TAN CHONG MOTOR HOLDINGS BERHAD

(12969-P)

ANNUAL REPORT 2010

Thirty-Ninth Annual General Meeting of **TAN CHONG MOTOR HOLDINGS BERHAD**
will be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur,
Jalan Putra, 50350 Kuala Lumpur, Malaysia on Wednesday, 25 May 2011 at 3:00 p.m.

www.tanchong.com.my

TAN CHONG MOTOR HOLDINGS BERHAD
(12969-P)

CONTENTS

CORPORATE INFORMATION

Directors

Dato' Tan Heng Chew
Executive Deputy Chairman

Tan Eng Soon
Group Managing Director

Dato' Ng Mann Cheong
Independent Non-Executive Director

Dato' Haji Kamaruddin @ Abas bin Nordin
Independent Non-Executive Director

Seow Thiam Fatt
Independent Non-Executive Director

Siew Kah Toong
Independent Non-Executive Director

Audit Committee

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

Company Secretary

Yap Bee Lee

Registered Address

62-68 Jalan Ipoh
51200 Kuala Lumpur

Telephone : (03) 4047 8888
Facsimile : (03) 4047 8636
Website : www.tanchong.com.my
E-mail : tcmh@tanchong.com.my

Registrars

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone : (03) 2264 3883
Facsimile : (03) 2282 1886
E-mail : is.enquiry@my.tricorglobal.com

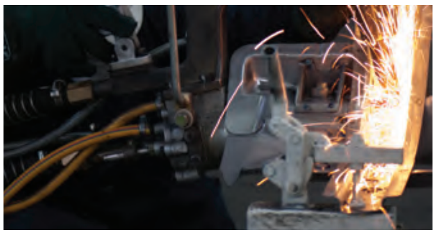
Auditors

KPMG

Listing

Bursa Malaysia Securities Berhad
(Listed on the Main Board on 4 February 1974)

BUSINESS DIVISIONS



1. ASSEMBLY
- Motor Vehicles

3. AFTER-SALES SERVICES
- Spare Parts
- Workshop

5. PROPERTY
- Management and Investment

2. SALES AND DISTRIBUTION
- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses

4. FINANCIAL PRODUCTS AND SERVICES
- Hire Purchase
- Leasing
- Insurance Agency
- Money Lending


TEANA

REPORT OF THE BOARD OF DIRECTORS

The Group has spent much of last year positioning itself for sustainable growth in the post-recession economy. Our strategy included pursuing organic growth and strategic expansions regionally, while maintaining a healthy balance sheet. We believe that with the global economy slowly recovering, the Group's prospects in many areas appear promising.

PERFORMANCE

In the financial year 2010, Group turnover increased by 23% to RM3,505 million. Profit attributable to shareholders was RM230 million, an increase of 50% compared to the same period last year (2009: RM153.3 million). Earnings per share were 35.19 sen compared with 23.42 sen for 2009. The Company will reward the shareholders with higher dividend on the back of improved results for the year. An interim dividend of 12% less tax (2009: 10% less tax) was paid on 28 September 2010. The Board of Directors has recommended a final dividend of 12% less tax (2009: 12% less tax) for shareholders' approval at the forthcoming Annual General Meeting. The final dividend payment when approved by the shareholders, will bring the full year gross dividend payment to 12 sen per share (2009: 11 sen).

Inventories peaked at RM1 billion (+49%) to meet pent up demand for the all-new NISSAN Teana launched on 23 November 2010 but the bulk of sales were recognized at the start of 2011 instead of 2010 as most customers were reluctant to take deliveries near year end. The Group successfully issued in 2010 a total of RM465.75 million of ABS Notes from 2 separate issuances. The ABS Notes issued have an average yield of 4.44% and allowed the Group to convert its hire purchase receivables into cash.

As at 31 December 2010, the net gearing ratio stood at 15.84% from 7.30% in 2009. Despite the increase of net debt (Cash + Investments – Total Borrowings) to RM266.5 million, our balance sheet remains healthy.

MARKET AND BUSINESS

2010 reflects the complexity of transitioning from a higher commercial vehicle sales mix to stronger passenger models. The NISSAN Vanette ended production in November 2009 whilst the all-new NISSAN Teana was launched in November 2010. Overall performance shows a disciplined approach to executing our long-term business plans even as total industry volume peaked. According to the Malaysian Automotive Association, total industry volume is forecast to flatten in 2011 provided the economic environment is relatively stable.

To maintain its competitive advantage, Tan Chong is always on the lookout for high-population and low-cost emerging markets for growth opportunity. Rising raw material and labour costs in Malaysia due to inflation and the need to double Gross National Income by 2020, have inevitably impacted the overall production cost. The Group has begun its penetration in markets such as Indochina. In 2010, the Group actively pursued organic growth through exclusive distribution agreements with Nissan Motor Co., Ltd in Cambodia, Laos, and acquisition of 74% Charter Capital in Nissan Vietnam Co. Ltd. There is no doubt that these deals will further solidify our market share beyond the domestic economy.

Report of the Board of Directors

PROSPECTS

The global economy is slowly emerging from the recession, though the recovery process remains a delicate one. Challenges remain, the earthquake and tsunami in Japan on 11 March 2011 exposed weaknesses in the global supply chain. Now is the time for greater off shoring by global OEMs. Outsourcing production to ASEAN will help kick-start a new era of multilateral trade that can support growth and prosperity for established and emerging nations alike.

2011 will be a year of record new model introductions for the Group, due in large part to a rigorous market place and a more discerning consumer. There are enough positive signs in the economy and the Group's business to move forward with a sense of cautious optimism. Companies remain conservative in their spending and investments, and we can expect this pattern to continue in the near future. We feel confident from a competitive perspective that the Group is well equipped to grow across markets and seize opportunities wherever they may be.

ACKNOWLEDGEMENT

We would like to take this opportunity to thank the Group's management and staff, whose hard work over the past year has helped cement Tan Chong's position. Our appreciation also goes to our valued principals, customers, suppliers, bankers and other business associates for their continued support.

During the year, there was a change to the composition of the Board. On 1 July 2010, En Azman bin Badrillah, a non-independent non-executive Director, resigned as a Director and Mr Siew Kah Toong was appointed to the Board as an independent non-executive Director. We wish to record a note of thanks and appreciation to En Azman for his contributions during his more than 30 years of service with the Group and we welcome Mr Siew on board.

Our thoughts and prayers are with the people of Japan, and NISSAN our long standing business partner, as they grapple with the aftermath of the massive earthquake and tsunami which had hit Japan and we stand in support through the difficult days ahead.

On behalf of the Board

Dato' Tan Heng Chew
Executive Deputy Chairman
21 April 2011


NISSAN
X-TRAIL


MEGANE

8 YEARS FINANCIAL HIGHLIGHTS

	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
RESULTS								
Revenue	3,505,248	2,856,886	3,195,826	1,863,177	2,109,039	2,949,253	2,385,217	1,677,517
Profit before taxation	322,753	177,226	307,210	123,074	85,956	183,356	181,874	149,998
Taxation	(91,666)	(22,922)	(61,489)	(22,934)	(24,871)	(49,788)	(52,080)	(41,928)
Profit for the financial year	231,087	154,304	245,721	100,140	61,085	133,568	129,794	108,070
Attributable to:								
Equity holders of the Company	229,740	153,326	245,802	99,568	59,968	130,926	126,820	106,025
Minority interest	1,347	978	(81)	572	1,117	2,642	2,974	2,045
BALANCE SHEET								
Assets								
Property, plant and equipment*	618,388	584,941	592,837	581,806	449,532	326,236	277,866	214,464
Investment properties	10,490	10,582	10,692	10,803	10,913	-	-	-
Intangible assets - Goodwill	14,191	-	-	-	-	-	-	-
Investment in associates	18,920	18,281	18,212	17,824	17,100	15,853	7,809	2,609
Other investments, including derivatives	1,807	1,806	5,806	5,806	5,806	5,806	1,806	1,806
Deferred tax assets	12,090	4,881	4,501	5,385	9,042	9,110	10,950	12,029
Hire purchase receivables	284,554	312,811	165,331	116,686	157,281	195,183	289,797	229,747
Finance lease receivables	3,945	7,116	3,633	5,405	5,684	4,727	5,909	4,584
Total non-current assets	964,385	940,418	801,012	743,715	655,358	556,915	594,137	465,239
Current assets	1,781,634	1,524,964	1,450,408	1,201,205	1,275,258	1,607,888	1,271,220	862,309
Total Assets	2,746,019	2,465,382	2,251,420	1,944,920	1,930,616	2,164,803	1,865,357	1,327,548
Equity and Liabilities								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	1,371,376	1,202,549	1,098,485	902,160	831,460	812,325	722,267	636,315
Treasury shares	(24,778)	(24,777)	(13,024)	(5,561)	(4,090)	(2,133)	(2,133)	(2,133)
Total equity attributable to owners of the Company	1,682,598	1,513,772	1,421,461	1,232,599	1,163,370	1,146,192	1,056,134	970,182
Minority interest	8,639	4,406	3,557	3,743	18,995	18,567	16,681	14,558
Total equity	1,691,237	1,518,178	1,425,018	1,236,342	1,182,365	1,164,759	1,072,815	984,740
Non-current liabilities	409,147	291,545	226,290	328,730	377,001	335,190	336,624	102,075
Current liabilities	645,635	655,659	600,112	379,848	371,250	664,854	455,918	240,733
Total Equity and Liabilities	2,746,019	2,465,382	2,251,420	1,944,920	1,930,616	2,164,803	1,865,357	1,327,548
FINANCIAL STATISTICS								
Basic earnings per share (sen)	35.19	23.42	36.90	14.91	8.96	19.54	18.93	15.80
Gross dividend per share (sen)	12.00	11.00	10.00	7.50	5.00	7.50	7.50	7.00
Net assets per share (RM)	2.58	2.32	2.15	1.85	1.74	1.70	1.57	1.44
Return on invested capital	13.59%	10.48%	17.44%	7.71%	5.23%	11.92%	12.24%	12.80%
Return on shareholders equity	14.38%	10.45%	18.52%	8.31%	5.19%	11.89%	12.52%	11.34%
Net debt/Equity	15.84%	7.30%	17.83%	12.29%	20.83%	41.57%	22.17%	-0.15%

* The amount previously disclosed as prepaid lease payment is now included under property, plant and equipment with the adoption of the amendments to FRS 117 ((Note 2(e)(ii) of the financial statements).

PROFILE OF THE BOARD OF DIRECTORS

Dato' Tan Heng Chew

JP, DJMK

Dato' Tan Heng Chew, 64, a Malaysian, was appointed to the Board on 19 October 1985 and is the Executive Deputy Chairman since 1 January 1999.

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

Dato' Tan is the Executive Chairman of APM Automotive Holdings Berhad and Warisan TC Holdings Berhad. He is the brother of Mr. Tan Eng Soon and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Dato' Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Tan Eng Soon

Tan Eng Soon, 62, a Singaporean and a Malaysian Permanent Resident, was appointed to the Board as the Group Managing Director since 1 February 1989.

Mr. Tan has a degree in Civil Engineering from the University of New South Wales, Australia and has been involved in the Tan Chong Group's operations since 1971.

Mr. Tan is a director of APM Automotive Holdings Berhad and Chairman of Tan Chong International Limited. He is the brother of Dato' Tan Heng Chew and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Mr. Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Ng Mann Cheong

DSSA, SMP, JP

Dato' Ng Mann Cheong, 66, a Malaysian, was appointed to the Board on 31 July 1998 as an Independent Non-Executive Director and is a member of the Audit Committee.

Dato' Ng is a Barrister at law (Middle Temple), Advocate and Solicitor, High Court of Malaya and has been admitted to practice in the jurisdictions of Singapore, Victoria and Western Australia. He has been in legal practice for the past 40 years and is a Senior Partner of Syed Alwi, Ng & Co.

Dato' Ng also sits on the board of AmTrustee Berhad, AmMortgage One Berhad and Port Klang Authority.

Dato' Haji Kamaruddin @ Abas bin Nordin

DSSA, KMN

Dato' Haji Kamaruddin @ Abas bin Nordin, 72, a Malaysian, was appointed to the Board on 23 November 2001. He is an Independent Non-Executive Director and a member of the Audit Committee.

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

Dato' Haji Kamaruddin is also a director of APM Automotive Holdings Berhad and Lion Industries Corporation Berhad. Dato' Haji Kamaruddin has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Profile of the Board of Directors

Seow Thiam Fatt

Seow Thiam Fatt, 70, a Malaysian, was appointed to the Board on 3 July 2002. He is an Independent Non-Executive Director and the Chairman of the Audit Committee.

Mr. Seow is a Fellow of CPA Australia, Fellow of the Institute of Chartered Secretaries and Administrators and past Fellow of the Institute of Chartered Accountants in Australia. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants (MICPA). He is a past President of MICPA and also served four years as a government appointed Independent Director of the previous Kuala Lumpur Commodities Exchange (KLCE). He has more than 20 years' professional experience as a former Partner in the accounting firms of Larry Seow & Co, Moores Rowland and Arthur Young. He diverted from professional practice in 1994 and thereafter held senior positions in several public companies and the Securities Commission of Malaysia.

Mr. Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad, Affin Investment Bank Berhad, ING Funds Berhad and Malaysia Pacific Corporation Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Siew Kah Toong

Siew Kah Toong, 56, a Malaysian, was appointed to the Board on 1 July 2010. He is an Independent Non-Executive Director and a member of the Audit Committee.

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

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

Mr. Siew is also an Independent Non-Executive Director of Emas Kiara Industries Berhad.

Except for Dato' Tan Heng Chew and Mr. Tan Eng Soon who are brothers, none of the other Directors have any family relationship with any Director and/or major shareholder of the Company.

None of the Directors have convictions for any offences within the past 10 years. Except as disclosed above, none of the Directors have any conflict of interest in any business arrangement involving the Company.

A summary of the attendance of the Directors at board meetings held in 2010 is set out on page 15.

CORPORATE SOCIAL RESPONSIBILITY REPORT

1 2 3

The management of Tan Chong is driven by a powerful passion for its people, experience, product and community. In fact, the Group firmly believes that its foundation is built through its "People"; be it the shareholders, employees, suppliers, customers and last but not least, the public. "You Come First" is always the principle upheld by the Group. Thus, its Corporate Social Responsibility programmes are steered towards this direction.

Investment in education is a long but very rewarding process because it could transform one's life and benefit for a lifetime. As knowledge is power, this will create unity and harmony amongst its people, as well as creating national wealth and prosperity which gradually leads to higher quality life for the citizens.

The Group wants the poor and needy to feel the warmth, love and care. Hence, the Group has always strived to its best in extending a helping hand to them. The Group's caring attitude is also extended to its employees, who are and have been the backbone of the Group's business success. The Group also helps its employees through difficult times and rewards their children, which in return make the employees feel valued and appreciated.

Environmental conservation is another important issue which the Group places great importance by providing a more ideal environment for the future generations.

All of these initiatives are a reflection of the Group's principle in being people-oriented which it holds on firmly to.

Education

A recent study showed that children living with poor single parent tend to become more mischievous, emotionally unstable and are academically low achievers. Thus, the Group sponsored a care centre for school children of single parent in Kajang that provided the children with food and academic coaching after their school hours for two years continuously. The centre has proven to be effective and a practical way to cater to the needs of children of single parent families holistically. In view of the positive development shown by the children since the establishment of the Centre, the Group decided to continue supporting this noble project for another year. Furthermore, we are looking forward to adopt another new school, making it a total of two care centres for 2011.

Community

The Group showed its support towards the 1Malaysia spirit that promotes unity and harmony in our beloved country by sponsoring the staging of "KITA – The Musical". This musical play is about the unique relationship amongst the families of the three major races of the country, on how they live, learn and grow up together harmoniously, overcoming obstacles in life with the might of unity.

Corporate Social Responsibility Report

4 5 6

1. *Sponsorship of a care centre for school children of single parent*
2. *Sponsorship of 1Malaysia Musical on stage "KITA-The Musical"*
3. *Cash donation to a charitable dialysis centre*
4. *Van donation to a charitable organisation*
5. *Blood donation by employees*
6. *Tan Chong's Recycling Day*

Being a responsible corporate citizen, Tan Chong Group never forgets the poor and needy that requires care and financial support from the community. The Group has extended assistance to a few non-profit organisations, such as Kurnia Dialysis Centre Petaling Jaya, Tara Bhavan in Kuala Lumpur, Association of Spastic Children Ipoh and Sunshine Cottage in Northern region – just to name a few.

Losing one's home and belongings to fire is very tormenting; even more so when it happens near the festive season. This unfortunate incident happened to five residents and their families whereby their homes and personal belongings were perished in a fire. Tan Chong Group stepped in to give them financial aid to assist in rebuilding their home.

The second Blood Donation Programme was jointly-organised with the National Blood Bank. This is indeed a great activity which involved all the employees of the Group, irrespective of their seniority and rank. This is also a testament to the principle that monetary support is definitely not the only option to do charity works.

Workplace

The Chairman's Award 2010 recognised and awarded 62 bright students – children of its employees – with cash incentives and certificates for the second year. This Award does not only motivate these leaders of tomorrow - it has also rewarded the employees for their dedicated parental role in encouraging their children towards the goal of excellence in education.

Charity begins at home. The Group has always been a caring organisation. It extended its financial assistance to a number of staff in Kedah and Perlis who were affected by the floods. This donation eases their financial burden in coping with the damage caused by the floods.

Environment

Recycling Day was held to promote and encourage staff to adopt the habit to reduce, reuse and recycle as much as possible, both at home and work. The recycled items collected were donated to a charitable organisation which would sell the items and the proceeds of which were channeled to help the poor and the handicapped – conserving the environment and doing charity at the same time.


