TAN CHONG MOTOR HOLDINGS BERHAD

(12969-P)

A N N U A L   R E P O R T   2 0 1 2

41st

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, 22 May 2013 at 3:00 p.m.

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NISSAN ELGRAND

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CORPORATE INFORMATION

Directors

Dato' Tan Heng Chew
Executive Deputy Chairman and Group Managing Director

Dato' Ng Mann Cheong
Senior 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

Dato' Khor Swee Wah @ Koh Bee Leng
Executive Director

Ling Ou Long @ Ling Wuu Long
Executive Director

Ho Wai Ming
Executive Director

Audit Committee

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

Nominating Committee

Dato' Ng Mann Cheong (Chairman)
Dato' Haji Kamaruddin @ Abas bin Nordin
Seow Thiam Fatt
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 on 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

ALMERA

HR15DE engine with CVTC

This engine is all aluminium for light weight and quiet operation. Advance technology raises intake and exhaust efficiency to assure ample low and midrange torque.

Whether travelling in town or cruising on the highway, you'll appreciate its impressive acceleration and outstanding fuel efficiency.

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

It gives us great pleasure to present Tan Chong Motor Holdings Berhad's Annual Report for the financial year ended 31 December 2012.

Tan Chong Motor Group entered 2012 on a challenging note on the back of a weak global economy that is recovering, albeit slowly. Closer to home, the Asian economies were generally more resilient and remain robust, but there were pockets of turbulence in the emerging countries as they grapple to manage and reform their economy.

On the domestic front, the year 2012 was no less challenging for Tan Chong Motor Group as we deal with the aftermath effects of the Thailand floods on the automotive supply chain and the uncertainty of the Bank Negara Malaysia's Responsible Lending Guidelines introduced on 1 January 2012. Nevertheless, Tan Chong Motor Group maintain the course and maneuver carefully and confidently to build our foundation for growth in 2013 and beyond.

Review of Financial Performance

For the year 2012, the Group recorded revenue of RM4,086 million, an increase of 5.8% compared to RM3,860 million last year. The revenue growth was attributed to our latest best-selling model, the much anticipated All New Nissan Almera which was officially launched on 30 October 2012.

However, the profit before tax was much lower than financial year (FY) 2011, decreased by 28.6% to record at RM218 million for FY 2012. This is a result of intense competition in the market place and higher promotional and marketing campaigns costs to fend off the competition. Earnings per share ("EPS") for the year were lower at 24.19 sen versus the previous year's EPS of 33.11 sen.

The Group is in healthy position with shareholders' funds at RM1,937 million, cash and cash equivalents of RM634 million and low net gearing ratio of 0.3 times of shareholders' funds as at 31 December 2012. Net assets per share remain healthy at RM2.97 (up 5.3% from 2012). Inventories stood at RM1,412 million (up 47% from 2012) and a substantial portion in CKD vehicle packs to meet customers' bookings for the Nissan Almera.

Dividends

The Board recommends the payment of the final dividend of 12% less tax (2011 : 12% less tax) for shareholders' approval at the forthcoming Annual General Meeting. Combined with the earlier interim dividend of 12% less tax paid on 28 September 2012, the total dividend for the year is 12 sen per share (2011 : 12 sen per share).

Review of Operating Performance

Through years of laying and strengthening our foundation, Tan Chong Motor Group is geared towards pursuing growth, both domestically and regionally. Tan Chong Motor Group continues to employ the two-pronged strategy of regional and organic growth to expand the business. The expansion of the Tan Chong footprint towards Indo-China is part of this strategy, as we continuously strive to extend our market reach by doing what we know best.

REPORT OF THE BOARD OF DIRECTORS

Vehicle Assembly, Manufacturing, Distribution & After-Sales Services (automotive)

The Total Industry Volume (TIV) in 2012 surged to a record high of 627,753 vehicle units sold with intense competition especially in last quarter of 2012. [source: Malaysian Automotive Association].

Despite operating in a challenging year, 2012 was a milestone year for the Tan Chong Motor Group as Nissan emerged as the second best–selling car brand in the non-national cars segment with total vehicle sales of 35,307 units. Our market share has increased to 5.6%. The All New Nissan Almera was very well received by customers due to its attractive features with more space, technology and style and it also marked the return of Nissan cars in the highly competitive B segment in over 20 years.

