TAN CHONG MOTOR HOLDINGS BERHAD

(12969-P)

ANNUAL REPORT 2011

40th

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, 23 May 2012 at 3:00 p.m.

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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 Secretaries

Yap Bee Lee
Chang Pie Hoon

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 since 4 February 1974)

BUSINESS DIVISIONS

1. ASSEMBLY

- Motor Vehicles

2. SALES AND DISTRIBUTION

- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses

3. AFTER-SALES SERVICES

- Spare Parts
- Workshop

4. FINANCIAL PRODUCTS AND SERVICES

- Hire Purchase
- Leasing
- Insurance Agency
- Money Lending

5. PROPERTY

- Management and Investment

LIVINA X-GEAR

Within its muscular form sits a lively 1.6 Litre engine, producing 150Nm of torque and 105ps of power. This gives you responsive acceleration, and an impressive fuel-economy of 13.8 km/l.

REPORT OF THE BOARD OF DIRECTORS

Tan Chong Motor Group has experienced an extraordinary period of calamities over the past year. The Group was affected by the Great Japan Earthquake in March followed by the floods in Thailand in October. Due to an interconnected global network of auto component suppliers, supply was disrupted for much of 2011. Nevertheless, Tan Chong Motor Group remained resilient in the local marketplace.

The Group continues to operate in a world of macroeconomic uncertainty, headlined by the European debt crisis, fears of a double-dip recession in the US, housing and unemployment issues in advanced economies, and high prices. It is in such an environment that Tan Chong Motor Group will carefully but confidently grow its small position as we enter 2012.

REVIEW OF FINANCIAL PERFORMANCE

In the financial year 2011, Group turnover increased by 10.1% to RM3,860 million. Profit attributable to shareholders was RM216 million, a decrease of 6% compared to the same period last year (2010: RM229.7 million). Earnings per share were 33.11 sen compared with 35.19 sen for 2010. Shareholder's funds at 31 December 2011 stood at RM1,841 million (+9.4% from 2010) and net assets per share is at a healthy level of RM2.82 (+9.3% from 2010). Inventories buffer stood at RM960 million (-4.6% from 2010) and a substantial portion is incomplete packs due to disruption in supply chain from the Thailand floods. As at 31 December 2011, the net gearing ratio stood at 15.1% from 15.8% in 2010 which provides the Group enough liquidity to grow the business.

In respect of financial year ended 31 December 2011, an interim dividend of 12% less tax (2010: 12% less tax) was paid on 28 September 2011. The Board of Directors has recommended a final dividend of 12% less tax (2010: 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 (2010: 12 sen).

REVIEW OF OPERATING ACTIVITIES

The ability to foresee changing trends and market conditions and adapt accordingly continues to benefit Tan Chong's development during this chaotic period. One example is our continuous diversification of source markets to find high-quality, low-cost solutions for customers. We are very confident in our ability to meet customer demand efficiently with strong emphasis on quality and reliability. Another example that underpinned growth is our Indochina strategy that allowed us to gain market share in a difficult operating environment and to enter new niche markets. Over the years we have employed a two-pronged strategy of regional and organic growth to expand the business, and we will maintain this approach moving forward. As always, potential markets will be meticulously analyzed across a number of criteria, most importantly their strategic fit, to ensure Tan Chong's growth as the industry innovator.

As Tan Chong's business continues to grow, sustainability remains a pillar of our corporate culture. The Group will continue to improve the sustainability of our operations and supply chain, through our own actions as well as in partnership with our suppliers, customers and other organizations.

Vehicle Assembly, Manufacturing, Distribution & After Sales Service (automotive)

2011 has been a very challenging year for the automotive industry with two major crisis since early of the year (Japan earthquake-tsunami and Thailand floods) resulted in considerable dislocation to supply chains. The global macroeconomic headwinds and strengthening of the USD has affected the profit margins and the Group continues to deal with the continuing complexity of transitioning from a higher commercial vehicle sales mix to stronger passenger models.

Report of the Board of Directors

Fortunately, the Group has sufficient inventories after the earthquake in Japan and before the floods in Thailand, and the supply chain disruption were mitigated by pacing sales and developing alternate sources of auto component supply.

The results for 2011 includes the full year consolidation of the results of Nissan Vietnam Co. Ltd. (NVL) which contributed 4% to the Group's revenue. Negative contribution to the bottom line from NVL as volumes were impacted by the disruption in the supply chain from Thailand and higher cost from the devaluation of the Vietnamese Dong (VND) against the USD. In addition, this Vietnam entity suffered translation losses from a weaker VND against the Group's RM denominated reporting currency.

Cost to income ratios increased with the first year of consolidation of the NVL which has yet to break-even after taking into account translation losses in a weaker VND against a stronger denominated Ringgit (our reporting currency) and initial costs incurred for regional expansion and upgrade of existing facilities.

Whilst increasing market share on the domestic front, the Group will continue to be on the lookout for regional expansion, particularly in high-population, low-cost emerging markets. The Group has begun its penetration in markets such as Indochina which will further solidify our market share beyond a mature domestic economy.

Financial Services (hire purchase and insurance)

The financial services sector was affected by the amendment to the Hire Purchase Act in June 2011 as well as the increase in Overnight Policy Rate coupled with global macroeconomic headwinds dampened consumer discretionary spending in 2011.

As part of the Group's risk mitigation to manage gearing, RM212 million Notes Series 2011-A was issued under the MTN Programme. The RM212 million Notes Series 2011-A, issued in various classes and tranches, forms part of the securitization of hire purchase receivables program. The ABS Notes issued have an average yield of approximately 4.20% and allowed the Group to convert its hire purchase receivables into cash.

PROSPECTS

2011 marks the beginning of NISSAN's Mid-Term Plan (2011-2016), which outlines a strategic path to reach a target of 500,000 vehicles in ASEAN. This is an ambitious target, but one that we feel we can play a key part based on the strengths of our networks, our position and the restructuring of our business lines to emphasize the three key areas of Sourcing, Manufacturing and Distribution.

For risk management we are building a more robust and more geographically dispersed supply chain in Indochina, which will have some intrinsic cost increases to cover a wider footprint. This investment strategy has started to be reflected in the costs that are carried forward into the future. In a stabilised situation where inventories have been rebuilt throughout the chain to normal levels, we can anticipate a stronger second half 2012. Barring any unforeseen circumstances, we expect our vehicle sales would exceed the industry growth with the planned launch of a replacement van model for the popular Nissan Vanette C22 (End of Production 2009) and a B sedan (a segment currently unrepresented) in addition to the introduction of select CBU (completely built-up) models selling well in various ASEAN markets.

ACKNOWLEDGEMENT

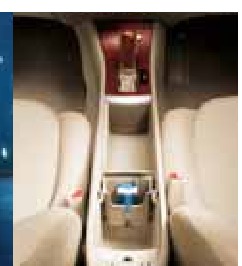
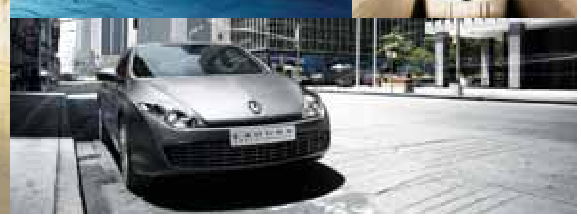
We would like to take this opportunity to thank the Group's management and staff, whose hard work over the past year has helped cement Tan Chong's position. Our appreciation also goes to our valued principals, customers, bankers and our loyal shareholders for their continued support. I would also like to thank my fellow Board members for their invaluable contribution to the Group.

On behalf of the Board

Dato' Tan Heng Chew
Executive Deputy Chairman

19 April 2012



LATIO

Spirited in design and performance, the Nissan LATIO promises generous space and superb handling to equate to driving joy.

KOLEOS

Easy to use and highly ergonomic, the driver experiences an undeniable sensation of control. In town and off-road, the Koleos will take you anywhere. The high driving position affords a commanding view of the road.

8 YEARS FINANCIAL HIGHLIGHTS

	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
RESULTS								
Revenue	3,860,071	3,505,248	2,856,886	3,195,826	1,863,177	2,109,039	2,949,253	2,385,217
Profit before taxation	305,033	322,753	177,226	307,210	123,074	85,956	183,356	181,874
Taxation	(89,612)	(91,666)	(22,922)	(61,489)	(22,934)	(24,871)	(49,788)	(52,080)
Profit for the financial year	215,421	231,087	154,304	245,721	100,140	61,085	133,568	129,794
Attributable to:								
Equity holders of the Company	216,144	229,740	153,326	245,802	99,568	59,968	130,926	126,820
Non-controlling interest	(723)	1,347	978	(81)	572	1,117	2,642	2,974
STATEMENT OF FINANCIAL POSITION								
Assets								
Property, plant and equipment	675,779	618,388	584,941	592,837	581,806	449,532	326,236	277,866
Prepaid lease payment	11,357	-	-	-	-	-	-	-
Investment properties	17,558	10,490	10,582	10,692	10,803	10,913	-	-
Intangible assets - Goodwill	14,448	14,191	-	-	-	-	-	-
Investment in associates	19,791	18,920	18,281	18,212	17,824	17,100	15,853	7,809
Other investments, including derivatives	1,807	1,807	1,806	5,806	5,806	5,806	5,806	1,806
Deferred tax assets	14,520	12,090	4,881	4,501	5,385	9,042	9,110	10,950
Hire purchase receivables	386,788	284,554	312,811	165,331	116,686	157,281	195,183	289,797
Finance lease receivables	1,440	3,945	7,116	3,633	5,405	5,684	4,727	5,909
Total non-current assets	1,143,488	964,385	940,418	801,012	743,715	655,358	556,915	594,137
Current assets	1,893,421	1,781,634	1,524,964	1,450,408	1,201,205	1,275,258	1,607,888	1,271,220
Total Assets	**3,036,909**	**2,746,019**	**2,465,382**	**2,251,420**	**1,944,920**	**1,930,616**	**2,164,803**	**1,865,357**
Equity and Liabilities								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	1,529,650	1,371,376	1,202,549	1,098,485	902,160	831,460	812,325	722,267
Treasury shares	(24,786)	(24,778)	(24,777)	(13,024)	(5,561)	(4,090)	(2,133)	(2,133)
Total equity attributable to owners of the Company	1,840,864	1,682,598	1,513,772	1,421,461	1,232,599	1,163,370	1,146,192	1,056,134
Non-controlling interest	8,310	8,639	4,406	3,557	3,743	18,995	18,567	16,681
Total Equity	**1,849,174**	**1,691,237**	**1,518,178**	**1,425,018**	**1,236,342**	**1,182,365**	**1,164,759**	**1,072,815**
Non-current liabilities	336,347	409,147	291,545	226,290	328,730	377,001	335,190	336,624
Current liabilities	851,388	645,635	655,659	600,112	379,848	371,250	664,854	455,918
Total Equity and Liabilities	**3,036,909**	**2,746,019**	**2,465,382**	**2,251,420**	**1,944,920**	**1,930,616**	**2,164,803**	**1,865,357**
FINANCIAL STATISTICS								
Basic earnings per share (sen)	33.11	35.19	23.42	36.90	14.91	8.96	19.54	18.93
Gross dividend per share (sen)	12.00	12.00	11.00	10.00	7.50	5.00	7.50	7.50
Net assets per share (RM)	2.82	2.58	2.32	2.15	1.85	1.74	1.70	1.57
Return on invested capital (%)	12.85%	13.59%	10.48%	17.44%	7.71%	5.23%	11.92%	12.24%
Return on shareholders equity (%)	12.27%	14.38%	10.45%	18.52%	8.31%	5.19%	11.89%	12.52%
Net debt/Equity (%)	15.28%	15.84%	7.30%	17.83%	12.29%	20.83%	41.57%	22.17%

PROFILE OF DIRECTORS

Dato' Tan Heng Chew
JP, DJMK

Dato' Tan Heng Chew, 65, a Malaysian, was appointed to the Board on 19 October 1985 and has been 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.

Dato' Ng Mann Cheong
DSSA, SMP, JP

Dato' Ng Mann Cheong, 67, 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.

Tan Eng Soon

Tan Eng Soon, 63, 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' Haji Kamaruddin @ Abas bin Nordin
DSSA, KMN

Dato' Haji Kamaruddin @ Abas bin Nordin, 73, 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.

Seow Thiam Fatt

Seow Thiam Fatt, also known as Larry Seow, 71, 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 position in several public companies and the Securities Commission of Malaysia. He was also a past Independent Non-Executive Director of Affin Investment Bank Berhad for eight (8) years.

Mr. Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad, ING Funds Berhad, ING Insurance 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, 57, 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 financing 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 has any family relationship with any Director and/or major shareholder of the Company.

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

A summary of the attendance of the Directors at board meetings held in 2011 is set out on page 15.

