



FINANCIAL STATEMENTS

76	Directors' Report
82	Statements of Financial Position
84	Consolidated Statement of Financial Position (in USD equivalent)
86	Statements of Profit or Loss and Other Comprehensive Income
88	Consolidated Statement of Profit or Loss and Other Comprehensive Income (in USD equivalent)
90	Consolidated Statement of Changes in Equity
92	Statement of Changes in Equity
93	Statements of Cash Flows
96	Notes to the Financial Statements
189	Statement by Directors
189	Statutory Declaration
190	Independent Auditors' Report

DIRECTORS' REPORT

for the year ended 31 December 2017

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

PRINCIPAL ACTIVITIES

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

RESULTS

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

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- (i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year:
 - a final single tier dividend of 1 sen per share totalling RM6,527,000 declared on 27 April 2017 and paid on 21 June 2017; and
- (ii) In respect of the financial year ended 31 December 2017:
 - an interim single tier dividend of 1 sen per share totalling RM6,527,000 declared on 25 August 2017 and paid on 29 September 2017.

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

DIRECTORS' REPORT

for the year ended 31 December 2017

DIRECTORS OF THE COMPANY

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

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

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

LIST OF DIRECTORS OF SUBSIDIARIES

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

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

DIRECTORS' REPORT

for the year ended 31 December 2017

LIST OF DIRECTORS OF SUBSIDIARIES (continued)

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

DIRECTORS' REPORT

for the year ended 31 December 2017

DIRECTORS' INTERESTS IN SHARES

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

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

Notes:

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

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

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

for the year ended 31 December 2017

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

SHARE BUY-BACK

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

INDEMNITY AND INSURANCE COSTS

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

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

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debt or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2017

OTHER STATUTORY INFORMATION (continued)

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

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

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENT

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

AUDITORS

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

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

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

Dato' Khor Swee Wah @ Koh Bee Leng
Director

Siew Kah Toong
Director

Kuala Lumpur,
Date: 12 April 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017 (in USD equivalent)

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017 (in USD equivalent)

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

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

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

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2017 (in USD equivalent)

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

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

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

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

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

Cash and cash equivalents

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

Registered office/Principal place of business

62-68 Jalan Sultan Azlan Shah
51200 Kuala Lumpur

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

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

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

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

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

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

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

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

MFRS 9, *Financial Instruments*

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. In general, it is anticipated that the application of the ECL model of MFRS 9 will result in early recognition of credit losses for the trade receivables and hire purchase receivables and a negative adjustment will be made to opening retained earnings, which will decrease the equity and net assets of the Group.

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

MFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. MFRS 9 does not cover guidance on macro hedge accounting as it will be addressed as a separate accounting standard project. MFRS 9 includes an accounting policy choice to defer the adoption of MFRS 9 hedge accounting and to continue with MFRS 139 hedge accounting. Accordingly, the Group has elected to continue with the existing hedge accounting provisions of MFRS 139.

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

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, of *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 15, Revenue from Contracts with Customers (continued)

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa. As with any new standard, there are also increased disclosures.

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

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

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

- *Note 6 – impairment of intangible assets*

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

- *Note 10 – recognition of deferred tax assets*

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

- *Note 11 – impairment of hire purchase receivables*

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

- *Note 11 – impairment of hire purchase receivables*

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

- *Note 14 – valuation of inventories*

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

- *Note 19 – valuation of employee benefits*

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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

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

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

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) *Held-to-maturity investments*

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

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

(c) *Loans and receivables*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(iii) Regular way purchase or sale of financial assets

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

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

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

(iv) Hedge accounting

Cash flow hedge

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(iv) Hedge accounting (continued)

Cash flow hedge (continued)

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

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

Property, plant and equipment under the revaluation model

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets

(i) Finance lease

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

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

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

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

(ii) Operating lease

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

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

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

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

(f) Intangible assets

Goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property

(i) Investment property carried at fair value

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

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

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

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

(ii) Reclassification from/to investment property

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

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

(h) Inventories

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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

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

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

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

(ii) Other assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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

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

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

(k) Equity instrument

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

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

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

(m) Provisions

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

Warranties

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue and other income

(i) Goods sold

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

(ii) Services

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

(iii) Hire purchase revenue

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

(iv) Commissions

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

(v) Dividend income

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

(vi) Rental income

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

(vii) Interest income

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

(o) Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowing costs (continued)

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

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

(p) Income tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings per ordinary share

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

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

(r) Operating segments

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

(s) Contingent liabilities

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

(t) Fair value measurements

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Property, plant and equipment under revaluation model

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment under revaluation model (continued)

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

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

Fair value information

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Policy on transfer between levels

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

Valuation process applied by the Group

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

Level 1 fair value

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

Level 2 fair value

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

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

Transfer between Level 1 and Level 2 fair values

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

Level 3 fair value

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

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

Titles

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

4. INVESTMENT PROPERTIES

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

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

Fair value information

Fair value of investment properties are categorised as follows:

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

Policy on transfer between levels

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

Valuation process applied by the Group

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

4. INVESTMENT PROPERTIES (continued)

Fair value information (continued)

Level 1 fair value

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

Level 2 fair value

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

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

Transfer between Level 1 and Level 2 fair values

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

Level 3 fair value

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

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

5. PREPAID LEASE PAYMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

5. PREPAID LEASE PAYMENTS (continued)

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

6. INTANGIBLE ASSETS

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

Impairment testing for cash-generating unit containing goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

6. INTANGIBLE ASSETS (continued)

- (i) The impairment test in respect of Malaysia property was based on fair value of the property which is determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Valuation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land at the reporting date.
- (ii) The impairment test in respect of Vietnam vehicles distribution network was based on value in use and was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:
- Cash flows were projected based on 5-year business plan. Terminal growth rate of 0% from 2023 (2016: 3% from 2022).
 - Total Industry Volume is projected to grow at the following rates per annum:

- FY 2018	- 10%
- FY 2019	- 20%
- FY 2020	- 12%
- FY 2021	- 13%
- FY 2022	- 10%
 - Market share to grow gradually from 1% to 3.6% with the introduction of new models and increase in dealer's network.
 - A pre-tax discount rate of 18.42% was applied in determining the recoverable amount.

The above estimates are particularly sensitive in the following areas:

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

7. INVESTMENTS IN SUBSIDIARIES

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

Details of the subsidiaries are in Note 37.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

7. INVESTMENTS IN SUBSIDIARIES (continued)

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

Non-controlling interests in subsidiaries

The Group’s subsidiaries that have material non-controlling interests (“NCI”) are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

7. INVESTMENTS IN SUBSIDIARIES (continued)**Summarised financial information before intra-group elimination**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEEES

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

(a) Interests in associates

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

Details of the material associates are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEEES (continued)

(a) Interests in associates (continued)

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

	TCCT RM'000	KEV RM'000	THK RM'000	
Group				
Summarised financial information				
As at 31 December 2017				
Non-current assets	7,969	10,411		31,723
Current assets	65,876	12,759		55,104
Non-current liabilities	-	-		(4,262)
Current liabilities	(14,496)	(64)		(31,075)
Net assets	59,349	23,106		51,490
Year ended 31 December 2017				
Profit for the year	1,268	4,559		6,084
Other comprehensive loss	(497)	-		-
Total comprehensive income	771	4,559		6,084
Included in the total comprehensive income is:				
Revenue	1,469	1,050		109,609
Reconciliation of net assets to carrying amount as at 31 December 2017				
Group's share of net assets	26,974	5,777	10,298	43,049
Group's share of results for the year ended 31 December 2017				
Group's share of profit for the year	576	1,140	1,217	2,933
Group's share of other comprehensive loss	(226)	-	-	(226)
Group's share of total comprehensive income	350	1,140	1,217	2,707

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEEES (continued)

(a) Interests in associates (continued)

	TCCT RM'000	KEV RM'000	THK RM'000	
Group				
Summarised financial information				
As at 31 December 2016				
Non-current assets	744	10,411	35,520	
Current assets	73,845	8,170	55,316	
Non-current liabilities	-	-	(3,139)	
Current liabilities	(16,011)	(34)	(42,291)	
Net assets	58,578	18,547	45,406	
Year ended 31 December 2016				
Profit for the year	1,648	4,121	5,381	
Other comprehensive income	2,906	-	-	
Total comprehensive income	4,554	4,121	5,381	
Included in the total comprehensive income is:				
Revenue	2,759	4,669	109,771	
	TCCT	KEV	THK	Total
	RM'000	RM'000	RM'000	RM'000
Reconciliation of net assets to carrying amount as at 31 December 2016				
Group's share of net assets	26,624	4,637	9,081	40,342
Group's share of results for the year ended 31 December 2016				
Group's share of profit for the year	749	1,030	1,076	2,855
Group's share of other comprehensive income	1,321	-	-	1,321
Group's share of total comprehensive income	2,070	1,030	1,076	4,176
Other information				
Dividends received by the Group	-	1,925	-	1,925

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEEES (continued)

(b) Interest in joint venture

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

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

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

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

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

	Group	
	2017 RM'000	2016 RM'000

Summarised financial information

As at 31 December

Non-current assets	154	146
Current assets (including cash and cash equivalents)	6,938	6,185
Non-current liabilities	(112)	(101)
Current liabilities	(1,485)	(1,133)
Cash and cash equivalents	1,483	2,506

Year ended 31 December

Profit and total comprehensive income	898	750
---------------------------------------	-----	-----

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

8. EQUITY-ACCOUNTED INVESTEEES (continued)

(b) Interest in joint venture (continued)

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

9. OTHER INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

9. OTHER INVESTMENTS (continued)

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

Note a

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

Note b

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

Recognised deferred tax assets/(liabilities) (continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

Recognised deferred tax assets/(liabilities) (continued)

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

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

Unrecognised deferred tax assets

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

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

Group

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

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

The remaining unabsorbed capital allowances, tax losses carry-forwards, provisions and other deductible temporary differences do not expire under current Malaysian tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

11. HIRE PURCHASE RECEIVABLES

	Group					
	2017 RM'000	2016 RM'000				
Gross repayments receivables	1,137,151	696,270				
Less: Unearned interest receivables	(257,874)	(133,201)				
	879,277	563,069				
Less: Impairment loss	(40,286)	(28,531)				
	838,991	534,538				
Current						
Hire purchase receivables	107,265	84,221				
Less: Impairment loss	(13,340)	(10,082)				
	93,925	74,139				
Non-current						
Hire purchase receivables	772,012	478,848				
Less: Impairment loss	(26,946)	(18,449)				
	745,066	460,399				
	838,991	534,538				
<hr/>						
	Gross	Unearned	Present	Gross	Unearned	Present
	repayments	interest	value of	repayments	interest	value of
	receivables	receivables	hire	receivables	receivables	hire
	2017	2017	purchase	2016	2016	purchase
	RM'000	RM'000	receivables	RM'000	RM'000	receivables
	RM'000	RM'000	2017	RM'000	RM'000	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Current						
Less than one year	171,542	(64,277)	107,265	117,939	(33,718)	84,221
Non-current						
Between one and five years	690,796	(174,196)	516,600	388,907	(86,594)	302,313
After five years	274,813	(19,401)	255,412	189,424	(12,889)	176,535
	965,609	(193,597)	772,012	578,331	(99,483)	478,848
	1,137,151	(257,874)	879,277	696,270	(133,201)	563,069

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Amount due from subsidiaries	a	-	-	656,812	772,802
Less: Impairment loss		-	-	(9,261)	(9,261)
		-	-	647,551	763,541
Current					
Trade receivables	b	384,403	524,583	-	-
Less: Impairment loss		(20,990)	(17,266)	-	-
		363,413	507,317	-	-
Finance lease receivables	12	512	298	-	-
Other receivables		174,454	171,345	-	369
Amount due from subsidiaries	c	-	-	14,367	10,213
		538,379	678,960	14,367	10,582
Current					
Deposits		14,214	13,832	77	77
Prepayment	d	119,363	99,338	77	67
		133,577	113,170	154	144

Note a

The non-current amount due from subsidiaries is in respect of advances that are unsecured, not receivable within the next twelve months and subject to interest ranging from 4.60% to 6.05% (2016: 4.60% to 6.05%) per annum.

Note b

Included in trade receivables are amounts due from related parties of RM47,611,000 (2016: RM75,059,000).

Note c

The current amount due from subsidiaries is in respect of advances that are unsecured, repayable on demand and subject to interest at 4.43% (2016: 4.38% to 4.64%) per annum.