NISSAN
NAVARA

STATEMENT ON CORPORATE GOVERNANCE

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance.

The Board of Directors wishes to report on the manner the Group has applied the principles and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance ("Code").

A. DIRECTORS

(i) The Board

The businesses of the Company and the Group are managed by the Board of Directors, which meets regularly to ensure that the Group is properly managed to achieve improvement in the expected long-term shareholders value.

The Board has a formal schedule of matters reserved for making broad policy decisions, including the approval of annual and interim results, annual business plans and budgets, significant acquisitions and disposals, material agreements and major capital expenditures. Other matters are delegated to committees of the Board and management as well as officers of the Group.

There were five (5) Board meetings held during the financial year 2010 and the attendance of the Directors at these meetings was as follows:

Name	Attendance
Dato' Tan Heng Chew	5/5
Tan Eng Soon	5/5
Dato' Ng Mann Cheong	5/5
Dato' Haji Kamaruddin @ Abas bin Nordin	5/5
Seow Thiam Fatt	5/5
Siew Kah Toong[a]	2/2
Azman bin Badrillah[b]	3/3

Notes: (a) Appointed on 1 July 2010
(b) Resigned on 1 July 2010

(ii) Board Composition

The Board currently has six (6) members, comprising the Executive Deputy Chairman, the Group Managing Director and four (4) Independent Non-Executive Directors. During the financial year, the composition of the Board had complied with the requirement that one-third of the Directors must be independent.

Together, the Directors have wide ranging experience essential for the successful direction of the Group. The profiles of the Board members are set out on pages 10 and 11.

(iii) Supply of Information

Board members are provided with an agenda and summary board papers in advance of each scheduled Board and Committee meeting. For Board meetings these documents may include a report on current trading and business issues, a period financial report and proposal papers from the management.

There is an agreed procedure for Directors to seek independent professional advice at the Company's expense. Directors also have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed.

Statement on Corporate Governance

(iv) Appointment to the Board

The Board is of the view that proposals for new appointments and the assessment of the contributions of Directors would be more effective, if performed by the Board as a whole by drawing on the wealth of experience of all Directors. Hence, a nominating committee is currently not required.

(v) Re-election and Re-appointment

The Company's Articles of Association provide that at every annual general meeting of the Company, one-third of the Directors shall retire from office and that all Directors shall retire from office once at least in each three years, but shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their last election. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next annual general meeting of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Pursuant to Section 129(2) of the Companies Act, 1965, a Director who is over the age of 70 years shall retire at every annual general meeting and may offer himself for re-appointment to hold office until the next annual general meeting.

At the forthcoming Thirty-Ninth Annual General Meeting, Mr Siew Kah Toong, who was appointed a Director on 1 July 2010, is due for re-election in accordance with Article 81 of the Articles of Association of the Company ("A&A"). Dato' Tan Heng Chew is due for re-election by rotation in accordance with Article 101 of the A&A. Mr Seow Thiam Fatt and Dato' Haji Kamaruddin @ Abas bin Nordin, having attained the age of/over 70 years, are seeking appointment/re-appointment as Directors under Section 129 of the Companies Act, 1965. The profiles of these Directors are set out on pages 10 and 11.

(vi) Directors' Training

In keeping themselves abreast with the constant changes in regulatory authorities' requirements and development in the business environment, the Directors continuously evaluate and determine their respective training needs. The trainings attended by the Directors in 2010 include briefings, seminars and conferences conducted by relevant regulatory authorities and professional bodies as well as internal officers covering the following subjects:

- Goods and Services Tax (GST)
- Transfer Pricing
- Risk & Reform – Implications for Audit Committee Oversight
- Bursa Malaysia Evening Talks on Corporate Governance
- Dawn of the New Decade – Alternative Investments
- Asia Trade and Investor Convention 2010
- Developing High Impact Boards
- Governance & Ethical Practices in the Boardroom

B. DIRECTORS' REMUNERATION

The Board is of the view that remuneration guidelines for Directors, formulated by drawing upon the wealth of experience of all the Directors on the Board, would be more effective, and therefore, a remuneration committee is currently not required. Consequently, this role is performed by the Board as a whole when necessary and as appropriate.

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

Statement on Corporate Governance

The guidelines on bonuses in respect of 2010 and annual increment for 2011 in respect of executive employees of the Group were recommended for Board's approval by committees whose members included senior heads of operations below the Board level. The quantum of the annual performance bonus was dependent on the operating results of the Group after taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Directors in instances where there are no provisions of the same in their service contracts with the Company.

The remuneration of each of the Non-Executive Directors is determined by the Board as a whole within the aggregate Directors' fees limit fixed by the shareholders of the Company of not exceeding RM400,000 per annum. The Non-Executive Directors do not participate in discussions on their remuneration.

Directors' remuneration during the year in aggregate, with categorization into appropriate components, distinguishing between Executive and Non-Executive Directors, are as follows:

	Fees (RM)	Salaries and Allowance (RM)	Bonus (RM)	Benefits-in-kind (RM)
Executive Directors	-	6,282,911	5,857,444	74,162
Non-Executive Directors	312,000	40,400	-	23,000

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

Range of Remuneration	Executive	Non-Executive
RM1 to RM50,000	-	2
RM100,001 to RM150,000	-	3
RM4,050,001 to RM4,100,000	1	-
RM8,150,001 to RM8,200,000	1	-

C. RELATIONS WITH SHAREHOLDERS

(i) Dialogue between the Company and Investors

The Company holds group and individual meetings with institutional shareholders and investment communities, at their request, with the view to foster greater understanding of the business of the Group. During the year, the Company held several meetings of such nature.

The Group's quarterly result announcements, available on the websites of Bursa Malaysia Securities Berhad and the Company, www.tanchong.com.my, serve to keep interested shareholders informed of the Company/Group's progress from time to time.

(ii) Annual General Meeting

The Thirty-Eighth Annual General Meeting ("AGM") of the Company was held on 19 May 2010 at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur. The Notice of Meeting was attached to the Annual Report distributed to shareholders. The AGM in 2010 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 63.2% of the issued share capital.

There was a forum for the shareholders to raise questions or issues at the AGM regarding the Group's performance in 2009, which the Directors and officers of the Company appropriately addressed.

Statement on Corporate Governance

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board has presented a balanced and understandable assessment of the Company's position and prospects in the various financial reports to the shareholders.

The quarterly announcements of results of the Group and year end audited financial statements are reviewed by the Audit Committee before Board's approval and release to Bursa Malaysia Securities Berhad and shareholders.

(ii) Internal Control

The Statement on Internal Control furnished on page 19 provides an overview of the state of internal controls within the Group.

(iii) Audit Committee and Auditors

The Board of Directors has established an Audit Committee. The membership of this Committee, a summary of the terms of reference and the activity report of the Audit Committee are set out on pages 21 to 23.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

The Directors consider that during 2010, the Company had complied substantially with the Best Practices in Corporate Governance set out under Part 2 of the Code, except for the formation of the nominating and remuneration committees as explained in the report, on the application of the principles and best practices in corporate governance.

STATEMENT ON INTERNAL CONTROL

The Board of Directors conforms to the requirements of the Malaysian Code on Corporate Governance by maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investments. The Board is pleased to outline the nature and scope of internal control of the Group during the financial year.

Board Responsibility

The Directors are responsible for the Group's system of internal control that covers all aspects of its business. While acknowledging their responsibility for the system of internal control, the Directors are aware that such a system cannot totally eliminate risks and thus there can never be an absolute assurance against the Group failing to achieve its objectives or making material losses.

Risk Management and Control Structure

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

(i) Review and approval of annual business plan and budget of all major business units by the Board. These plans set out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
(ii) Quarterly review of the performance of the Group's business by the Board which also assesses the impact of the changes in business and competitive environment;
(iii) Active participation by certain members of the Board in the day-to-day running of the major businesses and regular dialogues with the senior management of smaller business units; and
(iv) Monthly financial reporting by the subsidiaries to the holding company.

The above processes serve to ensure that there is a platform for the timely identification, evaluation and management of significant risks affecting the businesses.

The internal controls of the Group are further supported by an established organisation structure and limits of authority for various management committees. Support functions like Finance and Operation Control, centralised Treasury, Internal Audit, Group Secretarial, Finance and Administration as well as Insurance also play a part in the overall control and risk management processes of the Group.

Various management committees have been established to manage and control its businesses. Matters beyond the limits of authority are referred to the Board for approval.

Internal and Management Audit Function

The Group has in place an internal audit department, which provides the Board, through the Audit Committee, with further assurance in regard to the adequacy and integrity of the system of internal control from an independent perspective.

The internal audit function adopts a risk-based approach and prepares its audit strategies and plans based on the risk profiles of the major business units of the Group. Detailed internal audit plans are tabled annually and approved by the Audit Committee before implementation. Apart from field audits conducted by the internal auditors, key business units are also required to complete the internal control checklist which helps to ascertain the state of compliance with internal control procedures from time to time. The costs incurred for the internal audit function in respect of the financial year 2010 totaled RM1.03 million.

Weaknesses in Internal Controls that Result in Material Losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

OTHER STATEMENTS AND DISCLOSURES

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 (the "Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and their results for the financial year.

In preparing the financial statements for the financial year ended 31 December 2010, the Directors have:

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

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

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

REVALUATION POLICY

The revaluation policy on landed properties is set out under Note 2(d), 2(e) and 2(g) of the Notes to the Financial Statements on pages 51 to 54 of the Annual Report.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2010 by KPMG, auditors for Tan Chong Motor Holdings Berhad, was RM213,770.

SHARE BUY-BACKS

Details of the shares bought back during the financial year ended 31 December 2010 and currently held as treasury shares are as follows:

Year 2010	No. of shares bought back and held as treasury shares	Highest price paid per share (RM)	Lowest price paid per share (RM)	Average price paid per share (RM)	Total consideration paid (RM)
May	100	4.01	4.01	4.01	442.13
November	100	5.46	5.46	5.46	587.17
Total	200				1,029.30

There were no re-sale of treasury shares nor cancellation of shares during the financial year.

AUDIT COMMITTEE REPORT

The Board of Directors of Tan Chong Motor Holdings Berhad is pleased to present the report of the Audit Committee of the Board for the financial year ended 31 December 2010.

The Audit Committee was established by a resolution of the Board on 1 August 1994. The present terms of reference of the Committee were adopted by the Board of Directors on 26 February 2008.

COMPOSITION AND MEETINGS

The composition of the Audit Committee and the attendance of its members at the seven (7) meetings held during the financial year were as follows:

Name	Designation	Attendance
Seow Thiam Fatt (Chairman)	Independent Non-Executive Director	7/7
Dato' Ng Mann Cheong	Independent Non-Executive Director	7/7
Dato' Haji Kamaruddin @ Abas bin Nordin	Independent Non-Executive Director	7/7
Siew Kah Toong *	Independent Non-Executive Director	2/2

* Appointed a member of the Audit Committee on 18 August 2010.

TERMS OF REFERENCE

Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall comprise no fewer than three members all of whom must be non-executive directors with a majority of them being independent directors.

The Audit Committee shall include at least one Director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least 3 years working experience and have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad. No alternate director shall be appointed a member of the Audit Committee. The members of the Audit Committee shall elect a chairman from amongst their number who shall be an independent director.

In the event of any vacancy in the Audit Committee which results in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the vacancy must be filled within three months. The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

Authority

The Audit Committee is authorized by the Board, and at the cost of the Company, to:

1. investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company or the Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
5. be able to obtain independent professional or other advice; and
6. convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed issuer.

Audit Committee Report

Functions

The functions of the Audit Committee shall be, amongst others:

1. review the following and report the same to the Board:

   (a) the audit plan, the evaluation of the system of internal controls and the audit report with the external auditors; the assistance given by the employees of the Company/Group to the external auditors;

   (b) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

   (c) the internal audit programmes, processes, the results of the internal audit programmes, processes or investigations undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function;

   (d) the quarterly results and year end financial statements, prior to approval by the Board of Directors, focusing on:

      (i) changes in or implementation of major accounting policy changes;
      (ii) significant and unusual events; and
      (iii) compliance with accounting standards and other legal requirements;

   (e) any related party transactions and conflict of interest situation that may arise within the Company and Group including any transaction, procedure or course of conduct that raises questions of management integrity;

   (f) any letter of resignation from external auditors; and

   (g) whether there is any reason to believe that external auditors are not suitable for re-appointment;

2. recommend the nomination of person or persons as external auditors;

3. approve any appointment or termination of senior staff members of the internal audit function and review any appraisal or assessment of the performance of its members; and

4. any other function as may be required by the Board from time to time.

CONDUCT OF MEETINGS

The chairman shall call for meetings to be held not less than four times a year. Any member of the committee may at any time, and the secretary on requisition of the member, summon a meeting. Except in the case of an emergency, seven days notice of meeting shall be given in writing to all members.

A quorum of meeting shall be a majority of independent directors. Meetings shall be chaired by the chairman, and in his absence, by an independent director. Decision shall be made by a majority of votes.

The Head of Finance, Head of Internal Audit and the company secretary shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the committee. A representative of the external auditors shall attend the meeting to consider the final audited financial statements and such other meetings determined by the committee.

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

Audit Committee Report

REPORTING PROCEDURES

The company secretary shall record the proceedings of meetings. Minutes shall be circulated to all members of the Board.

The committee shall prepare, for the Board and for inclusion in the Company's annual report, a summary of its activities in the discharge of its functions and duties for the financial year.

The committee may report to Bursa Malaysia Securities Berhad of a matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

Activities of the Audit Committee during the year encompassed the following:

- review audit strategy and plan with the external auditors;
- review annual audited financial statements and principal matters arising from audit with the external auditors;
- review quarterly financial results prior to submission to the Board for consideration;
- review internal audit reports; and
- review the related party transactions of the Group.

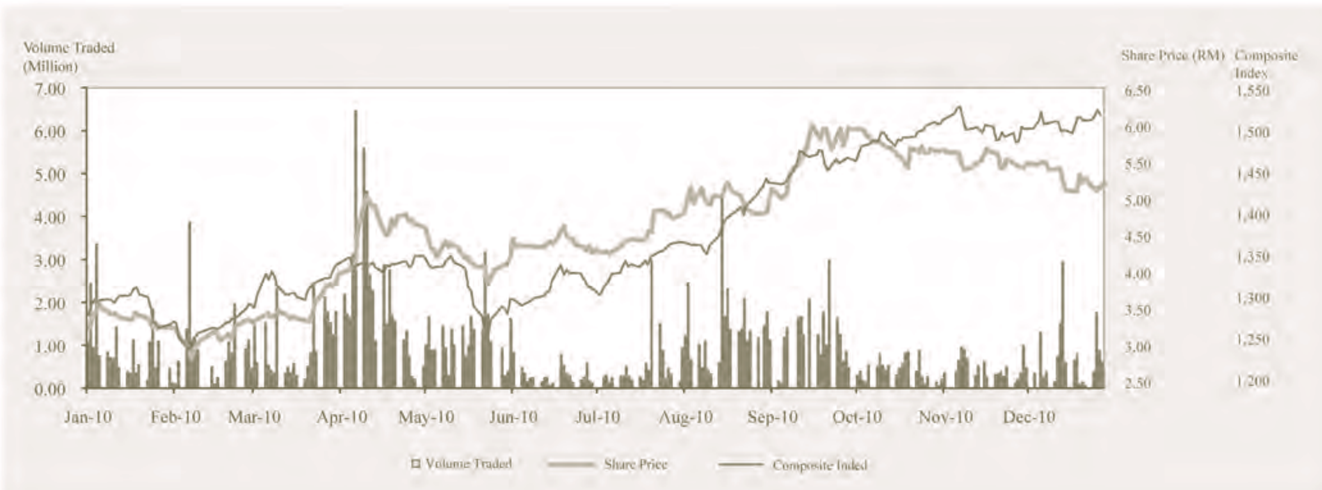
SUMMARY OF INTERNAL AUDIT ACTIVITIES

The head of Internal Audit reports directly to the Audit Committee.

Activities of internal auditors during the year encompassed the following:

- formulate and agree with the Audit Committee on the audit plan, strategy and scope of work;
- review compliance with policies, procedures and relevant rules and regulations;
- review and ascertain adequacy of controls associated with new and used vehicle sales, after sales operations and other key head office functions; and
- report of audit findings and make recommendations to improve the effectiveness and efficiency of internal control system at the various business units.

DAILY SHARE PRICE & VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD



Financial Statements

DIRECTORS' REPORT
for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities 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 RM'000**	**Company RM'000**
Profit attributable to:		
Owners of the Company	229,740	88,625
Minority interest	1,347	-
	231,087	88,625

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid:

(i) a final dividend of 12% less tax at 25% totalling RM29,376,856 in respect of the year ended 31 December 2009 on 18 June 2010; and

(ii) an interim dividend of 12% less tax at 25% totalling RM29,376,851 in respect of the year ended 31 December 2010 on 28 September 2010.