CORPORATE SOCIAL RESPONSIBILITY REPORT

At Tan Chong Motor Holdings Berhad ("Tan Chong"), Corporate Social Responsibility has been an inherent part of its business strategy and principles, which guide the way the Company operates. The world is changing rapidly and the Group recognizes that expectations from the public are now higher than ever before. Tan Chong believes that supporting the communities it operates in, environment conservation, investments in education are equally important towards ensuring its businesses to be both sustainable and profitable.

Community

The earthquake and tsunami that had struck Japan on 11 March 2011, adversely affected a large part of the east coast of Japan causing much injury, loss of life and destruction of property. The Group had shown concern and conveyed its deepest sympathies to the Government and People of Japan by contributing USD300,000.00 through the Malaysian Red Crescent Society (MRCS) towards relief efforts for those affected by this tragedy.

In 1995, the Group donated a van to The Pure Life Society. After 16 years, the same van was still serving them fairly well but with intermittent repairs and sudden breakdowns. Due to the safety of the children and staff, the Group decided to give away a brand new Nissan Urvan to the Society. The Pure Life Society was established more than 60 years ago and Tan Chong believes the Society will continue its part to help the needy and orphaned children.

A touching story appeared in a local newspaper featuring an elderly lady wishing for a new van for her and her housemates of Rumah Damai in Kuala Terengganu. Their existing van often broke down and caused them to miss their necessary hospital appointments. The Management was deeply moved by her caring and unselfish wish and decided to present her and her housemates with a brand new Nissan Urvan.

Environment

Tan Chong's Recycling Day was held in conjunction with the Earth Hour Day on 26 March 2011. The Group has collected more than one tonne of recyclables. The Group also took it one step further this year by unveiling the new arrival of three Recycling Bins at the headquarters' premises. These bins are for everyone who wants to recycle items such as aluminum cans, plastic bottles, papers and glasses. All these items will be collected periodically by the Recycle for Charity Organization.

The rehabilitation efforts of Zoo Negara in breeding the Milky Stork bird has proven to be a success with over 200 birds now released into the wilds of Malaysia with only 10 known to have been alive before. In support of Zoo Negara's efforts, Tan Chong had officially adopted the Milky Stork. The Group believes the efforts of Zoo Negara has taken flight and has proven that its captive breeding programme is effective in rehabilitating a near-extinct bird species.

Education

Investment in education is a long but very rewarding process. The Management has agreed to continue supporting the Care Centre for Schoolchildren of Single Parents of SJK (C) Sg. Chua (centre in Sg. Chua), as well as to adopt the Care Centre for Schoolchildren of Single Parents of SJK (C) Sg. Way (centre in Sg. Way) in 2011. Both centers have proven to be an effective and practical way to cater to the needs of children of single parent families holistically. To date, there are 41 students from 35 families who have benefited from this programme.

This year, the schoolchildren from the centre in Sg. Chua were feted to a fun educational trip at Zoo Negara.

Workplace

The Long Service Award honoured and celebrated employees who have demonstrated unquestionable loyalty and unwavering perseverance to the company and their jobs. A total of 584 deserving employees were presented with Long Service Award.

The Chairman's Award 2011 recognized and awarded 54 children of employees who have achieved academic excellence. The Chairman's Award was held not only to congratulate and award these young achievers, but also to motivate other young children of our employees to achieve greater academic excellence.

X-TRAIL

Powered by an all-aluminium 2.0L with the XTRONIC CVT system, the X-Trail will transform every drive into a seamless journey.

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 2011 and the attendance of the Directors at these meetings were 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	5/5

(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 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 Secretaries who are responsible for ensuring that Board procedures are followed.

(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 Fortieth Annual General Meeting, Dato' Ng Mann Cheong is due for re-election by rotation in accordance with Article 101 of the Articles of Association of the Company ("A&A"). Mr. Seow Thiam Fatt and Dato' Haji Kamaruddin @ Abas bin Nordin, having attained the age of over 70 years, are seeking re-appointment as Directors under Section 129 of the Companies Act, 1965. The profiles of these Directors are set out in 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 2011 included briefings, seminars and conferences conducted by relevant regulatory authorities and professional bodies as well as internal officers covering the following subjects:

* Securities Commission Corporate Governance Blueprint 2011
* Key Amendments to Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia")
* Bursa Malaysia Corporate Disclosure Guide
* Common Offences committed by Company Directors under the Companies Act, 1965
* Challenges faced by Accountants as Independent Directors
* Launch of Corporate Integrity Pledge and Anti-Corruption Principles for Corporations in Malaysia
* International Conference of Institute of Internal Auditors
* Competition Act 2010 and Personal Data Protection Act 2010
* National Tax Conference of Inland Revenue Board
* Budget 2012 Tax Seminar

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.

The guidelines on bonuses in respect of 2011 and annual increment for 2012 in respect of executive employees of the Group were recommended for the 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 categorisation 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	-	6,666,935	3,356,820	84,427
Non-Executive Directors	399,000	44,200	-	32,146

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

Range of Remuneration	Executive	Non-Executive
RM50,000 to RM100,000	-	1
RM100,001 to RM150,000	-	3
RM3,250,000 to RM3,300,000	1	-
RM6,800,000 to RM6,850,000	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 website 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-Ninth Annual General Meeting ("AGM") of the Company was held on 25 May 2011 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 2011 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 70.96% 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 2010, which the Directors and officers of the Company appropriately addressed.

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 the 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 2011, 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 the internal controls of the Group during the financial year 2011.

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 quarterly meetings 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 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 2011 totaled RM1.36 million.

Weaknesses in Internal Controls that Result in Material Losses

There were no material losses incurred during the financial year 2011 as a result of weaknesses in internal controls. 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 ("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 2011, 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 53 to 56 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 2011 by KPMG, auditors for Tan Chong Motor Holdings Berhad, was RM199,000.

SHARE BUY-BACKS

Details of the shares bought back during the financial year ended 31 December 2011 and currently held as treasury shares are as follows:

Year 2011	**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	800	4.34	4.34	4.34	3,517.05
November	1,000	4.41	4.41	4.41	4,456.33
Total	1,800				7,973.38

There was 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 2011.

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 six (6) meetings held during the financial year were as follows:

Name	Designation	Attendance
Seow Thiam Fatt (Chairman)	Independent Non-Executive Director	6/6
Dato' Ng Mann Cheong	Independent Non-Executive Director	6/6
Dato' Haji Kamaruddin @ Abas bin Nordin	Independent Non-Executive Director	6/6
Siew Kah Toong	Independent Non-Executive Director	6/6

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 in the Main Market 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 company 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.

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.

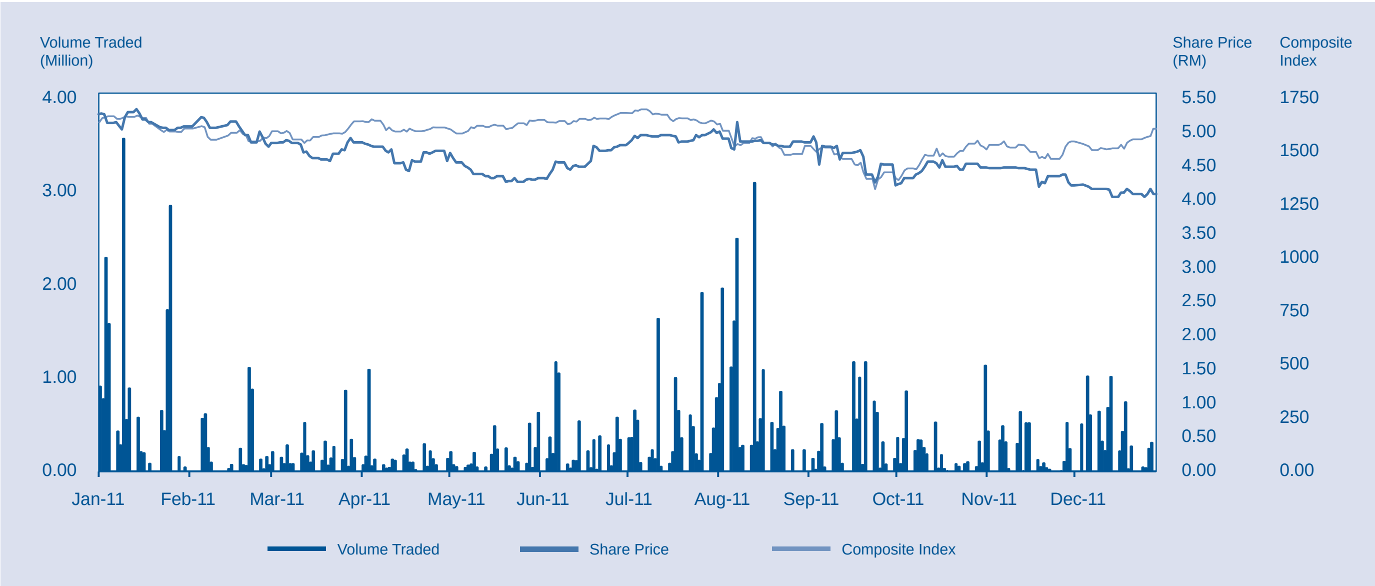
SUMMARY OF INTERNAL AUDIT ACTIVITIES

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;
* perform special review and investigation as deemed necessary; 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 2011

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 2011.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 36 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	216,144	92,980
Non-controlling interests	(723)	-
	215,421	92,980

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 RM29,376,811 in respect of the year ended 31 December 2010 on 24 June 2011; and

(ii) an interim dividend of 12% less tax at 25% totalling RM29,376,811 in respect of the year ended 31 December 2011 on 28 September 2011.

A final dividend of 12% less tax at 25% in respect of the year ended 31 December 2011 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

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 1.1.2011	Bought	Disposed/ Transferred	At 31.12.2011
Interest in the Company				
Direct interests:				
Dato' Tan Heng Chew	22,076,262	1,918,800	(2,250,000)	21,745,062
Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	-	-	4,992
Seow Thiam Fatt	23,000	37,000	-	60,000
Indirect/Deemed interests:				
Dato' Tan Heng Chew	321,843,065[(1)]	14,896,800	(16,482,485)	320,257,380[(1)]
Tan Eng Soon	319,989,675[(2)]	12,126,800	(16,482,485)	315,633,990[(2)]
Dato' Ng Mann Cheong	90,000[(3)]	30,000	-	120,000[(3)]

Notes:

(1) Including interests of spouse and children by virtue of Section 134(12)(c) of the Companies Act, 1965. 49,447,450 shares are as to voting rights only.

(2) 49,447,450 shares are as to voting rights only.

(3) Interest of spouse by virtue of Section 134(12)(c) of the Companies Act, 1965.

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 36 to the financial statements.

The remaining Director holding office at 31 December 2011 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 and of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the professional fees received by a legal firm in which a Director of the Company is a partner, and the relevant related party transactions as disclosed in Note 33 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.

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.

Share buy-back

Details of share buy-back are disclosed in Note 17.

Other statutory information

Before the statements of comprehensive income and statements 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's 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 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

Significant events are disclosed in Note 39.

Subsequent events

Subsequent events are disclosed in Note 40.

