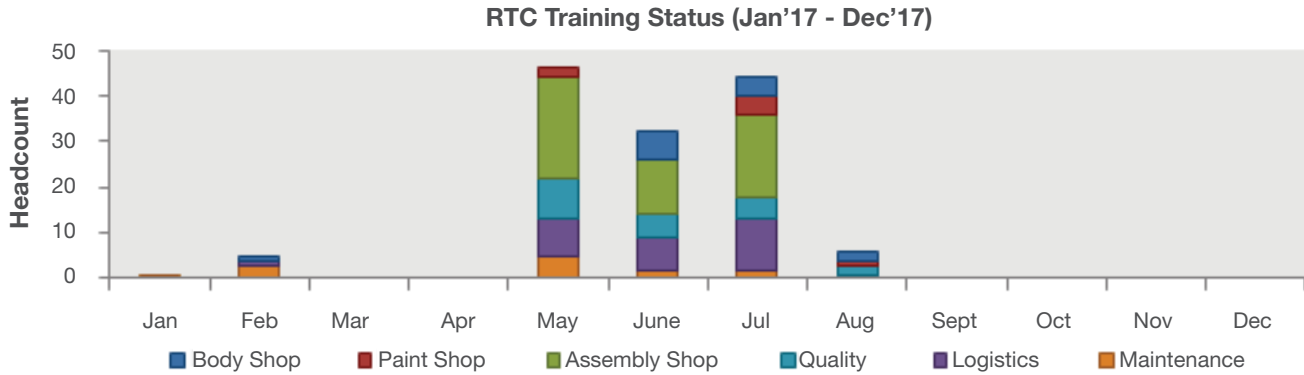
by following the Nissan Global Training Centre standards covering six main training areas such as Body Shop, Paint Shop, Assembly Shop, Quality, Logistics and Maintenance.