A final dividend of 12% less tax at 25% in respect of the year ended 31 December 2010 was proposed by the Directors. This dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Tan Heng Chew
Tan Eng Soon
Dato' Ng Mann Cheong
Dato' Haji Kamaruddin @ Abas bin Nordin
Seow Thiam Fatt
Siew Kah Toong (appointed on 1 July 2010)
Azman bin Badrillah (resigned on 1 July 2010)

Directors' Report
for the year ended 31 December 2010

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2010	Bought	Disposed/ Transferred	At 31.12.2010
Interest in the Company				
Direct interests:				
Dato' Tan Heng Chew	22,326,262	-	(250,000)	22,076,262
Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	2,000	-	4,992
Seow Thiam Fatt	16,600	6,400	-	23,000
Indirect/Deemed interests:				
Dato' Tan Heng Chew	310,181,421	19,326,000	(7,664,356)	321,843,065 [1]
Tan Eng Soon	308,704,031	18,950,000	(7,664,356)	319,989,675 [2]
Dato' Ng Mann Cheong	70,000	25,000	(5,000)	90,000 [3]

Notes:

[1] *Including interests of spouse and children by virtue of Section 134(12)(c) of the Companies Act, 1965. 65,929,935 shares are as to voting rights only.*

[2] *65,929,935 shares are as to voting rights only.*

[3] *Interest of spouse by virtue of Section 134(12)(c) of the Companies Act, 1965. The balance brought forward number of shares was rectified to 70,000 shares. The Director's shareholding in his notice dated 24 August 2007 was overstated by 1,000 shares.*

By virtue of their interests in the shares of the Company, Dato' Tan Heng Chew and Tan Eng Soon are 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. Details of their deemed shareholdings in the subsidiaries are shown in Note 37 to the financial statements.

The remaining Director holding office at 31 December 2010 does 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 emoluments received or due and receivable by Directors as shown in the financial statements of the Group, the Company and of related corporations or the fixed salary of a full time employee of the Company) 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 fee 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 2010

Issue of shares and debentures

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

Options granted over unissued shares

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

Other statutory information

Before the statement of comprehensive income and statement of financial position 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 debts, 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 Group and in the Company's financial statements 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.

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 2010 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.

Directors' Report
for the year ended 31 December 2010

Significant events

Significant events are disclosed in Note 40.

Subsequent events

Subsequent events are disclosed in Note 41.

Auditors

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

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

Dato' Ng Mann Cheong
Director

Seow Thiam Fatt
Director

Kuala Lumpur,

Date: 21 April 2011

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2010

	Note	Group			Company	
		31.12.2010 RM'000	31.12.2009 RM'000 restated	1.1.2009 RM'000 restated	31.12.2010 RM'000	31.12.2009 RM'000
Assets						
Property, plant and equipment	3	618,388	584,941	592,837	1,035	1,313
Investment properties	5	10,490	10,582	10,692	-	-
Intangible assets	6	14,191	-	-	-	-
Investment in subsidiaries	7	-	-	-	1,270,746	1,096,136
Investment in associates	8	18,920	18,281	18,212	12,246	12,246
Other investments, including derivatives	9	1,807	1,806	5,806	49,001	49,001
Deferred tax assets	11	12,090	4,881	4,501	3,568	2,109
Hire purchase receivables	12	284,554	312,811	165,331	-	-
Finance lease receivables	13	3,945	7,116	3,633	-	-
Receivables	14	-	-	-	411,665	418,544
Total non-current assets		964,385	940,418	801,012	1,748,261	1,579,349
Other investments, including derivatives	9	289,936	423,333	239,822	-	-
Inventories	15	1,005,333	673,185	854,440	-	-
Current tax assets		3,310	15,047	3,567	5,184	5,246
Hire purchase receivables	12	54,276	63,913	61,609	-	-
Receivables	14	246,535	212,986	192,700	17,263	2,386
Deposits and prepayments	14	31,387	22,121	21,537	1,496	1,132
Cash and cash equivalents	16	150,088	114,377	76,733	4,339	2,865
Derivative assets		769	-	-	-	-
Asset classified as held for sale	17	-	2	-	-	-
Total current assets		1,781,634	1,524,964	1,450,408	28,282	11,629
Total assets		2,746,019	2,465,382	2,251,420	1,776,543	1,590,978

Statements of Financial Position
as at 31 December 2010 (continued)

	Note	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000 restated	Group 1.1.2009 RM'000 restated	Company 31.12.2010 RM'000	Company 31.12.2009 RM'000
Equity						
Share capital		336,000	336,000	336,000	336,000	336,000
Reserves		1,371,376	1,202,549	1,098,485	967,853	937,982
Treasury shares		(24,778)	(24,777)	(13,024)	(24,778)	(24,777)
Total equity attributable to owners of the Company		1,682,598	1,513,772	1,421,461	1,279,075	1,249,205
Minority interest		8,639	4,406	3,557	-	-
Total equity	18	1,691,237	1,518,178	1,425,018	1,279,075	1,249,205
Liabilities						
Borrowings	19	354,167	260,590	190,785	200,000	100,000
Employee benefits	20	31,667	22,286	19,943	14,496	8,658
Deferred tax liabilities	11	23,313	8,669	15,562	-	-
Payables and accruals	21	-	-	-	265,802	20,226
Total non-current liabilities		409,147	291,545	226,290	480,298	128,884
Borrowings	19	352,384	387,643	379,184	-	-
Derivative liabilities		1	-	-	-	-
Taxation		6,168	725	6,718	-	-
Payables and accruals	21	287,082	267,289	214,210	17,170	212,889
Liability classified as held for sale	17	-	2	-	-	-
Total current liabilities		645,635	655,659	600,112	17,170	212,889
Total liabilities		1,054,782	947,204	826,402	497,468	341,773
Total equity and liabilities		2,746,019	2,465,382	2,251,420	1,776,543	1,590,978

The notes on pages 43 to 114 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

(in USD equivalent)

	31.12.2010 USD'000	31.12.2009 USD'000 restated	1.1.2009 USD'000 restated
Assets			
Property, plant and equipment	198,011	170,562	170,576
Investment properties	3,358	3,085	3,076
Intangible assets	4,544	-	-
Investment in associates	6,058	5,331	5,240
Other investments, including derivatives	579	527	1,671
Deferred tax assets	3,871	1,423	1,295
Hire purchase receivables	91,116	91,212	47,570
Finance lease receivables	1,263	2,075	1,045
Total non-current assets	308,800	274,215	230,473
Other investments, including derivatives	92,839	123,439	69,004
Inventories	321,913	196,292	245,847
Current tax assets	1,060	4,387	1,026
Hire purchase receivables	17,379	18,636	17,727
Receivables	78,942	62,104	55,445
Deposits and prepayments	10,050	6,450	6,197
Cash and cash equivalents	48,059	33,351	22,078
Derivative assets	246	-	-
Asset classified as held for sale	-	1	-
Total current assets	570,488	444,660	417,324
Total assets	879,288	718,875	647,797

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

Figures are converted into USD equivalent using the exchange rate of RM3.123 = USD1.00

(31.12.2009-RM3.4295 = USD1.00) and (1.1.2009-RM3.4755 = USD1.00) being the exchange rate ruling at the date of statement of financial position.

Consolidated Statement of Financial Position
as at 31 December 2010 (continued)
(in USD equivalent)

	31.12.2010 USD'000	31.12.2009 USD'000 restated	1.1.2009 USD'000 restated
Equity			
Share capital	107,589	97,974	96,677
Reserves	439,121	350,648	316,065
Treasury shares	(7,934)	(7,225)	(3,747)
Total equity attributable to owners of the Company	538,776	441,397	408,995
Minority interest	2,766	1,285	1,023
Total equity	541,542	442,682	410,018
Liabilities			
Borrowings	113,406	75,985	54,894
Employee benefits	10,140	6,498	5,738
Deferred tax liabilities	7,465	2,528	4,478
Total non-current liabilities	131,011	85,011	65,110
Borrowings	112,835	113,032	109,102
Derivative liabilities	1	-	-
Taxation	1,974	211	1,933
Payables and accruals	91,925	77,938	61,634
Liability classified as held for sale	-	1	-
Total current liabilities	206,735	191,182	172,669
Total liabilities	337,746	276,193	237,779
Total equity and liabilities	879,288	718,875	647,797

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

Figures are converted into USD equivalent using the exchange rate of RM3.123 = USD1.00

(31.12.2009-RM3.4295 = USD1.00) and (1.1.2009-RM3.4755 = USD1.00) being the exchange rate ruling at the date of statement of financial position.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	22	3,505,248	2,856,886	125,765	290,000
Cost of sales		(2,799,130)	(2,353,517)	-	-
Gross profit		706,118	503,369	125,765	290,000
Other income		40,872	31,007	-	-
Distribution expenses		(228,319)	(205,457)	-	-
Administrative expenses		(161,610)	(129,725)	(19,091)	(14,032)
Other expenses		(22,053)	(16,509)	(1,166)	(1,359)
Results from operating activities		335,008	182,685	105,508	274,609
Finance income	23	14,583	14,728	18,700	7,624
Finance costs	24	(27,477)	(20,356)	(14,375)	(7,805)
Net finance (cost)/ income		(12,894)	(5,628)	4,325	(181)
Share of profit of equity accounted associates, net of tax		639	169	-	-
Profit before tax	25	322,753	177,226	109,833	274,428
Tax expense	27	(91,666)	(22,922)	(21,208)	(48,847)
Profit for the year		231,087	154,304	88,625	225,581

Statements of Comprehensive Income
for the year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Other comprehensive (loss)/income, net of tax					
Foreign currency translation differences for foreign operations		(2,769)	(367)	-	-
Cash flow hedge		694	-	-	-
Revaluation surplus		(159)	159	-	-
Other comprehensive loss for the year, net of tax	28	(2,234)	(208)	-	-
Total comprehensive income for the year		228,853	154,096	88,625	225,581
Profit attributable to:					
Owners of the Company		229,740	153,326	88,625	225,581
Minority interest		1,347	978	-	-
Profit for the year		231,087	154,304	88,625	225,581
Total comprehensive income attributable to:					
Owners of the Company		227,506	153,118	88,625	225,581
Minority interest		1,347	978	-	-
Total comprehensive income for the year		228,853	154,096	88,625	225,581
Basic earnings per ordinary share (sen)	29	35.19	23.42		

The notes on pages 43 to 114 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

(in USD equivalent)

	2010 USD'000	2009 USD'000
Revenue	1,122,398	833,033
Cost of sales	(896,295)	(686,257)
Gross profit	226,103	146,776
Other income	13,087	9,041
Distribution expenses	(73,109)	(59,909)
Administrative expenses	(51,748)	(37,826)
Other expenses	(7,061)	(4,814)
Results from operating activities	107,272	53,268
Finance income	4,670	4,295
Finance costs	(8,798)	(5,936)
Net finance (cost)/ income	(4,128)	(1,641)
Share of profit of equity accounted associates, net of tax	205	49
Profit before tax	103,349	51,676
Tax expense	(29,352)	(6,684)
Profit for the year	73,997	44,992

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

Figures are converted into USD equivalent using the exchange rate of RM3.123 = USD1.00

(2009-RM3.4295 = USD1.00), being the exchange rate ruling at the date of statement of financial position.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010 (continued)
(in USD equivalent)

	2010 USD'000	2009 USD'000
Other comprehensive (loss)/income, net of tax		
Foreign currency translation differences for foreign operations	(887)	(107)
Cash flow hedge	222	-
Revaluation surplus	(51)	46
Other comprehensive loss for the year, net of tax	(716)	(61)
Total comprehensive income for the year	73,281	44,931
Profit attributable to:		
Owners of the Company	73,565	44,708
Minority interest	432	284
Profit for the year	73,997	44,992
Total comprehensive income attributable to:		
Owners of the Company	72,849	44,647
Minority interest	432	284
Total comprehensive income for the year	73,281	44,931
Basic earnings per ordinary share (sen)	11.27	6.83

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

Figures are converted into USD equivalent using the exchange rate of RM3.123 = USD1.00

(2009-RM3.4295 = USD1.00), being the exchange rate ruling at the date of statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

		Attributable to equity holders of the Company									
		Non-Distributable					Distributable				
Group	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Surplus on revaluation of properties RM'000	Hedge reserves RM'000	Capitalisation of retained earnings RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2009		336,000	(13,024)	8	23	-	100	1,098,354	1,421,461	3,557	1,425,018
Total comprehensive (loss)/ income for the year		-	-	(367)	159	-	-	153,326	153,118	978	154,096
Purchase of treasury shares		-	(11,753)	-	-	-	-	-	(11,753)	-	(11,753)
Additional shares subscribed by minority shareholders		-	-	-	-	-	-	-	-	5	5
Acquisition of minority interest		-	-	-	-	-	-	(29)	(29)	(134)	(163)
Dividends											
- 2008 final	30	-	-	-	-	-	-	(24,543)	(24,543)	-	(24,543)
- 2009 interim	30	-	-	-	-	-	-	(24,482)	(24,482)	-	(24,482)
At 31 December 2009		336,000	(24,777)	(359)	182	-	100	1,202,626	1,513,772	4,406	1,518,178
At 1 January 2010		336,000	(24,777)	(359)	182	-	100	1,202,626	1,513,772	4,406	1,518,178
Effects on the adoption of FRS139	42	-	-	-	-	75	-	-	75	-	75
At 1 January 2010, as restated		336,000	(24,777)	(359)	182	75	100	1,202,626	1,513,847	4,406	1,518,253
Total comprehensive (loss)/ income for the year		-	-	(2,769)	(159)	694	-	229,740	227,506	1,347	228,853
Purchase of treasury shares		-	(1)	-	-	-	-	-	(1)	-	(1)
Acquisition of subsidiary	38	-	-	-	-	-	-	-	-	3,186	3,186
Dividends											
- 2009 final	30	-	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
- 2010 interim	30	-	-	-	-	-	-	(29,377)	(29,377)	(300)	(29,677)
At 31 December 2010		336,000	(24,778)	(3,128)	23	769	100	1,373,612	1,682,598	8,639	1,691,237
		Note 18	Note 18	Note 18	Note 18	Note 18		Note 18			

Statement of Changes in Equity

for the year ended 31 December 2010

Company	Note	Non-distributable Share capital RM'000	Non-distributable Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2009		336,000	(13,024)	761,426	1,084,402
Total comprehensive income for the year		-	-	225,581	225,581
Purchase of treasury shares		-	(11,753)	-	(11,753)
Dividends					
- 2008 final	30	-	-	(24,543)	(24,543)
- 2009 interim	30	-	-	(24,482)	(24,482)
At 31 December 2009		336,000	(24,777)	937,982	1,249,205
At 1 January 2010		336,000	(24,777)	937,982	1,249,205
Total comprehensive income for the year		-	-	88,625	88,625
Purchase of treasury shares		-	(1)	-	(1)
Dividends					
- 2009 final	30	-	-	(29,377)	(29,377)
- 2010 interim	30	-	-	(29,377)	(29,377)
At 31 December 2010		336,000	(24,778)	967,853	1,279,075
		Note 18	Note 18	Note 18	

The notes on pages 43 to 114 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW
for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities					
Profit before tax		322,753	177,226	109,833	274,428
Adjustments for:					
Impairment loss on investment in subsidiaries		-	-	42	82
Change in revaluation reserve		-	159	-	-
Loss on fair value adjustment		1	-	-	-
Depreciation of property, plant and equipment		56,920	51,363	212	236
Depreciation of investment properties		92	110	-	-
Dividend income		(344)	(430)	(125,765)	(290,000)
Gain on disposal of property, plant and equipment		(12,054)	(8,583)	(5)	(44)
Gain on disposal of subsidiary	39	(700)	-	(37)	-
Gain on disposal of other investments		(72)	(46)	-	-
Interest expense		27,477	20,356	14,375	7,805
Interest income		(14,583)	(14,728)	(18,700)	(7,624)
Inventory written off		460	64	-	-
Impairment loss on property, plant and equipment		-	725	-	-
Impairment loss on inventories		3,245	3,715	-	-
Impairment loss on hire purchase receivables		3,592	794	-	-
Impairment loss on receivables		3,854	3,324	-	-
Impairment loss on finance lease receivables		299	-	-	-
Impairment loss on amount due from subsidiaries		-	-	1,046	1,321
Reversal of impairment loss on inventories		(2,099)	(2,559)	-	-
Reversal of impairment loss on hire purchase receivables		(197)	(43)	-	-
Reversal of impairment loss on receivables		(2,337)	(1,660)	-	-
Property, plant and equipment written off		437	5,370	-	-
Retirement benefits charged		9,886	2,975	5,838	486
Fair value gain on other investments		(241)	-	-	-
Share of profit of equity accounted associates		(639)	(169)	-	-
Operating profit/(loss) before working capital changes		395,750	237,963	(13,161)	(13,310)

Statements of Cash Flow

for the year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities (continued)					
Changes in working capital:					
Inventories		(326,140)	180,035	-	-
Hire purchase receivables		34,499	(150,535)	-	-
Finance lease receivables		3,811	(4,657)	-	-
Receivables		(49,415)	(20,776)	(113)	-
Deposits and prepayment		9,266	(584)	(364)	927
Payables and accruals		(885)	53,079	(2,412)	92,673
Cash generated from/(used in) operations		66,886	294,525	(16,050)	80,290
Tax paid		(74,600)	(52,000)	(24,565)	(55,000)
Tax refund		11,393	4,332	1,960	1,914
Interest paid		(27,477)	(20,356)	(14,375)	(7,805)
Interest received		14,583	14,728	18,700	7,624
Employee benefits paid		(497)	(632)	-	-
Net cash (used in)/ generated from operating activities		(9,712)	240,597	(34,330)	27,023
Cash flows from investing activities					
Acquisition of property, plant and equipment		(97,634)	(76,067)	(150)	(200)
Acquisition of subsidiary	38	(20,100)	-	-	-
Acquisition of other investments		-	(204,465)	-	(49,001)
Repayment from /(Advances to) subsidiaries		-	-	43,338	(204,252)
Acquisition of minority interest		-	(163)	-	-
Subscription of additional shares by minority interest		-	5	-	-
Subscription to subsidiaries' share capital		-	-	(176,400)	(101,747)
Dividends received from other investments		344	430	-	-
Dividends received from associate		-	100	-	-
Dividends received from subsidiaries		-	-	125,765	290,000
Proceeds from disposal of property, plant and equipment		29,803	35,088	221	84
Proceeds from disposal of subsidiary	39	698	-	1,785	-
Proceeds from disposal of other investments		133,709	25,000	-	-
Net cash generated from/(used in) investing activities		46,820	(220,072)	(5,441)	(65,116)

Statements of Cash Flow

for the year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from financing activities					
Dividends paid to shareholders of the Company	30	(58,754)	(49,025)	(58,754)	(49,025)
Dividends paid to minority shareholders		(300)	-	-	-
Purchase of own shares		(1)	(11,753)	(1)	(11,753)
Proceeds from bills payable		418,575	259,546	-	-
Repayment of bills payable		(426,172)	(281,304)	-	-
Proceeds from term loans		375,000	410,000	100,000	100,000
Repayment of term loans		(315,251)	(309,777)	-	-
Net cash (used in)/generated from financing activities		(6,903)	17,687	41,245	39,222
Net increase in cash and cash equivalents		30,205	38,212	1,474	1,129
Effects of exchange rate change on cash and cash equivalents		(660)	(367)	-	-
Cash and cash equivalents at 1 January		114,019	76,174	2,865	1,736
Cash and cash equivalents at 31 December		143,564	114,019	4,339	2,865

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

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash and bank balances	16	117,440	78,844	3,139	2,265
Deposits with licensed banks	16	32,648	35,533	1,200	600
Bank overdraft	19	(6,524)	(358)	-	-
		143,564	114,019	4,339	2,865

The notes on pages 43 to 114 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Registered office/Principal place of business
62-68 Jalan Ipoh
51200 Kuala Lumpur

The consolidated financial statements as at and for the financial year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2010 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities 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.