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: 19 April 2012

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Property, plant and equipment	3	675,779	618,388	1,255	1,035
Investment properties	4	17,558	10,490	-	-
Prepaid lease payments	5	11,357	-	-	-
Intangible assets	6	14,448	14,191	-	-
Investment in subsidiaries	7	-	-	1,339,221	1,270,746
Investment in associates	8	19,791	18,920	13,652	12,246
Other investments, including derivatives	9	1,807	1,807	48,672	49,001
Deferred tax assets	10	14,520	12,090	3,761	3,568
Hire purchase receivables	11	386,788	284,554	-	-
Finance lease receivables	12	1,440	3,945	-	-
Receivables	13	-	-	414,510	411,665
Total non-current assets		1,143,488	964,385	1,821,071	1,748,261
Other investments, including derivatives	9	194,064	289,936	-	-
Inventories	14	959,996	1,005,333	-	-
Current tax assets		7,642	3,310	4,515	5,184
Hire purchase receivables	11	107,038	54,276	-	-
Receivables	13	226,107	246,535	71,707	17,263
Deposits and prepayments	13	73,477	31,387	102	1,496
Cash and cash equivalents	15	324,634	150,088	1,852	4,339
Derivative assets		463	769	-	-
Total current assets		1,893,421	1,781,634	78,176	28,282
Total assets		3,036,909	2,746,019	1,899,247	1,776,543

Statements of Financial Position

as at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Equity					
Share capital		336,000	336,000	336,000	336,000
Reserves		1,529,650	1,371,376	1,002,079	967,853
Treasury shares		(24,786)	(24,778)	(24,786)	(24,778)
Total equity attributable to owners of the Company		1,840,864	1,682,598	1,313,293	1,279,075
Non-controlling interest		8,310	8,639	-	-
Total equity	17	1,849,174	1,691,237	1,313,293	1,279,075
Liabilities					
Borrowings	18	280,000	354,167	130,000	200,000
Employee benefits	19	36,272	31,667	15,088	14,496
Deferred tax liabilities	10	20,075	23,313	-	-
Payables and accruals	20	-	-	219,800	265,802
Total non-current liabilities		336,347	409,147	364,888	480,298
Borrowings	18	520,026	352,384	70,000	-
Derivative liabilities		-	1	-	-
Taxation		5,249	6,168	-	-
Payables and accruals	20	326,113	287,082	151,066	17,170
Total current liabilities		851,388	645,635	221,066	17,170
Total liabilities		1,187,735	1,054,782	585,954	497,468
Total equity and liabilities		3,036,909	2,746,019	1,899,247	1,776,543

The notes on pages 44 to 119 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December 2011

(in USD equivalent)

	31.12.2011 USD'000	31.12.2010 USD'000
Assets		
Property, plant and equipment	210,196	198,011
Investment properties	5,461	3,358
Prepaid lease payments	3,533	-
Intangible assets	4,494	4,544
Investment in associates	6,156	6,058
Other investments, including derivatives	562	579
Deferred tax assets	4,516	3,871
Hire purchase receivables	120,307	91,116
Finance lease receivables	448	1,263
Total non-current assets	355,673	308,800
Other investments, including derivatives	60,362	92,839
Inventories	298,599	321,913
Current tax assets	2,377	1,060
Hire purchase receivables	33,293	17,379
Receivables	70,329	78,942
Deposits and prepayments	22,854	10,050
Cash and cash equivalents	100,975	48,059
Derivative assets	144	246
Total current assets	588,933	570,488
Total assets	944,606	879,288

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

Figures are converted into USD equivalent using the exchange rate of RM3.215 = USD1.00

(2010 - RM3.123 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

Consolidated Statements of Financial Position

as at 31 December 2011

(in USD equivalent)

	31.12.2011 USD'000	31.12.2010 USD'000
Equity		
Share capital	104,510	107,589
Reserves	475,785	439,121
Treasury shares	(7,709)	(7,934)
Total equity attributable to owners of the Company	572,586	538,776
Non-controlling interests	2,585	2,766
Total equity	575,171	541,542
Liabilities		
Borrowings	87,092	113,406
Employee benefits	11,282	10,140
Deferred tax liabilities	6,244	7,465
Total non-current liabilities	104,618	131,011
Borrowings	161,750	112,835
Derivative liabilities	-	1
Taxation	1,633	1,974
Payables and accruals	101,434	91,925
Total current liabilities	264,817	206,735
Total liabilities	369,435	337,746
Total equity and liabilities	944,606	879,288

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

Figures are converted into USD equivalent using the exchange rate of RM3.215 = USD1.00

(2010 - RM3.123 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	21	3,860,071	3,505,248	129,583	125,765
Cost of sales		(3,079,321)	(2,799,130)	-	-
Gross profit		780,750	706,118	129,583	125,765
Other income		47,775	40,872	1,520	-
Distribution expenses		(268,847)	(228,319)	-	-
Administrative expenses		(209,232)	(161,610)	(17,037)	(19,091)
Other expenses		(32,540)	(22,053)	-	(1,166)
Results from operating activities		317,906	335,008	114,066	105,508
Finance income	22	11,011	14,583	24,930	18,700
Finance costs	23	(24,855)	(27,477)	(20,217)	(14,375)
Net finance (cost)/income		(13,844)	(12,894)	4,713	4,325
Share of profit of equity accounted associates, net of tax		971	639	-	-
Profit before tax	24	305,033	322,753	118,779	109,833
Income tax expense	26	(89,612)	(91,666)	(25,799)	(21,208)
Profit for the year		215,421	231,087	92,980	88,625

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Other comprehensive income/(loss), net of tax					
Foreign currency translation differences for foreign operations		1,913	(2,769)	-	-
Cash flow hedge		(306)	694	-	-
Revaluation surplus		-	(159)	-	-
Other comprehensive income/(loss) for the year, net of tax	27	1,607	(2,234)	-	-
Total comprehensive income for the year		217,028	228,853	92,980	88,625
Profit attributable to:					
Owners of the Company		216,144	229,740	92,980	88,625
Non-controlling interests		(723)	1,347	-	-
Profit for the year		215,421	231,087	92,980	88,625
Total comprehensive income attributable to:					
Owners of the Company		217,751	227,506	92,980	88,625
Non-controlling interests		(723)	1,347	-	-
Total comprehensive income for the year		217,028	228,853	92,980	88,625
Basic earnings per ordinary share (sen)	28	33.11	35.19		

The notes on pages 44 to 119 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(in USD equivalent)

	2011 USD'000	2010 USD'000
Revenue	1,200,644	1,122,398
Cost of sales	(957,798)	(896,295)
Gross profit	242,846	226,103
Other income	14,860	13,087
Distribution expenses	(83,623)	(73,109)
Administrative expenses	(65,080)	(51,748)
Other expenses	(10,121)	(7,061)
Results from operating activities	98,882	107,272
Finance income	3,425	4,670
Finance costs	(7,731)	(8,798)
Net finance cost	(4,306)	(4,128)
Share of profit of equity accounted associates, net of tax	302	205
Profit before tax	94,878	103,349
Tax expense	(27,873)	(29,352)
Profit for the year	67,005	73,997

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

Figures are converted into USD equivalent using the exchange rate of RM3.215 = USD1.00

(2010 - RM3.123 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

Consolidated Statements of Comprehensive Income

for the year ended 31 December 2011

(in USD equivalent)

	2011 USD'000	2010 USD'000
Other comprehensive (loss)/income, net of tax		
Foreign currency translation differences for foreign operations	595	(887)
Cash flow hedge	(95)	222
Revaluation surplus	-	(51)
Other comprehensive loss for the year, net of tax	500	(716)
Total comprehensive income for the year	67,505	73,281
Profit attributable to:		
Owners of the company	67,230	73,565
Non-controlling interests	(225)	432
Profit for the year	67,005	73,997
Total comprehensive income attributable to:		
Owners of the Company	67,730	72,849
Non-controlling interests	(225)	432
Total comprehensive income for the year	67,505	73,281
Basic earnings per ordinary share (cent)	10.30	11.27

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

Figures are converted into USD equivalent using the exchange rate of RM3.215 = USD1.00

(2010 - RM3.123 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

		Attributable to owners 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**	**Non-controlling interests RM'000**	**Total equity RM'000**
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 FRS 139		-	-	-	-	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
Foreign currency translation differences for foreign operations		-	-	(2,769)	-	-	-	-	(2,769)	-	(2,769)
Revaluation surplus		-	-	-	(159)	-	-	-	(159)	-	(159)
Cash flow hedge		-	-	-	-	694	-	-	694	-	694
Total other comprehensive (loss)/income for the year		-	-	(2,769)	(159)	694	-	-	(2,234)	-	(2,234)
Profit for the year		-	-	-	-	-	-	229,740	229,740	1,347	231,087
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)
Dividends											
- 2009 final	29	-	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
- 2010 interim	29	-	-	-	-	-	-	(29,377)	(29,377)	(300)	(29,677)
Total distribution to owners		-	(1)	-	-	-	-	(58,754)	(58,755)	(300)	(59,055)
Acquisition of subsidiary	37	-	-	-	-	-	-	-	-	3,186	3,186
Total transactions with owners		-	(1)	-	-	-	-	(58,754)	(58,755)	2,886	(55,869)
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 17	Note 17	Note 17	Note 17	Note 17		Note 17			

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

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	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company									
		Non-distributable					Distributable				
At 1 January 2011		336,000	(24,778)	(3,128)	23	769	100	1,373,612	1,682,598	8,639	1,691,237
Foreign currency translation differences for foreign operations		-	-	1,913	-	-	-	-	1,913	-	1,913
Cash flow hedge		-	-	-	-	(306)	-	-	(306)	-	(306)
Total other comprehensive income/(loss) for the year		-	-	1,913	-	(306)	-	-	1,607	-	1,607
Profit for the year		-	-	-	-	-	-	216,144	216,144	(723)	215,421
Total comprehensive income/(loss) for the year		-	-	1,913	-	(306)	-	216,144	217,751	(723)	217,028
Purchase of treasury shares		-	(8)	-	-	-	-	-	(8)	-	(8)
Dividends											
- 2010 final	29	-	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
- 2011 interim	29	-	-	-	-	-	-	(29,377)	(29,377)	(300)	(29,677)
Total distribution to owners		-	(8)	-	-	-	-	(58,754)	(58,762)	(300)	(59,062)
Additional shares subscribed by non-controlling interest		-	-	-	-	-	-	-	-	750	750
Changes in shareholding of a subsidiary		-	-	-	-	-	-	(723)	(723)	(56)	(779)
Total transactions with owners		-	(8)	-	-	-	-	(59,477)	(59,485)	394	(59,091)
At 31 December 2011		336,000	(24,786)	(1,215)	23	463	100	1,530,279	1,840,864	8,310	1,849,174
		Note 17	Note 17	Note 17	Note 17	Note 17		Note 17			

The notes on pages 44 to 119 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2011

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 2010		336,000	(24,777)	937,982	1,249,205
Profit and total comprehensive income for the year		-	-	88,625	88,625
Purchase of treasury shares		-	(1)	-	(1)
Dividends					
- 2009 final	29	-	-	(29,377)	(29,377)
- 2010 interim	29	-	-	(29,377)	(29,377)
Total distribution to owners		-	(1)	(58,754)	(58,755)
At 31 December 2010/1 January 2011		336,000	(24,778)	967,853	1,279,075
Profit and total comprehensive income for the year		-	-	92,980	92,980
Purchase of treasury shares		-	(8)	-	(8)
Dividends					
- 2010 final	29	-	-	(29,377)	(29,377)
- 2011 interim	29	-	-	(29,377)	(29,377)
Total distribution to owners		-	(8)	(58,754)	(58,762)
At 31 December 2011		336,000	(24,786)	1,002,079	1,313,293
		Note 17	Note 17	Note 17	

The notes on pages 44 to 119 are an integral part of these financial statements.

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		305,033	322,753	118,779	109,833
Adjustments for:					
Impairment loss on investment in subsidiaries		-	-	-	42
Loss on fair value adjustment		-	1	-	-
Amortisation of prepaid lease payments		300	-	-	-
Depreciation of property, plant and equipment		69,445	56,920	267	212
Depreciation of investment properties		350	92	-	-
Dividend income		(3,572)	(344)	(129,583)	(125,765)
Gain on disposal of property, plant and equipment	24	(4,917)	(12,054)	-	(5)
Gain on disposal of subsidiary		-	(700)	(538)	(37)
Gain on disposal of other investments		(94)	(72)	-	-
Finance expense		24,855	27,477	20,217	14,375
Finance income		(11,011)	(14,583)	(24,930)	(18,700)
Inventory written off		774	460	-	-
Impairment loss on other investment		-	-	329	-
Write down of inventories		841	3,245	-	-
Impairment loss on hire purchase receivables		3,938	3,592	-	-
Impairment loss on receivables		3,249	3,854	-	-
Impairment loss on finance lease receivables		-	299	-	-
Impairment loss on amount due from subsidiaries		-	-	-	1,046
Reversal of write down of inventories		(853)	(2,099)	-	-
Reversal of impairment loss on hire purchase receivables		(1,774)	(197)	-	-
Reversal of impairment loss on receivables		(1,529)	(2,337)	-	-
Reversal of impairment loss on finance lease receivables		(58)	-	-	-
Property, plant and equipment written off		302	437	-	-
Retirement benefits charged		5,100	9,886	592	5,838
Fair value loss/(gain) on other investments		163	(241)	-	-
Share of profit of equity accounted associates		(971)	(639)	-	-
Operating profit/(loss) before changes in working capital		389,571	395,750	(14,867)	(13,161)

Statements of Cash Flow

for the year ended 31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)					
Changes in working capital:					
Inventories		44,575	(326,140)	-	-
Hire purchase receivables		(157,160)	34,499	-	-
Finance lease receivables		4,910	3,811	-	-
Receivables		7,646	(49,415)	97	(113)
Deposits and prepayment		(42,090)	9,266	1,394	(364)
Payables and accruals		41,159	(885)	439	(2,412)
Cash generated from/(used in) operations		288,611	66,886	(12,937)	(16,050)
Tax paid		(100,860)	(74,600)	(28,583)	(24,565)
Tax refund		3,526	11,393	3,260	1,960
Interest paid		(24,855)	(27,477)	(20,217)	(14,375)
Interest received		11,011	14,583	24,930	18,700
Employee benefits paid		(495)	(497)	-	-
Net cash from/(used in) operating activities		176,938	(9,712)	(33,547)	(34,330)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(158,510)	(97,634)	(487)	(150)
Acquisition of prepaid lease payment		(6,365)	-	-	-
Acquisition of subsidiary	37	-	(20,100)	-	-
Acquisition of other investments		(115,914)	-	-	-
Repayment from subsidiaries		-	-	30,069	43,338
Acquisition of share in a subsidiary from non-controlling interest		(779)	-	-	-
Subscription of additional shares by non-controlling interest		750	-	-	-
Subscription to subsidiaries' share capital		-	-	(74,176)	(176,400)
Acquisition of associate share capital		-	-	(1,406)	-
Dividends received from other investments		3,572	344	-	-
Dividends received from associate		100	-	-	-
Dividends received from subsidiaries		-	-	129,583	125,765
Proceeds from disposal of property, plant and equipment		28,570	29,803	-	221
Proceeds from disposal of subsidiary	38	-	698	6,239	1,785
Proceeds from disposal of other investments		211,717	133,709	-	-
Net cash (used in)/ from investing activities		(36,859)	46,820	89,822	(5,441)