The Tan Chong Motor Group's 2012 results were dampened following the consolidation of losses suffered by Nissan Vietnam Co. Ltd (NVL) which constituted 6% of the Group profit after tax. Vietnam automotive industry performed poorly for the year. Vietnam TIV has dropped significantly by 29.5% compared to 2011, due to the weak market condition and consumer demands and also changes in government policies such as high registration tax as the country struggle to manage and reform the economy. The devaluation of Vietnamese Dong (VND) against the USD and the Group's RM denominated reporting currency resulted in higher costs and foreign currency translation losses.

Nonetheless, Tan Chong Motor Group strongly believes that the emerging markets in Indo-China will play an important role in the Asean economy in the coming years and the future Asean Economic Community.

This year marked the second year of Tan Chong's journey of the NISSAN's Mid-Term Plan. Tan Chong Motor Group is committed to the Mid-Term Plan.

Financial Services (hire purchase and insurance)

2012 continued to be challenging for hire purchaser financing business, amplified by the introduction of pre-emptive Responsible Lending Guidelines introduced by Bank Negara Malaysia at the beginning of the year. Nevertheless, the financial services sector performance remains strong, registered a growth of 27.8% in EBITDA. These were attributed to our excellent customers' services, providing value added services beyond the norm which are highly valued by our customers. Examples of these services include convenient and hassle-free insurance and road tax renewal etc.

As the Group continues expanding its business, the Group is mindful of maintaining a manageable gearing position. This is achieved by issuance of RM388 million of Notes series 2012 under the Asset-Backed Securitisation Programme. The Group successfully monetized hire purchase receivables into cash on 3 December 2012.

Recognition and Awards

Tan Chong Motor Group continues to earn recognition for its service excellence. Tan Chong Motor Group was indeed honoured to be ranked No. 1 in J.D. Power Asia Pacific 2012 Malaysia Sales Satisfaction Index (SSI). This was in recognition of Tan Chong's successful customer service enhancement activities through the introduction of "You Can Count On Us" programme. We will strive harder to continue engaging our customers to serve them better.

Prospect and Strategic Direction Going Forward

Replicating Tan Chong's success to Indo-China

A key development in 2012 which the Board is particularly excited with is the completion of the construction of Danang Assembly Plant in Danang City, Vietnam. This new plant has the potential to contribute positively towards Tan Chong Motor Group's profitability in future. It is in line with our strategic approach to further increase our market share beyond domestic borders.

Given the geographically dispersed business operations of the Tan Chong Motor Group and challenges of managing businesses in the emerging markets, we are pleased to be able to draw from a pool of proven senior management personnel with strong industry experience to guide us through the challenges with steady hands and lay the Tan Chong foundation in those countries for future growth.

Strengthening Tan Chong's position in Malaysia

We are committed to growing market share and improving customer service satisfaction in line with Nissan's Mid-Term Plan by leveraging on our existing strengths of proven people, products and processes. The continuing pursuit of growth will be based on good corporate governance practices, sound risk management policies and prudent capital expenditure and operating practices to ensure a sustainable long term growth and profitability.