Note d

As at 31 December 2017, there is a prepayment made on inventories of RM88,392,000 (2016: RM70,935,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

14. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Raw materials	20,967	21,784
Unassembled vehicle packs	443,605	1,012,792
Work-in-progress	18,281	17,461
Manufactured inventories and trading inventories	13,280	9,892
Used vehicles	13,142	49,923
New vehicles	491,580	494,281
Spare parts and others	165,119	143,575
	1,165,974	1,749,708
Recognised in profit or loss:		
Inventories recognised as cost of sales	3,334,591	4,228,955
Write-down to net realisable value	5,624	2,361
Reversal of write-down	2,121	7,179

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

15. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Nominal value 2017 RM'000	Assets 2017 RM'000	Liabilities 2017 RM'000	Nominal value 2016 RM'000	Assets 2016 RM'000	Liabilities 2016 RM'000
	Group					
Derivatives designated as hedging instrument – forward exchange contracts	351,308	16,375	(373)	78,647	102	(5,164)

Forward foreign exchange contracts are entered into with locally incorporated licensed banks to hedge certain portion of the Group's purchases from exchange rate movements and repayments from overseas subsidiaries. As the exchange rates are predetermined under such contracts, in the event of exchange rate movement, exposure to opportunity gain/(loss) is expected. Apart from a small fee payable to the banks there are no cash requirements for the forward contracts.

It is the Group policy not to enter into hedging contracts, which in the aggregate relate to volumes that exceed its expected commercial requirements for imports.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

16. CASH AND CASH EQUIVALENTS

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

17. SHARE CAPITAL AND RESERVES

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2017 '000	2017 RM'000	2016 '000	2016 RM'000
Ordinary shares, issued and fully paid				
At 1 January/ 31 December	672,000	336,000	672,000	336,000

Ordinary shares

The new Companies Act 2016, which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Treasury shares

The shareholders of the Company via a resolution passed at the Annual General Meeting on 25 May 2017 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 2,000 (2016: 2,000) of its issued shares from the open market at prices ranging from RM1.51 to RM1.86 (2016: RM1.83 to RM2.05) per ordinary share. The cumulative total number of shares bought back at the end of the year was 19,339,000 (2016: 19,337,000). These transactions were financed by internally generated funds.

As at 31 December 2017, the number of outstanding shares in issue after deducting treasury shares held was 652,661,000 (2016: 652,663,000) ordinary shares.

The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. Treasury shares have no rights to vote, dividends and participation in other distribution.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

17. SHARE CAPITAL AND RESERVES (continued)

Revaluation reserve

This revaluation reserve relates to revaluation surplus arising from the valuation of land and buildings under property, plant and equipment immediately prior to its reclassification as investment properties.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

18. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Medium Term Notes ("MTNs") – unsecured	748,147	747,604	748,147	747,604
	748,147	747,604	748,147	747,604
Current				
Term loans – unsecured	33,018	45,415	-	-
Bills payable – unsecured	57,307	24,391	-	-
Revolving credit – unsecured	939,411	989,925	-	-
	1,029,736	1,059,731	-	-
	1,777,883	1,807,335	748,147	747,604

On 24 November 2014, the Company issued MTNs amounting to RM750 million under MTNs Programme. The MTNs issued are as follows:

Tenure (years)	Interest rate (per annum)	Maturity date	Nominal value RM'000
5	4.5%	22 November 2019	250,000
7	4.7%	24 November 2021	500,000
			750,000

The interest is payable every half yearly and the principal is repayable in full upon maturity.

Information on repayment terms and interest rates to the Group's and the Company's borrowings are as set out in Note 35.5.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

18. BORROWINGS (continued)**Reconciliation of movements of liabilities to cash flows arising from financing activities**

	Group				Company			
	At 1 January 2017	Net changes from financing cash flows	Other changes	Foreign exchange movement	At 31 December 2017	At 1 January 2017	Other changes	At 31 December 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current								
Medium Term Notes ("MTNs") – unsecured	747,604	-	543	-	748,147	747,604	543	748,147
Current								
Term loans – unsecured	45,415	(7,684)	-	(4,713)	33,018	-	-	-
Bills payable – unsecured	24,391	32,916	-	-	57,307	-	-	-
Revolving credit – unsecured	989,925	(26,838)	-	(23,676)	939,411	-	-	-
	1,059,731	(1,606)	-	(28,389)	1,029,736	-	-	-
Total liabilities from financing activities	1,807,335	(1,606)	543	(28,389)	1,777,883	747,604	543	748,147

19. EMPLOYEE BENEFITS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Recognised liability for employee benefits	70,192	58,300	29,705	23,287

Under the Group's and the Company's defined benefit scheme, eligible employees are entitled to retirement benefits of 16.0% to 17.0% of total basic salary earned less the statutory pension funds for each completed year of service upon the retirement age of 60 as well as retirement benefits as a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 60.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

19. EMPLOYEE BENEFITS (continued)

Movements in the net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance at 1 January	58,300	51,058	23,287	18,959
Included in profit or loss				
Current service cost	10,230	9,565	6,418	4,328
Interest cost	2,756	1,874	-	-
	12,986	11,439	6,418	4,328
Included in other comprehensive income				
Remeasurement gain				
- Actuarial gain arising from:				
- Financial assumptions	-	(638)	-	-
- Experience adjustments	-	(2,896)	-	-
	-	(3,534)	-	-
Others				
Benefits paid	(1,094)	(663)	-	-
Balance at 31 December	70,192	58,300	29,705	23,287

Actuarial assumptions

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

	Group and Company	
	2017 %	2016 %
Discount rate	5.0 and 6.0	5.0 and 6.0
Future salary growth	5.5 and 6.5	5.5 and 6.5

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

19. EMPLOYEE BENEFITS (continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group		Company	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2017				
Discount rate (1% movement)	(3,934)	4,616	(164)	177
Future salary growth (1% movement)	4,238	(3,773)	437	(422)
2016				
Discount rate (1% movement)	(3,687)	4,308	(309)	327
Future salary growth (1% movement)	3,504	(3,131)	403	(389)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

20. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Non-trade					
Amount due to subsidiaries	a	-	-	336,620	358,912
Current					
Trade					
Trade payables	b	238,836	246,733	-	-
Non-trade					
Payables and accruals		347,789	414,902	8,007	7,485
Amount due to subsidiaries	c	-	-	5,059	939
		347,789	414,902	13,066	8,424
		586,625	661,635	13,066	8,424
		586,625	661,635	349,686	367,336

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

20. PAYABLES AND ACCRUALS (continued)

Note a

The non-current amount due to subsidiaries is in respect of advances that are unsecured, not repayable within the next twelve months and are subject to interest at 6.05% (2016: 6.05%) per annum.

Note b

Included in trade payable are amount due from related parties of RM4,928,000 (2016: RM16,808,000).

Note c

The current amount due to subsidiaries is in respect of advances that are unsecured, repayable on demand and are subject to interest at 4.43% (2016: 4.38% to 4.64%) per annum.

21. DEFERRED REVENUE

Deferred revenue refers to an upfront fee received from a vendor to market and promote its products to all the consumers by the authorised dealers within the territory of Malaysia only over the period of 5 years.

22. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	3,865,468	5,042,841	-	-
Services rendered	399,823	352,036	-	-
Financial services income	75,937	65,880	-	-
Dividend income	-	-	49,750	47,575
	4,341,228	5,460,757	49,750	47,575

23. FINANCE INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income of financial assets that are not at fair value through profit or loss	2,647	2,375	34,032	41,446
Other finance income	11,577	5,556	-	-
Recognised in profit or loss	14,224	7,931	34,032	41,446

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

24. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Term loans	1,024	862	-	-
- Bills payable	2,601	2,741	-	-
- Revolving credit	32,685	28,088	-	-
- Medium Term Notes	35,293	35,333	35,293	35,333
- Commercial Papers	-	4,457	-	4,457
- Other borrowings	105	1,455	16,873	18,217
Recognised in profit or loss	71,708	72,936	52,166	58,007

25. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit before tax is arrived at after crediting:				
Bad debts recovered	395	7	-	-
Dividend income from:				
- Unquoted subsidiaries	-	-	49,500	47,425
- Joint venture	-	-	250	150
Fair value adjustment on investment properties	985	4,960	-	-
Gain on disposal of property, plant and equipment	5,003	5,659	-	-
Interest income	14,224	7,931	34,032	41,446
Net gain on foreign exchange:				
- Unrealised	1,779	28,410	-	-
- Realised	15,878	38,352	-	17,451
Rental income on leased assets	1,605	2,402	-	-
Rental income on land and buildings	3,075	2,202	-	-
Reversal of impairment loss on:				
- Property, plant and equipment	-	2,326	-	-
- Hire purchase receivables	25	2,548	-	-
- Trade receivables	3,234	3,362	-	-
Reversal of write-down of inventories	2,121	7,179	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit before tax is arrived at after charging:				
Audit fee				
Current year				
- KPMG Malaysia	600	600	57	57
- Overseas affiliates of KPMG Malaysia	131	145	-	-
- Other auditors	101	63	-	-
Under provision in prior year	-	15	-	-
Non-audit fee				
Current year				
- KPMG Malaysia	50	138	15	27
- Overseas affiliates of KPMG Malaysia	178	160	-	-
- Other auditors	88	6	-	-
Under provision in prior year	-	39	-	-
Amortisation of prepaid lease payments	2,094	1,910	-	-
Bad debts written off	1,026	271	-	-
Depreciation of property, plant and equipment	112,266	124,148	133	189
Direct operating expenses of investment properties generating rental income	470	329	-	-
Loss on disposal of property, plant and equipment	-	-	23	17
Interest expense	71,708	72,936	52,166	58,007
Inventories written off	117	6,384	-	-
Write-down of inventories	5,624	2,361	-	-
Impairment loss on:				
- Property, plant and equipment	-	4,930	-	-
- Hire purchase receivables	11,780	10,170	-	-
- Trade receivables	7,012	8,114	-	-
Net loss on foreign exchange:				
- Unrealised	38,116	33,959	-	20,101
- Realised	876	19,509	-	-
Non-executive directors:				
- Fee	435	444	435	444
- Allowance and benefits	197	170	194	170

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit before tax is arrived at after charging (continued):				
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	45,706	47,949	1,032	884
- Expenses related to defined benefit plans	12,986	11,439	6,418	4,328
- Wages, salaries and others	426,092	451,406	7,377	5,951
Property, plant and equipment written off	1,028	600	-	-
Rental expense on:				
- Land and buildings	34,937	37,559	222	222
- Motor vehicles	3,698	1,940	-	-
Warranty claim	1,458	1,842	-	-

26. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive directors:				
- Remunerations	17,985	17,804	6,835	6,792
- Other short term benefits	1,606	293	1,574	277
	19,591	18,097	8,409	7,069
Other key management personnel:				
- Remuneration and other short term employee benefits	4,608	6,076	-	-
	24,199	24,173	8,409	7,069

Remunerations paid to executive directors were by virtue of their contract of service or employment with the Group and the Company.

Other key management personnel comprise the executive directors of certain subsidiaries of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

27. TAX EXPENSE/(INCOME)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Recognised in the profit or loss				
Income tax expense				
Income tax expense	43,734	48,694	-	-
(Over)/Under provided in prior years	(10,282)	(273)	286	2
	33,452	48,421	286	2
Deferred tax expense				
Reversal of temporary differences	(13,460)	(30,598)	(1,566)	(1,109)
Crystallisation of deferred tax liabilities arising from revaluation surplus	(2,645)	(2,645)	-	-
Under provided in prior years	6,231	776	-	6
	(9,874)	(32,467)	(1,566)	(1,103)
	23,578	15,954	(1,280)	(1,101)
Reconciliation of tax expense				
(Loss)/Profit before tax	(72,811)	(43,080)	12,885	14,001
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	(17,475)	(10,339)	3,092	3,360
Effect of tax rates in foreign jurisdictions	3,321	2,583	-	-
Double deduction	-	(287)	-	-
Non-deductible expenses	35,321	22,268	7,286	7,417
Income not subject to tax	(1,596)	(5,866)	(11,944)	(11,886)
Crystallisation of deferred tax liabilities arising from revaluation surplus	(2,645)	(2,645)	-	-
Different tax rate for fair value in investment properties	(38)	(357)	-	-
Unrecognised deferred tax assets	10,741	10,094	-	-
	27,629	15,451	(1,566)	(1,109)
(Over)/Under provided in prior years	(4,051)	503	286	8
	23,578	15,954	(1,280)	(1,101)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

28. OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Remeasurement of defined benefit liability	-	-	-	3,534	(848)	2,686
Revaluation of property, plant and equipment	-	-	-	203,205	(31,306)	171,899
	-	-	-	206,739	(32,154)	174,585
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences for foreign operations	5,696	-	5,696	(9,712)	-	(9,712)
Foreign currency translation differences for an equity-accounted associate	(226)	-	(226)	1,321	-	1,321
Cash flow hedge	21,355	-	21,355	(11,107)	-	(11,107)
	26,825	-	26,825	(19,498)	-	(19,498)
	26,825	-	26,825	187,241	(32,154)	155,087

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

29. BASIC LOSS PER ORDINARY SHARE

Group

Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 31 December 2017 was based on the loss attributable to ordinary shareholders of RM88,597,000 (2016: Loss attributable to ordinary shareholders RM54,943,000) and the weighted average number of ordinary shares outstanding during the year is 652,662,000 (2016: 652,664,000).