The financial statements were authorised for issue by the Board of Directors on 21 April 2011.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Intepretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures (revised)*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations, where applicable from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for amendments to FRS 2, IC Interpretation 12, IC Interpretation 16, IC Interpretation 17 and IC Interpretation 18 which are not applicable to the Group or the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of the above standards and amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company other than the expected changes in accounting policies as discussed below:

FRS 3 *Business Combinations (revised)*

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

FRS 127, *Consolidated and Separate Financial Statements*

- The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders. Currently, changes in group composition are accounted for in accordance with the accounting policies as described in Note 2(a)(v).
- The amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e. the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in Note 2(a)(iii).

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRS 127, *Consolidated and Separate Financial Statements* (continued)

The above changes in accounting policies are not expected to have material impacts to the Group.

Following the announcement made by the MASB on 1 August 2008, the Group and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as 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 Group and 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 financial statements in conformity with FRSs 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 estimate is 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 6 - intangible assets
- Note 11 - recognition of deferred tax assets
- Note 20 - valuation of employee benefits

Notes to the Financial Statements

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, other than those disclosed in the following notes:

- Note 2(c) - Financial instruments
- Note 2(e) - Leased assets
- Note 2(w) - Operating segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries including unincorporated entities are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale.

(ii) Special purpose entity

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

(iii) Minority interest

Minority interests at the end of reporting date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted 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 equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil 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 investee.

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(v) Changes in Group composition

When a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interest in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the statement of comprehensive income.

When the Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. 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 Group reserves.

(vi) 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 investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value, which 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 the profit or loss.

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

The assets and liabilities of operations 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 in functional currencies other than RM, 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 translation reserve. On disposal of foreign operations, accumulated translation differences are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Exchange differences arising from monetary items that in substance form part of the Company's net investment in the foreign operations are recognised in the Company's other comprehensive income. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated statement of comprehensive income upon disposal of the investment.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 42.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements 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 at 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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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 that the Group or the Company has the positive intention and ability to hold 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, trade and other receivables and cash and cash equivalents.

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

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Notes to the Financial Statements

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 held for trading, 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.

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 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.

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 other comprehensive income 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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 or 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 stated at cost/valuation less accumulated depreciation and any accumulated impairment losses.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1984 was carried out primarily for the purpose of issuing bonus shares then in the Company and was not intended to effect a change in the accounting policy to one of revaluation of properties.

The Group has availed itself of the transitional provision issued by the MASB on the first adoption of International Accounting Standard (IAS) No.16 on "Property, Plant and Equipment" in 1998. The valuations of these properties have therefore not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

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 and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy.

Cost also may include transfers from other comprehensive income 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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in the profit or loss.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising in remeasurement is recognised in the profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property.

(iii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment except for one of the subsidiaries where its plant, machinery and equipment are depreciated over the shorter of the model useful life or sales volume generated. 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	5 - 10 years
Motor vehicles	5 years
Renovation	5 - 8 years
Rough road	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period.

(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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's 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.

In the previous years, leasehold land that normally has an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land was accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Certain leasehold land were revalued in 1984 primarily for the purpose of issuing bonus shares. No later valuation has been recorded for these leasehold land. The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, *Leases* in 2007.

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

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 as an integral part of the total lease expense, over the term of the lease.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

(ii) Development cost and amortisation

Amount incurred to develop a Completely-Knock-Down (CKD) model for local production and assembly is capitalised as development costs and is amortised upon commencement of commercial production, over the expected economical life span of the model of five years. Capitalised development cost is stated at cost less accumulated amortisation and impairment losses.

(g) Investment properties

Investment properties are carried at cost. Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Certain investment properties are stated at their 1984 valuation less depreciation as the Group has availed itself of the transitional provision issued by the MASB on the first adoption of IAS No.16 on "Property, Plant and Equipment" in 1998. Accordingly, these valuations have not been updated.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of 50 years or the lease period of the land for buildings, whichever is shorter. Freehold land is not depreciated.

(h) Other investments, including derivatives

Prior to 1 January 2010, the Group and Company's investments in unquoted shares, assets-backed notes and option were stated at cost less allowance for diminution in value. An allowance was made when the Directors were of the view that there was a diminution in their value which was other than temporary. Current investment in quoted unit trusts was stated at the lower of cost and market value, determined on an individual investment basis by category of investments.

With the adoption of FRS 139, investment in unquoted shares is now classified as available-for-sale, quoted unit trusts are classified as fair value through profit or loss financial assets and investments in assets-back notes are classified as held to maturity financial assets.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. 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.

Cost of work-in-progress, manufactured inventories and locally assembled motor vehicles consist of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

Cost 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.

Cost 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.

(j) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(k) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(l) 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 value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

Notes to the Financial Statements

2. Significant accounting policies (continued)

(m) Impairment of assets

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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 available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

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 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.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

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) Non-financial assets

The carrying amounts of non-financial assets except for inventories and deferred tax asset 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 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 groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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 to sell. 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. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) Non-financial assets (continued)

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 units and then to reduce the carrying amount of the other assets in the unit (groups of 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 year in which the reversals are recognised.

(n) Equity instrument

Equity instruments are stated at cost on initial recognition and are not remeasured subsequently.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(o) Borrowings

Prior to 1 January 2010, borrowings were stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings using the effective interest method.

Following the adoption of FRS 139, borrowings are categorised and measured as other liabilities in accordance with Note 2(c).

Following the adoption of revised FRS 123, *Borrowing Costs*, 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.

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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(p) 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 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) Defined contribution plans

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

(iii) Defined benefit plans

The Group's and the Company's net obligation in respect of their defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The discount rate is the market yield at the end of the reporting period on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the projected unit credit method.

Other than the legal obligation under the formal terms of their defined benefit plan, the Group and the Company also account for the constructive obligation that arises from their past practices. The constructive obligation is recognised as a liability and expense and is also calculated by an actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss.

In calculating the Group's and the Company's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation, that portion is recognised in the profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group and the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group 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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(q) Provisions (continued)

(i) Warranties

A provision for warranty 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.

(ii) 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 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.

(r) Payables

Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

Prior to 1 January 2010, payables were measured initially and subsequently at cost. Following the adoption of FRS 139, payables are categorised and measured as other liabilities in accordance with Note 2(c).

(s) Revenue recognition

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(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 the profit or loss based on a pattern reflecting a constant periodic rate of return on the net investment outstanding at the end of each accounting period.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) 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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(t) Interest income and borrowing costs

Interest income is recognised in the profit or loss as it accrues, using the effective interest rates.

All borrowing costs are recognised in profit or loss using the effective interest method 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.

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.

(u) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income 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 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.

Deferred tax liability is recognised for all taxable temporary differences.

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(v) 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.

(w) Operating segments

In the previous year, a segment was a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and expenses relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Deputy Chairman of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

3. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Under construction RM'000	Rough road RM'000	Total RM'000
Cost/valuation										
At 1 January 2009	95,031	-	249,672	249,982	73,217	115,460	16,757	8,755	127	809,001
Effect of adopting amendments to FRS 117 (Note 4)	-	95,045	-	-	-	-	-	-	-	95,045
At 1 January 2009, restated	95,031	95,045	249,672	249,982	73,217	115,460	16,757	8,755	127	904,046
Additions	-	20,478	27,826	7,959	5,064	12,365	2,375	-	-	76,067
Disposals	-	-	-	(8,685)	(618)	(42,714)	-	-	-	(52,017)
Write off	-	-	-	(16)	(428)	(3)	(11)	(5,342)	-	(5,800)
At 31 December 2009/ 1 January 2010, restated	95,031	115,523	277,498	249,240	77,235	85,108	19,121	3,413	127	922,296
Additions	3,315	23	12,234	7,466	5,941	58,963	3,503	6,179	10	97,634
Acquisition of subsidiary (Note 38)	-	-	-	11,077	-	-	-	-	-	11,077
Disposals	-	-	-	(8,425)	(294)	(36,874)	-	-	-	(45,593)
Transfer	-	-	6	8,371	-	-	108	(8,485)	-	-
Write off	-	-	(190)	(1)	(177)	(236)	-	-	-	(604)
Effects of movement in exchange rates	-	-	-	(74)	-	-	-	-	-	(74)
At 31 December 2010	98,346	115,546	289,548	267,654	82,705	106,961	22,732	1,107	137	984,736
Accumulated depreciation and impairment loss										
At 1 January 2009:										
Accumulated depreciation	-	-	66,834	107,243	54,244	45,567	9,614	-	26	283,528
Accumulated impairment loss	-	-	-	4,479	-	-	-	-	-	4,479
	-	-	66,834	111,722	54,244	45,567	9,614	-	26	288,007
Effects of adopting amendments to FRS 117 (Note 4)	-	23,202	-	-	-	-	-	-	-	23,202
At 1 January 2009, restated	-	23,202	66,834	111,722	54,244	45,567	9,614	-	26	311,209
Depreciation for the year	-	1,145	6,262	20,646	6,147	14,887	2,241	-	35	51,363
Disposals	-	-	-	(360)	(557)	(24,595)	-	-	-	(25,512)
Write off	-	-	-	-	(422)	(3)	(5)	-	-	(430)
Impairment loss	-	-	-	648	33	-	44	-	-	725
At 31 December 2009/ 1 January 2010, restated:										
Accumulated depreciation	-	24,347	73,096	127,529	59,412	35,856	11,850	-	61	332,151
Accumulated impairment loss	-	-	-	5,127	33	-	44	-	-	5,204
	-	24,347	73,096	132,656	59,445	35,856	11,894	-	61	337,355

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Under construction RM'000	Rough road RM'000	Total RM'000
Accumulated depreciation and impairment loss (continued)										
Depreciation for the year	-	1,620	4,600	21,696	6,445	20,764	1,759	-	36	56,920
Disposals	-	-	-	(8,373)	(204)	(19,267)	-	-	-	(27,844)
Write off	-	-	-	(1)	(166)	-	-	-	-	(167)
Effect of movement in exchange rate	-	-	-	84	-	-	-	-	-	84
At 31 December 2010:										
Accumulated depreciation	-	25,967	77,696	140,935	65,487	37,353	13,609	-	97	361,144
Accumulated impairment loss	-	-	-	5,127	33	-	44	-	-	5,204
	-	25,967	77,696	146,062	65,520	37,353	13,653	-	97	366,348
Carrying amount										
At 1 January 2009, restated	95,031	71,843	182,838	138,260	18,973	69,893	7,143	8,755	101	592,837
At 31 December 2009/ 1 January 2010, restated	95,031	91,176	204,402	116,584	17,790	49,252	7,227	3,413	66	584,941
At 31 December 2010	98,346	89,579	211,852	121,592	17,185	69,608	9,079	1,107	40	618,388

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Company	Buildings RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2009	690	398	1,179	2,267
Additions	-	3	197	200
Disposals	-	(30)	(208)	(238)
Write off	-	(215)	-	(215)
At 31 December 2009/1 January 2010	690	156	1,168	2,014
Additions	-	22	128	150
Disposals	-	(6)	(318)	(324)
At 31 December 2010	690	172	978	1,840
Accumulated depreciation				
At 1 January 2009	207	294	377	878
Depreciation for the year	14	25	197	236
Disposals	-	(30)	(168)	(198)
Write off	-	(215)	-	(215)
At 31 December 2009/1 January 2010	221	74	406	701
Depreciation for the year	14	23	175	212
Disposals	-	(2)	(106)	(108)
At 31 December 2010	235	95	475	805
Carrying amount				
At 1 January 2009	483	104	802	1,389
At 31 December 2009/1 January 2010	469	82	762	1,313
At 31 December 2010	455	77	503	1,035

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Revaluation

The carrying amounts of the revalued freehold land and buildings had they been stated under the cost model as required by the Financial Reporting Standards (FRS) 116 on "Property, Plant and Equipment" is not disclosed due to the absence of complete historical records.

Titles

The titles to certain properties with a total cost of RM4,371,000 (2009: RM4,371,000) have yet to be issued by the relevant authorities.

Impairment loss

In 2009, the Group discontinued with the production of certain products which were no longer viable and cessation of an operation due to cancellation of license. The Group assessed the recoverable amount of the related products based on its value in use and recognised an impairment loss of RM725,000.

4. Prepaid lease payments

Group	**Note**	**Leasehold Land RM'000**
Cost/valuation		
At 1 January 2009		95,045
Effect of adopting amendments to FRS 117	3	(95,045)
At 1 January 2009, restated/31 December 2009/ 1 January 2010/31 December 2010		-
Amortisation		
At 1 January 2009		23,202
Effect of adopting amendments to FRS 117	3	(23,202)
At 1 January 2009, restated/31 December 2009/ 1 January 2010/31 December 2010		-
Carrying amount		
At 1 January 2009		71,843
At 1 January 2009, restated/31 December 2009/ 1 January 2010/31 December 2010		-

Notes to the Financial Statements

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost/valuation			
At 1 January 2009/ 31 December 2009/ 1 January 2010/ 31 December 2010	7,243	5,877	13,120
Accumulated depreciation			
At 1 January 2009	-	2,428	2,428
Depreciation for the year	-	110	110
At 31 December 2009/ 1 January 2010	-	2,538	2,538
Depreciation for the year	-	92	92
At 31 December 2010	-	2,630	2,630
Carrying amount			
At 1 January 2009	7,243	3,449	10,692
At 31 December 2009/ 1 January 2010	7,243	3,339	10,582
At 31 December 2010	7,243	3,247	10,490

The Directors' valuation on the fair value of investment properties based on available valuation reports prepared by an independent valuer in recent years was RM33,275,000 (2009: RM33,275,000) where no significant change in value is envisaged.

6. Intangible assets

	Group	
Goodwill	**2010 RM'000**	**2009 RM'000**
Cost		
At 1 January	-	-
Acquisition of subsidiary (Note 38)	14,191	-
At 31 December	14,191	-

Notes to the Financial Statements

6. Intangible assets (continued)

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 amount of goodwill allocated is as follows:

	2010 RM'000	2009 RM'000
Vietnam vehicles assembly, manufacturing, distribution and after sale services	14,191	-

The impairment test 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:

- Cashflows were projected based on 5-years business plan.
- Total Industry Vehicle (TIV) is projected to grow at the following rates:
  - FY 2011 and FY 2012 - 10%
  - FY 2013 - 11%
  - FY 2014 and FY 2015 - 12%
- Market share to grow gradually from 3% to 10% with the introduction of new models and increase in dealer's network.
- Depreciation of jig investment is based on projected sales volume or approximately 6 years.
- A pre-tax discount rate of 15% was applied in determining the recoverable amount. The discount rate was estimated based on the average 5 year Vietnamese Dong loan interest rate quoted by banks.

The above estimates are particularly sensitive in the following areas:

- An increase of 3 percentage point in the discount rate used would result in an impairment loss of RM0.2 million.
- A 5% decrease in future planned revenues would result in an impairment loss of RM1.1 million.

7. Investment in subsidiaries

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares in Malaysia, at cost	1,291,384	1,116,732
Less: Impairment loss	(20,638)	(20,596)
	1,270,746	1,096,136

Details of the subsidiaries are in Note 37.