Statements of Cash Flow

for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from financing activities					
Dividends paid to shareholders of the Company	29	(58,754)	(58,754)	(58,754)	(58,754)
Dividends paid to minority shareholders		(300)	(300)	-	-
Purchase of own shares		(8)	(1)	(8)	(1)
Proceeds from bills payable		257,992	418,575	-	-
Repayment of bills payable		(331,395)	(426,172)	-	-
Proceeds from term loans and revolving credit		528,587	375,000	-	100,000
Repayment of term loans and revolving credit		(355,779)	(315,251)	-	-
Net cash from/(used in) financing activities		40,343	(6,903)	(58,762)	41,245
Net increase/(decrease) in cash and cash equivalents		180,422	30,205	(2,487)	1,474
Effects of exchange rate change on cash and cash equivalents		54	(660)	-	-
Cash and cash equivalents at 1 January		143,564	114,019	4,339	2,865
Cash and cash equivalents at 31 December		324,040	143,564	1,852	4,339

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

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash and bank balances	15	160,865	117,440	652	3,139
Deposits with licensed banks	15	163,769	32,648	1,200	1,200
Bank overdraft	18	(594)	(6,524)	-	-
		324,040	143,564	1,852	4,339

The notes on pages 44 to 119 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 2011 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 2011 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 36 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 19 April 2012.

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 July 2011

* IC Interpretation 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)*
* Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
* Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
* Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

* Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

* FRS 10, *Consolidated Financial Statements*
* FRS 11, *Joint Arrangements*
* FRS 12, *Disclosure of Interests in Other Entities*
* FRS 13, *Fair Value Measurement*
* FRS 119, *Employee Benefits (2011)*
* FRS 127, *Separate Financial Statements (2011)*
* FRS 128, *Investments in Associates and Joint Ventures (2011)*
* IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
* Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

* Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

* FRS 9, *Financial Instruments (2009)*
* FRS 9, *Financial Instruments (2010)*
* Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

(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's 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 7 - impairment of investment in subsidiaries
* Note 10 - recognition of deferred tax assets
* Note 11 - impairment of hire purchase receivables
* Note 12 - impairment of finance lease receivables
* Note 13 - impairment of trade receivables
* Note 14 - valuation of inventories
* Note 19 - valuation of employee benefits

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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.

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

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

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied FRS 3, *Business Combinations (revised)* in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisition on or after 1 January 2011

For acquisition on or after 1 January 2011, the Group measures the goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisition between 1 January 2006 and 1 January 2011

For acquisition between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination were capitalised as part of the cost of the acquisition.

Acquisition prior to 1 January 2006

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

(iii) Accounting for acquisition of non-controlling interests

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

(iv) 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.

(v) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements (revised)* since the beginning of the reporting period in accordance with transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured in fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sales financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in previous subsidiary, such interest was measured at carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. **Significant accounting policies (continued)**

(a) **Basis of consolidation (continued)**

(vi) **Non-controlling interests**

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

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements (revised)* where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(vii) **Associates**

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the 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 measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(viii) **Transactions eliminated on consolidation**

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

Unrealised gains arising from transactions with equity accounted 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.

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

(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.

(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.

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

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

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(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.

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.

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

Other financial 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

(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.

2. **Significant accounting policies (continued)**

(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 to 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.

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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.

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(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.

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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments. The payments are amortised over the lease terms which are not more than 45 years.

(f) Intangible assets

(i) Goodwill

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

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.

2. Significant accounting policies (continued)

(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

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 and these investments are measured in accordance with Note 2(c).

(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) 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 statement of cash flow, cash and cash equivalents are presented net of bank overdrafts.

2. Significant accounting policies (continued)

(k) 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) Other assets

The carrying amounts of other 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.

2. Significant accounting policies (continued)

(k) Impairment of assets (continued)

(ii) Other 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.

(l) 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.

(m) 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.

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(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.

(n) 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.

(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.

2. Significant accounting policies (continued)

(o) 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.

(p) Interest income and borrowing costs

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

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.

2. Significant accounting policies (continued)

(q) Income tax

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

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.

(r) 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.

(s) Operating segments

An operating segments 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.

3. Property, plant and equipment

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Rough road RM'000	Under construction RM'000	Total RM'000
Cost/valuation										
At 1 January 2010	95,031	115,523	277,498	249,240	77,235	85,108	19,121	127	3,413	922,296
Additions	3,315	23	12,234	7,466	5,941	58,963	3,503	10	6,179	97,634
Acquisition of subsidiary (Note 37)	-	-	-	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/ 1 January 2011	98,346	115,546	289,548	267,654	82,705	106,961	22,732	137	1,107	984,736
Additions	5,970	929	5,709	16,603	9,291	79,790	7,435	153	32,630	158,510
Disposals	-	-	-	(960)	(554)	(37,658)	(414)	-	-	(39,586)
Reclassification	*(7,418)	-	(10)	2,841	10	-	55	-	(2,896)	(7,418)
Write off	-	-	-	(750)	(11,220)	-	(528)	-	-	(12,498)
Effects of movement in exchange rates	-	-	-	(235)	(28)	(16)	18	-	(8)	(269)
At 31 December 2011	96,898	116,475	295,247	285,153	80,204	149,077	29,298	290	30,833	1,083,475
Accumulated depreciation and impairment loss										
At 1 January 2010										
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
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)
Effects of movement in exchange rates	-	-	-	84	-	-	-	-	-	84
At 31 December 2010/ 1 January 2011										
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

* Reclassified to Investment properties (Note 4).

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Long term 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	Rough road RM'000	Under construction RM'000	Total RM'000
Accumulated depreciation and impairment loss (continued)										
Depreciation for the year	-	1,529	4,830	26,076	5,366	29,166	2,421	57	-	69,445
Disposals	-	-	-	(461)	(298)	(14,951)	(223)	-	-	(15,933)
Write off	-	-	-	(537)	(11,191)	-	(468)	-	-	(12,196)
Effects of movement in exchange rates	-	-	-	12	2	2	16	-	-	32
At 31 December 2011										
Accumulated depreciation	-	27,496	82,526	166,025	59,366	51,570	15,355	154	-	402,492
Accumulated impairment loss	-	-	-	5,127	33	-	44	-	-	5,204
	-	27,496	82,526	171,152	59,399	51,570	15,399	154	-	407,696
Carrying amount										
At 1 January 2010	95,031	91,176	204,402	116,584	17,790	49,252	7,227	66	3,413	584,941
At 31 December 2010/ 1 January 2011	98,346	89,579	211,852	121,592	17,185	69,608	9,079	40	1,107	618,388
At 31 December 2011	96,898	88,979	212,721	114,001	20,805	97,507	13,899	136	30,833	675,779

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 2010	690	156	1,168	2,014
Additions	-	22	128	150
Disposals	-	(6)	(318)	(324)
At 31 December 2010/1 January 2011	690	172	978	1,840
Additions	-	10	477	487
At 31 December 2011	690	182	1,455	2,327
Accumulated depreciation				
At 1 January 2010	221	74	406	701
Depreciation for the year	14	23	175	212
Disposals	-	(2)	(106)	(108)
At 31 December 2010/1 January 2011	235	95	475	805
Depreciation for the year	14	26	227	267
At 31 December 2011	249	121	702	1,072
Carrying amount				
At 1 January 2010	469	82	762	1,313
At 31 December 2010/1 January 2011	455	77	503	1,035
At 31 December 2011	441	61	753	1,255

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 RM6,162,000 (2010: RM4,371,000) have yet to be issued by the relevant authorities.

4. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost/valuation			
At 1 January 2010/31 December 2010/1 January 2011	7,243	5,877	13,120
Reclassification	* 7,418	-	7,418
At 31 December 2011	14,661	5,877	20,538
Accumulated depreciation			
At 1 January 2010	-	2,538	2,538
Depreciation for the year	-	92	92
At 31 December 2010/1 January 2011	-	2,630	2,630
Depreciation for the year	-	350	350
At 31 December 2011	-	2,980	2,980
Carrying amount			
At 1 January 2010	7,243	3,339	10,582
At 31 December 2010/1 January 2011	7,243	3,247	10,490
At 31 December 2011	14,661	2,897	17,558

The Directors' valuation on the fair value of investment properties based on available valuation reports prepared by an independent valuer in recent years was RM34,963,000 (2010: RM27,963,000) where no significant change in value is envisaged.

* Reclassified from Property, plant and equipment (Note 3).

5. Prepaid lease payments

Group	Leasehold land 2011 RM'000	Leasehold land 2010 RM'000
Cost		
At 1 January	-	-
Additions	6,365	-
Reclassifications	5,429	-
Effects of movement in exchange rates	(137)	-
At 31 December	11,657	-
Amortisation		
At 1 January	-	-
Amortisation for the year	300	-
At 31 December	300	-
Carrying amount		
At 1 January	-	-
At 31 December	11,357	-

6. Intangible assets

Goodwill	Group 2011 RM'000	Group 2010 RM'000
Cost		
At 1 January	14,191	-
Acquisition of subsidiary (Note 37)	-	14,191
Effects of movement in exchange rates	257	-
At 31 December	14,448	14,191

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:

	2011 RM'000	2010 RM'000
Vietnam vehicles assembly, manufacturing, distribution and after sale services	14,448	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-year business plan.

* Total Industry Vehicle (TIV) is projected to grow at the following rates:

  - FY 2012 - 10%
  - FY 2013 - 11%
  - FY 2014 and FY 2015 - 12%
  - FY 2016 - 8%

* Market share to grow gradually from 3% to 13% 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 20% was applied in determining the recoverable amount. The discount rate was estimated based on the average Vietnam inflation rate issued by the General Statistics Office of Vietnam.

The above estimates are particularly sensitive in the following areas:

* An increase of 3 percentage point in the discount rate used would not result in any impairment loss.

* A 5% decrease in future planned revenues would not result in any impairment loss.

7. Investment in subsidiaries

	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares in Malaysia, at cost	1,359,859	1,291,384
Less: Impairment loss	(20,638)	(20,638)
	1,339,221	1,270,746

Details of the subsidiaries are in Note 36.

8. Investment in associates

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares, at cost:				
In Malaysia	1,750	1,750	-	-
Outside Malaysia	12,247	12,247	13,652	12,246
Share of post-acquisition reserve	5,794	4,923	-	-
	19,791	18,920	13,652	12,246

Summary financial information on associates:

	Country of incorporation	Effective ownership interest 2011 %	Effective ownership interest 2010 %	2011 Revenues (100%) RM'000	2011 Profit (100%) RM'000	2011 Total assets (100%) RM'000	2011 Total liabilities (100%) RM'000	2010 Revenues (100%) RM'000	2010 Profit (100%) RM'000	2010 Total assets (100%) RM'000	2010 Total liabilities (100%) RM'000
Group											
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	25.00	25.00	1,706	1,641	16,374	23	1,987	1,716	14,738	28
Structurflex Sdn. Bhd.	Malaysia	50.00	50.00	5,208	341	3,753	588	4,184	410	3,649	837
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	45.45	3,215	2,096	63,734	26,136	2,005	1,404	48,663	13,979
TC Express Auto Services & Spare Parts (Thailand) Co. Ltd.	Thailand	49.00	49.00	1,959	(1,148)	1,765	7,550	1,973	(1,291)	1,789	6,324
Company											
Structurflex Sdn. Bhd.	Malaysia	50.00	-	5,208	341	3,753	588	-	-	-	-
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	45.45	3,215	2,096	63,734	26,136	2,005	1,404	48,663	13,979

9. Other investments, including derivatives

	Note	Group RM'000
2011		
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		194,064
Representing items:		
At amortised cost		1,806
At fair value		194,065
		195,871
Market value of quoted unit trusts		194,064
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

9. Other investments, including derivatives (continued)

	Note	Company RM'000
2011		
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
Less: Impairment of asset-backed notes		(329)
		48,672
Representing items:		
At amortised cost		48,671
At fair value		1
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 items:		
At amortised cost		49,000
At fair value		1

9. Other investments, including derivatives (continued)

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.

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 2010. The securitisation exercise was fully completed in June 2010 with the issuance of the second series – 2010A 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 11) upon consolidation of the SPE (Note 2(a)(iv)).