Weighted average number of ordinary shares

	Group	
	2017 '000	2016 '000
Issued ordinary shares at 1 January	652,663	652,665
Effect of treasury shares held	(1)	(1)
Weighted average number of ordinary shares at 31 December	652,662	652,664

30. DIVIDENDS

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

	Sen per share	Total RM'000	Date of payment
2017			
Interim 2017 ordinary	1.00	6,527	29 September 2017
Final 2016 ordinary	1.00	6,527	21 June 2017
Total		13,054	
2016			
Interim 2016 ordinary	1.00	6,527	29 September 2016
Final 2015 ordinary	3.00	19,580	21 June 2016
Total		26,107	

Proposed final dividend

After the end of the reporting period, a final single tier dividend of 1 sen per share totaling RM6,527,000 (2016: 1 sen per share totaling RM6,527,000) in respect of the year ended 31 December 2017 was recommended by the Directors. This dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

31. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The following summary describes the operations in each of the Group's reportable segments:

- *Vehicles assembly, manufacturing, distribution and after sale services*: Business in assembly and distribution of passenger and commercial vehicles, automotive workshop services, distribution of automotive spare parts and manufacturing of automotive parts.
- *Financial services*: Business in provision of hire purchase financing, personal loans and insurance agency.
- *Other operations*: Business in property and investment holding activities.

Performance is measured based on segment earnings before interest, taxation, depreciation and amortisation (EBITDA), as included in the internal management reports that are reviewed by the Chief Operating Decision Makers ("CODM"). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The operations of the Group are predominantly in Malaysia.

Following a review of the Group's operating segments at the start of financial year 2017, a decision was taken to improve the Group's segmental reporting to more accurately reflect how management views the business by geographical segment.

There is no concentration or reliance of single customer which the single external revenue is 10 percent or more during the financial year 2017 and 2016.

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

31. OPERATING SEGMENTS (continued)

(a) Business segment

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	4,257,656	5,383,492	75,937	65,880	7,635	11,385	4,341,228	5,460,757
Inter-segment revenue	301	412	1,386	1,380	76,385	82,860	78,072	84,652
Segment EBITDA/(LBITDA)	96,156	101,565	20,910	23,348	(2,819)	34,014	114,247	158,927
Depreciation and amortisation	(88,659)	(101,994)	(752)	(1,158)	(24,949)	(22,906)	(114,360)	(126,058)
Finance costs	(50,577)	(53,547)	(1,317)	(2,580)	(19,814)	(16,809)	(71,708)	(72,936)
Finance income	715	690	105	223	13,404	7,018	14,224	7,931
Share of profit of equity-accounted investees, net of tax	1,643	1,451	579	749	1,161	1,030	3,382	3,230
Unallocated corporate expenses							(18,596)	(14,174)
Loss before tax							(72,811)	(43,080)
Tax expense							(23,578)	(15,954)
Loss for the year							(96,389)	(59,034)

(b) Geographical segment

	Malaysia		Vietnam		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	3,602,617	4,809,088	577,511	594,790	161,100	56,879	4,341,228	5,460,757
Segment EBITDA/(LBITDA)	151,812	195,927	(36,121)	(24,077)	(1,444)	(12,923)	114,247	158,927

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

32. COMMITMENTS

(a) Capital commitments

	Group	
	2017 RM'000	2016 RM'000
<i>Property, plant and equipment:</i>		
Authorised but not contracted for	33,962	30,179
Contracted but not provided for		
In Malaysia	30,059	79,851
Outside Malaysia	8,002	1,003
	<hr/> 72,023	<hr/> 111,033

(b) Non-cancellable operating lease

	Group	
	2017 RM'000	2016 RM'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:</i>		
Not later than 1 year	1,669	1,838
More than 1 year but not later than 5 years	6,676	7,351
More than 5 years	104,804	117,222
	<hr/> 113,149	<hr/> 126,411

The non-cancellable operating lease consists of a land lease for 50 years extendable by two terms of ten years each in Bago Region, Myanmar.

33. CONTINGENCIES

(a) Counter claim from Narita Motorcare (Cambodia) Co. Ltd. ("Narita"), Mr. Long Narith and Ms Pich Sokhom

On 26 April 2017, Narita filed a Motion to Add and Correct Complaint and a counter claim complaint to, amongst others, order ETCM (C) Pty Ltd ("ETCM (C)") and TCM (Cambodia) Pty Ltd ("TCMC") to pay damages and compensation of USD6,550,000 to Narita, USD200,000 each to Mr Long Narith and Ms Pich Sokhom. On 9 May 2017, ETCM (C) and TCMC jointly filed the defence to the Motion to Add and Correct Complaint and ordered Narita, Mr. Long Narith and Ms Pich Sokhom to pay ETCM (C) and TCMC damages with approximately USD33,000,000 for actual losses and emotional damages. On 26 November 2017, the Court of First Instance in Phnom Penh has ruled in favour of ETCM (C) and TCMC which ordered Narita, Mr. Long Narith and Ms Pich Sokhom to compensate ETCM (C) and TCMC approximately USD8,037,818 for actual losses and emotional damages. Subsequently, Narita, Mr. Long Narith and Ms. Pich Sokhom have filed an appeal with Court of Appeal against the decision made in November 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

33. CONTINGENCIES (continued)

(a) Counter claim from Narita Motorcare (Cambodia) Co. Ltd. (“Narita”), Mr. Long Narith and Ms Pich Sokhom (continued)

The Court of Appeal has fixed the delivery of the decision of appeal on 6 March 2018. As at to date, the Court of Appeal has yet to issue its written decision delivered on 6 March 2018.

The management is of the view that the financial impact of this matter is not foreseen to be substantial.

(b) Counter claim served on TCM Stamping Products Sdn Bhd (“TCMSP”)

On 18 August 2016, TCMSP filed a claim against Meka Automotive Industries Sdn Bhd (“MEKA”) for the sum of RM319,829 in respect of supply of automotive accessories. Subsequently, MEKA filed a counter claim of RM16,500,000 against TCMSP, inter alia, for alleged loss of business. On 7 November 2017, TCMSP filed an application for summary judgement against MEKA and TCMSP’s application for striking out MEKA’s defence and counter claim in High Court. On 7 February 2018, TCMSP has successfully obtained Order in Terms and Striking Out against MEKA’s Defence and the Counter Claim in High Court.

(c) Writ of Summons and Statement of Claim served on Tan Chong Industrial Equipment Sdn Bhd (“TCIE”)

On 15 August 2017, TCIE received a sealed Writ of Summons dated 12 August 2017 and Statement of Claim dated 11 August 2017, a sealed copy of a Notice of Application for Injunction dated 12 August 2017 and supporting Affidavit dated 11 August 2017 (“the action”) from the solicitors acting for Transnasional Express Sdn. Bhd. (“Transnasional”), Plusliner Sdn. Bhd. (“Plusliner”), Syarikat Kenderaan Melayu Kelantan Berhad (“SKMK”), Syarikat Rembau Tampin Sdn. Bhd. (“SRT”), Kenderaan Langkasuka Sdn. Bhd. (“Langkasuka”), Konsortium Transnasional Berhad (“KTB”) and MHSB Properties Sdn Bhd (“MHSB”) (collectively known as “Plaintiffs”).

TCIE had entered into a series of lease agreements with Transnasional, Plusliner and SKMK and a series of service maintenance agreements with Transnasional, Plusliner, SKMK, SRT and Langkasuka (collectively known as “Debtors”) for the lease and service maintenance of the vehicles. The Debtors were owing to TCIE outstanding rentals and service bills amounting to RM32,920,575 (“Debt”).

TCIE had negotiated with the Debtors on the settlement of the Debt on many occasions and after lengthy negotiations, the Debtors and KTB had mutually agreed to enter into a Settlement Agreement with TCIE on 4 July 2016 to settle the same by way of (i) repayment of the amount of RM16,920,575 in cash in several instalments; and (ii) transfer of a piece of land held under H.S.(D) 87546, PT No. 7929, Bandar Ampang, Daerah Ulu Langat, Negeri Selangor (“Land”) owned by MHSB to TCIE for the settlement of the balance Debt of RM16,000,000 (“Balance Debt”) (“Settlement Agreement”).

However, the Debtors had failed to make timely repayments of the Debt in accordance with the Settlement Agreement hence, TCIE had exercised its contractual rights to repossess the vehicles leased to the Debtors.

Pursuant to the action, the Plaintiffs are claiming that an injunction to restrain TCIE from entering into any dealing in relation to the Land and a declaration pertaining to the value of the Land of MHSB is RM55,600,000 and repayment of the sum of RM22,679,425.

On 4 January 2018, the High Court has allowed TCIE’s application to strike out the Plaintiffs’ claim and dismissed the Plaintiffs’ injunction application with costs of RM5,000.

On 9 January 2018, the Plaintiffs have filed an appeal with the Court of Appeal against the judgment of the High Court.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

33. CONTINGENCIES (continued)

(c) Writ of Summons and Statement of Claim served on Tan Chong Industrial Equipment Sdn Bhd ("TCIE") (continued)

The Court of Appeal has fixed further case management on 26 April 2018.

The management is of the opinion that TCIE has reasonably good chance of succeeding in the court case in view the action is without any legal basis by the Plaintiff.

34. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Controlling related party relationships are as follows:

- (i) The subsidiaries as disclosed in Note 37.
- (ii) The substantial shareholders of the Company.

Significant related party transactions

- (i) Significant transactions with Warisan TC Holdings Berhad ("WTCH"), APM Automotive Holdings Berhad ("APM") and Tan Chong International Limited ("TCIL") Groups, companies in which a Director of the Company, Dato' Tan Heng Chew, is deemed to have substantial financial interests, are as follows:

	Group	
	2017 RM'000	2016 RM'000
With WTCH Group		
Purchases	(11,225)	(16,037)
Sales	28,783	81,391
Provision of hire purchase and leasing	3,836	17,692
Insurance agency, workshop services and administrative services	4,393	5,505
Travel agency and car rental services	(5,605)	(7,371)
Rental income receivable	1,065	1,075
Rental expense payable	(730)	(489)
Contract assembly fee receivable	3,088	596

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

34. RELATED PARTIES (continued)

Significant related party transactions (continued)

- (i) Significant transactions with Warisan TC Holdings Berhad (“WTCH”), APM Automotive Holdings Berhad (“APM”) and Tan Chong International Limited (“TCIL”) Groups, companies in which a Director of the Company, Dato’ Tan Heng Chew, is deemed to have substantial financial interests, are as follows (continued):

	Group	
	2017	2016
	RM’000	RM’000
With APM Group		
Purchases	(74,434)	(106,509)
Sales	8,751	11,120
Insurance agency, workshop services and administrative services	768	737
Rental income receivable	38	32
Rental expense payable	(1,353)	(1,677)
With TCIL Group		
Sales	3,740	7,143
Rental income receivable	-	82
Contract assembly fee receivable	19,073	45,597

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

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

	Group	
	2017	2016
	RM’000	RM’000
Purchases	(1,255,345)	(2,252,516)
Technical assistance fee and royalty	(17,001)	(22,798)

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

- (iii) Significant transactions with Renault s.a.s. Group, which is a substantial shareholder of Nissan Motor Co., Ltd., are as follows:

	Group	
	2017	2016
	RM’000	RM’000
Purchases	(37,891)	(8,460)
Technical assistance fee	(159)	(203)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

34. RELATED PARTIES (continued)

Significant related party transactions (continued)

- (iv) Significant transactions with Auto Dunia Sdn. Bhd.:
- (a) a company in which a Director of the subsidiary of the Company, namely Datuk Yaacob bin Wan Ibrahim, has substantial financial interests; and
- (b) a company connected with a Director of the Company, Dato' Tan Heng Chew, by virtue of Section 197 of the Companies Act 2016.

	Group	
	2017	2016
	RM'000	RM'000
Purchases	(529,318)	(614,526)
Sales	14,054	17,836
Insurance agency, workshop services and administrative services	2	12
Rental income receivable	295	295

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

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

	Company	
	2017	2016
	RM'000	RM'000
Subsidiaries		
Dividend income receivable	49,500	47,425
Interest income receivable	33,916	41,319
Management fees payable	(920)	(1,079)
Rental expense payable	(222)	(222)
Interest expense payable	(16,873)	(18,215)

These transactions have been entered into in the normal course of business and have been established under negotiated terms. The gross balances outstanding for subsidiaries are disclosed in Note 13 and Note 20.

There are no impairment loss made and no bad or doubtful receivable recognised for the financial year ended 31 December 2017 and 31 December 2016 in respect of the above related party balances.