Notes to the Financial Statements

8. Investment in associates

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost:				
In Malaysia	1,750	1,750	-	-
Outside Malaysia	12,247	12,247	12,246	12,246
Share of post-acquisition reserve	4,923	4,284	-	-
	18,920	**18,281**	**12,246**	**12,246**

Summary financial information on associates:

Group

	Country of incorporation	Effective ownership interest 2010 %	Effective ownership interest 2009 %	2010 Revenues (100%) RM'000	2010 Profit (100%) RM'000	2010 Total assets (100%) RM'000	2010 Total liabilities (100%) RM'000	2009 Revenues (100%) RM'000	2009 Profit (100%) RM'000	2009 Total assets (100%) RM'000	2009 Total liabilities (100%) RM'000
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	25.00	25.00	1,987	1,716	14,738	28	1,082	(35)	13,178	28
Structurflex Sdn. Bhd.	Malaysia	50.00	50.00	4,184	410	3,649	837	3,253	176	3,138	2,937
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	45.45	2,005	1,404	48,663	13,979	2,194	1,555	38,110	2,391
TC Express Auto Services & Spare Parts (Thailand) Co. Ltd.	Thailand	49.00	49.00	1,973	(1,291)	1,789	6,324	1,924	(1,331)	830	483

Company

	Country of incorporation	Effective ownership interest 2010 %	Effective ownership interest 2009 %	2010 Revenues (100%) RM'000	2010 Profit (100%) RM'000	2010 Total assets (100%) RM'000	2010 Total liabilities (100%) RM'000	2009 Revenues (100%) RM'000	2009 Profit (100%) RM'000	2009 Total assets (100%) RM'000	2009 Total liabilities (100%) RM'000
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	45.45	2,005	1,404	48,663	13,979	2,194	1,555	38,110	2,391

Notes to the Financial Statements

9. Other investments, including derivatives

	Note	Group RM'000
2010		
Non-current		
Available-for-sale financial asset:		
Unquoted shares		1,806
Fair value through profit or loss financial asset:		
Option	a	1
		1,807
Current		
Financial asset at fair value through profit or loss:		
Quoted unit trusts		289,936
Representing items:		
At amortised cost		1,806
At fair value		289,937
		291,743
Market value of quoted unit trusts		289,936
2009		
Non-current		
At cost:		
Unquoted shares		1,806
Current		
At cost:		
Quoted unit trusts		423,333
At market value:		
Quoted unit trusts		423,577

Notes to the Financial Statements

9. Other investments, including derivatives (continued)

	Note	Company RM'000
2010		
Non-current		
Fair value through profit or loss:		
Option	a	1
Financial assets held to maturity:		
Asset-backed notes	b	41,000
Loan and receivables:		
Asset-backed notes	b	8,000
		49,001
Representing item:		
At amortised cost		49,000
At fair value		1
2009		
Non-current		
At cost:		
Option		1
Asset-backed notes		49,000
		49,001

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in paragraph 44AA of FRS 7.

Note a

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

Notes to the Financial Statements

9. Other investments, including derivatives (continued)

Note b

The asset-backed notes acquired by the Company comprise Class A Notes, Class B Notes and Class C Notes issued by the SPE in 2009. The securitisation exercise was fully completed in June 2009 with the issuance of the second series – 2009A of RM159 million nominal value medium term asset-backed notes (Notes) by the SPE. The proceeds from the issuance of the Notes were used by the SPE 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 Notes are as follows:

	Notes RM'000	Date of maturity	Coupon rate
Class A (T3)	35,000	June 2014	5.45%
Class A (T4)	5,000	June 2016	5.80%
Class B	1,000	June 2016	5.85%
Class C	8,000	June 2016	5.00%

The amount is reflected under hire purchase receivables (Note 12) upon consolidation of the SPE (Note 2(a)(ii)).

10. Development costs

	Group	
	2010 RM'000	2009 RM'000
Cost		
At 1 January/31 December	5,909	5,909
Amortisation and impairment loss		
At 1 January/31 December	5,909	5,909
Carrying amount		
At 1 January/31 December	-	-

Notes to the Financial Statements

11. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets						
Property, plant and equipment/Investment properties						
- capital allowances	-	-	(6,296)	(2,834)	(6,296)	(2,834)
Provisions	8,419	7,375	-	-	8,419	7,375
Employee benefit plans	88	-	-	-	88	-
Unabsorbed capital allowances	1,446	6	-	-	1,446	6
Tax loss carry-forwards	7,892	-	-	-	7,892	-
Other items	541	334	-	-	541	334
Tax assets/(liabilities)	18,386	7,715	(6,296)	(2,834)	12,090	4,881
Deferred tax liabilities						
Property, plant and equipment/Investment properties						
- capital allowances	-	-	(20,776)	(19,740)	(20,776)	(19,740)
- revaluation	-	-	(4,199)	(4,643)	(4,199)	(4,643)
Reinvestment allowances	-	13,495	-	-	-	13,495
Provisions	1,073	2,226	-	-	1,073	2,226
Employee benefit plans	619	-	-	-	619	-
Unabsorbed capital allowances	14	-	-	-	14	-
Tax loss carry-forwards	-	-	(12)	-	(12)	-
Other items	-	-	(32)	(7)	(32)	(7)
Tax assets/(liabilities)	1,706	15,721	(25,019)	(24,390)	(23,313)	(8,669)
Company						
Deferred tax assets						
Property, plant and equipment						
- capital allowances	-	-	(48)	(59)	(48)	(59)
Provisions	3,616	2,168	-	-	3,616	2,168
Tax assets/(liabilities)	3,616	2,168	(48)	(59)	3,568	2,109

Notes to the Financial Statements

11. Deferred tax assets and liabilities (continued)

Group movements in deferred tax assets during the year:

Group	At 1.1.2009 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2009 RM'000	Acquisition of subsidiary (Note 38) RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2010 RM'000
Property, plant and equipment/ Investment properties						
- capital allowances	(454)	(2,380)	(2,834)	-	(3,462)	(6,296)
Provisions	3,420	3,955	7,375	-	1,044	8,419
Employee benefit plans	181	(181)	-	-	88	88
Unabsorbed capital allowances	9	(3)	6	-	1,440	1,446
Tax loss carry-forwards	1,011	(1,011)	-	3,844	4,048	7,892
Other items	334	-	334	-	207	541
	4,501	380	4,881	3,844	3,365	12,090

Group movements in deferred tax liabilities during the year:

	At 1.1.2009 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2009 RM'000	Acquisition of subsidiary (Note 38) RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2010 RM'000
Property, plant and equipment/Investment properties						
- capital allowances	(21,492)	1,752	(19,740)	-	(1,036)	(20,776)
- revaluation	(8,775)	4,132	(4,643)	-	444	(4,199)
- reinvestment allowances	11,188	2,307	13,495	-	(13,495)	-
Provisions	2,794	(568)	2,226	-	(1,153)	1,073
Inventories	111	(111)	-	-	-	-
Unabsorbed capital allowances	-	-	-	-	14	14
Employee benefit plans	828	(828)	-	-	619	619
Tax loss carry-forwards	-	-	-	-	(12)	(12)
Other items	(216)	209	(7)	-	(25)	(32)
	(15,562)	6,893	(8,669)	-	(14,644)	(23,313)

Company	At 1.1.2009 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2009 RM'000	Acquisition of subsidiary (Note 38) RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2010 RM'000
Property, plant and equipment						
- capital allowances	(100)	41	(59)	-	11	(48)
Provisions	2,093	75	2,168	-	1,448	3,616
	1,993	116	2,109	-	1,459	3,568

Notes to the Financial Statements

11. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group 2010 RM'000	Group 2009 RM'000
Unabsorbed capital allowances	3,487	3,668
Tax loss carry-forwards	23,488	24,084
Deductible temporary differences	393	900
Provisions	739	-
Unutilised tax incentives	519	-
Others	90	-
	28,716	28,652

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 available against which it can be utilised.

The unabsorbed capital allowances, tax losses carry-forwards, deductible temporary differences, provisions and unutilised tax incentives do not expire under current tax legislation except for the unutilised tax losses of RM18,672,000 (VND118,180,728,000) which will expire in financial years 2014 and 2015 for a subsidiary in Vietnam.

12. Hire purchase receivables

	Group 2010 RM'000	Group 2009 RM'000
Hire purchase receivables	399,609	439,290
Less: Unearned interest	(53,793)	(57,918)
	345,816	381,372
Less: Impairment loss	(6,986)	(4,648)
	338,830	376,724

Notes to the Financial Statements

12. Hire purchase receivables (continued)

	Group 2010 RM'000	Group 2009 RM'000
Current		
Hire purchase receivables	58,080	65,180
Less: Impairment loss	(3,804)	(1,267)
	54,276	63,913
Non-current		
Hire purchase receivables	287,736	316,192
Less: Impairment loss	(3,182)	(3,381)
	284,554	312,811
	338,830	376,724

Group	Future minimum lease payments 2010 RM'000	Interest 2010 RM'000	Present value of minimum lease payments 2010 RM'000	Future minimum lease payments 2009 RM'000	Interest 2009 RM'000	Present value of minimum lease payments 2009 RM'000
Current						
Less than one year	71,518	13,438	58,080	81,710	16,530	65,180
Non-current						
Between one and five years	234,975	32,052	202,923	294,204	36,951	257,253
After five years	93,116	8,303	84,813	63,376	4,437	58,939
	328,091	40,355	287,736	357,580	41,388	316,192
	399,609	53,793	345,816	439,290	57,918	381,372

Doubtful debts written off against impairment loss during the year amounted to RM1,057,000 (2009: RM803,000).

Notes to the Financial Statements

13. Finance lease receivables

	Note	Group 2010 RM'000	Group 2009 RM'000
Finance lease receivables		10,921	15,295
Less: Unearned interest		(1,544)	(2,107)
		9,377	13,188
Less: Impairment loss		(299)	-
		9,078	13,188
Current			
Finance lease receivables		5,432	6,072
Less: Impairment loss		(299)	-
	14	5,133	6,072
Non-current			
Finance lease receivables		3,945	7,116
		9,078	13,188

Group	Future minimum lease payments 2010 RM'000	Interest 2010 RM'000	Present value of minimum lease payments 2010 RM'000	Future minimum lease payments 2009 RM'000	Interest 2009 RM'000	Present value of minimum lease payments 2009 RM'000
Current						
Less than one year	6,274	842	5,432	6,994	922	6,072
Non-current						
Between one and five years	4,635	698	3,937	8,301	1,185	7,116
After five years	12	4	8	-	-	-
	4,647	702	3,945	8,301	1,185	7,116
	10,921	1,544	9,377	15,295	2,107	13,188

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

Notes to the Financial Statements

14. Receivables, deposits and prepayments

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	a	-	-	420,926	426,759
Less: Impairment loss		-	-	(9,261)	(8,215)
		-	-	411,665	418,544
Current					
Trade receivables		188,070	179,306	-	-
Less: Impairment loss	b	(10,938)	(10,967)	-	-
		177,132	168,339	-	-
Finance lease receivables	13	5,133	6,072	-	-
Other receivables		64,270	38,575	366	253
Amount due from subsidiaries	c	-	-	16,897	2,133
		246,535	212,986	17,263	2,386

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current				
Deposits	6,658	5,610	1,223	1,110
Prepayment	24,729	16,511	273	22
	31,387	22,121	1,496	1,132

Included in other receivables of the Group is an amount owing from a director of a subsidiary amounting to RM750,000 (2009: Nil) in respect of an interest bearing housing loan given by the subsidiary. The Group has complied with all the statutory and legal requirements before the loan was granted.

Note a

The non-current amount due from subsidiaries is in respect of advances that are unsecured, not receivable within the next twelve months and subject to interest at 5.55% per annum (2009: 2.14% to 2.29%). The amounts subject to interest are RM411,665,000 (2009: RM410,291,000).

Notes to the Financial Statements

14. Receivables, deposits and prepayments (continued)

Note b

Doubtful debts written off against impairment loss during the year amounted to RM1,546,000 (2009: RM537,000).

Note c

The current amount due from subsidiaries are in respect of advances that are unsecured, repayable on demand and subject to interest at 2.65% per annum (2009: 2.14% to 2.29%). The amounts subject to interest are RM16,897,000 (2009: RM94,000).

15. Inventories

	Group	
	2010 RM'000	2009 RM'000
Raw materials	21,229	16,996
Unassembled vehicle packs	579,240	383,198
Work-in-progress	8,816	25,675
Manufactured inventories and trading inventories	3,085	662
Used vehicles	17,892	9,241
New vehicles	296,626	175,807
Spare parts and others	78,445	61,606
	1,005,333	673,185
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,741,272	2,313,843

The write-down of inventories to net realisable value amounted to RM3,245,000 (2009: RM3,715,000). The reversal of write-down amounted to RM2,099,000 (2009: RM2,559,000). The write-down and reversal are included in cost of sales.

16. Cash and cash equivalents

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances	117,440	78,844	3,139	2,265
Deposits with licensed banks	32,648	35,533	1,200	600
	150,088	114,377	4,339	2,865

Notes to the Financial Statements

17. Asset and liability held for sale

The Company entered into a Sales and Purchase Agreement with Warisan TC Holdings Berhad (WTCH) on 1 October 2009 for the disposal of its 70% equity interest in Kereta Komersil Seladang (M) Sdn. Bhd. comprising 10,500 ordinary shares of RM1.00 each for a cash consideration of RM700,000 ("Disposal") to WTCH.

The Disposal was completed on 5 January 2010. The effect of the disposal on the financial position of the Group is disclosed in Note 39.

18. Share capital and reserves

Share capital

	Group and Company			
	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
Issued and fully paid	336,000	672,000	336,000	672,000

Treasury shares

The shareholders of the Company via a resolution passed in the Annual General Meeting held on 19 May 2010 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 200 (2009: 8,603,200) of its issued shares from the open market at prices ranging from RM4.01 to RM5.46 (2009: RM1.14 to RM2.50) per ordinary share. The cumulative total number of shares bought back at the end of the year was 19,181,200 (2009: 19,181,000). These transactions were financed by internally generated funds.

As at 31 December 2010, the number of outstanding shares in issue after deducting treasury shares held was 652,818,800 (2009: 652,819,000) ordinary shares of RM0.50 each.

The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Treasury shares have no rights to vote, dividends and participation in other distribution.

Notes to the Financial Statements

18. Share capital and reserves (continued)

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.

Hedge reserve

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

Surplus on revaluation of properties

The surplus relates to the revaluation of property, plant and equipment and investment properties.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings as at 31 December 2010 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon expiry of the six-years transitional period on 31 December 2013, whichever is earlier.

19. Borrowings

Group	2010 RM'000	2009 RM'000
Non-current		
Term loans - unsecured	354,167	260,590
Current		
Term loans - unsecured	21,371	30,199
Bills payable - unsecured	189,489	197,086
Revolving credit-unsecured	135,000	160,000
Overdraft - unsecured	6,524	358
	352,384	387,643

Company	2010 RM'000	2009 RM'000
Non-current		
Term loans - unsecured	200,000	100,000

Notes to the Financial Statements

20. Employee benefits (continued)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Recognised liability for employee benefits	31,667	22,286	14,496	8,658

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 55 as well as retirement benefits of a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 55.

Movements in the net liability recognised in the statements of financial position

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Net liability at 1 January	22,286	19,943	8,658	8,172
Benefits paid	(497)	(632)	-	-
Expense recognised in profit or loss	9,886	2,975	5,838	486
Benefits transferred	(8)	-	-	-
Net liability at 31 December	31,667	22,286	14,496	8,658

Expense recognised in profit or loss

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current service cost	2,186	1,673	297	117
Interest on obligation	861	767	98	87
Actuarial losses	6,839	535	5,443	282
	9,886	2,975	5,838	486

Notes to the Financial Statements

20. Employee benefits (continued)

The expense is recognised in the following line items in the statement of comprehensive income:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cost of sales	164	478	-	-
Distribution expenses	387	593	-	-
Administrative expenses	9,335	1,904	5,838	486
	9,886	2,975	5,838	486

Actuarial assumptions

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

	2010 %	2009 %
Discount rate	5.4	5.4
Future salary increases	6.5	6.5

21. Payables and accruals

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current					
Non-trade					
Amount due to subsidiaries	a	-	-	265,802	20,226
Current					
Trade					
Trade payables		117,233	145,881	-	-
Non-trade					
Payables and accruals		169,849	121,408	877	3,289
Amount due to subsidiaries	b	-	-	16,293	209,600
		169,849	121,408	17,170	212,889
		287,082	267,289	17,170	212,889

Notes to the Financial Statements

21. 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 5.55% per annum (2009: 2.14% to 2.29%). The amounts subject to interest are RM265,802,000 (2009: RM4,698,000).

Note b

The current amount due to subsidiaries is in respect of advances that are unsecured, repayable on demand and are subject to interest at 2.65% per annum (2009: 2.14% to 2.29%). The amounts subject to interest are RM16,293,000 (2009: RM130,481,000).

22. Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods	3,246,883	2,662,012	-	-
Services rendered	212,977	177,936	-	-
Financial services income	45,044	16,508	-	-
Dividend income	344	430	125,765	290,000
	3,505,248	2,856,886	125,765	290,000

23. Finance income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income of financial assets that are not at fair value through profit or loss	14,194	14,728	18,700	7,624
Other finance income	389	-	-	-
Recognised in profit or loss	14,583	14,728	18,700	7,624

Notes to the Financial Statements

24. Finance costs

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Term loans	18,891	13,912	8,082	2,077
- Overdraft	5	5	-	-
- Bills payable	4,596	4,642	-	-
- Revolving credit	2,434	1,704	-	-
- Other borrowings	1,551	93	6,293	5,728
Recognised in profit or loss	27,477	20,356	14,375	7,805

25. Profit before tax

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit before tax is arrived at after crediting:				
Bad debts recovered	78	445	-	-
Dividend income from:				
Unquoted subsidiaries	-	-	125,765	290,000
Associate	-	100	-	-
Other investments	344	430	-	-
Gain on disposal of property, plant and equipment	12,054	8,583	5	44
Gain on disposal of subsidiary	700	-	37	-
Gain on disposal of other investments	72	46	-	-
Net gain on foreign exchange				
- realised	1,003	169	-	-
- unrealised	1,199	42	-	-
Interest income	14,583	14,728	18,700	7,624
Reversal of impairment loss on inventories	2,099	2,559	-	-
Reversal of impairment loss on hire purchase receivables	197	43	-	-
Reversal of impairment loss on receivables	2,337	1,660	-	-
Rental income on leased assets	1,180	2,183	-	-
Rental income on land and buildings	1,590	1,592	-	-
Fair value gain on other investments	241	-	-	-

Notes to the Financial Statements

25. Profit before tax (continued)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
and after charging:				
Audit fee				
- Current year	360	321	39	37
- Under provision in prior year	38	1	-	-
Non-audit fee				
- Current year	218	160	-	-
Impairment loss on investment in subsidiaries	-	-	42	82
Bad debts written off	1,699	569	-	-
Depreciation of property, plant and equipment	56,920	51,363	212	236
Depreciation of investment properties	92	110	-	-
Direct operating expenses of investment properties generating rental income	402	238	-	-
Interest expense	27,477	20,356	14,375	7,805
Inventories written off	460	64	-	-
Impairment loss on property, plant and equipment	-	725	-	-
Impairment loss on inventories	3,245	3,715	-	-
Impairment loss on hire purchase receivables	3,592	794	-	-
Impairment loss on receivables	3,854	3,324	-	-
Impairment loss on finance lease receivables	299	-	-	-
Impairment loss on amount due from subsidiaries	-	-	1,046	1,321
Net loss on foreign exchange				
- unrealised	669	114	-	-
- realised	1,377	-	120	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	22,773	19,744	795	785
- Expenses related to defined benefit plans	9,886	2,975	5,838	486
- Wages, salaries and others	192,794	157,374	5,812	6,273
Property, plant and equipment written off	437	5,370	-	-
Rental expense on land and buildings	12,118	9,563	239	226
Warranty claim	116	130	-	-
Loss on fair value adjustment	1	-	-	-

Notes to the Financial Statements

26. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors:				
- Fee	312	288	312	288
- Remuneration	12,181	7,997	8,131	5,323
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	97	65	97	65
	12,590	8,350	8,540	5,676
Other key management personnel:				
- Short term employee benefits	13,183	5,427	-	-
	25,773	13,777	8,540	5,676

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. All the key management personnel comprise the Directors of the Company and Directors of subsidiaries within the Group.