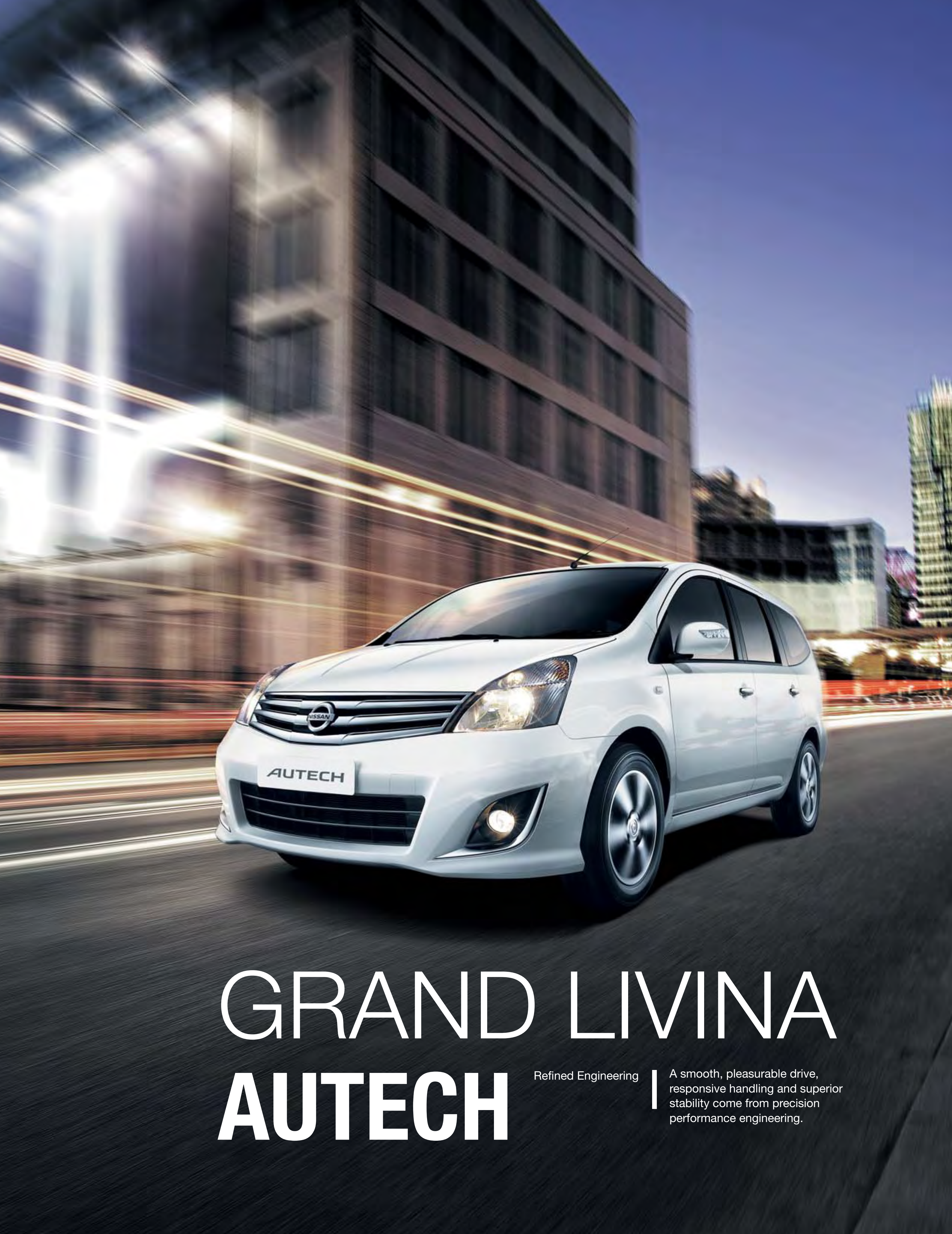
Acknowledgment

The Board composition has changed with Mr Tan Eng Soon stepping down as a Director in June 2012 and the appointment of three new Executive Directors in March 2013. On behalf of the Board, I wish to record our thanks and appreciation to Mr Tan Eng Soon for his more than 20 years of service and contribution to the Board and welcome Dato' Khor Swee Wah, Mr Ling Ou Long and Mr Ho Wai Ming on board and look forward to their participation and contribution towards the Group's continuous growth journey.

The Board would like to thank the Tan Chong's management and staff, whose hard work and full commitment contributed and helped the Group to stay resilient against a challenging year. My sincere appreciation also goes to our valued principals, customers, business partners and loyal shareholders for their continued support. To my fellow Board members, I would like to express my gratitude for your invaluable advice, guidance and contribution to the Group.

On behalf of the Board,

Dato' Tan Heng Chew
Executive Deputy Chairman and Group Managing Director
19 April 2013


AUTECH
GRAND LIVINA
AUTECH
Refined Engineering
A smooth, pleasurable drive, responsive handling and superior stability come from precision performance engineering.