There are no significant transactions with the key management personnel in the Group other than disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”);
- (b) Fair value through profit or loss (“FVTPL”):
 - Held for trading (“HFT”); or
 - Designated upon initial recognition (“DUIR”);
- (c) Financial liabilities measured at amortised cost (“FL”); and
- (d) Derivatives designated as hedging instrument

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	FVTPL -DUIR RM'000	Derivatives designated as hedging instrument RM'000
2017					
Financial assets					
Group					
Other investments	144,158	-	144,157	1	-
Trade and other receivables	537,867	537,867	-	-	-
Hire purchase receivables	838,991	838,991	-	-	-
Finance lease receivables	1,097	1,097	-	-	-
Deposits	14,214	14,214	-	-	-
Derivative financial assets	16,375	-	-	-	16,375
Cash and cash equivalents	318,005	318,005	-	-	-
	1,870,707	1,710,174	144,157	1	16,375
Company					
Other investments	139	138	-	1	-
Amount due from subsidiaries	661,918	661,918	-	-	-
Deposits	77	77	-	-	-
Cash and cash equivalents	1,755	1,755	-	-	-
	663,889	663,888	-	1	-
2016					
Financial assets					
Group					
Other investments	3,002	-	3,001	1	-
Trade and other receivables	678,662	678,662	-	-	-
Hire purchase receivables	534,538	534,538	-	-	-
Finance lease receivables	460	460	-	-	-
Deposits	13,832	13,832	-	-	-
Derivative financial assets	102	-	-	-	102
Cash and cash equivalents	227,560	227,560	-	-	-
	1,458,156	1,455,052	3,001	1	102

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	FVTPL -DUIR RM'000	Derivatives designated as hedging instrument RM'000
2016					
Financial assets					
Company					
Other investments	139	138	-	1	-
Amount due from subsidiaries	773,754	773,754	-	-	-
Other receivables	369	369	-	-	-
Deposits	77	77	-	-	-
Cash and cash equivalents	212	212	-	-	-
	774,551	774,550	-	1	-
2017					
Financial liabilities					
Group					
Borrowings			1,777,883	1,777,883	-
Payables and accruals			586,625	586,625	-
Derivative financial liabilities			373	-	373
			2,364,881	2,364,508	373
Company					
Borrowings			748,147	748,147	-
Payables and accruals			349,686	349,686	-
			1,097,833	1,097,833	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.1 Categories of financial instruments (continued)

	Carrying amount RM'000	FL RM'000	Derivatives designated as hedging instrument RM'000
2016			
Financial liabilities			
Group			
Borrowings	1,807,335	1,807,335	-
Payables and accruals	661,635	661,635	-
Derivative financial liabilities	5,164	-	5,164
	2,474,134	2,468,970	5,164
Company			
Borrowings	747,604	747,604	-
Payables and accruals	367,336	367,336	-
	1,114,940	1,114,940	-

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	11,577	5,556	-	-
Loans and receivables	42,790	30,826	34,032	58,897
Financial liabilities measured at amortised cost	(93,043)	(59,642)	(52,166)	(58,007)
Derivatives designated as hedging instrument	21,355	(11,107)	-	-
	(17,321)	(34,367)	(18,134)	890

35.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)**35.4 Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Credit risk in relation to the Group's core business activities are managed by the respective operating units where credit policies that are specific to their respective industries are in place.

New vehicles sales are mainly financed by finance companies, with the remainder financed by TC Capital Resources Sdn. Bhd. ("TCCR") and as such, the Group's collection risk rests mainly with these finance companies. The Group also extends credit to used car dealers, spare part dealers and selective corporate purchasers. Bank guarantees are required on a selective basis to secure the line of credit from the Group. For used car dealers, spare part dealers and selective corporate purchasers, the Group has an informal credit policy in place and the exposure is monitored on an ongoing basis. In respect of hire purchase business financed via TCCR, credit evaluations are performed on all customers requiring financing from the Group and the Group has ownership claims over the vehicles under financing.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are trade receivables of the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

(a) Trade receivables

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2017				
Not past due	206,615	(716)	(256)	205,643
Past due 1 - 30 days	51,388	-	(76)	51,312
Past due 31 - 90 days	28,959	(347)	(26)	28,586
Past due more than 90 days	97,441	(19,148)	(421)	77,872
	384,403	(20,211)	(779)	363,413

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(a) Trade receivables (continued)

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2016				
Not past due	284,340	-	(181)	284,159
Past due 1 - 30 days	48,577	-	(7)	48,570
Past due 31 - 90 days	17,591	(1)	(7)	17,583
Past due more than 90 days	174,075	(16,584)	(486)	157,005
	524,583	(16,585)	(681)	507,317

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

	Group	
	2017 RM'000	2016 RM'000
At 1 January	17,266	14,306
Impairment loss recognised	7,012	8,114
Impairment loss reversed	(3,234)	(3,362)
Impairment loss written off	(54)	(1,792)
At 31 December	20,990	17,266

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(b) Hire purchase receivables

The ageing of hire purchase receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2017				
Not past due	690,413	(17)	(635)	689,761
Past due 1 - 30 days	105,491	(20)	(982)	104,489
Past due 31 - 90 days	39,910	(352)	(2,066)	37,492
Past due more than 90 days	43,463	(18,301)	(17,913)	7,249
	879,277	(18,690)	(21,596)	838,991
2016				
Not past due	441,661	-	(289)	441,372
Past due 1 - 30 days	64,321	-	(539)	63,782
Past due 31 - 90 days	26,313	(27)	(1,386)	24,900
Past due more than 90 days	30,774	(10,821)	(15,469)	4,484
	563,069	(10,848)	(17,683)	534,538

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

	Group	
	2017 RM'000	2016 RM'000
At 1 January	28,531	20,924
Impairment loss recognised	11,780	10,170
Impairment loss reversed	(25)	(2,548)
Impairment loss written off	-	(15)
At 31 December	40,286	28,531

Hire purchase receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(c) Finance lease receivables

The ageing of finance lease receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2017				
Not past due	1,097	-	-	1,097
Past due 1 - 30 days	-	-	-	-
Past due 31 - 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
	1,097	-	-	1,097
2016				
Not past due	460	-	-	460
Past due 1 - 30 days	-	-	-	-
Past due 31 - 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
	460	-	-	460

Finance lease receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties. At the end of the reporting period, there was no indication that finance lease receivables are not recoverable.

The allowance account in respect of trade receivables, hire purchase receivables and finance lease receivables are used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.4 Credit risk (continued)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Transactions involving derivative financial instruments are entered into with licensed banks only. The Group also places a significant portion of its excess funds in money market funds and short term deposits with licensed financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

As at the end of the reporting period, there was no indication that the investments and other financial assets are not recoverable.

The investments and other financial assets are unsecured and the management is of the view that credit and interest rate risks exposure to licensed banks and financial institutions is minimal.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries of the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current advances to subsidiaries are not overdue.

35.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Contractual interest rate %	Carrying amount RM'000	More than 2 years but not later than		Contractual cash flows RM'000	More than 1 year but not later than	
			Not later than 2 years RM'000	later than 5 years RM'000		Not later than 1 year RM'000	later than 5 years RM'000
2017							
<i>Non-derivative financial liabilities</i>							
Term loans	1.10-5.45	33,018	33,018	-	33,018	33,018	-
Bills payable	3.51-4.72	57,307	57,307	-	57,307	57,307	-
Revolving credit	2.92-7.20	939,411	939,411	-	939,411	939,411	-
Medium Term Notes	4.50-4.70	748,147	249,552	498,595	866,503	34,940	831,563
Payables and accruals	-	586,625	586,625	-	586,625	586,625	-
		2,364,508	1,865,913	498,595	2,482,864	1,651,301	831,563
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	-	373	373	-	51,138	51,138	-
Inflow	-	-	-	-	(50,765)	(50,765)	-
		2,364,881	1,866,286	498,595	2,483,237	1,651,674	831,563

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)**35.5 Liquidity risk (continued)****Maturity analysis (continued)**

Group	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2016							
<i>Non-derivative financial liabilities</i>							
Term loans	1.10 – 1.31	45,415	45,415	-	45,415	45,415	-
Bills payable	3.55 – 4.50	24,391	24,391	-	24,391	24,391	-
Revolving credit	1.59 – 7.72	989,925	989,925	-	989,925	989,925	-
Medium Term Notes	4.50 – 4.70	747,604	249,330	498,274	901,253	34,750	866,503
Payables and accruals	-	661,635	661,635	-	661,635	661,635	-
		2,468,970	1,970,696	498,274	2,622,619	1,756,116	866,503
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	-	5,164	5,164	-	73,131	73,131	-
Inflow	-	-	-	-	(67,939)	(67,939)	-
		2,474,134	1,975,860	498,274	2,627,811	1,761,308	866,503

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2017							
<i>Non-derivative financial liabilities</i>							
Medium Term Notes	4.50 – 4.70	748,147	249,552	498,595	866,503	34,940	831,563
Amount due to subsidiaries							
- Non-current	6.05	336,620	-	336,620	356,986	-	356,986
- Current	4.43	5,059	5,059	-	5,059	5,059	-
Payables and accruals	-	8,007	8,007	-	8,293	8,293	-
		1,097,833	262,618	835,215	1,236,841	48,292	1,188,549

Company	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2016							
<i>Non-derivative financial liabilities</i>							
Medium Term Notes	4.50 – 4.70	747,604	249,330	498,274	901,253	34,750	866,503
Amount due to subsidiaries							
- Non-current	6.05	358,912	-	358,912	379,550	-	379,550
- Current	4.38 – 4.64	939	939	-	939	939	-
Payables and accruals	-	7,485	7,485	-	7,485	7,485	-
		1,114,940	257,754	857,186	1,289,227	43,174	1,246,053

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk

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

35.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Japanese Yen ("JPY").

Risk management objectives, policies and processes for managing the risk

The Group hedges its foreign currency denominated trade payables and overseas subsidiaries loan repayments. Derivative financial instruments like forward exchange contracts are used to reduce exposure to fluctuations in foreign exchange rates. The Group avoids using leverage derivatives for hedging purposes and also does not hedge for speculative purposes. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2017		2016	
	Denominated in		Denominated in	
	USD RM'000	JPY RM'000	USD RM'000	JPY RM'000
Group				
Receivables	1,817	1,327	700	1,072
Intra-group balances	128,580	-	99,369	-
Cash and cash equivalents	46,666	118	24,380	1,497
Payables and accruals	(26,870)	(202)	(27,214)	-
Borrowings	(160,769)	-	(302,394)	-
Derivative financial assets/(liabilities)	16,017	(15)	(5,020)	(144)
Net exposure	5,441	1,228	(210,179)	2,425

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk (continued)

35.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A simulated 5% strengthening in the USD/JPY against MYR at the end of the reporting period would have increase/(decrease) equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables in particular interest rates and market conditions remained constant and ignores any impact of forecasted sales and purchases.

	2017		2016	
	Equity	Profit	Equity	Profit
	RM'000	or loss	RM'000	or loss
USD	207	(402)	(7,987)	(7,796)
JPY	47	47	92	98

A simulated 5% weakening of USD/JPY against the MYR at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

35.6.2 Interest rate risk

The Group's exposure to interest rate risk arises from interest-bearing borrowings and the placement of excess funds in interest-earning deposits. The borrowings which have been obtained to finance the working capital of the Group are subject to floating interest rates except for Medium Term Notes and term loans from certain commercial banks which are fixed with tenure ranging from 36 to 84 months.

Excess funds are placed with licensed financial institutions for certain periods during which the interest rates are fixed. The management reviews the rates at regular intervals.

On the other hand, the Group provides hire purchase loans at fixed rates for tenures of up to 9 years. These loans are funded by internal and external resources.

Risk management objectives, policies and processes for managing the risk

The Group adopts a policy of ensuring that between 40% and 60% of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk (continued)

35.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets:				
Assets-backed notes	-	-	138	138
Hire purchase receivables	838,991	534,538	-	-
Finance lease receivables	1,097	460	-	-
Amount due from subsidiaries	-	-	647,551	763,541
Deposits with licensed banks	56,961	35,842	-	-
Financial liabilities:				
Medium Term Notes	(748,147)	(747,604)	(748,147)	(747,604)
Amount due to subsidiaries	-	-	(336,620)	(358,912)
	148,902	(176,764)	(437,078)	(342,837)
Floating rate instruments				
Financial assets:				
Amount due from subsidiaries	-	-	14,367	10,213
Financial liabilities:				
Term loans	(33,018)	(45,415)	-	-
Bills payables	(57,307)	(24,391)	-	-
Revolving credit	(939,411)	(989,925)	-	-
Amount due to subsidiaries	-	-	(5,059)	(939)
	(1,029,736)	(1,059,731)	9,308	9,274

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.6 Market risk (continued)

35.6.2 Interest rate risk (continued)

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit and loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) interest rate at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	2017	2017	2016	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Floating rate instruments	(7,826)	7,826	(8,054)	8,054
Company				
Floating rate instruments	71	(71)	70	(70)

35.6.3 Other price risk

Market price risk is the risk that the fair value or future cash flow of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rate).