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets						
Property, plant and equipment/Investment properties						
- capital allowances	-	-	(6,111)	(6,296)	(6,111)	(6,296)
Provisions	12,452	8,419	-	-	12,452	8,419
Employee benefit plans	93	88	-	-	93	88
Unabsorbed capital allowances	43	1,446	-	-	43	1,446
Tax loss carry-forwards	7,967	7,892	-	-	7,967	7,892
Other items	76	541	-	-	76	541
Tax assets/(liabilities)	20,631	18,386	(6,111)	(6,296)	14,520	12,090
Deferred tax liabilities						
Property, plant and equipment/ Investment properties						
- capital allowances	-	-	(22,341)	(20,776)	(22,341)	(20,776)
- revaluation	-	-	(3,878)	(4,199)	(3,878)	(4,199)
Reinvestment allowances	2,836	-	-	-	2,836	-
Provisions	1,586	1,073	-	-	1,586	1,073
Employee benefit plans	895	619	-	-	895	619
Unabsorbed capital allowances	14	14	-	-	14	14
Tax loss carry-forwards	214	-	-	(12)	214	(12)
Other items	599	-	-	(32)	599	(32)
Tax assets/(liabilities)	6,144	1,706	(26,219)	(25,019)	(20,075)	(23,313)
Company						
Deferred tax assets						
Property, plant and equipment						
- capital allowances	-	-	(58)	(48)	(58)	(48)
Provisions	3,819	3,616	-	-	3,819	3,616
Tax assets/(liabilities)	3,819	3,616	(58)	(48)	3,761	3,568

10. Deferred tax assets and liabilities (continued)

Group movements in deferred tax assets during the year:

Group	At 1.1.2010 RM'000	Acquisition of subsidiary (Note 37) RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2010 RM'000	Recognised in profit or loss (Note 26) RM'000	Effects of movement in exchange rates RM'000	At 31.12.2011 RM'000
Property, plant and equipment/Investment properties							
- capital allowances	(2,834)	-	(3,462)	(6,296)	185	-	(6,111)
Provisions	7,375	-	1,044	8,419	4,033	-	12,452
Employee benefit plans	-	-	88	88	5	-	93
Unabsorbed capital allowances	6	-	1,440	1,446	(1,403)	-	43
Tax loss carry-forwards	-	3,844	4,048	7,892	164	(89)	7,967
Other items	334	-	207	541	(465)	-	76
	4,881	3,844	3,365	12,090	2,519	(89)	14,520
Property, plant and equipment/Investment properties							
- capital allowances	(19,740)	-	(1,036)	(20,776)	(1,565)	-	(22,341)
- revaluation	(4,643)	-	444	(4,199)	321	-	(3,878)
- reinvestment allowances	13,495	-	(13,495)	-	2,836	-	2,836
Provisions	2,226	-	(1,153)	1,073	513	-	1,586
Unabsorbed capital allowances	-	-	14	14	-	-	14
Employee benefit plans	-	-	619	619	276	-	895
Tax loss carry-forwards	-	-	(12)	(12)	226	-	214
Other items	(7)	-	(25)	(32)	631	-	599
	(8,669)	-	(14,644)	(23,313)	3,238	-	(20,075)
Company							
Property, plant and equipment							
- capital allowances	(59)	-	11	(48)	(10)	-	(58)
Provisions	2,168	-	1,448	3,616	203	-	3,819
	2,109	-	1,459	3,568	193	-	3,761

Except for the tax loss carry-forwards of RM24,256,000 (VND157,566,299,000), (stated at gross) which will expire in financial years 2014 to 2016 for a subsidiary in Vietnam, the other deductible temporary differences do not expire under current tax legislation.

10. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group 2011 RM'000	Group 2010 RM'000
Unabsorbed capital allowances	9,474	7,032
Tax loss carry-forwards	49,986	31,185
Deductible temporary differences	1	-
Provisions	2,183	1,108
	61,644	39,325
Deferred tax assets not recognised at 25%	15,411	9,831

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 and provisions do not expire under current tax legislation.

11. Hire purchase receivables

	Group 2011 RM'000	Group 2010 RM'000
Hire purchase receivables	561,295	399,609
Less: Unearned interest	(58,390)	(53,793)
	502,905	345,816
Less: Impairment loss	(9,079)	(6,986)
	493,826	338,830

11. Hire purchase receivables (continued)

	Group 2011 RM'000	Group 2010 RM'000
Current		
Hire purchase receivables	107,366	58,080
Less: Impairment loss	(328)	(3,804)
	107,038	54,276
Non-current		
Hire purchase receivables	395,539	287,736
Less: Impairment loss	(8,751)	(3,182)
	386,788	284,554
	493,826	338,830

	Future minimum lease payments 2011 RM'000	Interest 2011 RM'000	Present value of minimum lease payments 2011 RM'000	Future minimum lease payments 2010 RM'000	Interest 2010 RM'000	Present value of minimum lease payments 2010 RM'000
Group						
Current						
Less than one year	124,873	17,507	107,366	71,518	13,438	58,080
Non-current						
Between one and five years	385,505	35,799	349,706	234,975	32,052	202,923
After five years	50,917	5,084	45,833	93,116	8,303	84,813
	436,422	40,883	395,539	328,091	40,355	287,736
	561,295	58,390	502,905	399,609	53,793	345,816

Doubtful debts written off against impairment loss during the year amounted to RM71,000 (2010: RM1,057,000).

12. Finance lease receivables

	Note	Group 2011 RM'000	Group 2010 RM'000
Finance lease receivables		5,136	10,921
Less: Unearned interest		(669)	(1,544)
		4,467	9,377
Less: Impairment loss		(241)	(299)
		4,226	9,078
Current			
Finance lease receivables		3,027	5,432
Less: Impairment loss		(241)	(299)
	13	2,786	5,133
Non-current			
Finance lease receivables		1,440	3,945
		4,226	9,078

	Future minimum lease payments 2011 RM'000	Interest 2011 RM'000	Present value of minimum lease payments 2011 RM'000	Future minimum lease payments 2010 RM'000	Interest 2010 RM'000	Present value of minimum lease payments 2010 RM'000
Group						
Current						
Less than one year	3,422	395	3,027	6,274	842	5,432
Non-current						
Between one and five years	1,714	274	1,440	4,635	698	3,937
After five years	-	-	-	12	4	8
	1,714	274	1,440	4,647	702	3,945
	5,136	669	4,467	10,921	1,544	9,377

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

13. Receivables, deposits and prepayments

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	a	-	-	423,771	420,926
Less: Impairment loss		-	-	(9,261)	(9,261)
		-	-	414,510	411,665
Current					
Trade receivables		211,455	188,070	-	-
Less: Impairment loss	b	(11,990)	(10,938)	-	-
		199,465	177,132	-	-
Finance lease receivables	12	2,786	5,133	-	-
Other receivables	c	23,856	64,270	269	366
Amount due from subsidiaries	d	-	-	71,438	16,897
		226,107	246,535	71,707	17,263
Current					
Deposits		10,437	6,658	92	1,223
Prepayment	e	63,040	24,729	10	273
		73,477	31,387	102	1,496

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 (2010: 5.55%). The amounts subject to interest are RM414,510,000 (2010: RM411,665,000).

Note b

Doubtful debts written off against impairment loss during the year amounted to RM668,000 (2010: RM1,546,000).

Note c

Included in other receivables of the Group was an amount owing from a director of a subsidiary amounting to RM500,000 (2010: RM750,000) 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.

Advances made for purchase of inventories to Auto Dunia Sdn. Bhd., a related party of the Group, was nil (2010: RM41,040,913). The advances were included in other receivables in year 2010.

13. Receivables, deposits and prepayments (continued)

Note d

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 (2010: 2.65%). The amounts subject to interest are RM71,438,000 (2010: RM16,897,000).

Note e

During the year, a wholly-owned subsidiary of the Company has paid an amount of RM9,375,000 being 50% of the total consideration payable to acquire a piece of freehold land. This amount has been included in the prepayment of the Group.

14. Inventories

	Group	
	2011	**2010**
	RM'000	**RM'000**
Raw materials	9,284	21,229
Unassembled vehicle packs	645,273	579,240
Work-in-progress	17,977	8,816
Manufactured inventories and trading inventories	3,844	3,085
Used vehicles	14,589	17,892
New vehicles	175,580	296,626
Spare parts and others	93,449	78,445
	959,996	1,005,333
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,700,264	2,741,272

The write-down of inventories to net realisable value amounted to RM841,000 (2010: RM3,245,000). The reversal of write-down amounted to RM853,000 (2010: RM2,099,000). The write-down and reversal are included in cost of sales.

15. Cash and cash equivalents

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	160,865	117,440	652	3,139
Deposits with licensed banks	163,769	32,648	1,200	1,200
	324,634	150,088	1,852	4,339

16. 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 38.

17. Share capital and reserves

	Group and Company			
Share capital	**Amount 2011 RM'000**	**Number of shares 2011 '000**	**Amount 2010 RM'000**	**Number of shares 2010 '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 25 May 2011 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 1,800 (2010: 200) of its issued shares from the open market at prices ranging from RM4.34 to RM4.41 (2010: RM4.01 to RM5.46) per ordinary share. The cumulative total number of shares bought back at the end of the year was 19,183,000 (2010: 19,181,200). These transactions were financed by internally generated funds.

As at 31 December 2011, the number of outstanding shares in issue after deducting treasury shares held was 652,817,000 (2010: 652,818,800) 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.

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.

17. Share capital and reserves (continued)

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 2011 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.

18. Borrowings

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Non-current				
Term loans - unsecured	280,000	354,167	130,000	200,000
Current				
Term loans - unsecured	73,125	21,371	70,000	-
Bills payable - unsecured	116,086	189,489	-	-
Revolving credit - unsecured	330,221	135,000	-	-
Overdraft - unsecured	594	6,524	-	-
	520,026	352,384	70,000	-

Information on repayment terms and interest rates to the Group's and the Company's borrowings are as set out in Note 34.5.

19. Employees benefits

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Recognised liability for employee benefits	36,272	31,667	15,088	14,496

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		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net liability at 1 January	31,667	22,286	14,496	8,658
Benefits paid	(495)	(497)	-	-
Expense recognised in profit or loss	5,100	9,886	592	5,838
Benefits transferred	-	(8)	-	-
Net liability at 31 December	36,272	31,667	15,088	14,496

Expense recognised in profit or loss

Current service cost	3,875	2,186	473	297
Interest on obligation	1,569	861	515	98
Actuarial (gains)/losses	(344)	6,839	(396)	5,443
	5,100	9,886	592	5,838

19. Employee benefits (continued)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cost of sales	822	164	-	-
Distribution expenses	-	387	-	-
Administrative expenses	4,278	9,335	592	5,838
	5,100	9,886	592	5,838

Actuarial assumptions

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

	2011 %	2010 %
Discount rate	5.4	5.4
Future salary increases	6.5	6.5

20. Payables and accruals

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current					
Non-trade					
Amount due to subsidiaries	a	-	-	219,800	265,802
Current					
Trade					
Trade payables		186,345	117,233	-	-
Non-trade					
Payables and accruals		139,768	169,849	1,316	877
Amount due to subsidiaries	b	-	-	149,750	16,293
		139,768	169,849	151,066	17,170
		326,113	287,082	151,066	17,170

20. Payables and accruals (continued)

Note a

The non-current amount due to subsidiaries is in respect of advances that are unsecured, not repayable within the next twelve months and are subject to interest at 5.55% per annum (2010: 5.55%). The amounts subject to interest are RM219,800,000 (2010: RM265,802,000).

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 (2010: 2.65%). The amounts subject to interest are RM149,750,000 (2010: RM16,293,000).