8 YEARS FINANCIAL HIGHLIGHTS

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
RESULTS								
Revenue	4,086,103	3,860,071	3,505,248	2,856,886	3,195,826	1,863,177	2,109,039	2,949,253
Profit before taxation	217,604	305,033	322,753	177,226	307,210	123,074	85,956	183,356
Taxation	(61,446)	(89,612)	(91,666)	(22,922)	(61,489)	(22,934)	(24,871)	(49,788)
Profit for the financial year	156,158	215,421	231,087	154,304	245,721	100,140	61,085	133,568
Attributable to:								
Equity holders of the Company	157,952	216,144	229,740	153,326	245,802	99,568	59,968	130,926
Non-controlling interest	(1,794)	(723)	1,347	978	(81)	572	1,117	2,642
STATEMENT OF FINANCIAL POSITION								
Assets								
Property, plant and equipment	858,396	675,779	618,388	584,941	592,837	581,806	449,532	326,236
Prepaid lease payment	16,535	11,357	-	-	-	-	-	-
Investment properties	20,303	17,558	10,490	10,582	10,692	10,803	10,913	-
Intangible assets - Goodwill	13,944	14,448	14,191	-	-	-	-	-
Investment in associates	27,128	19,791	18,920	18,281	18,212	17,824	17,100	15,853
Other investments, including derivatives	1	1,807	1,807	1,806	5,806	5,806	5,806	5,806
Deferred tax assets	24,339	14,520	12,090	4,881	4,501	5,385	9,042	9,110
Hire purchase receivables	251,153	386,788	284,554	312,811	165,331	116,686	157,281	195,183
Finance lease receivables	2,378	1,440	3,945	7,116	3,633	5,405	5,684	4,727
Total non-current assets	1,214,177	1,143,488	964,385	940,418	801,012	743,715	655,358	556,915
Current assets	2,723,795	1,893,421	1,781,634	1,524,964	1,450,408	1,201,205	1,275,258	1,607,888
Total Assets	**3,937,972**	**3,036,909**	**2,746,019**	**2,465,382**	**2,251,420**	**1,944,920**	**1,930,616**	**2,164,803**
Equity and Liabilities								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	1,625,971	1,529,650	1,371,376	1,202,549	1,098,485	902,160	831,460	812,325
Treasury shares	(24,795)	(24,786)	(24,778)	(24,777)	(13,024)	(5,561)	(4,090)	(2,133)
Total equity attributable to owners of the Company	1,937,176	1,840,864	1,682,598	1,513,772	1,421,461	1,232,599	1,163,370	1,146,192
Non-controlling interests	6,140	8,310	8,639	4,406	3,557	3,743	18,995	18,567
Total equity	**1,943,316**	**1,849,174**	**1,691,237**	**1,518,178**	**1,425,018**	**1,236,342**	**1,182,365**	**1,164,759**
Non-current liabilities	410,884	336,347	409,147	291,545	226,290	328,730	377,001	335,190
Current liabilities	1,583,772	851,388	645,635	655,659	600,112	379,848	371,250	664,854
Total Equity and Liabilities	**3,937,972**	**3,036,909**	**2,746,019**	**2,465,382**	**2,251,420**	**1,944,920**	**1,930,616**	**2,164,803**
FINANCIAL STATISTICS								
Basic earnings per share (sen)	24.19	33.11	35.19	23.42	36.90	14.91	8.96	19.54
Gross dividend per share (sen)	12.00	12.00	12.00	11.00	10.00	7.50	5.00	7.50
Net assets per share (RM)	2.97	2.82	2.58	2.32	2.15	1.85	1.74	1.70
Return on invested capital (%)	8.61%	12.85%	13.59%	10.48%	17.44%	7.71%	5.23%	11.92%
Return on shareholders equity (%)	8.36%	12.27%	14.38%	10.45%	18.52%	8.31%	5.19%	11.89%
Net debt/Equity (%)	30.07%	15.28%	15.84%	7.30%	17.83%	12.29%	20.83%	41.57%

PROFILE OF DIRECTORS

Dato' Tan Heng Chew
JP, DJMK

Dato' Tan Heng Chew, 66, a Malaysian, was appointed to the Board on 19 October 1985 and has been the Executive Deputy Chairman since 1 January 1999. Dato' Tan was re-designated as the Executive Deputy Chairman and Group Managing Director on 1 July 2012.

Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and a Master 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 spouse of Dato' Khor Swee Wah @ Koh Bee Leng, an Executive Director of the Company. He is a major shareholder of the Company. He is also a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. He 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, 68, a Malaysian, was appointed to the Board on 31 July 1998 as an Independent Non-Executive Director. He is the Chairman of the Nominating Committee and a member of the Audit Committee. He was designated as Senior Independent Non-Executive Director to whom concerns of fellow Directors, shareholders and stakeholders may be conveyed, effective 23 January 2013.

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

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

Dato' Haji Kamaruddin @ Abas bin Nordin
DSSA, KMN

Dato' Haji Kamaruddin @ Abas bin Nordin, 74, 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 and Nominating 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. He 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, 72, a Malaysian, was appointed to the Board on 3 July 2002. He is an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Nominating 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 various senior positions in the private and public sectors including his position as General Manager of the Financial Reporting Surveillance and Compliance Department of the Securities Commission of Malaysia.

Mr. Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad, Sersol Berhad (formerly known as Sersol Technologies Berhad) and ING Funds Berhad. He was also an Independent Director of Affin Investment Bank Berhad from April 2004 to September 2011 and a past Independent Director of Malaysia Pacific Corporation Berhad and ING Insurance Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

PROFILE OF DIRECTORS

Siew Kah Toong

Siew Kah Toong, 58, 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 and Nominating 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 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 acquisitions besides improving the financing reporting systems.

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

Dato' Khor Swee Wah @ Koh Bee Leng
DJMK

Dato' Khor Swee Wah @ Koh Bee Leng, also known as Dato' Rosie Tan, 64, a Malaysian, was appointed to the Board on 22 March 2013. She is an Executive Director.

Dato' Rosie Tan graduated from the University of Newcastle, New South Wales, Australia with a Bachelor of Commerce (Accounting) degree in year 1970. She began her career in the Treasury Department of Tan Chong Group after her graduation in 1970 and was subsequently appointed as Deputy Managing Director of Tan Chong & Sons Motor Company Sdn Bhd since 10 January 2004. During her over 40 years' stint in the Group, she managed the multi-currency exposure of the Group and introduced the use of various innovative hedging products as part of her effort in minimizing cost for the Group; set up the Group's Treasury Department and Human Capital Management Division; and transformed a manual and traditional organisation into an IT process driven operations.

Dato' Rosie Tan leads an active life within and outside her profession. Over the years, she has established a name for herself in the Malaysian society for her involvement as the Honorary Treasurer (1994 - 1999) and Honorary Trustee (1999 - 2003) of the Malaysian Aids Foundation. She is also a Trustee of the Pink Triangle Foundation, a non-profit making organisation providing HIV Aids Education to the Malaysian society.

Dato' Rosie Tan is spouse of Dato' Tan Heng Chew, Executive Deputy Chairman and Group Managing Director and a major shareholder of TCMH. She has abstained from deliberating and voting in respect of transactions between the Group and related parties involving herself.

PROFILE OF DIRECTORS

Ling Ou Long @ Ling Wuu Long

Ling Ou Long @ Ling Wuu Long, 68, a Malaysian, was appointed to the Board on 22 March 2013. He is an Executive Director.

Mr. Ling graduated from National Taiwan University with a Bachelor of Science Degree in Mechanical Engineering. He is a Professional Engineer registered with the Board of Engineers Malaysia and a member of the Institute of Engineers Malaysia.

Mr. Ling joined Tan Chong Group as an engineer in November 1970 to study parts localisation for the motor industry and subsequently became one of the pioneer members who established the Auto Parts Division of the Tan Chong Group. During his over 40 years' stint in the Tan Chong Group, Mr. Ling held several senior management positions including executive director of the press metal parts subsidiary and assembly plant company. He is a consultant of TC Management Services Corporation Sdn Bhd, a wholly-owned subsidiary of the Company.

Ho Wai Ming

Ho Wai Ming, 42, a Malaysian, was appointed to the Board on 22 March 2013. He is an Executive Director and Group Financial Controller.

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

Mr. Ho has more than 19 years' experience in taxation, accounting and audit, business advisory and corporate restructuring activities. He joined Tan Chong Motor Holdings Berhad ("TCMH") Group as Senior Manager (Taxation) in September 2005 and has risen to his current position of Executive Director and Group Financial Controller since 22 March 2013 and 1 April 2013 respectively. He also heads the Group Taxation, Cost Management and Productivity Divisions. During his over 7 years stint in the Group, he has been involved in various financial and corporate management functions within the Group. Immediately prior to joining TCMH Group, he was a Senior Consultant of PricewaterhouseCoopers Taxation Services Sdn. Bhd. He also served as Accountant for the Bechtel Corporation's companies in Malaysia.