Risk management objectives, policies and processes for managing the risk

The Group is exposed to market price risk arising from its placement in money market deposits and investments in quoted unit trusts. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manage its portfolio in accordance with established guidelines and policies. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Treasury Investment Committee.

Sensitivity analysis

At the reporting date, if the prices of instruments had been 1% (2016: 1%) higher/lower, with all other variables held constant, the Group profit and loss would have increased/(decreased) by RM1,442,000 (2016: RM30,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.7 Hedging activities

Cash flow hedge

The Group has entered into forward foreign currency exchange contracts to hedge the cash flow risk in relation to the foreign currency exposure, which are designated as cash flow hedges.

The following table indicates the periods in which the cash flows associated with the forward exchange contracts are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000
2017			
Forward exchange contracts	16,002	16,002	16,002
2016			
Forward exchange contracts	(5,062)	(5,062)	(5,062)

During the financial year, a gain of RM16,293,000 (2016: loss of RM5,062,000) was recognised in other comprehensive income. The gain/(loss) on the hedging derivative is included in the carrying amount of the inventory acquired. The gain/(loss) is reclassified to profit or loss when the inventory affects profit or loss (that is, on sale of the goods containing the hedged components or impairment of the inventory).

Ineffectiveness loss amounting to RM291,000 (2016: Nil) was recognised in profit or loss during the financial year in respect of the hedge.

35.8 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2017										
Group										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Liquid investments with licensed financial institutions	-	144,157	-	144,157	-	-	-	-	144,157	144,157
Hire purchase receivables	-	-	-	-	-	-	838,991	838,991	838,991	838,991
Finance lease receivables	-	-	-	-	-	-	1,097	1,097	1,097	1,097
Derivative financial assets										
- forward exchange contracts	-	16,375	-	16,375	-	-	-	-	16,375	16,375
	-	160,353	-	160,353	-	-	840,088	840,088	1,000,621	1,000,621
Financial liabilities										
Borrowings	-	-	-	-	-	-	(1,777,883)	(1,777,883)	(1,777,883)	(1,777,883)
Derivative financial liabilities										
- forward exchange contracts	-	(373)	-	(373)	-	-	-	-	(373)	(373)
	-	(373)	-	(373)	-	-	(1,777,883)	(1,777,883)	(1,778,256)	(1,778,256)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2016										
Group										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Liquid investments with licensed financial institutions	-	3,001	-	3,001	-	-	-	-	3,001	3,001
Hire purchase receivables	-	-	-	-	-	-	534,538	534,538	534,538	534,538
Finance lease receivables	-	-	-	-	-	-	460	460	460	460
Derivative financial assets - forward exchange contracts	-	102	-	102	-	-	-	-	102	102
	-	3,104	-	3,104	-	-	534,998	534,998	538,102	538,102
Financial liabilities										
Borrowings	-	-	-	-	-	-	(1,807,335)	(1,807,335)	(1,807,335)	(1,807,335)
Derivative financial liabilities - forward exchange contracts	-	(5,164)	-	(5,164)	-	-	-	-	(5,164)	(5,164)
	-	(5,164)	-	(5,164)	-	-	(1,807,335)	(1,807,335)	(1,812,499)	(1,812,499)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2017										
Company										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Asset-backed notes	-	-	-	-	-	-	138	138	138	138
Amount due from subsidiaries	-	-	-	-	-	-	661,918	661,918	661,918	661,918
	-	1	-	1	-	-	662,056	662,056	662,057	662,057
Financial liabilities										
Borrowings	-	-	-	-	-	-	(748,147)	(748,147)	(748,147)	(748,147)
Amount due to subsidiaries	-	-	-	-	-	-	(341,679)	(341,679)	(341,679)	(341,679)
	-	-	-	-	-	-	(1,089,826)	(1,089,826)	(1,089,826)	(1,089,826)
2016										
Company										
Financial assets										
Other investments										
- Options	-	1	-	1	-	-	-	-	1	1
- Asset-backed notes	-	-	-	-	-	-	138	138	138	138
Amount due from subsidiaries	-	-	-	-	-	-	773,754	773,754	773,754	773,754
	-	1	-	1	-	-	773,892	773,892	773,893	773,893
Financial liabilities										
Borrowings	-	-	-	-	-	-	(747,604)	(747,604)	(747,604)	(747,604)
Amount due to subsidiaries	-	-	-	-	-	-	(359,851)	(359,851)	(359,851)	(359,851)
	-	-	-	-	-	-	(1,107,455)	(1,107,455)	(1,107,455)	(1,107,455)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

35. FINANCIAL INSTRUMENTS (continued)

35.8 Fair value information (continued)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial assets/liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance lease receivables and hire purchase receivables, the market rate of interest is determined by reference to similar finance lease and hire purchase agreements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2016: no transfer in either direction).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Fair values of hire purchase receivables and finance lease receivables have been generally derived using discounted cash flow approach.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The team regularly reviews significant unobservable inputs and valuation adjustments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2017 and 31 December 2016 were as follows:

	Note	Group	
		2017 RM'000	2016 RM'000
Total borrowings	18	1,777,883	1,807,335
Less: Other investments	9	(144,157)	(3,001)
Cash and cash equivalents	16	(318,005)	(227,560)
Net debt		1,315,721	1,576,774
Total equity attributable to owners of the Company		2,795,879	2,873,242
Net debt-to-equity ratios		0.47	0.55

There were no changes in the Group's approach to capital management during the financial year.

The Group is also required to maintain certain debt-to-equity ratio to comply with debt covenants, failing which, an event of default may be triggered. The Group has not breached these covenants.

37. SUBSIDIARIES

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

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
Agensi Pekerjaan Bijak Sdn. Bhd.	Provision of employment agency services	100	100
Auto Components Manufacturers Sdn. Bhd.	Property investment holding	100	100
Autokita Sdn. Bhd.	Insurance agency	100	100
Ceranamas Sdn. Bhd.	Property and investment holding	100	100
Constant Knight (M) Sdn. Bhd.	Property investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
Edaran Tan Chong Motor Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Sabah) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Sarawak) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Selatan) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Tengah) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
Edaran Tan Chong Motor (Utara) Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
First Energy Networks Sdn. Bhd.	Operating charging infrastructure and system for electric vehicles	100	100
Hikmat Asli Sdn. Bhd.	Property investment holding	100	100
Inspired Motor Sdn. Bhd.	Sales and marketing of motor vehicles and workshop services	70	70
Julang Lumayan Sdn. Bhd.	Property investment holding	100	100
Pemasaran Alat Ganti Sdn. Bhd.	Marketing of automotive parts	100	100
Perwiramas Sdn. Bhd.	Investment holding	100	100
* Premium Commerce Berhad	Structured entity for asset-backed securitisation	-	-
Rustcare Sdn. Bhd.	Distribution of automotives accessories	100	100
Sungei Bintang Sdn. Bhd.	Property investment holding	100	100
Tan Chong & Sons Motor Company Sdn. Bhd.	Assembly and sale of motor vehicles	100	100
Tan Chong Agency Sdn. Bhd.	Insurance agency	100	100
Tan Chong Education Sdn. Bhd.	Investment holding	100	100
Tan Chong Education Services Sdn. Bhd.	Provision of education services	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
Tan Chong Ekspres Auto Servis Sdn. Bhd.	Automotive workshop services	100	100
Tan Chong Industrial Equipment (Sabah) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100
Tan Chong IBS Sdn. Bhd.	Insurance agency	100	100
Tan Chong Industrial Equipment Sdn. Bhd.	Distribution of commercial vehicles and spare parts	100	100
Tan Chong Premier Sdn. Bhd.	Insurance agency	100	100
Tan Chong Motor Assemblies Sdn. Bhd.	Assembly of motor vehicles and engines and trading of parts	70	70
Tan Chong Trading (Malaysia) Sdn. Berhad	Investment holding and merchandise trading	100	100
Tanahku Holdings Sdn. Bhd.	Property investment holding	100	100
TC Auto Tooling Sdn. Bhd.	Production of car alarm system and other security systems, autoparts and accessories	100	100
TC Capital Resources Sdn. Bhd.	Hire purchase financing, leasing, money lending and transport agent	100	100
TC Contact Centre Services Sdn. Bhd.	Provision of call centre services	100	100
TC Commercial Assets Sdn. Bhd.	Property investment holding	100	100
TC Euro Cars Sdn. Bhd.	Distribution of motor vehicles	100	100
TC Facilities Management Sdn. Bhd.	Provision of building facilities management services	100	100
TC Hartanah Sdn. Bhd.	Property investment holding	100	100
TC Heritage Sdn. Bhd.	Investment holding	100	100
TC Insurservices Sdn. Bhd.	Insurance agency	100	100
TC ITech Sdn. Bhd.	Provision of information technology services	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
TC Maju Properties Sdn. Bhd.	Property investment holding	100	100
TC Management Services Corporation Sdn. Bhd.	Provision of management services	100	100
TC Manufacturing Holdings Sdn. Bhd.	Investment holding	100	100
TC Metropolitan Sdn. Bhd.	Property investment holding	100	100
TC Module Integrator Sdn. Bhd.	Manufacture and sale of automotive parts and modules	100	100
TC Motors (Sarawak) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100
TC Residence Sdn. Bhd.	Property investment holding	100	100
TC Security Services Sdn. Bhd.	Provision of security services	51	51
* TC Sri Amar Sdn. Bhd.	Property investment holding	49	49
TC Trucks Group Sdn. Bhd.	Investment holding	100	100
TC Trucks After Sales Sdn. Bhd.	Distribution and sales of auto parts and provision of after sales services for commercial vehicles	100	100
TC Trucks Sales Sdn. Bhd.	Distribution and sales of commercial vehicles	100	100
TC Utama Sdn. Bhd.	Property investment holding	100	100
TCCL Sdn. Bhd.	Insurance agency	100	100
TCM Stamping Products Sdn. Bhd.	Manufacture and sale of fuel tanks and press metal parts	100	100
TMC Services Sdn. Bhd.	Provision of financial and fund management services	100	100
Truckquip Sdn. Bhd.	Distribution of automotive spare parts and construction of vehicle bodies	100	100
VDC Sdn. Bhd.	Installation of accessories and fittings for motor vehicles	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
Vincus Holdings Sdn. Bhd.	Investment holding	100	100
West Anchorage Sdn. Bhd.	Investment holding	100	100
Agensi Pekerjaan Bijak (Sabah) Sdn. Bhd.	Dormant	100	100
Auto Infiniti Sdn. Bhd.	Dormant	100	100
Auto Research and Development Sdn. Bhd.	Dormant	100	100
Auto Trucks & Components Sdn. Bhd.	Dormant	100	100
E-Garage Auto Services Sdn. Bhd.	Dormant	100	100
Fujiyama Car Cooler Sdn. Bhd.	Dormant	100	100
Tan Chong Construction Sdn. Bhd.	Dormant	100	100
Tan Chong Development Sdn. Bhd.	Dormant	100	100
Tan Chong Higher Education Sdn. Bhd.	Dormant	100	100
Tan Chong Private Education Sdn. Bhd.	Dormant	100	100
Tan Chong Motorcycles (Malaysia) Sdn. Bhd.	Dormant	100	100
TC Aluminium Castings Sdn. Bhd.	Dormant	100	100
TC Automotive Electronics Sdn. Bhd.	Dormant	100	100
^{^ a β} TC Commercial Insure Agency Sdn. Bhd.	Dormant	100	-
TC Brake System Sdn. Bhd.	Dormant	100	100
TC Capital Premium Sdn. Bhd.	Dormant	100	100
TC Engines Manufacturing Sdn. Bhd.	Dormant	100	100
TC Manufacturing Company (Sabah) Sdn. Bhd.	Dormant	100	100
TC Sunergy Sdn Bhd (formerly known as Cyberguard Vehicle Security Technologies Sdn. Bhd.)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Malaysia:			
TC Plastics Sdn. Bhd.	Dormant	100	100
TC Industrial Entity Sdn. Bhd.	Dormant	100	100
TC Industrial Lands (Serendah) Sdn. Bhd.	Dormant	100	100
Incorporated in Labuan:			
ETCM (C) Pty Ltd	Investment holding and trading of motor vehicles	100	100
ETCM (Labuan) Pty Ltd	Investment holding	100	100
ETCM (L) Pty Ltd	Investment holding and trading of motor vehicles	100	100
ETCM (MM) Pte Ltd	Investment holding and trading of motor vehicles	100	100
ETCM (V) Pte Ltd	Investment holding	100	100
Tan Chong Motorcycles (Labuan) Pte Ltd	Investment holding	100	100
Tan Chong Trading (Labuan) Pty Ltd	Investment holding	100	100
TC Express Auto Services and Spare Parts (Labuan) Pty Ltd	Investment holding	100	100
TC Manufacturing (Labuan) Pte Ltd	Investment holding	100	100
TC Overseas Assets (Labuan) Pte Ltd	Investment holding	100	100
TC Services Labuan (V) Pte Ltd	Investment holding	100	100
TCIE (Labuan) Pty Ltd	Investment holding	100	100
TCMSC (Labuan) Pte Ltd	Investment holding	100	100
Tan Chong Motorcycles (MM) Pte Ltd	Dormant	100	100
TC Capital Resources (Labuan) Pty Ltd	Dormant	100	100
TC Assets Labuan (V) Pte Ltd	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Cambodia:			
# ^β TC Express Auto Services and Spare Parts (Cambodia) Pty. Ltd.	Automobile workshop services and trading of spare parts	100	100
# ^β Tan Chong Motor (Cambodia) Pty. Ltd.	Importation and distribution of motor vehicles	100	100
^ ^β T C Motor Sales (Cambodia) Pty. Ltd.	Dormant	100	100
Incorporated in Vietnam:			
# ^β TC Motor Vietnam Co. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
@ ^β TCIE Vietnam Pte. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
@ ^β Nissan Vietnam Co. Ltd.	Importation and distribution of motor vehicles and spare parts	74	74
# ^β TC Motorcycles (Vietnam) Co. Ltd.	Importation and distribution of motorcycles and motorcycle components	100	100
# ^β TC Services Vietnam Co., Ltd.	Retail distribution of automobiles, automobile workshop services and trading of spare parts	100	100
# ^β TC Systems (Vietnam) Co., Ltd.	Producing software products, providing IT solutions & services and integrating IT systems	100	100
Incorporated in Laos:			
^ ^β Tan Chong Motor (Lao) Sole Co. Ltd.	Importation and distribution of motor vehicles	100	100
^ ^β Tan Chong Motorcycles (Laos) Co. Ltd.	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