21. Revenue

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sale of goods	3,615,066	3,246,883	-	-
Services rendered	211,440	212,977	-	-
Financial services income	33,565	45,044	-	-
Dividend income	-	344	129,583	125,765
	3,860,071	3,505,248	129,583	125,765

22. Finance income

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income of financial assets that are not at fair value through profit or loss	4,898	14,194	24,930	18,700
Other finance income	6,113	389	-	-
Recognised in profit or loss	11,011	14,583	24,930	18,700

23. Finance costs

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Term loans	19,481	18,891	9,599	8,082
- Overdraft	3	5	-	-
- Bills payable	2,550	4,596	-	-
- Revolving credit	2,599	2,434	-	-
- Other borrowings	222	1,551	10,618	6,293
Recognised in profit or loss	24,855	27,477	20,217	14,375

24. Profit before tax

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit before tax is arrived at after crediting:				
Bad debts recovered	545	78	-	-
Dividend income from:				
- Unquoted subsidiaries	-	-	129,583	125,765
- Other investments	3,572	344	-	-
Gain on disposal of property, plant and equipment	4,917	12,054	-	5
Gain on disposal of subsidiary	-	700	538	37
Gain on disposal of other investments	94	72	-	-
Net gain on foreign exchange:				
- realised	2,795	1,003	-	-
- unrealised	3,830	1,199	1,311	-
Interest income	11,011	14,583	24,930	18,700
Reversal of write-down of inventories	853	2,099	-	-
Reversal of impairment loss on:				
- hire purchase receivables	1,774	197	-	-
- finance lease receivables	58	-	-	-
- receivables	1,529	2,337	-	-
Rental income on leased assets	4,631	2,362	-	-
Rental income on land and buildings	1,145	1,590	-	-
Fair value gain on other investments	-	241	-	-

24. Profit before tax (continued)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Audit fee				
Current year				
- KPMG Malaysia	433	317	45	39
- Overseas affiliates of KPMG Malaysia	50	42	-	-
- Other auditors	24	37	-	-
Under provision in prior year	21	38	-	-
Non-audit fee				
Current year				
- KPMG Malaysia	199	141	60	13
- Overseas affiliates of KPMG Malaysia	78	45	-	-
Bad debts written off	1,903	1,699	-	-
Amortisation of prepaid lease payments	300	-	-	-
Depreciation of:				
- property, plant and equipment	69,445	56,920	267	212
- investment properties	350	92	-	-
Direct operating expenses of investment properties generating rental income	232	402	-	-
Interest expense	24,855	27,477	20,217	14,375
Inventories written off	774	460	-	-
Write-down of inventories	841	3,245	-	-
Impairment loss on:				
- hire purchase receivables	3,938	3,592	-	-
- receivables	3,249	3,854	-	-
- finance lease receivables	-	299	-	-
- amount due from subsidiaries	-	-	-	1,046
- investment in subsidiaries	-	-	-	42
- other investments	-	-	329	-
Net loss on foreign exchange				
- unrealised	196	669	-	-
- realised	2,332	1,377	-	120
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	24,329	22,773	985	795
- Expenses related to defined benefit plans	5,100	9,886	592	5,838
- Wages, salaries and others	195,019	192,794	7,702	5,812
Property, plant and equipment written off	302	437	-	-
Rental expense on land and buildings	8,870	12,118	255	239
Warranty claim	179	116	-	-
Fair value loss on other investments	163	-	-	-
Loss on fair value adjustment	-	1	-	-

25. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Directors:				
- Fees	399	312	399	312
- Remuneration	10,068	12,181	6,689	8,131
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	117	97	117	97
	10,584	12,590	7,205	8,540
Other key management personnel:				
- Remuneration and other short term employee benefits	13,003	13,183	-	-
	23,587	25,773	7,205	8,540

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.

26. Tax expense

Recognised in the profit or loss

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Current tax expense	90,722	79,021	26,148	22,656
Under/(Over) provided in prior years	4,647	1,366	(156)	11
	95,369	80,387	25,992	22,667
Deferred tax expense				
Origination and reversal of temporary differences	(2,371)	15,756	(178)	(1,459)
Over provided in prior years	(3,386)	(4,477)	(15)	-
	(5,757)	11,279	(193)	(1,459)
	89,612	91,666	25,799	21,208

26. Tax expense (continued)

Reconciliation of effective tax expense

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax	305,033	322,753	118,779	109,833
Income tax calculated using Malaysian tax rate of 25% (2010: 25%)	76,258	80,688	29,695	27,458
Double deduction	(213)	(198)	-	-
Non-deductible expenses	8,008	4,609	626	625
Effect of different tax rates in foreign jurisdictions	-	12	-	-
Tax exempt income	(877)	(2,472)	(4,351)	(6,886)
Tax incentives at subsidiaries	(310)	(1,813)	-	-
Unrecognised deferred tax assets	5,580	16	-	-
Realisation of deferred tax assets arising from reinvestment allowance	-	13,495	-	-
Others	(95)	440	-	-
	88,351	94,777	25,970	21,197
Under/(Over) provided in prior years	1,261	(3,111)	(171)	11
	89,612	91,666	25,799	21,208

27. Other comprehensive income/(loss)

	Group	
	2011 RM'000	2010 RM'000
Foreign currency translation differences for foreign operations	1,913	(2,769)
Cash flow hedge		
- (Losses)/Gains during the year	(306)	694
Revaluation surplus	-	(159)*
	1,607	(2,234)

* Relates to additional premium for land conversion.

There is no income tax relating to components of other comprehensive income/(loss).

28. 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 RM216,144,000 (2010: RM229,740,000) and the weighted average number of ordinary shares outstanding during the year of 652,817,000 (2010: 652,819,000).

Weighted average number of ordinary shares

	2011 '000	2010 '000
Issued ordinary shares at 1 January	652,819	672,000
Effect of treasury shares held	(2)	(19,181)
Weighted average number of ordinary shares at 31 December	652,817	652,819

29. Dividends

Dividends recognised in the current year by the Company are:

2011	Sen per share (net of tax)	Total amount RM'000	Date of payment
Interim 2011 ordinary	4.50	29,377	28 September 2011
Final 2010 ordinary	4.50	29,377	24 June 2011
Total amount		58,754	
2010			
Interim 2010 ordinary	4.50	29,377	28 September 2010
Final 2009 ordinary	4.50	29,377	18 June 2010
Total amount		58,754	

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 2011 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.

30. 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.

The operations of the Group is predominantly in Malaysia.

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
External revenue	3,816,182	3,458,816	37,398	45,133	6,491	1,299	3,860,071	3,505,248
Inter-segment revenue	6,595	8,930	4,224	700	32,471	24,115	43,290	33,745
Segment EBITDA	381,638	368,341	14,711	31,593	8,489	12,341	404,838	412,275
Depreciation and amortisation	(63,199)	(52,761)	(1,716)	(852)	(4,918)	(3,399)	(69,833)	(57,012)
Finance costs	(15,242)	(19,183)	(81)	(474)	(9,532)	(7,820)	(24,855)	(27,477)
Interest income	10,181	11,504	645	65	185	3,014	11,011	14,583
Share of (loss)/profit of associates	(394)	(428)	955	638	410	429	971	639
Unallocated corporate expenses							(17,099)	(20,255)
Profit before tax							305,033	322,753
Tax expense							(89,612)	(91,666)
Profit for the year							215,421	231,087

31. Contingent liabilities

Tan Chong & Sons Motor Company Sdn. Bhd. ("TCM"), Nissan Motor Co. Ltd. ("Nissan") and Auto Dunia Sdn. Bhd. were sued in the High Court at Kota Kinabalu by Teck Guan Trading (Sabah) Sdn. Bhd. ("Teck Guan") for general damages, special damages of RM10.67 million and liquidated damages of RM2.97 million together with interest and costs in connection with car dealership in Sabah ("1st Suit").

All parties have closed their case during the last hearing date on 9 and 10 February 2011. On 5 May 2011, the High Court at Kota Kinabalu dismissed Teck Guan's suit in favour for the 3 Defendants, i.e. TCM, Nissan and Auto Dunia Sdn. Bhd.. Teck Guan is liable for cost. The Plaintiff has since filed an appeal to the Court of Appeal against the decision of High Court and the said appeal has yet to be fixed for hearing.

In 1987, another related suit was filed in the same court (where TCM was sued by Teck Guan for RM65,065 together with interest and costs in connection with alleged monies owed to Teck Guan. Following the same, TCM had filed a counter-claim for RM132,175 together with interest and costs in connection with the outstanding amount payable to TCM) ("2nd Suit"). The case is currently pending the decision from the High Court Judge to decide the application to transfer the case to the Sessions Court as the claim is within the monetary jurisdiction of the Sessions Court. The Court has fixed a date for Mention on 30 April 2012 in the High Court III at Kota Kinabalu.

32. Capital commitments

	Group	
	2011	**2010**
	RM'000	**RM'000**
Capital commitments:		
Property, plant and equipment:		
Authorised but not contracted for	158,165	125,218
Authorised and contracted for		
In Malaysia	24,177	37,584
Outside Malaysia	89,412	-
Overseas operation commitments:		
Authorised and contracted for	42,244	6,246
Investment:		
Authorised and contracted for	1,548	377
	315,546	169,425

33. 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 of the Company either directly or indirectly. All the key management personnel comprises the Directors of the Company and certain senior management personnel of the Group.

Controlling related party relationships are as follows:

(i) The subsidiaries as disclosed in Note 36.
(ii) The substantial shareholders of the Company.

Other than disclosed in Note 13, 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	
	2011	**2010**
	RM'000	**RM'000**
With WTCH Group		
Purchases	(11,963)	(1,993)
Sales	25,377	21,690
Insurance agency, workshop services and administrative services	4,308	1,213
Travel agency and car rental services	(4,410)	(1,091)
Rental income receivable	79	40
Rental expense payable	(9)	(5)
Disposal of Kereta Komersil	-	700
With APM Group		
Purchases	(119,917)	(126,273)
Sales	7,198	4,085
Warranty claim	4	-
Insurance agency, workshop services and administrative services	962	543
Rental income receivable	12	12

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

33. 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	
	2011	**2010**
	RM'000	**RM'000**
Purchases	(1,268,365)	(1,163,300)
Sales	588	872
Technical assistance fee and royalty	(5,902)	(3,426)

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	
	2011	**2010**
	RM'000	**RM'000**
Purchases	(8,323)	(7,399)

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 Directors of the subsidiaries of the Company, namely Azman bin Badrillah and Dato' Syed Alwi bin Tun Syed Nasir, have 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	
	2011	**2010**
	RM'000	**RM'000**
Purchases	(165,377)	(305,865)
Sales	17,425	4,488
Rental income	189	74

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

33. 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	
	2011	2010
	RM'000	RM'000
Subsidiaries		
Dividend income receivable	129,583	125,765
Interest income receivable	22,233	16,008
Management fees payable	(6,180)	(5,500)
Rental expense payable	(255)	(239)
Interest expense payable	(10,618)	(6,293)
Purchases of property, plant and equipment	(487)	(150)

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

There are no impairment loss made and no bad or doubtful receivable recognised for the financial year ended 31 December 2011 and 31 December 2010 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 25.

34. Financial instruments

34.1 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

34. Financial instruments (continued)

34.1 Categories of 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
2011							
Financial assets							
Group							
Other investments, including derivatives	195,871	-	194,064	1	1,806	-	-
Trade and other receivables	223,321	223,321	-	-	-	-	-
Hire purchase receivables	493,826	493,826	-	-	-	-	-
Finance lease receivables	4,226	4,226	-	-	-	-	-
Deposits	10,437	10,437	-	-	-	-	-
Derivative asset	463	-	-	-	-	-	463
Cash and cash equivalents	324,634	324,634	-	-	-	-	-
	1,252,778	1,056,444	194,064	1	1,806	-	463
Company							
Other investment	48,672	-	-	1	-	48,671	-
Amount due from subsidiaries	485,948	485,948	-	-	-	-	-
Other receivables	269	269	-	-	-	-	-
Deposits	92	92	-	-	-	-	-
Cash and cash equivalents	1,852	1,852	-	-	-	-	-
	536,833	488,161	-	1	-	48,671	-

34. Financial instruments (continued)

34.1 Categories of 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	-

34. Financial instruments (continued)

34.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000	FVTPL - DUIR RM'000
2011			
Financial liabilities			
Group			
Loans and borrowings	800,026	800,026	-
Payables and accruals	326,113	326,113	-
	1,126,139	1,126,139	-
Company			
Loans and borrowings	200,000	200,000	-
Payables and accruals	370,866	370,866	-
	570,866	570,866	-
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	-

34. Financial instruments (continued)

34.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	6,044	9,025	-	-
- Designated upon initial recognition	-	(1)	-	-
Held-to-maturity investments	-	2,386	2,320	2,649
Available-for-sales	3,572	344	-	-
Loan and receivables	22,210	24,528	23,592	15,005
Financial liabilities measured at amortised cost	(20,811)	(27,321)	(20,217)	(14,375)
Derivatives designated as hedging instrument	(306)	694	-	-
	10,709	9,655	5,695	3,279

34.3 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

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

New vehicles sales are mainly financed by finance companies 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.

34. Financial instruments (continued)

34.4 Credit risk (continued)

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 hire purchase receivables of the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

(a) Trade Receivables

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2011				
Not past due	126,874	-	-	126,874
Past due 1 – 30 days	28,317	-	-	28,317
Past due 31 – 90 days	17,592	-	-	17,592
Past due more than 90 days	38,672	(10,070)	(1,920)	26,682
	211,455	(10,070)	(1,920)	199,465
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

34. Financial instruments (continued)

34.4 Credit risk (continued)

Impairment losses (continued)

(a) Trade Receivables (continued)

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
At 1 January	10,938	10,967
Impairment loss recognised	3,249	3,854
Impairment loss reversed	(1,529)	(2,337)
Impairment loss written off	(668)	(1,546)
At 31 December	11,990	10,938

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.