27. Tax expense

Recognised in the profit or loss

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense	79,021	32,473	22,656	51,725
Under/(Over) provided in prior years	1,366	(2,278)	11	(2,762)
	80,387	30,195	22,667	48,963
Deferred tax expense				
Origination and reversal of temporary differences	15,756	(4,787)	(1,459)	(116)
Over provided in prior years	(4,477)	-	-	-
Write-down of deferred tax assets previously written-down	-	(2,486)	-	-
	11,279	(7,273)	(1,459)	(116)
	91,666	22,922	21,208	48,847

Notes to the Financial Statements

27. Tax expense (continued)

Reconciliation of effective tax expense

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax	322,753	177,226	109,833	274,428
Income tax calculated using Malaysian tax rate of 25% (2009: 25%)	80,688	44,307	27,458	68,607
Double deduction	(198)	(135)	-	-
Non-deductible expenses	4,609	2,673	625	502
Effect of different tax rates in foreign jurisdictions	12	-	-	-
Tax exempt income	(2,472)	(2,408)	(6,886)	(17,500)
Tax incentives at subsidiaries	(1,813)	(17,517)	-	-
Unrecognised deferred tax assets	16	508	-	-
Realisation of deferred tax assets arising from reinvestment allowance	13,495	-	-	-
Others	440	258	-	-
	94,777	27,686	21,197	51,609
(Over)/Under provided in prior years	(3,111)	(4,764)	11	(2,762)
	91,666	22,922	21,208	48,847

28. Other comprehensive loss

	Group	
	2010 RM'000	2009 RM'000
Foreign currency translation differences for foreign operations	(2,769)	(367)
Cash flow hedge		
- Gains during the year	694	-
Revaluation surplus	(159)*	159
	(2,234)	(208)

* Relates to additional premium for land conversion.

Notes to the Financial Statements

29. Earnings per ordinary share

Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the net profit attributable to ordinary shareholders of RM229,740,000 (2009: RM153,326,000) and the weighted average number of ordinary shares outstanding during the year of 652,819,000 (2009: 654,615,000).

Weighted average number of ordinary shares

	2010 '000	2009 '000
Issued ordinary shares at 1 January	672,000	672,000
Effect of treasury shares held	(19,181)	(17,385)
Weighted average number of ordinary shares at 31 December	652,819	654,615

30. Dividends

Dividends recognised in the current year by the Company are:

2010	Sen per share (net of tax)	Total amount RM'000	Date of payment
Interim 2010 ordinary	4.50	29,377	28 September 2010
Final 2009 ordinary	4.50	29,377	18 June 2010
Total amount		58,754	
2009			
Interim 2009 ordinary	3.75	24,482	28 September 2009
Final 2008 ordinary	3.75	24,543	18 June 2009
Total amount		49,025	

Proposed final dividend

After the end of the reporting period, a final dividend of 12% less tax at 25% in respect of the year ended 31 December 2010 was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

Notes to the Financial Statements

31. Operating segments

The Group has three divisions, 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 division:

- *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.

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.

	Vehicles assembly, manufacturing, distribution and after sale services		Financial services		Other operations		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
External revenue	3,458,816	2,835,995	45,133	20,383	1,299	508	3,505,248	2,856,886
Inter-segment revenue	8,930	2,661	700	791	24,115	18,244	33,745	21,696
Segment EBITDA	368,341	212,472	31,593	12,109	12,341	24,968	412,275	249,549
Depreciation and amortisation	(52,761)	(47,592)	(852)	(718)	(3,399)	(3,163)	(57,012)	(51,473)
Finance costs	(19,183)	(17,903)	(474)	(400)	(7,820)	(2,053)	(27,477)	(20,356)
Interest income	11,504	13,339	65	18	3,014	1,371	14,583	14,728
Share of profit of associates	(428)	(490)	638	668	429	(9)	639	169
Unallocated corporate expenses							(20,255)	(15,391)
Profit before tax							322,753	177,226
Tax expense							(91,666)	(22,922)
Profit for the year							231,087	154,304

Notes to the Financial Statements

32. Contingent liabilities

(i) On 11 July 2003, two third-parties ("Plaintiffs") served a claim against the Company and its wholly-owned subsidiary, TC Euro Cars Sdn. Bhd. ("TCEC") for general damages in the sum of RM150.0 million. The Plaintiffs also claimed costs and any other relief to be awarded by the High Court for conspiracy to injure in relation to a specific project investment as alleged in the Statement of Claim. On 1 September 2010, the Federal Court has dismissed the Plaintiffs' application for leave to appeal to the Federal Court with costs. The claims against the Company and TCEC by the Plaintiffs have been successfully struck off. The decision of the Federal Court shall be final and conclusive.

(ii) Tan Chong & Sons Motor Company ("TCM"), a wholly-owned subsidiary of the Company, and two others were sued in the High Court at Kota Kinabalu by a third-party for general damages, special damages estimated at RM10.67 million and liquidated damages of RM2.97 million together with interest and costs in connection with car distributorship in Sabah (1st suit). On 6 August 2008, another related suit (where TCM was sued by the aforesaid same-party for RM65,065 together with interest and costs in connection with alleged monies owed to the third-party) (2nd suit) was ordered by the High Court to be consolidated with the 1st suit. All parties have closed their cases for the first suit during the continued hearing on 9 and 10 February 2011 and the Court has fixed for decision on 5 May 2011. During the same hearing the court has decided that the 2nd suit to be heard separately and the court will fix another hearing date.

The solicitors representing the Group are of the view that TCM has a valid defence to the claim.

33. Capital commitments

	Group	
	2010	**2009**
	RM'000	**RM'000**
Capital commitments:		
Property, plant and equipment:		
Authorised but not contracted for	125,218	204,760
Authorised and contracted for		
In Malaysia	37,584	16,051
Outside Malaysia	-	6,262
Overseas operation commitments:		
Authorised and contracted for	6,246	38,322
Joint venture investment:		
Authorised and contracted for	377	415
	169,425	265,810

Notes to the Financial Statements

34. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. All the key management personnel comprises the Directors of the Company and Directors of subsidiaries within the Group.

Controlling related party relationships are as follows:

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

Other than disclosed in Note 14, other significant related party transactions are as follows:

(i) Significant transactions with Warisan TC Holdings Berhad (WTCH) and APM Automotive Holdings Berhad (APM) Groups, companies in which certain Directors of the Company, namely Dato' Tan Heng Chew and Tan Eng Soon, are deemed to have substantial financial interests, are as follows:

	Group	
	2010 RM'000	**2009 RM'000**
With WTCH Group		
Purchases	(1,993)	(5,387)
Sales	21,690	11,045
Insurance agency, workshop services and administrative services	1,213	1,334
Travel agency and car rental services	(1,091)	(1,837)
Rental income receivable	40	5
Rental expense payable	(5)	-
Disposal of Kereta Komersil	700	-
With APM Group		
Purchases	(126,273)	(80,201)
Sales	4,085	2,130
Warranty claim	-	12
Insurance agency, workshop services and administrative services	543	493
Rental income receivable	12	156

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

Notes to the Financial Statements

34. Related parties (continued)

Transactions with related parties (continued)

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

	Group 2010 RM'000	Group 2009 RM'000
Purchases	(1,138,744)	(724,477)
Sales	872	685
Technical assistance fee and royalty	(2,347)	(2,912)

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, who is a substantial shareholder of Nissan Motor Co. Limited, are as follows:

	Group 2010 RM'000	Group 2009 RM'000
Purchases	(7,399)	(4,793)

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

(iv) Significant transactions with Auto Dunia Sdn. Bhd.:

(a) a company in which a Director of the Company, namely Azman bin Badrillah, who has resigned during the year, has substantial financial interests; and

(b) a company connected to certain Directors of the Company, namely Dato' Tan Heng Chew and Tan Eng Soon by virtue of Section 122A of the Companies Act, 1965.

	Group 2010 RM'000	Group 2009 RM'000
Purchases	(305,865)	(120,812)
Sales	4,488	-
Workshop services	-	(3,589)
Broker fees	-	(12)
Rental income	74	6

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

Notes to the Financial Statements

34. Related parties (continued)

Transactions with related parties (continued)

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

	Company	
	2010	**2009**
	RM'000	**RM'000**
Subsidiaries		
Dividend income receivable	125,765	290,000
Interest income receivable	16,008	6,259
Management fees payable	(5,500)	(5,000)
Rental expense payable	(239)	(226)
Interest expense payable	(6,294)	(5,756)
Purchases of property, plant and equipment	(151)	(197)
Purchases of asset-backed notes	-	(49,000)

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 14 and Note 21.

There are no allowance for impairment losses made and no bad or doubtful receivable recognised for the financial year ended 31 December 2010 and 31 December 2009 in respect of the above related parties balance.

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

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);
- Designated upon initial recognition (DUIR)

(c) Available-for-sale financial assets (AFS);
(d) Held-to-maturity investments (HTM);
(e) Other financial liabilities measured at amortised costs (OL); and
(f) Derivatives designated as hedging instrument

Notes to the Financial Statements

35. Financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL - HFT RM'000	FVTPL -DUIR RM'000	AFS RM'000	HTM RM'000	Derivatives designated as hedging instrument RM'000
2010							
Financial assets							
Group							
Other investments, including derivatives	291,743	-	289,936	1	1,806	-	-
Trade and other receivables	241,402	241,402	-	-	-	-	-
Hire purchase receivables	338,830	338,830	-	-	-	-	-
Finance lease receivables	9,078	9,078	-	-	-	-	-
Deposits	6,658	6,658	-	-	-	-	-
Derivative asset	769	-	-	-	-	-	769
Cash and cash equivalents	150,088	150,088	-	-	-	-	-
	1,038,568	746,056	289,936	1	1,806	-	769
Company							
Other investment	49,001	8,000	-	1	-	41,000	-
Amount due from subsidiaries	428,562	428,562	-	-	-	-	-
Other receivables	366	366	-	-	-	-	-
Deposits	1,223	1,223	-	-	-	-	-
Cash and cash equivalents	4,339	4,339	-	-	-	-	-
	483,491	442,490	-	1	-	41,000	-

Notes to the Financial Statements

35. Financial instruments (continued)

	Carrying amount RM'000	OL RM'000	FVTPL - DUIR RM'000
2010			
Financial liabilities			
Group			
Loans and borrowings	706,551	706,551	-
Payables and accruals	287,082	287,082	-
Derivative liability	1	-	1
	993,634	993,633	1
Company			
Loans and borrowings	200,000	200,000	-
Payables and accruals	282,972	282,972	-
	482,972	482,972	-

35.2 Net gains and losses arising from financial instruments

	Group 2010 RM'000	Company 2010 RM'000
Net gains/(losses) arising on:		
Fair value through profit or loss:		
- Held for trading	9,025	-
- Designated upon initial recognition	(1)	-
Held-to-maturity investments	2,386	2,649
Available-for-sales	344	-
Loan and receivables	(3,347)	15,005
Financial liabilities measured at amortised cost	(27,321)	(14,375)
Derivatives designated as hedging instrument	769	-
	(18,145)	3,279

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

35.3 Financial risk management objectives and policies

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

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.

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 respect operating units where credit policies that are specific to their respective industries are in place.

New vehicles sales are still largely financed by outside finance companies and as such, the Group's collection risk rests mainly with 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, 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 measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with 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

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2010				
Not past due	95,486	(76)	-	95,410
Past due 1 – 30 days	48,922	(6)	-	48,916
Past due 31 – 90 days	23,434	-	-	23,434
Past due more than 90 days	20,228	(10,715)	(141)	9,372
	188,070	(10,797)	(141)	177,132

Notes to the Financial Statements

35. Financial instruments (continued)

35.4 Credit risk (continued)

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

	Group	
	2010 RM'000	2009 RM'000
At 1 January	10,967	9,840
Impairment loss recognised	3,854	3,324
Impairment loss reversed	(2,337)	(1,660)
Impairment loss written off	(1,546)	(537)
At 31 December	10,938	10,967

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.

The allowance account in respect of trade receivables is 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.

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2010				
Not past due	318,743	-	-	318,743
Past due 1 – 30 days	13,628	-	-	13,628
Past due 31 – 90 days	6,729	(1,172)	-	5,557
Past due more than 90 days	6,716	(5,814)	-	902
	345,816	(6,986)	-	338,830

Notes to the Financial Statements

35. Financial instruments (continued)

35.4 Credit risk (continued)

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

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	4,648	4,700
Impairment loss recognised	3,592	794
Impairment loss reversed	(197)	(43)
Impairment loss written off	(1,057)	(803)
At 31 December	6,986	4,648

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.

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2010				
Not past due	8,090	(299)	-	7,791
Past due 1 – 30 days	340	-	-	340
Past due 31 – 90 days	492	-	-	492
Past due more than 90 days	455	-	-	455
	9,377	(299)	-	9,078

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

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	-	-
Impairment loss recognised	299	-
At 31 December	299	-

Finance lease receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties.

Notes to the Financial Statements

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 and discount houses.

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 and discount houses is minimal.

Inter-company balances

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.

Advances are only provided to subsidiaries of the Company.

Impairment losses

At the end of the reporting period, the Company has provided an impairment loss of RM1,046,000 (2009: RM1,321,000) on the unsecured advance to a fellow subsidiary company with a nominal amount RM9,461,000. This subsidiary has been suffering significant financial losses.

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 monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Notes to the Financial Statements

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	**Carrying amount RM'000**	**Contractual interest rate %**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**1 – 5 years RM'000**
2010					
Non-derivative financial liabilities					
Term loans	375,538	4.70 – 6.50	420,067	42,105	377,962
Bills payable	189,489	2.38 – 3.31	189,489	189,489	-
Revolving credit	135,000	3.10 - 3.58	135,000	135,000	-
Bank overdraft	6,524	5.50 – 6.30	6,524	6,524	-
Payables and accruals	287,082	-	287,082	287,082	-
	993,633		1,038,162	660,200	377,962
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	1	-	623	623	-
Inflow	-	-	(622)	(622)	-
	993,634		1,038,163	660,201	377,962

Company	**Carrying amount RM'000**	**Contractual interest rate %**	**Contractual cash flows RM'000**	**Under 1 year RM'000**	**1 – 5 years RM'000**
2010					
Non-derivative financial liabilities					
Borrowings	200,000	4.70 – 4.90	224,739	9,599	215,140
Amount due to subsidiaries					
– Non-current	265,802	5.55	265,802	-	265,802
– Current	16,293	2.65	16,293	16,293	-
Payables and accruals	877	-	877	877	-
	482,972		507,711	26,769	480,942

Notes to the Financial Statements

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 will affect the Group's financial position or cash flows. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Group's exposure to credit risk arises principally from collection risks, hire purchase business and used car dealers.

35.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Group entities. The currencies giving rise to this risk are primarily US Dollar.

Risk management objectives, policies and processes for managing the risk

The Group hedges its foreign currency denominated trade receivables and trade payables. Derivative financial instruments like forward exchange contracts are used to reduce exposure to fluctuations in foreign exchange rates. The Group avoid 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 currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	**Denominated in USD RM'000**
2010	
Trade receivables	421
Intra-group balances	47,925
Net exposure	48,346

Currency risk sensitivity analysis

A simulated 5% strengthening in the USD against Ringgit at the end of the reporting period would increase the profit before tax by the amount estimated below. The analysis assumes that all other variables such as interest rates and market conditions remain constant.

2010	**RM'000**
USD	2,417

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

Notes to the Financial Statements

35. Financial instruments (continued)

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 term loans from certain commercial banks which are fixed with tenure ranging from 36 to 96 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 7 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.

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 2010 RM'000	Company 2010 RM'000
Fixed rate instruments		
Financial assets:		
Assets-backed notes	-	49,000
Hire purchase receivables	338,830	-
Finance lease receivables	9,078	-
Amount due from subsidiaries	-	428,562
Loan to a director of a subsidiary	750	-
Financial liabilities:		
Term loans	(375,538)	(200,000)
Amount due to subsidiaries	-	(282,095)
	(26,880)	(4,533)
Floating rate instruments		
Financial assets:		
Deposits with licensed banks	32,648	1,200
Financial liabilities:		
Bank overdraft	(6,524)	-
Bills payables	(189,489)	-
	(163,365)	1,200

Notes to the Financial Statements

35. Financial instruments (continued)

35.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

All floating rate borrowings are for working capital purposes and have maturity period of less than one year.