37. SUBSIDIARIES (continued)

Name	Principal activities	Effective ownership interest	
		2017 %	2016 %
Incorporated in Myanmar:			
[^] ^β E-Garage Auto Services and Spare Parts (Myanmar) Company Limited	Servicing, maintenance of, repairing of all kinds of vehicles and machines	90	90
[^] ^β ETCM (Myanmar) Company Limited	Provision of services relating to vehicle distribution	100	100
[^] ^β Tan Chong Motor (Myanmar) Company Limited	Assembly, sales and distribution of motor vehicles, trading of spare parts and automotive workshop services	100	100
[^] ^β TC Express Auto Services & Spare Parts (Myanmar) Company Limited	Dormant	100	100
Incorporated in Thailand:			
[#] [*] ^β TC Express Auto Services and Spare Parts (Thailand) Co. Ltd.	Automotive workshop services and trading of spare parts	49	49
[*] ^β Tan Chong Mekong Regional Co., Ltd.	Regional operating headquarters	100	100
[#] [∂] ^β Tan Chong Mekong Trading (Thailand) Co., Ltd.	International trading centre	100	-

[#] Company audited by another firm of Public Accountants.

^{*} Deemed subsidiary by virtue of control in the company.

[^] Consolidated using unaudited management financial statements. The 2017 financial statements of these subsidiaries are not required to be audited according to the relevant regulations of the country of incorporation and are not material to the Group.

[∂] Company incorporated during the year.

[@] Company audited by other member firms of KPMG International.

^β Company not audited by KPMG PLT.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

38. SIGNIFICANT EVENTS

- (i) On 17 January 2017, the Group registered a wholly-owned subsidiary named Tan Chong Mekong Trading (Thailand) Co., Ltd (“TCMT”) as a juristic person by virtue of the Civil and Commercial Code of Thailand as evidenced by a Certificate of Registration of Partnerships and Companies dated 17 January 2017 issued by the Department of Business Development, Ministry of Commerce, Thailand.

The principal activity of TCMT is to carry on business as an International Trading Centre (“ITC”) with the objective to procure raw materials, components and parts for industries such as automobile etc. for domestic wholesale trade and export. The ITC investment promotion was approved by the Board of Investment of Thailand on 6 December 2016 and the investment promotion was duly accepted by the Group on 5 January 2017.

TCMT has a registered capital of THB100,000,000 divided into 1,000,000 shares with a par value of THB100 each, of which THB25 has been paid for each share.

- (ii) On 12 December 2017, the Company incorporated a new subsidiary named TC Commercial Insure Agency Sdn. Bhd., to undertake the insurance agency business with its paid-up share capital of RM2.

39. SUBSEQUENT EVENT

On 10 January 2018, TC Motor Vietnam Co., Ltd (“TCMV”), a wholly-owned subsidiary of TCMH, entered into an Exclusive Distributorship Agreement with Xiamen King Long United Automotive Industry Co., Ltd (“King Long”) of No. 9, King Long Road, Jimei District, Xiamen 361023, Fujian, People’s Republic of China in respect of the appointment of TCMV as King Long’s sole and exclusive distributor, assembler and after-sales service provider (including the sale and distribution of spare parts) of King Long XMQ6829Y coach model, in both completely assembled form and in its bare chassis form, in Vietnam.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 82 to 188 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Khor Swee Wah @ Koh Bee Leng
Director

Siew Kah Toong
Director

Kuala Lumpur,
Date: 12 April 2018

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Ho Wai Ming**, the Director primarily responsible for the financial management of Tan Chong Motor Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 188 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 12 April 2018.

Ho Wai Ming
MIA CA 12986

Before me:

Tan Seok Kett
No. W530
Commissioner for Oaths
(Persuruhanjaya Sumpah)
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tan Chong Motor Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 188 (except for pages 84, 85, 88 and 89 that do not form part of the financial statements).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventories

Refer to Note 1(d) – Use of estimates and judgements, Note 2(h) – Significant accounting policies: Inventories and Note 14 – Inventories.

The key audit matter

The Group holds significant levels of inventories including the new vehicles and unassembled vehicle packs ("the inventories"). The cost of the inventories may be affected by the adverse movement of Ringgit Malaysia as the purchases are primarily denominated in U.S. Dollar ("USD") and Japanese Yen ("JPY"). The ability of the Group to sell the inventories in the future may be adversely affected by many factors including changes in consumers' preferences, competitors' activities including pricing and the introduction of new car models. As a result, there is a risk that certain models may be sold below the carrying value and may need to be written down to their net realisable value ("NRV"). It is a significant area for our audit as establishing the valuation of the inventories requires management to make estimates and judgements in determining the appropriateness of write down of the inventories to NRV.

INDEPENDENT AUDITORS' REPORT

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

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained an understanding of the assessment performed by the management to arrive at the net realisable value of inventories;
- We tested the cost of inventories by model;
- We compared the inventory levels to recent sales trend; and
- We compared the cost of inventories against the expected selling price less cost to sell by model basis. The expected selling price less cost to sell was derived from post year-end published selling price by model net of estimated discounts and estimated sales incentives, and other related costs.

Valuation of Hire Purchase Receivables

Refer to Note 1(d) – Use of estimates and judgements, Note 2(j)(i) – Significant accounting policies: Impairment and Note 11 – Hire purchase receivables.

The key audit matter

Impairment allowances for hire purchase (“HP”) receivables are calculated on individual basis and collective basis. Individual impairment allowances are calculated based on the estimated recoveries from the repossessed vehicles net of the outstanding balances owing from the receivables. The calculation of collective impairment allowances is inherently judgemental and is based on an impairment model which inputs used are historical average delinquency rate and historical average loss on large portfolios of HP receivables. The accuracy of the impairment calculation would be affected by unanticipated changes to the economic environment and assumptions which may differ from actual.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained an understanding of the assessment performed by the management to arrive at the individual and collective impairment allowances;
- For individual assessment, we assessed the appropriateness of the allowance made based on the estimated loss arising from the sales of the repossessed vehicles by comparing the estimated disposal price against the proceeds from post year-end sales of the repossessed vehicles or to published market price;
- We tested the integrity of the inputs to the collective impairment model which include the historical average delinquency rate and historical average loss; and
- We compared the collective impairment allowances to externally available industry data.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 37 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor
12 April 2018

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

TEN LARGEST PROPERTIES OF THE GROUP

as at 31 December 2017

No.	Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)	Date of Acquisition	Date of Last Revaluation
1	249 Jalan Segambut, 51200 Kuala Lumpur	Assembly plant, office, vehicle storage yard, warehouse & hostel	2,043,425	931,098	Freehold/ Leasehold 4.7.2065 20.4.2068 14.1.2073 27.1.2074 5.10.2099	494.07	42	1974 to 1999	2016
2	Lot P.T. 15014, Mukim Serendah, Daerah Hulu Selangor	Assembly plant, office, vehicle storage yard & warehouse	6,890,774	961,892	Freehold/ Leasehold 22.3.2094 28.4.2105 27.9.2106 28.4.2112	240.09	11	1996 to 2013	2016
3	Lot 3 Jalan Perusahaan Satu, 68100 Batu Caves, Selangor Darul Ehsan	Spare parts & service centre, factory, warehouse/store, offices & showroom	425,619	143,018	Leasehold 5.9.2074	75.87	38	11.9.1981	2016
4	No. 1, Jalan Sesiku 15/2, Section 15, Shah Alam, 40000 Selangor Darul Ehsan	Industrial plant	713,983	408,912	Leasehold 19.2.2066	68.55	49	30.12.2009	2016
5	Lot 93, Seksyen 46, Kuala Lumpur	Used vehicle display and storage yard	50,637	-	Freehold	46.10	-	27.8.2012	2017
6	Lot 92, Seksyen 46, Kuala Lumpur	Used vehicle display and storage yard	50,228	-	Freehold	45.70	-	24.8.2012	2017
7	No 2, Jalan Johor Jaya, 81100 Johor Bahru, Johor	Office, showroom, service, spare parts & training centre	93,830	277,425	Freehold	45.04	3	21.5.2015	2016
8	Lot U8, U9, U10 and U11, Road No 5B, Expanded Hoa Khanh Industrial Zone, Lien Chieu Dist, Danang City, Vietnam	Assembly plant, office, vehicle storage yard & warehouse	1,393,926	377,792	Leasehold 25.3.2054	44.16	5	2013	2016
9	Lot 9 Jalan Kemajuan Section 13, Petaling Jaya, 46200 Selangor Darul Ehsan	Office, showroom, service, spare parts & training centre	78,801	86,451	Leasehold 6.9.2065	34.82	35	2.5.2006	2016
10	39 Jalan Pelukis U1/46, Section U1, Temasya Industrial Park, Shah Alam 40150 Selangor Darul Ehsan	Showroom, service & spare parts centre	60,063	160,393	Freehold	34.13	3	12.8.2015	2016

Note: The value of 249 Jalan Segambut, 51200 Kuala Lumpur is based on valuation report of 15 lots of land held under lot numbered 1249, 1474, 1475, 3681, 4185, 14282, 25669, 43097, 46354, 49392, 49393, 49968, 49970, 49972 & 57927 and building. The value of Lot P.T. 15014, Mukim Serendah, Daerah Hulu Selangor is based on valuation report of 6 lots of land held under lot numbered 45, 15961, 16360, 23975, 23976 & 29120 and building.

ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

SHARE CAPITAL

Total Number of Issued Shares	:	672,000,000 ordinary shares
Total Issued Share Capital	:	RM336,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 - 99	283	3.80	4,711	- ⁽¹⁾
100 - 1,000	2,349	31.58	2,069,382	0.31
1,001 - 10,000	3,831	51.50	16,236,585	2.42
10,001 - 100,000	821	11.04	24,082,558	3.58
100,001 - 32,633,049 ⁽²⁾	151	2.03	278,421,300	41.43
32,633,050 and above ⁽³⁾	4	0.05	331,846,464	49.38
Sub Total	7,439	100.00	652,661,000	97.12
Treasury shares			19,339,000	2.88
Total			672,000,000	100.00

Notes:

⁽¹⁾ Less than 0.01%.

⁽²⁾ 100,001 to less than 5% of issued shares less treasury shares.

⁽³⁾ 5% and above of issued shares less treasury shares.

DIRECTORS' SHAREHOLDING

(as per Register of Directors' Shareholding)

	Name	Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
1	Dato' Tan Heng Chew	27,244,962	4.17	288,472,030 ⁽¹⁾	44.20
2	Dato' Ng Mann Cheong	-	-	150,000 ⁽³⁾	0.02
3	Dato' Khor Swee Wah @ Koh Bee Leng	11,860,190	1.82	303,856,802 ⁽⁴⁾	46.56
4	Ho Wai Ming	-	-	10,000 ⁽³⁾	- ⁽²⁾

Notes:

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

⁽²⁾ Less than 0.01%.

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

⁽⁴⁾ Interests of spouse and children by virtue of Section 59(11)(c) of the Act.

ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
1 Tan Chong Consolidated Sdn Bhd	263,828,240	40.42	-	-
2 Nissan Motor Co, Ltd	37,333,324	5.72	-	-
3 Employees Provident Fund Board	39,352,800	6.03	-	-
4 Dato' Tan Heng Chew	27,244,962	4.17	274,781,840 ⁽¹⁾	42.10
5 Tan Eng Soon	-	-	263,828,240 ⁽²⁾	40.42

Notes:

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

⁽²⁾ Deemed interest by virtue of interest in Tan Chong Consolidated Sdn Bhd pursuant to Section 8(4) of the Act.

THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1 Tan Chong Consolidated Sdn Bhd	217,789,240	33.37
2 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	39,352,800	6.03
3 Tan Chong Consolidated Sdn Bhd	37,371,100	5.73
4 Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Daiwa Securities Co Ltd Client Acc	37,333,324	5.72
5 Amanahraya Trustees Berhad Amanah Saham Bumiputera	30,000,000	4.60
6 Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Heng Chew (MM1063)	20,305,100	3.11
7 Pang Sew Ha @ Phang Sui Har	18,108,058	2.77
8 Tan Boon Pun	12,650,813	1.94
9 Tan Ban Leong	11,031,929	1.69
10 Tan Beng Keong	11,031,929	1.69
11 CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)	9,087,400	1.39
12 Tan Chong Consolidated Sdn Bhd	8,667,900	1.33
13 Tan Han Chuan	8,191,100	1.26
14 Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Khor Swee Wah @ Koh Bee Leng (PB)	7,685,890	1.18
15 Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS Switzerland AG (Clients Assets)	7,283,700	1.12

ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

THIRTY LARGEST SHAREHOLDERS (continued)

Name	No. of Shares Held	%
16 Tan Chee Keong	7,252,295	1.11
17 Tan Hoe Pin	7,252,295	1.11
18 Lee Lang	7,076,130	1.08
19 Key Development Sdn Berhad	6,334,400	0.97
20 Chinchoo Investment Sdn Berhad	4,705,000	0.72
21 Gan Teng Siew Realty Sdn Berhad	4,679,000	0.72
22 Amanahraya Trustees Berhad <i>As 1Malaysia</i>	4,602,900	0.71
23 Tan Hoe Pin	4,419,573	0.68
24 Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Ching Ching</i>	4,214,900	0.65
25 Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Dimensional Emerging Markets Value Fund</i>	4,082,500	0.63
26 Tan Chee Keong	3,779,634	0.58
27 Amanahraya Trustees Berhad <i>Public Islamic Select Treasures Fund</i>	3,612,800	0.55
28 UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)</i>	3,600,326	0.55
29 Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew</i>	3,384,500	0.52
30 DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt AN for EFG Bank AG (A/C Client)</i>	3,378,300	0.52
TOTAL	548,264,836	84.03

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of TAN CHONG MOTOR HOLDINGS BERHAD will be held at The Grand Ballroom, Level 9, Sunway Putra Hotel, 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Thursday, 24 May 2018 at 10.30 a.m. to transact the following businesses:

Ordinary Business

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To declare a final single tier dividend of 1 sen per share for the financial year ended 31 December 2017. | Ordinary Resolution 1 |
| 3. | To re-elect Dato' Khor Swee Wah @ Koh Bee Leng who retires by rotation and being eligible, offers herself for re-election in accordance with Article 101 of the Company's Article of Association, as a Director of the Company. | Ordinary Resolution 2 |
| 4. | To re-elect Mr Ho Wai Ming who retires by rotation and being eligible, offers himself for re-election in accordance with Article 101 of the Company's Article of Association, as a Director of the Company. | Ordinary Resolution 3 |
| 5. | To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |

Special Business

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

- | | | |
|----|---|------------------------------|
| 6. | CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT approval be and is hereby given for Dato' Ng Mann Cheong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to be designated as an Independent Non-Executive Director of the Company." | Ordinary Resolution 5 |
| 7. | DIRECTORS' FEES

"THAT approval be and is hereby given for the Company and its subsidiary, TC Euro Cars Sdn Bhd ("TC Euro Cars"), to respectively pay Directors' fees of up to an amount of RM532,000/- in aggregate to the Independent Non-Executive Directors of the Company and of up to an amount of RM18,000/- in aggregate to an Independent Non-Executive Director of TC Euro Cars during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company." | Ordinary Resolution 6 |
| 8. | DIRECTORS' BENEFITS

"THAT approval be and is hereby given for the Company and its subsidiary, TC Capital Resources Sdn Bhd ("TC Capital Resources"), to respectively pay Directors' benefits of up to an amount of RM344,600/- in aggregate to the Independent Non-Executive Directors of the Company and of up to an amount of RM5,400/- in aggregate to the Independent Non-Executive Directors of TC Capital Resources during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company." | Ordinary Resolution 7 |

NOTICE OF ANNUAL GENERAL MEETING

9. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES

“THAT, subject to the Companies Act, 2016 (“Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that –

- (i) the aggregate number of shares purchased and/or held pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time of the purchase; and
- (ii) the Directors shall resolve at their discretion pursuant to Section 127 of the Act whether to cancel the shares so purchased, to retain the shares so purchased as treasury shares or to retain part of the shares so purchased as treasury shares and cancel the remainder of the shares or in any other manner as may be permitted and prescribed by the Act, rules, regulations, guidelines, requirements and/or orders pursuant to the Act and/or the rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force.

THAT an amount not exceeding the Company’s retained profits be allocated by the Company for the Proposed Share Buy-Back.

THAT the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authorities.”

**Ordinary
Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING

10. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH WARISAN TC HOLDINGS BERHAD AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES

“THAT, subject to the Companies Act, 2016 (“Act”), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“TCMH Group”) to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group (“Related Parties”) including those as set out in Paragraph 3.2.1.1 of the Company’s Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (“Shareholders’ Mandate”).

THAT such approval shall continue to be in force until–

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders’ Mandate is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

**Ordinary
Resolution 9**

11. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH APM AUTOMOTIVE HOLDINGS BERHAD AND ITS SUBSIDIARIES AND JOINT VENTURES

“THAT, subject to the Companies Act, 2016 (“Act”), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“TCMH Group”) to enter into all arrangements and/or transactions with APM Automotive Holdings Berhad and its subsidiaries and joint ventures involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group (“Related Parties”) including those as set out in Paragraph 3.2.1.2 of the Company’s Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (“Shareholders’ Mandate”).

THAT such approval shall continue to be in force until–

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders’ Mandate is renewed; or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

**Ordinary
Resolution 10**

12. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG INTERNATIONAL LIMITED AND ITS SUBSIDIARIES

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Tan Chong International Limited and its subsidiaries involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.3 of the Company's Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

THAT such approval shall continue to be in force until-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

**Ordinary
Resolution 11**

13. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH AUTO DUNIA SDN BHD

"THAT, subject to the Companies Act, 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Auto Dunia Sdn Bhd involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.2 of the Company's Circular to Shareholders dated 26 April 2018 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders ("Shareholders' Mandate").

NOTICE OF ANNUAL GENERAL MEETING

THAT such approval shall continue to be in force until–

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time such approval will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders’ Mandate is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

**Ordinary
Resolution 12**

14. PROPOSED ALTERATION AND AMENDMENT OF THE CONSTITUTION OF THE COMPANY

“THAT approval be and is hereby given for the Company to alter and amend the existing Constitution of the Company by the deletion of its memorandum of association in its entirety and the adoption of a new Constitution as set out in Appendix V to the Circular to Shareholders dated 26 April 2018 which shall take effect on the date of the passing of this special resolution AND THAT the Directors and/or Company Secretaries of the Company be and are hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary in relation to or in connection with the notification and lodgment of the Constitution of the Company as altered and amended.”

**Special
Resolution**

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Forty-Sixth Annual General Meeting of Tan Chong Motor Holdings Berhad, a final single tier dividend of 1 sen per share for the financial year ended 31 December 2017 will be paid on 21 June 2018 to shareholders whose names appear in the Register of Members on 1 June 2018.

A depositor shall qualify for the entitlement to the dividend only in respect of:

- (1) shares transferred into the depositor’s securities account before 4.00 p.m. on 1 June 2018 in respect of transfers;
- (2) shares deposited into the depositor’s securities account before 12.30 p.m. on 30 May 2018 in respect of shares exempted from mandatory deposit; and
- (3) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

HO WAI MING (MIA 12986)
CHANG PIE HOON (MAICSA 7000388)
Company Secretaries

Kuala Lumpur
26 April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A depositor whose name appears in the Record of Depositors of the Company as at 16 May 2018 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.
2. A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.
4. Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:
 - (i) the securities account number;
 - (ii) the name of the beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
 - (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.
6. Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies for the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.
7. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.
8. The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (Tel. No.: +603-2783 9299), or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight hours before the time appointed for the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of Annual General Meeting will be put to vote by poll.

EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS

1. Agenda 1 - Audited Financial Statements for financial year ended 31 December 2017

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolution 5 – Continuing in Office for Dato' Ng Mann Cheong as Independent Non-Executive Director of the Company

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event that the Company intends to retain an independent director who has served in that capacity for more than nine (9) years.

NOTICE OF ANNUAL GENERAL MEETING

Following an assessment and recommendation by the Nominating and Remuneration Committee, the Board recommended that Dato' Ng Mann Cheong who has served as an Independent Non-Executive Director ("INED") of the Company for a cumulative term of more than nine (9) years to continue to be designated as an INED of the Company based on the following key justifications:

- (a) He fulfills the independence criteria set out in the Main Market Listing Requirements of Bursa and, therefore, is able to bring independent and objective judgment to the Board on matters deliberated. As an Independent Non-Executive Director, he discharged his duties diligently taking into consideration shareholders' interests when deliberating on matters which may have an impact on their interest;
- (b) His relevant experience and expertise in legal and regulatory requirements as well as diverse business environments enable him to provide the Board and Board Committees, as the case may be, with pertinent and a diverse set of expertise, skills and competence;
- (c) His long service with the Company enhances his knowledge and understanding of the business operations of the Group which enables him to contribute actively and effectively during deliberations at Board Committees and Board meetings;
- (d) From his perfect attendance record at Board and Board Committee meetings, it is demonstrable of his commitment towards the Company's needs; and
- (e) In view of his long service and acquaintance with the Group's objective, strategies and business operations as well as culture, he has been named as Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and other stakeholders may be conveyed.

3. Ordinary Resolutions 6 and 7 – Directors' Fees and Benefits

In accordance with Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company and certain subsidiaries pay Directors' fees and benefits to the Independent Non-Executive Directors. The Executive Directors do not receive fees and benefits as Directors but they are remunerated with salary, benefits and other emoluments by virtue of their contract of service or employment which do not require approval by the shareholders.

The current benefits payable to the Independent Non-Executive Directors of the Company include meeting allowance, petrol allowance and provision of driver, notably:

- | | | |
|-----|------------------------------------|------------------------------------|
| (a) | Meeting Allowance | |
| | • As Chairman of the Meeting | @ RM1,500 per meeting |
| | • As Board/Board Committee Members | @ RM1,200 per meeting |
| (b) | Petrol Allowance | @ RM800 per month each |
| (c) | Company Driver | @ RM5,000 per month (average) each |

The Board recommends that shareholders approve a maximum aggregate amount of RM550,000/- for the payment of Directors' fees to the Independent Non-Executive Directors of the Company (i.e. RM532,000/-) and its subsidiary, TC Euro Cars Sdn Bhd (i.e. RM18,000/-) during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company.

The Board also recommends that shareholders approve a maximum aggregate amount of RM350,000/- for the payment of benefits to the Independent Non-Executive Directors of the Company (i.e. RM344,600/-) and its subsidiary, TC Capital Resources Sdn Bhd (i.e. RM5,400/-) during the course of the period from 25 May 2018 until the next Annual General Meeting of the Company.

4. Ordinary Resolution 8 - Proposed Renewal of Authority for the Company to Purchase Its Own Ordinary Shares

The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to purchase and/or hold up to 10% of the total number of issued shares of the Company at any point in time of the purchase ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the retained profits of the Company. This authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, or revoked or varied by an ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 26 April 2018 ("Circular"), despatched together with the Company's 2017 Annual Report.

5. Ordinary Resolutions 9, 10, 11 and 12 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Ordinary Resolutions 9, 10, 11 and 12, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Further information on these proposed Ordinary Resolutions are set out in the Circular despatched together with the Company's 2017 Annual Report.

6. Special Resolution – Proposed Alteration and Amendment of the Constitution of the Company

The proposed Special Resolution, if passed, will alter and amend the Company's Constitution so that the provisions of the new Constitution will be consistent with the provisions of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As the Constitution of the Company will no longer comprise the memorandum of association and the articles of association, the existing memorandum of association will be deleted in its entirety. Provisions previously found in the memorandum of association of the Company with modifications are proposed to be incorporated in the new Constitution, in which the existing articles of association with or without modifications have been retained to the extent permitted or not prohibited by the Act and the Listing Requirements.

The proposed new Constitution of the Company is set out in Appendix V to the Circular to Shareholders dated 26 April 2018 despatched together with the Company's 2017 Annual Report.

A soft copy of the Proposed Alteration and Amendment of the Constitution showing the tracked changes made to the existing articles of association have been uploaded on the Company's website at www.tanchonggroup.com for reference.