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



## SUSTAINABILITY STATEMENT

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



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



*Earn As You Wish (EAYW) programme participants*

### Small Group Activity (SGA)

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

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

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

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

# SUSTAINABILITY STATEMENT

## Tan Chong School of Management (TCSM)

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

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



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

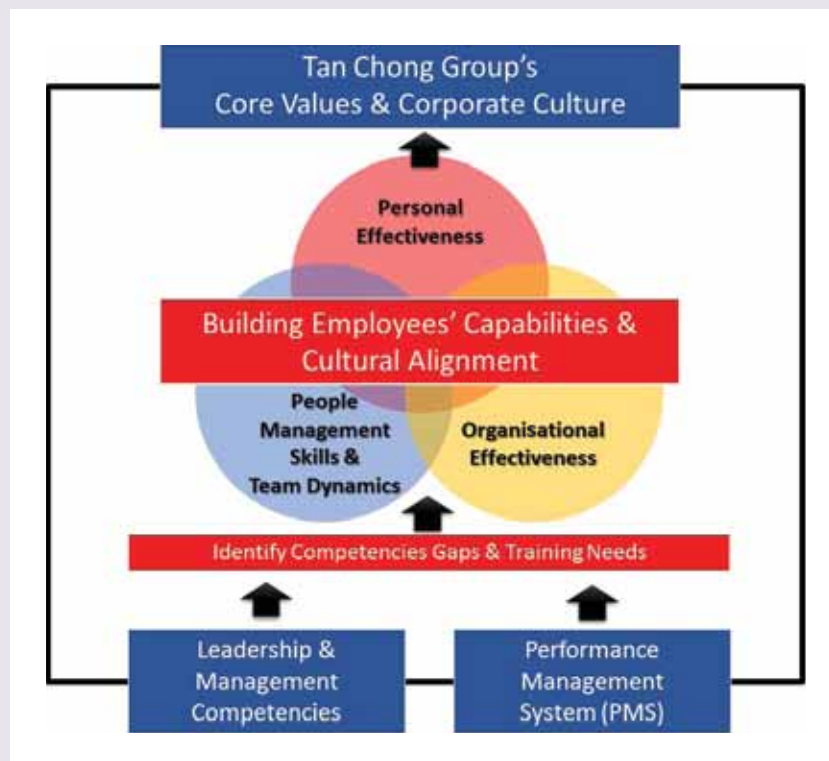
**To promote:**

- Personal Development
- Career growth
- Long term retention



**Reviewed & Approved  
Tan Chong Core Values  
(TC FIMPeD)**

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



Tan Chong Group's model of learning under TCEDAPF

## SUSTAINABILITY STATEMENT



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

### Tan Chong Technical Institute (TCTECH)

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

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

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



*Paint ball*



*Treasure hunt @ FRIM*



*Champion for Tan Chong Group Annual Bowling Tournament*

### SPORTS AND RECREATION

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

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



## SUSTAINABILITY STATEMENT

### SOCIAL

#### Giving Hope; Celebrating Life

#### EDUCATING THE YOUNG



*SJKC Sg Chua, Kajang Selangor*

#### After-School Daycare Centres

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

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

#### REACHING OUT TO THE LESS FORTUNATE

#### Rumah Kasih Sayang

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



*Tan Chong Group presented a cheque to Rumah Kasih Sayang*

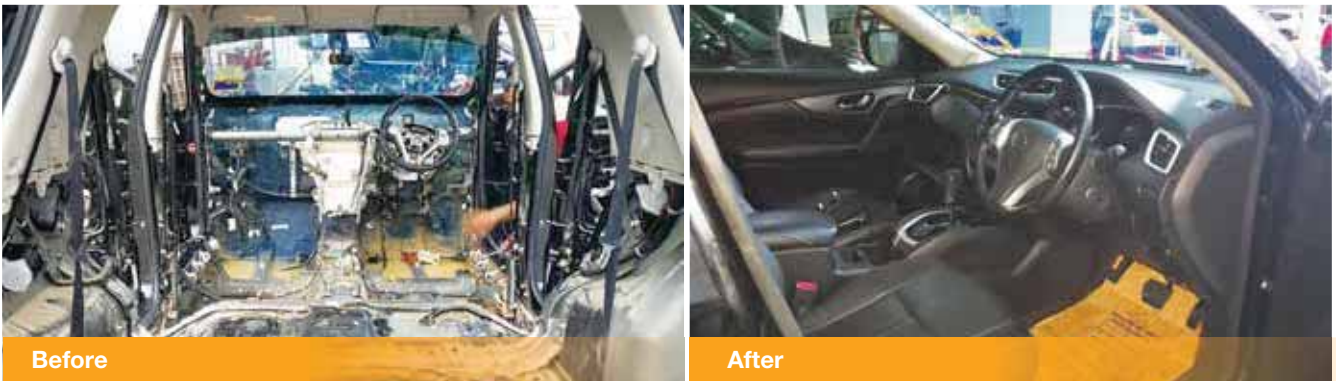
## SUSTAINABILITY STATEMENT



*TCITech employees with children of Nanthisar Home*

### Charity Visit to Nanthisar Home

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



*One of the badly damaged cars during the flood in Penang*

### Nissan Offers Flood Relief Programme in Aid of Affected Customers

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



## SUSTAINABILITY STATEMENT

### Orang Asli Community

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



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



Vehicle presentation to Women's Aid Organisation committee

### Women's Aid Organisation (WAO)

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



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

### Deepavali

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

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



## SUSTAINABILITY STATEMENT

### REACHING OUT TO INDOCHINA



*L'Orphelinat De Cambodge Enfance Développement Shelter*

#### Cambodia

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



*Laos Cultural Dance Competition participants*

#### Laos

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

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



*The handover ceremony held in Savan Latee Night Market*



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

## SUSTAINABILITY STATEMENT

### Myanmar

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



Group picture of TCMM team with the monks and children



Blood donors at Blood Bank Hospital, Hanoi Vietnam

### Vietnam

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

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



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



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

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



## SUSTAINABILITY STATEMENT



### MOVING BEYOND 60

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

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



# RENAULT KOLEOS

**Bigger · Bolder · Better ·**

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD RESPONSIBILITIES

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

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

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

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

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

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

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

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

Name of Director	Details of Programme
Dato' Tan Heng Chew	<ul style="list-style-type: none"> <li>• Bursa Malaysia and The Iclif Leadership and Governance Centre : CG Breakfast Series For Directors – “Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World”</li> <li>• Bursa Malaysia and Malaysian Directors Academy : CG Breakfast Series For Directors – “Integrating an Innovation Mindset with Effective Governance”</li> <li>• Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant</li> </ul>
Dato' Ng Mann Cheong	<ul style="list-style-type: none"> <li>• Bursa Malaysia : Sustainability Forum for Directors/Chief Executive Officers – “The Velocity of Global Change and Sustainability – The New Business Model”</li> <li>• Audit Committee Institute : Audit Committee Institute Breakfast Roundtable 2017</li> <li>• Bursa Malaysia : CG Breakfast Series with Directors – “Board Excellence – How to Engage and Enthuse Beyond Compliance with Sustainability”</li> <li>• Bursa Malaysia and PWC Malaysia Consulting : Risk Management Programme – “I am Ready to Manage Risks”</li> <li>• Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> </ul>