Except for Dato' Tan Heng Chew and Dato' Khor Swee Wah @ Koh Bee Leng who are husband and wife, 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.

The attendance of the Directors at board meetings held in 2012 is set out on page 21.

CORPORATE SOCIAL RESPONSIBILITY REPORT

At Tan Chong Motor Holdings Berhad (TCMH), Corporate Social Responsibility (CSR) 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. TCMH 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.

Among the CSR activities carried out by the Group in year 2012 were as follows:

Care Centre for Schoolchildren of Single Parents

Year 2012 marked the fourth consecutive year of this community project, which also happened to be the longest continuous CSR effort of the Group. To date, there are a total of 82 students from 71 families benefiting from the programmes in both schools – SJK (C) Sg. Chua, Kajang and SJK (C) Sg. Way in Petaling Jaya.

Studies have shown that children living with poor single parents tend to become more mischievous, emotionally unstable and are academically low achievers. The objective of this effort is to help schoolchildren of single parents who are neglected by their working parents. By providing these centres, the children will not be left alone at home unattended or allowed to loiter outside while being exposed to negative influences.

A dedicated supervisor with education background is assigned to look after the children, including helping them with their homework. This ensures that the children complete their homework and revise their studies. Teachers and parents are happy with the significant improvements shown by the schoolchildren both academically and in their behavior.

The school management and Parents Teachers Association (PTA) of both schools have continued to show their strong commitment in managing the Centres, especially in the handling of the funds disbursed to them, with full transparency.

Pertubuhan Kebajikan Siri Jayanti

Siri Jayanti Metta Care Centre for the neglected and fragile senior citizens is managed and operated by Siri Jayanti Welfare Organization, a charity which provides welfare assistance to the poor, needy, less fortunate and elderly since 1991.

The Group donated a refurbished Nissan Urvan when the management received a request from the Centre which was in dire need of replacing its existing 11-year old Nissan Vanette that often breaks down causing delay and cancellation of activities of the elderly residents under its care.

The Siri Jayanti Metta Care Centre is currently operating from a rented building and its operations are supported entirely through generous public donations. The home relies on the generosity of donors to cover its rental, maintenance and food expenses.

St John Ambulance

The Group has again endeavored to create a positive impact onto the society it operates in by donating a refurbished ambulance to the St John Ambulance Malaysia (East Selangor).

Warrior's Day Campaign

Warrior's Day, which falls on 31st of July every year, is a sacred date to be cherished by the whole nation to commemorate and honor the service and sacrifices of warriors, who defended our homeland.

Many of the soldiers had sacrificed their lives and some had suffered permanent disability. Indeed, their sacrifices cannot be measured or compensated for but the Group believes that to support their widows, children and loved ones is a noble deed.

The management of TCMH Group contributed RM100,000 to the Warrior's Day Campaign, to express the Group's gratefulness towards their sacrifices, for which has allowed Malaysia to prosper today.

Persatuan Dialisis Kurnia Petaling Jaya

Over 10,000 Malaysians are suffering from end-stage renal failure and to compound the situation, about 2,500 new patients are diagnosed with kidney failure each year, mostly due to diabetes and hypertension. Unfortunately, this bleak scenario is very much a reality.

Persatuan Dialisis Kurnia Petaling Jaya (PDK) was set up in 2001 in response to the Government's call for more haemodialysis centres to help cope with the increasing number of patients with end-stage renal failure throughout the nation.

The Group admired the efforts made by PDK in providing dialysis treatment for the underprivileged patients and had contributed RM10,000 to them. With this contribution, the Group hopes to make the cost of dialysis more affordable.

Employee Voluntary Programme – "Bettering Lives"

CSR efforts are not limited to provision of financial assistance alone but include the time and effort accorded by our dedicated employees. The objectives are to create a positive impact in the community and environment, foster teamwork and create a sense of belonging to the Group.