(b) Hire Purchase Receivables

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

Group	**Gross**	**Individual impairment**	**Collective impairment**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2011				
Not past due	487,086	-	-	487,086
Past due 1 – 30 days	5,523	(518)	-	5,005
Past due 31 – 90 days	2,170	(621)	-	1,549
Past due more than 90 days	8,126	(4,749)	(3,191)	186
	502,905	(5,888)	(3,191)	493,826
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

34. Financial instruments (continued)

34.4 Credit risk (continued)

Impairment losses (continued)

(b) Hire Purchase Receivables (continued)

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

	Group 2011 RM'000	Group 2010 RM'000
At 1 January	6,986	4,648
Impairment loss recognised	3,938	3,592
Impairment loss reversed	(1,774)	(197)
Impairment loss written off	(71)	(1,057)
At 31 December	9,079	6,986

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.

(c) Finance Lease Receivables

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
2011				
Not past due	4,030	(241)	-	3,789
Past due 1 – 30 days	437	-	-	437
Past due 31 – 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
	4,467	(241)	-	4,226
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

34. Financial instruments (continued)

34.4 Credit risk (continued)

Impairment losses (continued)

(c) Finance Lease Receivables (continued)

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
At 1 January	299	-
Impairment loss recognised	-	299
Impairment loss reversed	(58)	-
At 31 December	241	299

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

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

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

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

34. Financial instruments (continued)

34.4 Credit risk (continued)

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

During the financial year 2010, the Company provided an impairment loss of RM1,046,000 on the entire remaining balances of unsecured advance to a subsidiary company with a nominal amount RM9,461,000. This subsidiary was suffering significant financial losses. There is no impairment loss on advance to subsidiary in year 2011.

34.5 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.

34. Financial instruments (continued)

34.5 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	Years of maturity	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2011								
Non-derivative financial liabilities								
Term loans	2012 - 2014	3.50 – 6.50	353,125	73,125	280,000	377,935	81,072	296,863
Bills payable	2012	3.33 – 3.52	116,086	116,086	-	116,086	116,086	-
Revolving credit	2012	3.33 – 3.97	330,221	330,221	-	330,221	330,221	-
Bank overdraft	2012	6.60	594	594	-	594	594	-
Payables and accruals	2012	-	326,113	326,113	-	326,113	326,113	-
			1,126,139	846,139	280,000	1,150,949	854,086	296,863

Group	Years of maturity	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2010								
Non-derivative financial liabilities								
Term loans	2011 – 2014	3.50 – 6.50	375,538	95,538	280,000	420,067	42,105	377,962
Bills payable	2011	2.38 – 3.31	189,489	189,489	-	189,489	189,489	-
Revolving credit	2011	3.10 – 3.58	135,000	135,000	-	135,000	135,000	-
Bank overdraft	2011	5.50 – 6.30	6,524	6,524	-	6,524	6,524	-
Payables and accruals	2011	-	287,082	287,082	-	287,082	287,082	-
			993,633	713,633	280,000	1,038,162	660,200	377,962
Derivative financial liabilities								
Forward exchange contracts (gross settled):								
Outflow	-	-	1	1	-	623	623	-
Inflow	-	-	-	-	-	(622)	(622)	-
			993,634	713,634	280,000	1,038,163	660,201	377,962

34. Financial instruments (continued)

34.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Years of maturity	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2011								
Non-derivative financial liabilities								
Borrowings	2012 - 2014	4.70 – 4.90	200,000	70,000	130,000	215,140	77,947	137,193
Amount due to subsidiaries								
- Non-current	2012	5.55	219,800	-	219,800	244,198	-	244,198
- Current	2012	2.65	149,750	149,750	-	149,750	149,750	-
Payables and accruals	2012	-	1,316	1,316	-	1,316	1,316	-
			570,866	221,066	349,800	610,404	229,013	381,391

Company	Years of maturity	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
2010								
Non-derivative financial liabilities								
Borrowings	2012 - 2014	4.70 – 4.90	200,000	70,000	130,000	224,739	9,599	215,140
Amount due to subsidiaries								
- Non-current	2011	5.55	265,802	-	265,802	295,306	-	295,306
- Current	2011	2.65	16,293	16,293	-	16,293	16,293	-
Payables and accruals	2011	-	877	877	-	877	877	-
			482,972	87,170	395,802	537,215	26,769	510,446

34. Financial instruments (continued)

34.6 Market risk

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

34.6.1 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:

	Denominated in USD	
	2011	**2010**
	RM'000	**RM'000**
Trade receivables	5,590	421
Intra-group balances	(498)	47,925
Net exposure	5,092	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.

	2011	**2010**
	RM'000	**RM'000**
USD	255	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.

34. Financial instruments (continued)

34.6 Market risk (continued)

34.6.2 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		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Fixed rate instruments				
Financial assets:				
Asset-backed notes	-	-	48,671	49,000
Hire purchase receivables	493,826	338,830	-	-
Finance lease receivables	4,226	9,078	-	-
Amount due from subsidiaries	-	-	485,948	428,562
Loan to a director of a subsidiary	500	750	-	-
Deposits with licensed banks	163,769	32,648	1,200	1,200
Financial liabilities:				
Term loans	(353,125)	(375,538)	(200,000)	(200,000)
Amount due to subsidiaries	-	-	(369,550)	(282,095)
	309,196	5,768	(33,731)	(3,333)

34. Financial instruments (continued)

34.6 Market risk (continued)

34.6.2 Interest rate risk (continued)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Floating rate instruments				
Financial liabilities:				
Bank overdraft	(594)	(6,524)	-	-
Bills payables	(116,086)	(189,489)	-	-
	(116,680)	(196,013)	-	-

Interest rate risk sensitivity analysis

All floating rate borrowings are for working capital purposes and have maturity period of less than one year. A change of 100 basis points (bp) in interest rates at the end of the reporting period would not have significant effect to equity and post-tax profit or loss.

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.

34.7 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 RM463,000 (2010: RM769,000).

34. Financial instruments (continued)

34.8 Fair values of financial instruments

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

Group	2011 Carrying amount RM'000	2011 Fair value RM'000	2010 Carrying amount RM'000	2010 Fair value RM'000
Other investments, including derivatives:				
Unquoted shares	1,806	1,806	1,806	1,806
Option	1	1	1	1
Quoted unit trusts	194,064	194,064	289,936	289,936
Hire purchase receivables	493,826	493,826	338,830	338,830
Finance lease receivables	4,226	4,226	9,078	9,078
Receivables	223,321	223,321	241,402	241,402
Deposits	10,437	10,437	6,658	6,658
Forward exchange contract				
– assets	463	463	769	769
Cash and cash equivalents	324,634	324,634	150,088	150,088
Borrowings:				
Term loans	(353,125)	(353,125)	(375,538)	(377,629)
Bills payables	(116,086)	(116,086)	(189,489)	(189,489)
Revolving credits	(330,221)	(330,221)	(135,000)	(135,000)
Overdraft	(594)	(594)	(6,524)	(6,524)
Forward exchange contract				
– liabilities	-	-	(1)	(1)
Payables and accruals	(326,113)	(326,113)	(287,082)	(287,082)

Company	2011 Carrying amount RM'000	2011 Fair value RM'000	2010 Carrying amount RM'000	2010 Fair value RM'000
Other investments, including derivatives:				
Option	1	1	1	1
Asset-backed notes	48,671	48,671	49,000	49,000
Receivables	486,217	486,217	428,928	428,928
Cash and cash equivalents	1,852	1,852	4,339	4,339
Borrowing – Term loans	(200,000)	(200,000)	(200,000)	(200,000)
Payables and accruals	(370,866)	(370,866)	(282,972)	(282,972)

34. Financial instruments (continued)

34.8 Fair values of financial instruments (continued)

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.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2011	**2010**
Hire purchase receivables	2.3% - 9.8%	2.3% - 10.0%
Finance lease receivables	4.0% - 6.0%	4.0% - 6.0%
Term loans	3.5% - 6.5%	3.5% - 6.5%

34. Financial instruments (continued)

34.8 Fair values of financial instruments (continued)

34.8.1 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices include in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Other investments	-	194,065	-	194,065
Derivative assets	-	463	-	463
	-	194,528	-	194,528

During the financial year, there were no transfers between Level 1 and Level 2 fair value measurements. The Group has no financial instruments categorised as Level 3 and there were no transfer into and out of Level 3 fair value measurement.

35. 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 2011 and at 31 December 2010 were as follows:

		Group	
		2011	2010
	Note	RM'000	RM'000
Total borrowings	18	800,026	706,551
Less: Other investments	9	(195,871)	(289,936)
Cash and cash equivalents	15	(324,634)	(150,088)
Net debt		279,521	266,527
Total equity attributable to owners of the Company		1,840,864	1,682,598
Net debt-to-equity ratios		0.15	0.16

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.

36. 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 2011 %	Effective ownership interest 2010 %
	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
@	Inspired Motor Sdn. Bhd.	Sales and marketing of motor vehicles	70	-
	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
	Tan Chong Agency Sdn. Bhd.	Insurance agency and property holding	100	100

36. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2011 %	2010 %
	Incorporated in Malaysia:			
	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 Premier Sdn. Bhd.	Insurance agency	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 and assembly of aluminium parts and 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

36. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2011 %	2010 %
	Incorporated in Malaysia:			
	TC Trucks Group Sdn. Bhd.	Investment holding	100	100
	TC Trucks After Sales Sdn. Bhd.	Distribution and sales of auto parts and providing after sales services for commercial vehicles	100	100
	TC Trucks Sales Sdn. Bhd.	Distribution and sales of commercial vehicles	100	100
	TC Utama Sdn. Bhd.	Property 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
@	Tan Chong Construction Sdn. Bhd.	Dormant	100	-

36. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2011 %	2010 %
	Incorporated in Malaysia:			
^^	Tan Chong Development Sdn. Bhd.	Dormant	100	100
	Tan Chong Higher Education Sdn. Bhd.	Dormant	100	100
	Tan Chong Private Education Sdn. Bhd.	Dormant	100	100
@	Tan Chong Motorcycles (Malaysia) Sdn. Bhd.	Dormant	100	-
	TC Brake System Sdn. Bhd.	Dormant	100	100
^^	TC Capital Premium Sdn. Bhd.	Dormant	100	100
^^	TC Engines Manufacturing Sdn. Bhd.	Dormant	100	100
@	TC Facilities Management Sdn. Bhd.	Dormant	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
	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 and trading of motor vehicles	100	100
	ETCM (V) Pte. Ltd.	Investment holding	100	100
	Tan Chong Motorcycles (Labuan) Pte. Ltd.	Investment holding	100	100
^^	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

36. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2011 %	2010 %
	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:			
*	TC Motor Vietnam Co. Ltd (formerly known as Tanda Motor Co. Ltd.)	Manufacture and assembly of buses, trucks and automobiles	100	70
*	TCIE Vietnam Pte. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100
	Nissan Vietnam Co. Ltd.	Importation and distribution of motor vehicles	74	74
	Incorporated in Laos:			
^	Tan Chong Motorcycles (Laos) Co., Ltd.	Dormant	100	100
^	Tan Chong Motor (Lao) Co., Ltd.	Dormant	100	100
	Incorporated in Myanmar:			
^@	E-Garage Auto Services and Spare Parts (Myanmar) Company Limited	Dormant	90	-

* 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 2011 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.

^^ Companies previously audited by another firm of Public Accountants, now audited by KPMG.

37. 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 increased by RM31,436,000 and consolidated profit for the year would have decreased by RM6,828,000.

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	10	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
Non-controlling 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.

38. Disposal of subsidiary

The effects of disposal of Kereta Komersil Seladang (M) Sdn. Bhd., as disclosed in Note 16, on the financial position and cash flow of the Group in the previous year were as follows:

	2010 RM'000
Cash and cash equivalents	2
Payables and accruals	(2)
Net assets disposed	-
Non-controlling 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

39. Significant events

(i) 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 2011-A of RM212 million on 2 August 2011.

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"). RM193 million of Class A Notes and RM4 million of Class B Notes were issued to investors in the debt capital markets while Class C Notes of RM15 million were subscribed by TCCR.

(ii) On 7 December 2011, TC Express Auto Services & Spare Parts (Labuan) Pty. Ltd., a wholly-owned subsidiary of Tan Chong Ekspres Auto Servis Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, incorporated a new subsidiary named E-Garage Auto Services and Spare Parts (Myanmar) Company Limited ("E-Garage") to undertake the business of automobile workshop services in Myanmar. E-Garage has an authorised capital of Kyats100,000,000 (equivalent to USD16,666,667) and paid-up share capital of Kyats1,800,000 (equivalent to USD300,000).

(iii) 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 in Malaysia. IMSB has an authorised capital of RM5 million and paid-up share capital of RM1,000 subscribed by ETCM and Auto Dunia Sdn. Bhd. ("ADSB") in proportion of 70% and 30% respectively.

On 30 December 2011, IMSB increased its paid-up share capital to RM2,501,000 whereby ETCM and ADSB have further subscribed additional 1,750,000 and 750,000 ordinary shares of RM1.00 each respectively. ETCM remains its 70% shareholding in IMSB after the increase.