Mr Siew Kah Toong	<ul style="list-style-type: none"> <li>• Chartered Tax Institute of Malaysia and Royal Malaysian Customs Department : National Tax Conference 2017</li> <li>• Malaysian Institute of Accountants : 50th Anniversary Commemorative Lecture – “Integrity : The Game Changer”</li> <li>• Securities Commission Malaysia : Release of The Malaysian Code on Corporate Governance</li> <li>• Chartered Tax Institute of Malaysia and Lembaga Hasil Dalam Negeri Malaysia : National Tax Conference 2017</li> <li>• Fraser and Neave Holdings Berhad : Directors' Continuing Education Programme 2017</li> <li>• Bursa Malaysia : Fraud Risk Management Workshop</li> <li>• Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> <li>• Bursa Malaysia and The Iclif Leadership and Governance Centre : CG Breakfast Series for Directors – “Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World”</li> <li>• Sekhar &amp; Tan : Training on MFRS 9, 15, 16 and Amendments to MFRS 116 and 141</li> <li>• Lembaga Hasil Dalam Negeri Malaysia : National Tax Seminar 2017</li> <li>• Sekhar and Tan : Anti-Money Laundering and Terrorism Financing Act</li> </ul>
Dato' Khor Swee Wah @ Koh Bee Leng	<ul style="list-style-type: none"> <li>• Bursa Malaysia : CG Breakfast Series with Directors – “Board Excellence - How to Engage and Enthuse Beyond Compliance with Sustainability”</li> <li>• Tan Chong Motor Holdings Berhad : Sustainability Training for Directors and Heads of Departments</li> <li>• Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> <li>• Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director	Details of Programme
Mr Ho Wai Ming	<ul style="list-style-type: none"> <li>• Bursa Malaysia : Sustainability Engagement Series for Directors/Chief Executive Officers</li> <li>• Bank Negara Malaysia : Bank Negara Malaysia's 2016 Annual Report/Financial Stability and Payment Systems Report Briefing</li> <li>• Kuala Lumpur Business Club : KLBC Fireside Chat on "Global Economy – Escape Velocity at last? Outlook for ASEAN, especially Malaysia"</li> <li>• Bursa Malaysia : Fraud Risk Management Workshop</li> <li>• Tan Chong Motor Holdings Berhad : Sustainability Training for Directors and Heads of Departments</li> <li>• Tan Chong Education Services Sdn Bhd : Dato' Tan Heng Chew Distinguished Speaker Series – "Disruption in the E-World"</li> <li>• Bursa Malaysia and The Iclif Leadership and Governance Centre : CG Breakfast Series for Directors – "Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World"</li> <li>• The Economist Events : The Economist – Sustainability Summit Asia 2017</li> <li>• Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant</li> </ul>
Mr Lee Min On	<ul style="list-style-type: none"> <li>• Bursa Malaysia : Sustainability Forum for Directors/Chief Executive Officers – "The Velocity of Global Change and Sustainability – The New Business Model"</li> <li>• APM Automotive Holdings Berhad : In-house Sustainability Reporting Workshop (as speaker)</li> <li>• The Iclif Leadership and Governance Centre : Mandatory Accreditation Program</li> <li>• Bursa Malaysia : Fraud Risk Management Workshop</li> <li>• Warisan TC Holdings Berhad : In-house Sustainability Reporting Workshop (as speaker)</li> <li>• Tan Chong Motor Holdings Berhad : Sustainability Training for Directors and Heads of Departments (as speaker)</li> <li>• Tan Chong Education Services Sdn Bhd : Dato' Tan Heng Chew Distinguished Speaker Series – "Disruption in the E-World"</li> <li>• Bursa Malaysia : Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> <li>• The Institute of Internal Auditors Malaysia : National Conference 2017 – Audit Committee Leadership Track</li> <li>• Tan Chong Motor Holdings Berhad : 2018 Budget Briefing by Mr Tang Chin Fook, Tax Consultant</li> </ul>

## II. BOARD COMPOSITION

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

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

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

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

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

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

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### III. REMUNERATION

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

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

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

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

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

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

**Chairman:**

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

**Members:**

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

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

**Dato’ Tan Heng Chew** (*Executive Director*)

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

### I. COMMUNICATION WITH STAKEHOLDERS

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

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

### II. CONDUCT OF GENERAL MEETINGS

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

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

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

This Statement is dated 12 April 2018.



## RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

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

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

### BOARD RESPONSIBILITY

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

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

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

### RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

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

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

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

## RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

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

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

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

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

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

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

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

# RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

## INTERNAL AUDIT FUNCTION

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

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

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

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

## WEAKNESSES IN INTERNAL CONTROLS THAT RESULTED IN MATERIAL LOSSES

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

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

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

## CONCLUSION

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

This Statement is dated 12 April 2018.



## AUDIT COMMITTEE REPORT

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

### COMPOSITION AND MEETINGS

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

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

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

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

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

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

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

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

# AUDIT COMMITTEE REPORT

## SUMMARY OF ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE

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

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

### (1) Financial Reporting

- (a) Reviewed all the four (4) quarters' unaudited financial results of the Group, focusing on significant matters, which included going concern assumption, and ensured the disclosures were in compliance with the Malaysian Financial Reporting Standards ("MFRS") and regulatory requirements before recommending the same to the Board for approval to release the quarterly financial results to Bursa Malaysia Securities Berhad ("Bursa Securities");
- (b) Reviewed the annual audited financial statements of the Company and the Group, together with the external auditors, before recommending the same to the Board for approval; and
- (c) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters highlighted in the financial statements.

### (2) External and Internal Audit

- (a) Reviewed the external auditors' Audit Plan for the Group, which outlined the responsibilities and the scope of work for the financial year ended 31 December 2017 and external auditors' fees;
- (b) Discussed and reviewed with the external auditors, the results of their examination and their reports in relation to the audit and accounting issues arising from the audit;
- (c) Discussed and reviewed the areas for improvements in the internal control systems of certain subsidiaries as highlighted by the external auditors and steps needed to be taken to address the issues;
- (d) Reviewed and approved the nature of, and fees for, non-audit services provided by the external auditors and their affiliates in accordance with the Group's Policy on Non-Audit Services to ensure that such non-audit services did not compromise the objectivity and independence of the external auditors. Details of non-audit fees incurred by the Company and Group for the financial year ended 31 December 2017 are stated in the Additional Compliance Information on page 71 of this Annual Report;
- (e) Assessed the suitability, objectivity and independence of the external auditors by evaluating, among others, the adequacy of their technical knowledge, experience, skills, independence and objectivity, their audit engagement and the supervisory ability and competency of the engagement team assigned to the Group. Moreover, the external auditors have confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conducts and Practice) of the Malaysian Institute of Accountants via their presentation deck to the Audit Committee as well as the engagement letter. The Audit Committee was satisfied that the external auditors were able to meet the audit requirements and statutory obligation of the Company and also their professional independence and objectivity as external auditors of the Company. Following this assessment, the Audit Committee has recommended the re-appointment of KPMG PLT as external auditors of the Company at the forthcoming Annual General Meeting ("AGM"). The Board accepted the Audit Committee's recommendation for KPMG PLT's re-appointment as the external auditors at the forthcoming AGM in May 2018;
- (f) Held two (2) private sessions with the external auditors without the presence of executive Board members and Management personnel to discuss the audit findings and any other observations or concerns noted by the external auditors during the course of their audit;

## AUDIT COMMITTEE REPORT

- (g) Reviewed and approved the Annual Internal Audit Plan to ensure adequacy of scope, resources, competencies and coverage of auditable entities with significant and high risks;
- (h) Reviewed the scope and results of internal audits addressing internal controls over operations, financial, compliance and information technology processes relating to the Group based on the approved Annual Internal Audit Plan;
- (i) Discussed and reviewed the major findings, areas requiring improvements and significant internal audit matters raised by internal auditors and Management's response, including follow-up actions. Management of the respective business units concerned were requested to rectify and improve internal control procedures and workflow processes deficiencies based on the internal auditors' recommendations; and
- (j) Reviewed the performance, competence and effectiveness of the internal audit function.