TCMH Group employees paid a visit to Precious Children Home while students from TC Education visited the Silver Jubilee Old Folks Home, with a unified objective of bettering lives of the residents. They brought along food provision, and basic medical care as well as helped clean the house compound and helped mend items in need of repair. During the visits, the atmosphere was filled with joy and laughter of the residents. A little sharing and caring truly does make a difference in their lives.

Long Service Award and Chairman's Award 2012

Once again, the Long Service Award and Chairman's Award 2012 was successfully organised on 24 November 2012 to celebrate and award the employees who have demonstrated unquestionable loyalty and unwavering perseverance to the company and their jobs; as well as children of employees who have achieved academic excellence.

The Long Service Award honoured a total of 195 deserving employees for their hard work and dedication towards the growth of the company; while the Chairman's Award 2012 awarded 49 brilliant children for their outstanding academic achievements.

Environment Conservation

Ever since the Group unveiled the three Recycling Bins at the headquarters' premises in year 2012, TCMH Group employees have been utilising these bins to recycle items such as aluminium cans, plastic bottles, paper and glass materials. All of these items are collected periodically by the Recycle for Charity Organisation and all proceeds benefit the orphans, broken families, underprivileged children, the sick, the disabled, needy single mothers, community projects and schools.

MURANO

Absolute Euphoria

Feel free to turn yourself on. You probably haven't experienced such a combination of confident handling, dynamic performance and absolute driving comfort before.

CORPORATE GOVERNANCE STATEMENT

The Board of Tan Chong Motor Holdings Berhad ("Company") recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Directors consider corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity as well as corporate performance.

As such, the Board seeks to embed in the Group a culture that aims to balance conformance requirements with the need to deliver long-term strategic success through performance, without compromising on personal or corporate ethics and integrity.

This corporate governance statement ("Statement") sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and observed the 26 Recommendations supporting the Principles during the financial year following the release of the MCCG 2012 by the Securities Commission in late March 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

Principle 1 - Establish clear Roles and Responsibilities of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- overseeing the conduct of the Group's business and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- overseeing the development and implementation of a shareholder communications policy; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee and Nominating Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

(i) *Board Charter*

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter ("Charter"), which serves as a reference point for Board activities. The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. As at the end of the financial year under review, the Board Charter had not been made publicly available. Nonetheless, steps have been taken to upload the salient features of the Charter on the Company's website at www.tanchong.com.my in line with Recommendation 1.7 of the MCCG 2012.

(ii) *Code of Ethics*

At the date of this Statement, the Board has formalized a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. To inculcate good ethical conduct, the Group has established a Code of Conduct for employees, which has been communicated to all levels of employees in the Group.

The Board has also formalised a Special Complaints Policy, which is equivalent to a whistle-blowing policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The Board recognizes the importance of adhering to the Code of Ethics and has taken measures to put in place a process to ensure its compliance, including steps to upload a summary of the Code of Ethics on the Company's website.

(iii) Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders, including suppliers, customers and other organizations.

The Group's activities on corporate social responsibilities for the financial year under review are disclosed on pages 14 and 15 of this Annual Report.

(iv) Access to Information and Advice

Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Board Charter in furtherance of their duties.

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

Principle 2 - Strengthen Composition of the Board

During the financial year under review, the Board consisted of five (5) members, comprising one (1) Executive Director and four (4) Independent Non-Executive Directors. At the date of this Statement, the number of Directors has increased to eight (8), with the appointment of three (3) Executive Directors on 22 March 2013. This composition fulfills the requirements as set out under the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out on pages 10 to 13 of this Annual Report. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as engineering, entrepreneurship, finance, taxation, accounting and audit, legal and economics.

(i) Nominating Committee – Selection and Assessment of Directors

For the financial year under review, a Nominating Committee was not formed as the Board considered its size to be small where the roles and responsibilities of the Nominating Committee on the selection and assessment of Directors could be more expediently assumed by the Board, as a whole. In the absence of such a Committee, the Board appointed an independent professional consultant, during the financial year under review, to assist it in developing pertinent criteria to assess the performance of the Board, as a whole, the Audit Committee and individual Directors, based on a self and peer assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considered and approved the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting.