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

40. Subsequent events

(i) On 2 January 2012, Tan Chong Motorcycles (Laos) Co., Ltd., a wholly-owned subsidiary of Tan Chong Motorcycles (Labuan) Pte. Ltd., which in turn is a wholly-owned subsidiary of the Company, entered into a Distribution Agreement with Vietnam Manufacturing and Export Processing Co., Ltd. ("VMEP") in respect of its appointment by VMEP as the exclusive distributor, importer and after-sales service provider for SYM Motorcycles (including spare parts for such motorcycles) in Laos.

(ii) On 13 February 2012, TC Manufacturing Holdings Sdn. Bhd. ("TC Manufacturing"), a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TC Automotive Electronics Sdn. Bhd. ("TC Automotive") to undertake the business of traders, manufacturers, contractors, importers, exporters, wholesalers, retailers, hirers and dealers in automotive electronic components and systems. TC Automotive has an authorised capital of RM100,000 and paid-up share capital of RM2.00.

(iii) On 22 February 2012, TC Manufacturing, a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TC Module Integrator Sdn. Bhd. ("TC Module") to undertake the business of design, develop, manufacture and assemble, supply and sell automotive modules and systems. TC Module has an authorised capital of RM100,000 and paid-up share capital of RM2.00.

(iv) On 6 March 2012, Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA"), a subsidiary of the Company, entered into an Assembly Agreement with TC Subaru Sdn. Bhd. ("TCS") pursuant to which TCS appoints TCMA as its contract assembler to assemble passenger vehicles.

(v) On 30 March 2012, TC Manufacturing, a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TC Manufacturing (Labuan) Pte. Ltd. as an investment holding company. TC Manufacturing (Labuan) Pte. Ltd. has an issued and paid-up capital of USD1.00.

(vi) On 30 March 2012, TC Management Services Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TCMSC (Labuan) Pte. Ltd. as an investment holding company. TCMSC (Labuan) Pte. Ltd. has an issued and paid-up capital of USD1.00.

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

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised profits	1,709,945	1,552,610	997,007	964,286
- Unrealised (loss)/profit	(19,543)	(16,848)	5,072	3,567
	1,690,402	1,535,762	1,002,079	967,853
Total share of retained earnings of associated companies:				
- Realised profits	5,794	4,980	-	-
- Unrealised loss	-	(57)	-	-
	5,794	4,923	-	-
Total retained earnings before consolidation adjustments	1,696,196	1,540,685	1,002,079	967,853
Less: Consolidation adjustments	(165,917)	(167,073)	-	-
Total retained earnings	1,530,279	1,373,612	1,002,079	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 119 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 2011 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 41 on page 120 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: 19 April 2012

STATUTORY DECLARATION

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

I, Loy Swee Im, 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 120 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 19 April 2012.

Loy Swee Im
MIA 9096

Before me:

Affandi bin Ahmad
No.W602
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 statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flow of the Group and of the Company for the financial year then ended and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 119.

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 about 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 of the financial statements that give a true and fair view 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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 36 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.

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 41 on page 120 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

Loh Kam Hian
Approval Number: 2941/09/12(J)
Chartered Accountant

Petaling Jaya,

Date: 19 April 2012

TEN LARGEST PROPERTIES OF THE GROUP

as at 31 December 2011

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	116.94	5	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	40.23	43	30.12.09	-
249 (Lot 49392) Jalan Segambut 51200 Kuala Lumpur	Assembly plant, offices, warehouse/store, vehicle storage yard & canteen	806,729	596,335	Leasehold 14.01.2073	22.96	36	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	13.32	29	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	13.30	18	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	11.58	32	11.09.81	1984
Lot 43097 Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse & hostel	325,030	100,496	Leasehold 27.01.2074	9.95	14	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	60,063	-	Freehold	7.42	-	13.05.04	-
Lot 1388 Jalan Seri Amar 50350 Kuala Lumpur	Levelled commercial land for development	22,183	-	Freehold	7.40	-	28.10.74	-

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	180	2.17	4,107	-[1]
100 - 1,000	2,707	32.62	2,539,082	0.38
1,001 - 10,000	4,371	52.67	18,479,450	2.75
10,001 - 100,000	832	10.02	25,238,641	3.76
100,001 - 32,640,849[2]	205	2.47	261,335,606	38.89
32,640,850 and above[3]	4	0.05	345,220,114	51.37
Sub Total	**8,299**	**100.00**	**652,817,000**	**97.15**
Treasury shares			19,183,000	2.85
Total			**672,000,000**	**100.00**

Notes:
(1) Less than 0.01%.
(2) 100,001 to less than 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	21,909,462	3.36	320,257,380	49.06[1]
2 Tan Eng Soon	-	-	315,633,990	48.35[2]
3 Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	-[3]	-	-
4 Seow Thiam Fatt	60,000	0.01	-	-
5 Dato' Ng Mann Cheong	-	-	120,000	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 ("Act") and interests of spouse and children by virtue of Section 134(12)(c) of the Act. 49,447,450 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. 49,447,450 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 30 March 2012

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	252,276,940	38.64	49,447,450	7.57(1)
2	Nissan Motor Co, Ltd	37,333,324	5.72	-	-
3	Employees Provident Fund Board	49,485,100	7.58	-	-
4	Dato' Tan Heng Chew	21,909,462	3.36	312,677,990	47.90(2)
5	Tan Eng Soon	-	-	315,633,990	48.35(3)
6	Tan Kheng Leong	200,000	0.03	301,724,390	46.22(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 ("Act"). 49,447,450 shares are as to voting rights only.

(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. 49,447,450 shares are as to voting rights only.

(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	212,389,240	32.54
2	HSBC Nominees (Tempatan) Sdn Bhd *Exempt AN for HSBC (Malaysia) Trustee Berhad (D09-6061)*	49,447,450	7.58
3	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	46,050,100	7.05
4	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for Daiwa Securities Capital Markets Co Ltd (Clients)*	37,333,324	5.72
5	Cimsec Nominees (Tempatan) Sdn Bhd *Allied Investments Limited for Tan Chong Consolidated Sdn Bhd*	20,000,000	3.06
6	Tan Kim Hor	12,526,688	1.92
7	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Heng Chew (MM1063)*	11,713,000	1.79
8	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for the Bank of New York Mellon SA/NV (BDS Jersey)*	11,352,500	1.74
9	Tan Chong Consolidated Sdn Bhd	10,887,700	1.67
10	Amanahraya Trustees Berhad *Amanah Saham Malaysia*	9,150,300	1.40
11	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)*	9,087,400	1.39
12	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)*	9,000,000	1.38
13	Cartaban Nominees (Asing) Sdn Bhd *BBH (Lux) SCA for Fidelity Funds ASEAN*	7,194,600	1.10
14	Key Development Sdn Berhad	6,194,400	0.95

THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
15	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Khor Swee Wah @ Koh Bee Leng (MM1208)*	5,829,390	0.89
16	Amanahraya Trustees Berhad *Skim Amanah Saham Bumiputera*	5,642,500	0.87
17	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Heng Chew (E-KLC)*	5,165,800	0.79
18	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Dimensional Emerging Markets Value Fund*	4,689,700	0.72
19	Gan Teng Siew Realty Sdn Berhad	4,679,000	0.72
20	Amsec Nominees (Tempatan) Sdn Bhd *AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	4,558,300	0.70
21	Pang Sew Ha @ Phang Sui Har	4,219,517	0.65
22	Chinchoo Investment Sdn Berhad	4,205,000	0.64
23	Amanahraya Trustees Berhad *Public Islamic Select Treasures Fund*	4,189,000	0.64
24	Amanahraya Trustees Berhad *Amanah Saham Didik*	4,134,500	0.63
25	Tan Boon Pun	3,296,496	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	Tan Ban Leong	2,900,918	0.44
29	Tan Beng Keong	2,900,918	0.44
30	Tan Chee Keong	2,900,918	0.44
	TOTAL	**517,509,659**	**79.27**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth 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, 23 May 2012 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 2011 together with the Reports of the Directors and Auditors thereto. **Resolution 1**

2. To declare a final dividend of 12% less income tax for the financial year ended 31 December 2011. **Resolution 2**

3. To re-elect Dato' Ng Mann Cheong, 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. **Resolution 3**

4. 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 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." **Resolution 4**

   (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." **Resolution 5**

5. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2012 and to authorise the Directors to fix their remuneration. **Resolution 6**

As Special Business

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

6. **DIRECTORS' FEES**

   "THAT the aggregate fees payable to the Directors of the Company be hereby increased to an amount of not exceeding RM450,000/- per annum for the financial year ending 31 December 2012 and each financial year thereafter." **Resolution 7**

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." **Resolution 8**

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." **Resolution 9**

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 30 April 2012 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." **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 30 April 2012 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." **Resolution 11**

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 30 April 2012 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." **Resolution 12**

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

"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 Tan Chong International Limited and its subsidiaries involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.3 of the Company's Circular to Shareholders dated 30 April 2012 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." **Resolution 13**

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 Fortieth Annual General Meeting of Tan Chong Motor Holdings Berhad, a final dividend of 12% less income tax will be paid on 22 June 2012 to shareholders whose names appear in the Register of Members on 1 June 2012.

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

(1) shares transferred into the depositor's securities account before 4:00 p.m. on 1 June 2012 in respect of transfers;

(2) shares deposited into the depositor's securities account before 12:30 p.m. on 30 May 2012 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)
CHANG PIE HOON (MAICSA 7000388)
Company Secretaries

Kuala Lumpur
30 April 2012

NOTES:

1. *A depositor whose name appears in the Record of Depositors of the Company as at 15 May 2012 shall be regarded as a member entitled to attend, speak and vote at the meeting.*

2. *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.*

3. *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.*

4. *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.*

5. *Where a member of the Company is an exempt authorised nominee (as defined under the Securities Industry (Central Depositories) Act, 1991) which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *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.*

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Directors' Fees

At the Annual General Meeting of the Company held on 19 May 2010, the shareholders passed an ordinary resolution giving approval for the Company to pay aggregate fees of not exceeding RM400,000/- per annum to the Directors of the Company for the financial year ended 31 December 2010 and each financial year thereafter.

It is important that the Directors of the Company be adequately remunerated so that the Company will be able to retain and attract persons of caliber and credibility with the necessary skills and experience to manage the Company. In accordance with Article 83(ii) of the Company's Articles of Association, the Board recommends that shareholders approve, in advance, an annual payment of directors' fees of an aggregate amount of not exceeding RM450,000/-. The Board will seek fresh approval from the shareholders when there is a need to change the amount.

2. 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 39th Annual General Meeting held on 25 May 2011 to allot and issue shares in the Company up to an amount of 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 39th Annual General Meeting which will lapse at the conclusion of the 40th Annual General Meeting to be held on 23 May 2012.

A renewal of the mandate is being sought at the 40th Annual General Meeting under proposed 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.

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

The proposed 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 30 April 2012, despatched together with the Company's 2011 Annual Report.

4. Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Resolutions 10, 11, 12 and 13, 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 Resolutions 10, 11, 12 and 13 are set out in the Company's Circular to Shareholders dated 30 April 2012, despatched together with the Company's 2011 Annual Report.

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

FORM OF PROXY

CDS account no.

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 Fortieth 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, 23 May 2012 at 3:00 p.m., and at any adjournment thereof, as indicated below:

		For	**Against**
Resolution 1	Financial Statements and Reports of the Directors and Auditors		
Resolution 2	Final Dividend		
Resolution 3	Re-election of Dato’ Ng Mann Cheong as Director		
Resolution 4	Re-appointment of Mr Seow Thiam Fatt pursuant to Section 129(6) of the Companies Act, 1965		
Resolution 5	Re-appointment of Dato’ Haji Kamaruddin @ Abas bin Nordin pursuant to Section 129(6) of the Companies Act, 1965		
Resolution 6	Re-appointment of Messrs KPMG as Auditors		
Resolution 7	Directors’ Fees		
Resolution 8	Proposed Grant of Authority pursuant to Section 132D of the Companies Act, 1965		
Resolution 9	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Resolution 10	Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities		
Resolution 11	Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad and its subsidiaries and jointly-controlled entities		
Resolution 12	Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		
Resolution 13	Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		

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

____
Signature/Common Seal

Number of shares held : ____________________

Date : ____________________

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

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

Notes:

1. *A depositor whose name appears in the Record of Depositors of the Company as at 15 May 2012 shall be regarded as a member entitled to attend, speak and vote at the meeting.*
2. *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.*
3. *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.*
4. *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.*
5. *Where a member of the Company is an exempt authorised nominee (as defined under the Securities Industry (Central Depositories) Act, 1991) which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

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 Secretaries
TAN CHONG MOTOR HOLDINGS BERHAD
62-68 Jalan Ipoh
51200 Kuala Lumpur

fold here