### (3) Recurrent Related Party Transactions

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

### (4) Other Matters

- (a) Reviewed the Circular to Shareholders in relation to Shareholders' Mandate on RRPTs and the review procedures of RRPTs, Audit Committee Report and Risk Management and Internal Control Statement for inclusion in this Annual Report to ensure compliance with the relevant regulatory reporting requirements prior to recommending the same to the Board for approval;
- (b) Reviewed the Terms of Reference of the Audit Committee for their continued relevance, which were subsequently approved by the Board; and
- (c) Reviewed the report on irregularities and serious misconduct issued by the Group Compliance Officer and ensured that remedial action plans were appropriate.

## SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

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

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

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



## AUDIT COMMITTEE REPORT

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

- (i) Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work;
- (ii) Reviewed compliance with policies, procedures and relevant rules and regulations;
- (iii) Reviewed and tested the adequacy and operating effectiveness of controls associated with key business units and support functions within the Group. The significant areas and processes of the Group covered by GIA comprised the following:
  - Sales and collections;
  - Payment and expenditure control;
  - Inventory planning process and inventory management;
  - Business operations and process improvement;
  - General safety and environment of warehouse; and
  - Fixed asset management;
- (iv) Performed special review and investigation, as deemed necessary;
- (v) Reported audit findings and made recommendations to improve the internal control system at the various business units; and
- (vi) Reviewed the RRPTs and RPTs of the Group to ensure that they were undertaken at arm's length, on normal commercial terms of the Group and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the Listing Requirements of Bursa Securities.

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

This Report is dated 12 April 2018.