Fair value sensitivity analysis for fixed rate instruments

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

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.

At the end of the reporting period, the aggregate amount of gains under forward foreign currency exchange contracts deferred in the cash flow hedging reserve is RM769,000.

35.8 Fair values of financial instruments

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	2010 Carrying amount RM'000	2010 Fair value RM'000	2009 Carrying amount RM'000	2009 Fair value RM'000
Other investments, including derivatives:				
Unquoted shares	1,806	1,806	1,806	1,806
Option	1	1	-	-
Quoted unit trusts	289,936	289,936	423,333	423,577
Hire purchase receivables	338,830	338,830	376,724	376,257
Finance lease receivables	9,078	9,078	13,188	13,188
Receivables	241,402	241,402	206,914	206,914
Deposits	6,658	6,658	5,610	5,610
Forward exchange contract				
– assets	769	769	75	75
Cash and bank balances	150,088	150,088	114,377	114,377
Borrowings:				
Term loans	(375,538)	(377,629)	(290,789)	(289,012)
Bills payable	(189,489)	(189,489)	(197,086)	(197,086)
Revolving credit	(135,000)	(135,000)	(160,000)	(160,000)
Overdraft	(6,524)	(6,524)	(358)	(358)
Forward exchange contract				
– liabilities	(1)	(1)	-	-
Payables and accruals	(287,082)	(287,082)	(267,289)	(267,289)

Notes to the Financial Statements

35. Financial instruments (continued)

35.8 Fair values of financial instruments (continued)

	2010		2009	
Company	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Other investments, including derivatives:				
Option	1	1	1	1
Asset-backed notes	49,000	49,000	49,000	49,000
Receivables	428,928	428,928	420,930	420,930
Cash and bank balances	4,339	4,339	2,865	2,865
Borrowing – Term loans	(200,000)	(200,000)	(100,000)	(100,000)
Payables and accruals	(282,972)	(282,972)	(233,115)	(233,115)

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate 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 market prices and the inability to estimate fair value without incurring excessive costs.

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investments in quoted unit trusts

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value 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 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 leases the market rate of interest is determined by reference to similar lease agreements.

Notes to the Financial Statements

36. Capital management

The Group's primary 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 determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

		Group	
	Note	2010 RM'000	2009 RM'000
Total borrowings	19	706,551	648,233
Less: Other investments	9	(289,936)	(423,333)
Cash and cash equivalents	16	(150,088)	(114,377)
Net debt		266,527	110,523
Total equity attributable to owners of the Company		1,682,598	1,513,772
Net debt-to-equity ratios		0.16	0.07

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.

Notes to the Financial Statements

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 2010 %	2009 %
	Incorporated in Malaysia:			
	Agensi Pekerjaan Bijak Sdn. Bhd.	Provision of employment agency services	100	100
	Auto Components Manufacturers Sdn. Bhd.	Property holding	100	100
	Auto Infiniti Sdn. Bhd.	Trading of car air-conditioners	100	100
	Auto Research and Development Sdn. Bhd.	Research and development	100	100
	Autokita Sdn. Bhd.	Insurance agency	100	100
	Ceranamas Sdn. Bhd.	Property and investment holding	100	100
*#	Constant Knight (M) Sdn. Bhd.	Property holding	100	100
	Cyberguard Vehicle Security Technologies Sdn. Bhd.	Trading and marketing of alarm security systems and the provision of alarm warranty services	100	100
	Edaran Tan Chong Motor Sdn. Bhd.	Trading and marketing of motor vehicles	100	100
	E-Garage Auto Services Sdn. Bhd.	Trading of car grooming products	100	100
	Hikmat Asli Sdn. Bhd.	Property holding	100	100
	Pemasaran Alat Ganti Sdn. Bhd.	Marketing of automotive parts	100	100
	Perwiramas Sdn. Bhd.	Investment holding	100	100
**	Premium Commerce Berhad	Special purpose entity for asset-backed securitisation	-	-
	Rustcare Sdn. Bhd.	Rust proofing and fitting of accessories for new motor vehicles	100	100
	Sungei Bintang Sdn. Bhd.	Property holding	100	100
	Tan Chong & Sons Motor Company Sdn. Bhd.	Assembly and sale of motor vehicles	100	100

Notes to the Financial Statements

37. Subsidiaries (continued)

Name	Principal activities	Effective ownership interest 2010 %	Effective ownership interest 2009 %
Incorporated in Malaysia:			
Tan Chong Agency Sdn. Bhd.	Insurance agency and property holding	100	100
Tan Chong Education Sdn. Bhd.	Investment holding	100	100
Tan Chong Education Services Sdn. Bhd.	Provision of education services	100	100
Tan Chong Ekspres Auto Servis Sdn. Bhd.	Automotive workshop services	100	100
Tan Chong Industrial Equipment (Sabah) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100
Tan Chong Industrial Equipment Sdn. Bhd.	Distribution of commercial vehicles and spare parts	100	100
Tan Chong Motor Assemblies Sdn. Bhd.	Assembly of motor vehicles and engines	70	70
Tan Chong Trading (Malaysia) Sdn. Bhd.	Investment holding and merchandise trading	100	100
Tanahku Holdings Sdn. Bhd.	Property holding	100	100
* TC Aluminium Castings Sdn. Bhd.	Casting, machining & assembly of aluminium parts & components	100	100
TC Auto Tooling Sdn. Bhd.	Production of car alarm system and other security systems, autoparts and accessories	100	100
*# TC Capital Resources Sdn. Bhd.	Hire-purchase financing, leasing and money lending	100	100
TC Euro Cars Sdn. Bhd.	Distribution of motor vehicles	100	100
TC Hartanah Sdn. Bhd.	Property holding	100	100
*# TC Heritage Sdn. Bhd.	Investment holding	100	100
* TC Insurservices Sdn. Bhd.	Insurance agency	100	100
TC Management Services Corporation Sdn. Bhd.	Provision of management services	100	100
*# TC Metropolitan Sdn. Bhd.	Property investment holding	100	100
TC Motors (Sarawak) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100

Notes to the Financial Statements

37. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2010 %	2009 %
	Incorporated in Malaysia:			
	TC Utama Sdn. Bhd.	Property 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
	Truckquip Sdn. Bhd.	Distribution of automotive spare parts and construction of vehicle bodies	100	100
*	VDC Sdn. Bhd.	Installation of accessories and fittings for motor vehicles	100	100
	Vincus Holdings Sdn. Bhd.	Investment holding	100	100
	West Anchorage Sdn. Bhd.	Investment holding	100	100
	Auto Trucks & Components Sdn. Bhd.	Dormant	100	100
	Edaran Tan Chong Motor (Sabah) Sdn. Bhd.	Dormant	100	100
	Edaran Tan Chong Motor (Sarawak) Sdn. Bhd.	Dormant	100	100
	Edaran Tan Chong Motor (Selatan) Sdn. Bhd.	Dormant	100	100
	Edaran Tan Chong Motor (Tengah) Sdn. Bhd.	Dormant	100	100
	Edaran Tan Chong Motor (Utara) Sdn. Bhd.	Dormant	100	100
	Fujiyama Car Cooler Sdn. Bhd.	Dormant	100	100
	Kereta Komersil Seladang (M) Sdn. Bhd.	Dormant	-	70
*#	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
	TC Brake System Sdn. Bhd.	Dormant	100	100

Notes to the Financial Statements

37. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2010 %	Effective ownership interest 2009 %
	Incorporated in Malaysia:			
*	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 Manufacturing Holdings Sdn. Bhd.	Dormant	100	100
	TC Security Services Sdn. Bhd.	Dormant	100	100
	TC Transmission Sdn. Bhd.	Dormant	100	100
^@	TC Trucks Group Sdn. Bhd.	Investment holding	100	-
^@	TC Trucks After Sales Sdn. Bhd.	Dormant	100	-
^@	TC Trucks Sales Sdn. Bhd.	Dormant	100	-
	Incorporated in Labuan:			
	ETCM (C) Pty. Ltd.	Investment holding	100	100
*#	ETCM (Labuan) Pty. Ltd.	Investment holding	100	100
	ETCM (L) Pty. Ltd.	Investment holding	100	100
*	TC Express Auto Services and Spare Parts (Labuan) Pty. Ltd.	Investment holding	100	100
*#	TCIE (Labuan) Pty. Ltd.	Investment holding	100	100
	Tan Chong Trading (Labuan) Pty. Ltd.	Dormant	100	100
*#	TC Capital Resources (Labuan) Pty. Ltd.	Dormant	100	100
@	ETCM (V) Pte. Ltd.	Investment holding	100	-
@	Tan Chong Motorcycles (Labuan) Pte. Ltd.	Investment holding	100	-

Notes to the Financial Statements

37. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2010 %	2009 %
	Incorporated in Cambodia:			
*	TC Express Auto Services and Spare Parts (Cambodia) Pty. Ltd.	Automobile workshop services and trading of spare parts	100	100
^	Tan Chong Motor (Cambodia) Pty. Ltd.	Dormant	100	100
	Incorporated in Vietnam:			
*	Tanda Motor Co. Ltd.	Assembly and sale of bus chassis and sale of complete bus	70	70
^	TCIE Vietnam Pte. Ltd.	Dormant	100	100
	Nissan Vietnam Co. Ltd.	Importation and distribution of motor vehicles	74	-
	Incorporated in Laos:			
^@	Tan Chong Motorcycles (Laos) Co., Ltd.	Dormant	100	-
^@	Tan Chong Motor (Lao) Co., Ltd.	Dormant	100	-

* Company audited by another firm of Public Accountants.

** Deemed subsidiary by virtue of control in the company.

^ Company not audited by KPMG and consolidated using unaudited management financial statements. The 2010 financial statements of these newly incorporated subsidiaries are not required to be audited pursuant to the Companies Act, 1965, Labuan Companies Act 1990 or the relevant regulations of the country of incorporation, where applicable, and are not material to the Group.

@ Newly incorporated subsidiaries during the year.

\# The auditors' report of these subsidiaries have been modified with emphasis of matter on going concern basis of preparing their financial statements. The Company has indicated its intention to provide continuos financial support to these subsidiaries so as to enable the subsidiaries to meet their obligations as and when they fall due and to operate as going concern in the foreseeable future.

Notes to the Financial Statements

38. Acquisition of subsidiary

ETCM (V) Pte. Ltd, ("ETCM (V)"), a wholly-owned subsidiary has on 22 September 2010 entered into a capital assignment agreement with Kjaer Group A/S ("Kjaer") to acquire Kjaer's 74% charter capital contribution in Nissan Vietnam Co. Ltd. ("NVL") for a cash consideration of USD7.4 million. The People's Committee of Hanoi had on 27 October 2010 issued an amended Investment Certificate to NVL approving the assignment of the 74% of the charter capital contribution from Kjaer to ETCM (V).

For the 2 months period ended 31 December 2010, NVL contributed profit of RM1,457,000. If the acquisition had occurred on 1 January 2010, the management estimates that the consolidated revenue would have been RM3,536,684,000 and consolidated profit for the year would have been RM224,259,000.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

Group	**Note**	**Pre-acquisition carrying amounts RM'000**	**Fair value adjustments RM'000**	**Recognised values on acquisition RM'000**
Property, plant and equipment	3	11,077	-	11,077
Deferred tax assets	11	3,844	-	3,844
Inventories		7,614	-	7,614
Receivables, deposits and prepayments		7,232	-	7,232
Cash and cash equivalents		3,160	-	3,160
Contingent liabilities*		-	(3,783)	(3,783)
Payables and accrued expenses		(16,889)	-	(16,889)
Net identifiable assets and liabilities		16,038	(3,783)	12,255
Minority interest				(3,186)
				9,069
Goodwill on acquisition	6			14,191
Consideration paid, satisfied in cash				23,260
Cash and cash equivalents acquired				(3,160)
Net cash outflow				20,100

* Relates to volume compensation claimed by motor vehicle assemblers

Notes to the Financial Statements

39. Disposal of subsidiary

The effects of disposal of Kereta Komersil Seladang (M) Sdn. Bhd., as disclosed in Note 17, on the financial position of the Group at the end of the reporting date are as follows:

	RM'000
Cash and cash equivalents	2
Payables and accruals	(2)
Net assets disposed	-
Minority interest	-
	-
Disposal proceeds	(700)
Gain on disposal to the Group	(700)
Cash inflow arising on disposal:	
Disposal proceeds	700
Cash and cash equivalents of subsidiary disposed	(2)
Net cash inflow on disposal	698

40. Significant events

(i) On 11 March 2010, ETCM (C) Pty. Ltd., a wholly-owned subsidiary of the Company, entered into a Distribution Agreement with Nissan Motor Co. Ltd. in respect of the sole and exclusive right to distribute Nissan brand completely built-up vehicles in Cambodia.

(ii) On 31 March 2010, ETCM (L) Pty. Ltd., a wholly-owned subsidiary of the Company, entered into a Distribution Agreement with Nissan Motor Co. Ltd. in respect of the sole and exclusive right to distribute Nissan brand completely built-up vehicles in Laos.

(iii) Premium Commerce Berhad ("PCB"), a special purpose entity ("SPE") established for the securitisation of the Group's hire purchase receivables, completed the issuance of Notes Series 2010-A and Notes Series 2010-B of RM224.0 million and RM241.75 million on 3 May 2010 and 2 December 2010 respectively.

The proceeds from the issuance of the Notes were used by the SPE for the acquisition of hire purchase receivables from TC Capital Resources Sdn. Bhd. ("TCCR"). RM425 million of Class A Notes and RM9 million of Class B Notes were issued to investors in the debt capital markets while Class C Notes of RM31.75 million were subscribed by TCCR.

(iv) The Group has acquired a new subsidiary, Nissan Vietnam Co. Ltd. during the year as disclosed in Note 38.

Notes to the Financial Statements

41. Subsequent events

(i) On 11 March 2011, Premium Commerce Berhad ("PCB") received the consent of the Noteholders to amend the relevant documents of the up to RM600.0 million Medium Term Notes Programme (the "MTN Programme" and the medium term notes issued thereunder, the "Notes") established by PCB to incorporate certain variations to the terms and conditions as set out below ("Variations"):

1. To remove the current limit of 7 years on the tenure of the Notes to be issued;
2. In relation to the exercise of the "clean-up" call option for future Notes Series, to remove the condition that all the Class A Notes for a particular hire purchase receivables series has been fully redeemed first and thereby the only condition for the exercise of the "clean-up" call option would be if the investment amount of a receivables series falls below five percent (5%) of its initial investment amount;
3. To increase the tenure of the MTN Programme from 15 April 2026 to 31 December 2029 to be in line/consistent with the variation to the tenure of the Notes; and
4. To increase the limit of any outstanding Notes under the MTN Programme from RM600.0 million to RM2.0 billion.

In relation to Variation (4), approval from the Securities Commission was obtained on 29 March 2011.

The Variations are applicable for issuances of Notes after the Variations become effective and are not intended for any outstanding Notes.

(ii) On 5 April 2011, Edaran Tan Chong Motor Sdn. Bhd. ("ETCM"), a wholly-owned subsidiary of the Company, incorporated a new subsidiary named Inspired Motor Sdn. Bhd. ("IMSB") to undertake proposed retailing of Infiniti vehicles. IMSB has an authorised capital of RM5.0 million and paid-up share capital of RM1,000, subscribed by ETCM and Auto Dunia Sdn. Bhd. ("ADSB") in the proportion of 70% and 30% respectively.

ADSB is a body corporate associated with certain Directors of the Company under Section 122A of the Companies Act, 1965.

42. Significant changes in accounting policies

FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Executive Deputy Chairman of the Group, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, *Segment Reporting*.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

FRS 101, *Presentation Of Financial Statements (Revised)*

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

Notes to the Financial Statements

42. Significant changes in accounting policies (continued)

FRS 7, *Financial Instruments*

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation.* FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy had been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic earnings per ordinary share for the current and prior periods.

FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are designated as cash flow hedges and the gain or loss on the hedging instrument that in determined to be an effective hedge is recognised in other comprehensive income and hedge reserves.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of hedge reserves. Comparatives are not adjusted. See below:

	Group 2010 RM'000
Hedge reserves	
At 1 January, as previously stated	-
Adjustments arising from adoption of FRS 139:	
- Recognition of derivatives previously not recognised, net of tax	75
At 1 January, as restated	75

Notes to the Financial Statements

43. Comparative figures

FRS 101 (revised), *Presentation of Financial Statements*

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

FRS 117, *Leases*

Following the adoption of the amendments to FRS 117, certain comparative have been re-presented as follows:

Group	31.12.2009 As restated RM'000	31.12.2009 As previously stated RM'000	1.1.2009 As restated RM'000	1.1.2009 As previously stated RM'000
Statement of financial position				
Property, plant and equipment	584,941	493,765	592,837	520,994
Prepaid lease payments	-	91,176	-	71,843
Statement of cash flow				
Depreciation of property, plant and equipment	51,363	50,218		
Amortisation of prepaid lease payments	-	1,145		

Other than that set out above, certain comparative figures have been restated to conform with current year's presentation as follows:

Group	2009 As restated RM'000	2009 As previously stated RM'000
Statement of financial position		
Total non-current assets	940,418	887,111
Hire purchase receivables	312,811	259,504
Total current assets	1,524,964	1,578,271
Hire purchase receivables	63,913	117,220
Statement of cash flows		
Impairment loss on hire purchase receivables	794	-
Reversal of impairment loss on hire purchase receivables	(43)	-
Changes in working capital:		
Hire purchase receivables	(150,535)	(149,784)

Notes to the Financial Statements

44. Supplementary information on the breakdown of realised and unrealised profits

On 25 March 2010, Bursa Malaysia Securities Bhd. ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	2010	
	Group RM'000	**Company RM'000**
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	1,552,610	964,286
- Unrealised (loss)/profit	(16,848)	3,567
	1,535,762	967,853
Total share of retained earnings from associated companies:		
- Realised profits	4,980	-
- Unrealised loss	(57)	-
	4,923	-
Total retained earnings before consolidation adjustments	1,540,685	967,853
Less: Consolidation adjustments	(167,073)	-
Total retained earnings	1,373,612	967,853

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

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 30 to 114 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 44 on page 115 has been properly compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Ng Mann Cheong
Director

Seow Thiam Fatt
Director

Kuala Lumpur,

Date: 21 April 2011

STATUTORY DECLARATION

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

I, **Loh Chun Ying**, the officer 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 30 to 115 are, to the best of my knowledge and belief, 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 on 21 April 2011.