Further information on the proposed Special Resolution is also set out in the Circular to Shareholders.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 46th Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, the member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This page has been intentionally left blank.

CDS account no.

I/We _____ (name of shareholder, in capital letters)

NRIC No./Company No. _____ (new) _____ (old)

of _____

_____ (full address) _____ (Tel. No.) being a

member of TAN CHONG MOTOR HOLDINGS BERHAD, hereby appoint _____

(name of proxy as per NRIC, in capital letters) NRIC No. _____ (new) _____ (old)

and/or _____ (name of proxy as per NRIC, in capital letters)

NRIC No. _____ (new) _____ (old) or failing him/her, the

Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-Sixth Annual General Meeting of the Company to be held at The Grand Ballroom, Level 9, Sunway Putra Hotel, 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Thursday, 24 May 2018 at 10.30 a.m., and at any adjournment thereof, as indicated below:

		For	Against
Ordinary Resolution 1	Final Single Tier Dividend		
Ordinary Resolution 2	Re-election of Dato' Khor Swee Wah @ Koh Bee Leng as Director		
Ordinary Resolution 3	Re-election of Mr Ho Wai Ming as Director		
Ordinary Resolution 4	Re-appointment of Messrs KPMG PLT as Auditors		
Ordinary Resolution 5	Continuing in office of Dato' Ng Mann Cheong as Independent Non-Executive Director of the Company		
Ordinary Resolution 6	Directors' Fees		
Ordinary Resolution 7	Directors' Benefits		
Ordinary Resolution 8	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Ordinary Resolution 9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities		
Ordinary Resolution 10	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad and its subsidiaries and joint ventures		
Ordinary Resolution 11	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		
Ordinary Resolution 12	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		
Special Resolution	Proposed Alteration and Amendment of the Constitution of the Company		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

Signature/Common Seal _____

Number of shares held : _____

Date : _____

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1	_____	_____ %
Proxy 2	_____	_____ %
Total	_____	100%

Notes:

1. A depositor whose name appears in the Record of Depositors of the Company as at 16 May 2018 ("Record of Depositors") shall be regarded as a member entitled to attend, speak and vote at the meeting.
2. A member, other than a member who is also an Authorised Nominee (as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) or an Exempt Authorised Nominee who is exempted from compliance with the provisions of Section 25A(1) of SICDA, shall be entitled to appoint not more than two (2) proxies to attend and vote for him at the meeting. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Subject to Note 6 below, where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors.
4. Subject to Note 6 below, where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee shall be by a separate instrument of proxy which shall specify:
 - (i) the securities account number;
 - (ii) the name of the beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
 - (iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.
6. Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies for the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected.
7. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll.
9. **Personal Data Privacy**
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 46th Annual General Meeting of the Company ("AGM") and/or any adjournment thereof, the member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

The Form of Proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, Tel. No.: +603-2783 9299 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.

Fold here

Affix
Stamp
here

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Registrar for TAN CHONG MOTOR HOLDINGS BERHAD (12969-P)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Fold here

PERSONAL DATA PROTECTION NOTICE

This Personal Data Protection Notice (“Notice”) is issued to all shareholders (including substantial shareholders) (“Shareholders”) of TAN CHONG MOTOR HOLDINGS BERHAD (“Company”, “TCMH”, “we”, “us” or “our”) in accordance with the Personal Data Protection Act 2010 (“Act”) which came into force on 15 November 2013. The Act regulates the processing of personal data and requires us to notify you on matters relating to your personal data that is being processed, or that is to be collected and further processed by us. For the purpose of this Notice, the terms “personal data” and “processing” used in this Notice shall have the meaning prescribed in the Act.

Bursa Malaysia Securities Berhad (“Bursa Malaysia”) has also on 15 November 2013 amended the Main Market Listing Requirements (“Listing Requirements”) consequential to the Act. Under Paragraph 2.14A of the Listing Requirements, any person who provides or has provided personal data to Bursa Malaysia should read and be aware of Bursa Malaysia’s personal data notice available at Bursa Malaysia’s website www.bursamalaysia.com (“Bursa Malaysia’s personal data notice”). If the Company provides Bursa Malaysia with personal data of the Shareholders, the Company must notify the Shareholders of Bursa Malaysia’s personal data notice.

As Shareholders of TCMH, your personal data which may include your name, national registration identity card number (NRIC no.), passport number, address, date of birth/age, contact details and number, email address, gender, nationality, shareholding in TCMH, bank account number, CDS account number and any other personal data required, may be processed by TCMH and its related companies (“TCMH Group”) for the following purposes (“Purposes”):

- (a) Compliance with the Companies Act 2016, Listing Requirements and applicable relevant laws, regulations and guidelines, as may be amended, from time to time;
- (b) Verification of information to authorities and governmental agencies;
- (c) Deliver, communicate and transmit to the Shareholders of TCMH’s annual report, circular to shareholders, and any other information through modes of communication and delivery we deem appropriate;
- (d) Payment of dividends and giving of other benefits to you as shareholders, if applicable;
- (e) Maintain, upkeep and update our records regarding the Shareholders’ information; and
- (f) Dealings with all matters in connection with your Shareholding in TCMH; or such other purposes as may be related to the foregoing.

The personal data processed by us include all information you have provided to us as well as other information we may obtain about you.

Your personal data may be disclosed by us in connection with the Purposes to parties including but not limited to companies within TCMH Group (whether present or future), our professional advisers, insurance companies, auditors, lawyers, banks, share registrars and other service providers, governmental and/or quasi-governmental departments and/or agencies, regulatory and/or statutory bodies and third parties as may be required by law or arising from any legal obligations which is imposed on TCMH Group. Your personal data may be transferred to a place outside Malaysia.

If you fail to supply to us your personal data, we may not be able to process your personal data for any of the Purposes.

We are committed to ensuring that your personal data is stored securely. You are responsible for ensuring that the personal data you provide to us is accurate, complete and not misleading and that such personal data is kept up to date.

Please also be notified that you have the right to request access to and correction of your personal data and you have a choice to limit the consent of the processing of your personal data.

PERSONAL DATA PROTECTION NOTICE

Your written requests or queries pertaining to your personal data should be addressed to:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Attention : Ms Lim Lay Kiow, Senior Manager
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222
Email : lay.kiow.lim@my.tricorglobal.com

By providing to us your personal data, you hereby consent to the processing of your personal data in accordance with all of the foregoing. You shall also procure the consent of your proxy appointed to attend any general meeting of TCMH on your behalf whose personal data is provided to us by you for any purpose relating to the general meeting.

In accordance with the Act, the Notice is issued in both English and Bahasa Malaysia. In the event of inconsistency between the English version and the Bahasa Malaysia version, the English version shall prevail.

Issued by : TAN CHONG MOTOR HOLDINGS BERHAD
26 April 2018

NOTIS PERLINDUNGAN DATA PERIBADI

Notis Perlindungan Data Peribadi ini (“Notis”) dikeluarkan kepada semua pemegang saham (termasuk pemegang-pemegang saham utama) (“Pemegang Saham”) TAN CHONG MOTOR HOLDINGS BERHAD (“Syarikat”, “TCMH” atau “kami”) menurut Akta Perlindungan Data Peribadi 2010 (“Akta”) yang berkuatkuasa pada 15hb November 2013. Akta ini mengawal selia pemprosesan data peribadi dan menghendaki kami untuk memaklumkan anda berkenaan perkara-perkara yang berkaitan dengan data peribadi anda yang sedang diproses, atau yang akan dikumpul dan diproses oleh kami. Untuk tujuan Notis ini, terma-terma “data peribadi” dan “pemprosesan” yang digunakan dalam Notis ini hendaklah membawa maksud sepertimana yang ditakrifkan dalam Akta tersebut.

Bursa Malaysia Securities Berhad (“Bursa Malaysia”) telah membuat pindaan kepada Keperluan Penyenaraian Pasaran Utama (“Keperluan Penyenaraian”) pada 15hb November 2013 akibat daripada Akta ini. Seperti yang tertakluk di bawah perenggan 2.14A Keperluan Penyenaraian, sesiapa yang memberi atau telah memberi data peribadi kepada Bursa Malaysia, haruslah membaca dan menyedari tentang notis data peribadi Bursa Malaysia yang terdapat di laman web Bursa Malaysia di www.bursamalaysia.com (“notis data peribadi Bursa Malaysia”). Sekiranya Syarikat membekalkan data peribadi Pemegang Saham kepada Bursa Malaysia, Syarikat mesti memaklumkan Pemegang Saham tentang notis data peribadi Bursa Malaysia.

Sebagai Pemegang Saham TCMH, data peribadi anda mungkin termasuk nama, nombor kad pengenalan, nombor pasport, alamat, tarikh lahir/umur, maklumat dan nombor perhubungan, alamat emel, jantina, kewarganegaraan, pegangan saham dalam TCMH, nombor akaun bank, nombor akaun Sistem Depositori Pusat (CDS) anda dan data peribadi lain yang dikehendaki, yang mungkin diproses oleh TCMH dan syarikat-syarikat yang berkaitan dengannya (“Kumpulan TCMH”) untuk tujuan-tujuan berikut (“Tujuan”):

- (a) Mematuhi Akta Syarikat 2016, Keperluan Penyenaraian dan undang-undang, peraturan-peraturan dan garis panduan berkaitan yang mungkin dipinda dari semasa ke semasa;
- (b) Pengesahan maklumat kepada pihak berkuasa dan agensi kerajaan;
- (c) Menyampaikan, menghubungi dan menghantar laporan tahunan TCMH, pekeliling kepada pemegang saham, dan lain-lain maklumat kepada Pemegang Saham melalui cara komunikasi dan penyampaian yang kami anggap sesuai;
- (d) Pembayaran dividen dan manfaat lain kepada anda sebagai pemegang saham, jika berkenaan;
- (e) Mengekal, menyelia dan mengemaskinikan rekod kami yang berkaitan dengan maklumat-maklumat Pemegang Saham; dan
- (f) Untuk berurusan dengan semua perkara yang berkaitan dengan pegangan saham anda dalam TCMH; atau bagi tujuan-tujuan lain yang mungkin berkaitan dengan perkara-perkara yang dinyatakan di atas.

Data peribadi anda yang diproses oleh kami merangkumi segala maklumat yang diberi oleh anda serta maklumat lain yang mungkin kami perolehi berkenaan anda.

Maklumat peribadi anda mungkin dizahirkan oleh kami untuk Tujuan di atas kepada pihak lain termasuk dan tidak terhad kepada syarikat-syarikat dalam Kumpulan TCMH (sama ada pada masa kini atau masa depan), penasihat profesional, syarikat-syarikat insurans, juruaudit, peguam, bank, pendaftar saham dan pembekal perkhidmatan lain, semua jabatan dan/atau agensi kerajaan dan/atau kuasi-kerajaan, badan-badan penguatkuasa dan/atau berkanun dan sebarang pihak ketiga, sebagaimana yang dikehendaki undang-undang atau timbul daripada apa-apa kewajipan undang-undang yang dikenakan ke atas Kumpulan TCMH. Data peribadi anda mungkin akan dipindahkan ke suatu tempat di luar Malaysia.

Sekiranya anda gagal membekalkan data peribadi anda kepada kami, kami mungkin tidak dapat memproses data peribadi anda bagi apa-apa Tujuan tersebut.

Kami akan memastikan semua data peribadi anda disimpan dengan selamat. Anda bertanggungjawab untuk memastikan bahawa data peribadi yang anda berikan kepada kami adalah tepat, lengkap, tidak mengelirukan dan dikemaskini.

Adalah dimaklumkan bahawa anda mempunyai hak untuk meminta akses dan membetulkan data peribadi anda atau menghadkan pemprosesan data peribadi anda.

NOTIS PERLINDUNGAN DATA PERIBADI

Setiap permintaan bertulis atau pertanyaan berkenaan data peribadi anda perlu disampaikan ke alamat di bawah:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Untuk Perhatian : Cik Lim Lay Kiow, Pengurus Kanan
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222
Email : lay.kiow.lim@my.tricorglobal.com

Dengan membekalkan data peribadi anda kepada kami, bermaksud anda bersetuju membenarkan kami memproses data peribadi anda selaras dengan apa-apa yang dinyatakan di atas. Anda juga harus mendapatkan persetujuan proksi anda yang dilantik untuk menghadiri apa-apa mesyuarat agung TCMH bagi pihak anda, sekiranya data peribadi mereka dibekalkan oleh anda kepada kami untuk apa-apa tujuan yang berkaitan dengan mesyuarat agung.

Mengikut Akta tersebut, Notis ini diterbitkan dalam Bahasa Inggeris dan Bahasa Malaysia. Sekiranya terdapat sebarang ketidakseragaman atau percanggahan di antara versi Bahasa Inggeris dan Bahasa Malaysia, versi Bahasa Inggeris akan diguna pakai.

Dikeluarkan oleh : TAN CHONG MOTOR HOLDINGS BERHAD
26hb April 2018