## ADDITIONAL COMPLIANCE INFORMATION

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

### MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

### AUDIT AND NON-AUDIT FEES

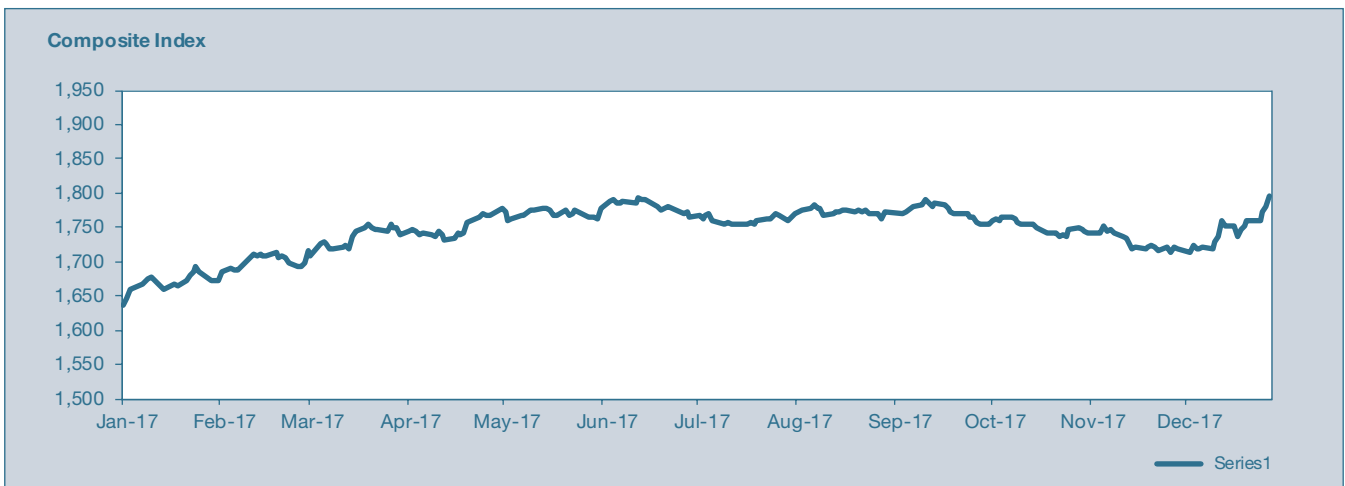
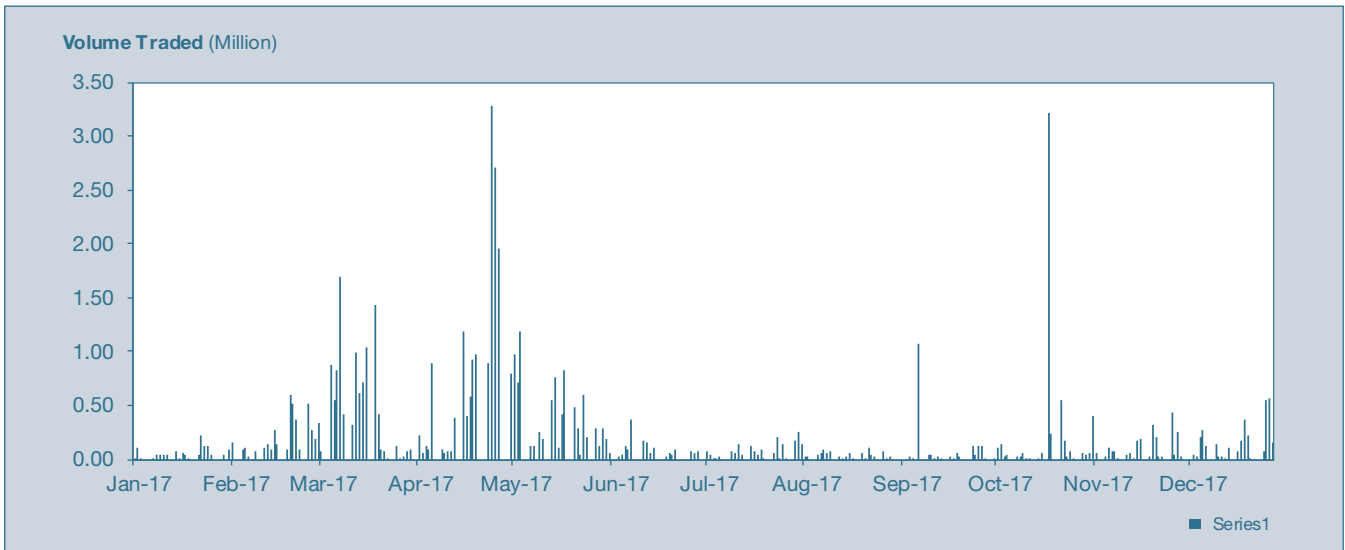
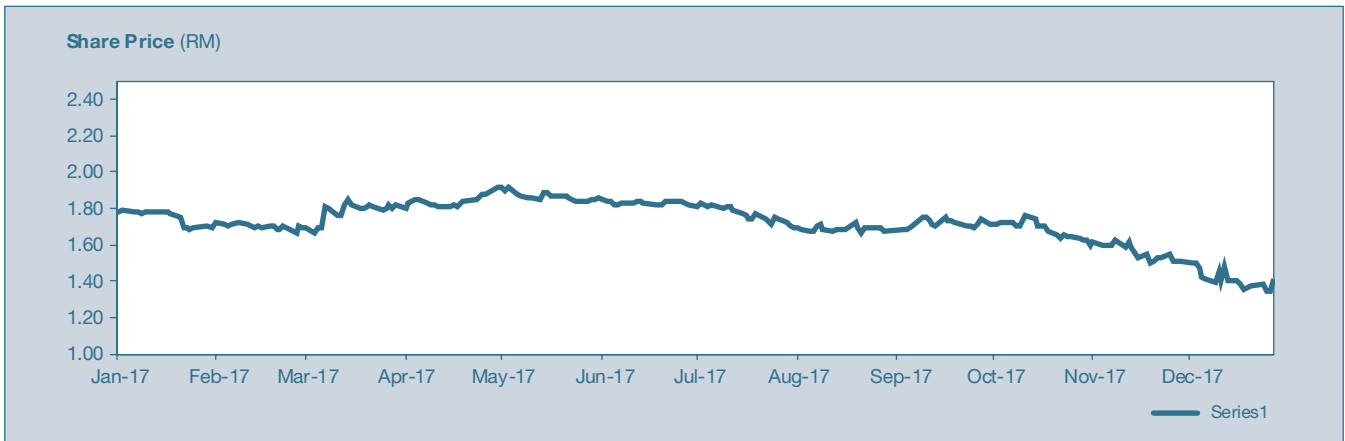
The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, KPMG PLT and their overseas affiliates, to the Company and the Group respectively for the financial year ended 31 December 2017 were as follows:

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

\*Notes:

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

## DAILY SHARE PRICES & VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD



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

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

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

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

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