Loh Chun Ying
MIA 4787

Before me:

Mohd Radzi bin Yasin
No. W327
Commissioner for Oaths
(Pesuruhjaya Sumpah)
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Tan Chong Motor Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of Tan Chong Motor Holdings Berhad, which comprise the statement of financial position as at 31 December 2010 of the Group and of the Company, and the statement of comprehensive income, changes in equity and cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 114.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 37 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

to the members of Tan Chong Motor Holdings Berhad

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 44 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Peter Ho Kok Wai
Approval Number: 1745/12/11(J)
Chartered Accountant

Petaling Jaya,

Date: 21 April 2011

TEN LARGEST PROPERTIES OF THE GROUP
as at 31 December 2010

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
Lot 29120 Seksyen 20 (PT 15014) Mukim Serendah Daerah Hulu Selangor	Assembly plant, office & warehouse	2,061,306	961,892	Leasehold 28.04.2105	131.43	4	09.05.96	-
No. 1 Jalan Sesiku 15/2 Section 15, Shah Alam 40000 Selangor Darul Ehsan	Industrial plant	713,983	408,912	Leasehold 19.02.2066	40.97	42	30.12.09	-
249 Jalan Segambut 51200 Kuala Lumpur	Assembly plant, offices, warehouse/store, vehicle storage yard & canteen	806,749	596,335	Leasehold 14.01.2073	23.33	35	15.01.74	1984
Lot 9 Jalan Kemajuan Section 13, Petaling Jaya 46200 Selangor Darul Ehsan	Office, showroom, service, spare parts & training centre	78,801	86,451	Leasehold 06.09.2065	13.55	28	02.05.06	-
196 Blk G Jalan Sultan Azlan Shah 11900 Sg Tiram Pulau Pinang	Showroom, service & spare parts centre	104,637	54,666	Freehold	13.38	17	26.01.04	-
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 05.09.2074	11.88	31	11.09.81	1984
Lot 43097 Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse & hostel	325,030	100,496	Leasehold 27.01.2074	10.10	13	27.03.81	-
PTD 166367 Mukim Plentong Johor Bahru, Johor Darul Takzim	PDI & car storage yard	93,833	-	Freehold	9.41	-	18.10.04	-
39 Jalan Pelukis U1/46 Sek U1, Temasya Industrial Park 40150 Shah Alam Selangor Darul Ehsan	Vacant industrial land	60,064	-	Freehold	7.42	-	13.05.04	-
Lot 1388 Jalan Seri Amar 50350 Kuala Lumpur	Levelled commercial land for development	22,185	-	Freehold	7.40	-	28.10.74	-

SHAREHOLDERS' STATISTICS
as at 31 March 2011

SHARE CAPITAL

Authorised	:	RM500,000,000
Issued and Fully Paid-up	:	RM336,000,000
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	1 vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 - 99	164	1.81	3,828	- [1]
100 - 1,000	2,916	32.14	2,749,387	0.41
1,001 - 10,000	4,811	53.03	20,388,056	3.03
10,001 - 100,000	930	10.25	28,213,633	4.20
100,001 - 32,640,939 [2]	248	2.73	249,072,897	37.07
32,640,940 and above [3]	4	0.04	352,390,999	52.44
Sub Total	**9,073**	**100.00**	**652,818,800**	**97.15**
Treasury shares			19,181,200	2.85
Total			**672,000,000**	**100.00**

Notes:

(1) Less than 0.01%.

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

(3) 5% and above of issued shares.

DIRECTORS' SHAREHOLDING

(as per Register of Directors' Shareholding)

	Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
1	Dato' Tan Heng Chew	20,926,262	3.21	328,216,065	50.28 [1]
2	Tan Eng Soon	-	-	325,112,675	49.80 [2]
3	Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	- [3]	-	-
4	Seow Thiam Fatt	41,000	0.01	-	-
5	Dato' Ng Mann Cheong	-	-	110,000	0.02 [4]

Notes:

(1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act") and interests of spouse and children by virtue of Section 134(12)(c) of the Act. 65,929,935 shares are as to voting rights only.

(2) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd, Wealthmark Holdings Sdn Bhd and Lung Ma Investments Pte Ltd pursuant to Section 6A of the Act. 65,929,935 shares are as to voting rights only.

(3) Less than 0.01%.

(4) Interest of spouse by virtue of Section 134(12)(c) of the Act.

Shareholders' Statistics
As at 31 March 2011

SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders)

	Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
1	Tan Chong Consolidated Sdn Bhd	245,554,240	37.61	65,929,935	10.10 [1]
2	Nissan Motor Co, Ltd	37,333,324	5.72	-	-
3	Employees Provident Fund Board	43,842,000	6.72	-	-
4	Dato' Tan Heng Chew	20,926,262	3.21	322,156,675	49.35 [2]
5	Tan Eng Soon	-	-	325,112,675	49.80 [3]
6	Tan Kheng Leong	200,000	0.03	311,484,175	47.71 [4]

Notes:
(1) Indirect interest held through HSBC Nominees (Tempatan) Sdn Bhd Exempt AN for HSBC (Malaysia) Trustee Berhad (as to voting rights only).
(2) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act").
(3) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd, Wealthmark Holdings Sdn Bhd and Lung Ma Investments Pte Ltd pursuant to Section 6A of the Act.
(4) Deemed interest by virtue of interest in Tan Chong Consolidated Sdn Bhd pursuant to Section 6A of the Act.

THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
1	Tan Chong Consolidated Sdn Bhd	211,804,240	32.44
2	HSBC Nominees (Tempatan) Sdn Bhd *Exempt AN for HSBC (Malaysia) Trustee Berhad (D09-6061)*	65,929,935	10.10
3	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for Daiwa Securities Capital Markets Co. Ltd. (Clients)*	37,333,324	5.72
4	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	37,323,500	5.72
5	Cimsec Nominees (Tempatan) Sdn Bhd *Allied Investments Limited for Tan Chong Consolidated Sdn Bhd*	20,000,000	3.06
6	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Heng Chew (MM1063)*	11,208,600	1.72
7	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)*	9,000,000	1.38
8	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)*	8,787,400	1.35
9	Tan Kim Hor	6,263,344	0.96
10	Key Development Sdn. Berhad	6,194,400	0.95
11	Amsec Nominees (Tempatan) Sdn Bhd *AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	5,398,100	0.83
12	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Heng Chew (E-KLC)*	4,937,000	0.76

Shareholders' Statistics
as at 31 March 2011

	Name	No. of Shares Held	%
13	Cartaban Nominees (Asing) Sdn Bhd *BBH (Lux) SCA for Fidelity Funds ASEAN*	4,805,900	0.74
14	Tan Chong Consolidated Sdn Bhd	4,750,000	0.73
15	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Dimensional Emerging Markets Value Fund*	4,689,700	0.72
16	Gan Teng Siew Realty Sdn. Berhad	4,679,000	0.72
17	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Khor Swee Wah @ Koh Bee Leng (MM1208)*	4,309,390	0.66
18	Chinchoo Investment Sdn. Berhad	4,205,000	0.64
19	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt AN for Prudential Fund Management Berhad*	3,933,300	0.60
20	Amanahraya Trustees Berhad *Public Islamic Optimal Growth Fund*	3,885,800	0.60
21	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for Boronia Corporation*	3,800,000	0.58
22	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for Guardis Investments Group Limited*	3,600,000	0.55
23	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for the Bank of New York Mellon SA/NV (BDS Jersey)*	3,426,900	0.52
24	Amanahraya Trustees Berhad *Public Islamic Select Treasures Fund*	3,410,000	0.52
25	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	3,311,000	0.51
26	HLB Nominees (Asing) Sdn Bhd *Pledged Securities Account for Lung Ma Investments Pte Ltd (SIN 9047-5)*	2,956,000	0.45
27	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)*	2,915,000	0.45
28	Amanahraya Trustees Berhad *Public Islamic Equity Fund*	2,483,900	0.38
29	Cartaban Nominees (Asing) Sdn Bhd *BBH (Lux) SCA for Fidelity Funds Malaysia*	2,423,400	0.37
30	HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Fund Management Sdn Bhd for Hong Leong Bank Berhad*	2,300,000	0.35
	TOTAL	**490,064,133**	**75.07**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Ninth Annual General Meeting of TAN CHONG MOTOR HOLDINGS BERHAD will be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Wednesday, 25 May 2011 at 3:00 p.m. to transact the following businesses:

As Ordinary Business

1. To receive the Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereto. **Ordinary Resolution 1**

2. To declare a final dividend of 12% less income tax for the financial year ended 31 December 2010. **Ordinary Resolution 2**

3. To re-elect Mr Siew Kah Toong, a Director who is retiring pursuant to Article 81 of the Articles of Association of the Company, and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

4. To re-elect Dato' Tan Heng Chew, a Director who is retiring pursuant to Article 101 of the Articles of Association of the Company, and being eligible, has offered himself for re-election. **Ordinary Resolution 4**

5. To consider and if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:

   (i) "THAT Mr Seow Thiam Fatt, having attained the age of seventy years, be and is hereby appointed a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the next Annual General Meeting." **Ordinary Resolution 5**

   (ii) "THAT Dato' Haji Kamaruddin @ Abas bin Nordin be and is hereby re-appointed a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the next Annual General Meeting." **Ordinary Resolution 6**

6. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2011 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

As Special Business

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

7. **PROPOSED GRANT OF AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT, subject always to the Companies Act, 1965 ("Act"), the Articles of Association of the Company and approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM0.50 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 8**

Notice of Annual General Meeting

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") 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 of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through BMSB upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares purchased and/or held pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company.

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

THAT authority be and is hereby given to the Directors of the Company to decide at their discretion to retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and/or to resell them and/or to deal with the shares so purchased in such 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 BMSB and any other relevant authorities for the time being in force.

THAT the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will expire:

(i) at the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(ii) at the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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 BMSB 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 9**

Notice of Annual General Meeting

9. **PROPOSED RENEWAL OF 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, 1965 ("Act"), the Memorandum and Articles of Association 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 29 April 2011 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 the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority will lapse, unless by a resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed or the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) or revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is earlier.

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**

10. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH APM AUTOMOTIVE HOLDINGS BERHAD AND ITS SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association 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 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 3.2.1.2 of the Company's Circular to Shareholders dated 29 April 2011 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 the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority will lapse, unless by a resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed or the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) or revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is earlier.

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**

Notice of Annual General Meeting

11. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH AUTO DUNIA SDN BHD**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association 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 29 April 2011 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 the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority will lapse, unless by a resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed or the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) or revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is earlier.

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**

12. **PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"THAT the Articles of Association of the Company be amended by substituting the following new Article for Article 132:

<u>Article 132 – Dividend, interest or other money payable</u>

Unless otherwise directed, any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled as it appears in the register and/or the Record of Depositors or paid by way of electronic transfer or other methods of remittance to the bank account or other account based on the account information provided by such member or the person entitled or provided in the Record of Depositors or any other record provided by the Central Depository containing such information. Every such cheque or warrant or electronic transfer or other methods of remittance shall be made payable to such member or person entitled and shall be sent, transferred, paid or remitted at the risk of such member or person entitled. Payment of the cheque or warrant by the bank on which it is drawn or payment into the bank account or other account based on the account information provided by such member or the person entitled or provided in the Record of Depositors or any other record provided by the Central Depository containing such information shall constitute a good discharge to the Company." **Special Resolution**

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

Notice of Annual General Meeting

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Thirty-Ninth Annual General Meeting of Tan Chong Motor Holdings Berhad, a final dividend of 12% less income tax will be paid on 24 June 2011 to shareholders whose names appear in the Register of Members on 3 June 2011.

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 3 June 2011 in respect of transfers;
(2) shares deposited into the depositor's securities account before 12:30 p.m. on 1 June 2011 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

YAP BEE LEE
MAICSA 864482
Company Secretary

Kuala Lumpur
29 April 2011

NOTES:

1. *A member entitled to vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote for him. A proxy need not be a member of the Company, and, where there are two proxies, the number of shares to be represented by each proxy must be stated.*

2. *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.*

3. *An authorised nominee may appoint one proxy in respect of each securities account the authorised nominee holds in the Company standing to the credit of such securities account. Each appointment of proxy shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.*

4. *The Form of Proxy must be deposited at the Registered Office of the Company, 62 - 68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.*

Notice of Annual General Meeting

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Proposed Grant of Authority Pursuant to Section 132D of the Companies Act, 1965

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

To avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, the Directors of the Company had obtained the general mandate at the Company's 38th Annual General Meeting held on 19 May 2010 to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being, for such purpose. The Company has not issued any new shares under the general mandate granted to the Directors at the 38th Annual General Meeting which will lapse at the conclusion of the 39th Annual General Meeting to be held on 25 May 2011.

A renewal of the mandate is being sought at the 39th Annual General Meeting under proposed Ordinary Resolution 8. The renewed mandate, unless revoked or varied at a general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

2. Proposed Renewal of Authority for the Company to Purchase Its Own Ordinary Shares

The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 29 April 2011, despatched together with the Company's 2010 Annual Report.

3. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Ordinary Resolutions 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.

Further information on proposed Ordinary Resolutions 10, 11 and 12 are set out in the Company's Circular to Shareholders dated 29 April 2011, despatched together with the Company's 2010 Annual Report.

4. Proposed Amendment to the Articles of Association of the Company

The proposed amendment of Article 132 of the Articles of Association of the Company is to ensure that the Articles of Association of the Company are consistent with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to electronic dividend payment or eDividend to shareholders who have provided the relevant bank account particulars to Bursa Malaysia Depository Sdn Bhd and to clarify the responsibility of the Company and of each shareholder in regard to payment and remittances of dividend, interest or other money payable in cash in respect of shares in the Company.

The full text of the proposed new Article 132 of the Articles of Association of the Company, marked to show changes from the existing Article 132 is set out below:

"Article 132 – Dividend~~s payable by post~~, interest or other money payable

Unless otherwise directed, any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled as it appears in the register and/or the Record of Depositors ~~.~~ or paid by way of electronic transfer or other methods of remittance to the bank account or other account based on the account information provided by such member or the person entitled or provided in the Record of Depositors or any other record provided by the Central Depository containing such information. Every such cheque or warrant or electronic transfer or other methods of remittance shall be made payable to ~~the order of the~~ such member or person ~~to whom it is sent~~. entitled and shall be sent, transferred, paid or remitted at the risk of such member or person entitled. Payment of the cheque or warrant by the bank on which it is drawn or payment into the bank account or other account based on the account information provided by such member or the person entitled or provided in the Record of Depositors or any other record provided by the Central Depository containing such information shall constitute a good discharge to the Company."

TAN CHONG MOTOR HOLDINGS BERHAD (12969-P)
(Incorporated in Malaysia)

CDS account no. of authorised nominee

FORM OF PROXY

I/We ______________________________ *(name of shareholder as per NRIC, in capital letters)*

NRIC No./Company No. ______________________ *(new)*______________________ *(old)*

of ____ *(full address)* 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 Thirty-Ninth Annual General Meeting of the Company to be held at Pacific Ballroom, Level 2, Seri Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur, Malaysia, on Wednesday, 25 May 2011 at 3:00 p.m., and at any adjournment thereof, as indicated below:

		For	**Against**
Ordinary Resolution 1	Financial Statements and Reports of the Directors and Auditors		
Ordinary Resolution 2	Final Dividend		
Ordinary Resolution 3	Re-election of Mr Siew Kah Toong as Director		
Ordinary Resolution 4	Re-election of Dato' Tan Heng Chew as Director		
Ordinary Resolution 5	Appointment of Mr Seow Thiam Fatt pursuant to Section 129(6) of the Companies Act, 1965		
Ordinary Resolution 6	Re-appointment of Dato' Haji Kamaruddin @ Abas bin Nordin pursuant to Section 129(6) of the Companies Act, 1965		
Ordinary Resolution 7	Re-appointment of Messrs KPMG as Auditors		
Ordinary Resolution 8	Proposed Grant of Authority pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Ordinary Resolution 10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities		
Ordinary Resolution 11	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad and its subsidiaries and jointly-controlled entities		
Ordinary Resolution 12	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		
Special Resolution	Proposed Amendment to the Articles of Association 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 member entitled to vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote for him. A proxy need not be a member of the Company, and, where there are two proxies, the number of shares to be represented by each proxy must be stated.

(2) 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.

(3) An authorised nominee may appoint one proxy in respect of each securities account the authorised nominee holds in the Company standing to the credit of such securities account. Each appointment of proxy shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.

The Form of Proxy must be deposited at the Registered Office of the Company, 62 - 68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.

fold here

Affix
Stamp
here

The Company Secretary
TAN CHONG MOTOR HOLDINGS BERHAD
62-68 Jalan Ipoh
51200 Kuala Lumpur

fold here