On 23 January 2013, the Board established a Nominating Committee as it recognizes the importance of the roles the Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Committee can assist the Board to discharge its fiduciary and leadership functions. The newly formed Nominating Committee comprises the following members:

- Dato' Ng Mann Cheong (Chairman of Committee and Senior Independent Non-Executive Director);
- Seow Thiam Fatt (Independent Non-Executive Director);
- Dato' Haji Kamaruddin @ Abas bin Nordin (Independent Non-Executive Director);
- Siew Kah Toong (Independent Non-Executive Director).

The Board has stipulated specific terms of reference for the Nominating Committee, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programmes for the Board. The terms of reference require the Nominating Committee to review annually the required mix of skills and experience of Directors; succession plans and board diversity, including gender diversity; training courses for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Committee is also entrusted to assess annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director. Insofar as board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be. In respect of the three (3) new Directors who were appointed since the end of the financial year, the Nominating Committee has assessed the suitability of these Directors to continue in office and, according, has recommended to the Board on their re-election at the Company's forthcoming Annual General Meeting.

(ii) Directors' Remuneration

The Board is of the view that remuneration guidelines for Directors, formulated by drawing upon the wealth of experience of all 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 the 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 the financial year ended 31 December 2012 and annual increment for 2013 in respect of executive employees of the Group were recommended for the Board's approval by the Management. The quantum of the annual performance bonus was dependent on the operating results of the Group, taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Deputy Chairman and Group Managing Director in instances where there were no provisions of the same in his service contract with the Company.

The remuneration of Non-Executive Directors is determined by the Board, as a whole, within an aggregate Directors' fee limit of not exceeding RM450,000 per annum, which has been approved by shareholders of the Company. The Non-Executive Directors do not participate in discussion of their remuneration.

Directors' remuneration during the financial year ended 31 December 2012 in aggregate, with categorization into appropriate components, distinguishing between Executive and Non-Executive Directors, is as follows:

	Fees (RM)	**Salaries and Allowances (RM)**	**Bonus (RM)**	**Benefits-in-kind (RM)**
Executive Directors	-	6,067,096	2,798,119	68,799
Non-Executive Directors	424,000	43,900	-	35,500

CORPORATE GOVERNANCE STATEMENT

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

Range of remuneration	Executive	Non-Executive
RM100,000 to RM150,000	-	4
RM1,400,000 to RM1,450,000	1	-
RM7,500,000 to RM7,550,000	1	-

Principle 3 – Reinforce Independence of the Board

The positions of Chairman and Chief Executive Officer of the Company are held by the Executive Deputy Chairman and Group Managing Director. The Board is of the view that the significant composition of Independent Non-Executive Directors, which comprises half of the current Board's size, coupled with the use of Board Charter that formally sets out the schedule of matters reserved solely to the Board for decision making, provides for the relevant check and balance to address the positions of Chairman and Chief Executive Officer being assumed by the same Director.

The Executive Deputy Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As the Group Managing Director, supported by fellow Executive Directors and an Executive Management team, he implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. Dato' Ng Mann Cheong has been identified by the Board as the Company's Senior Independent Non-Executive Director, to whom concerns may be conveyed by fellow Directors, shareholders and other stakeholders.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors based on criteria set out in the Listing Requirements of Bursa. The Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve on the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Board is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence as adopted by the Board.

Following an assessment by the Board, Dato' Ng Mann Cheong, Dato' Haji Kamaruddin @ Abas bin Nordin and Mr Seow Thiam Fatt, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years each as at the end of the financial year under review, have been recommended by the Board to continue to act as Independent Non-Executive Directors, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. Key justifications for their recommended continuance as Independent Non-Executive Directors are as follows:

- they fulfil the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa and, therefore, are able to bring independent and objective judgment to the Board;
- their experience in the relevant industries enable them to provide the Board and Audit Committee, as the case may be, with pertinent expertise, skills and competence; and
- they have been with the Company long and therefore understand the Company's business operations which enable them to contribute actively and effectively during deliberations or discussions at Audit Committee and Board meetings, as the case may be.

Principle 4 – Foster commitment of Directors

The Board ordinarily meets at least five (5) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members at least seven (7) days before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings. During the financial year under review, the Board convened five (5) scheduled Board meetings attended by all the Directors and an ad-hoc Board meeting (for the purpose of approving the taking over of the role and responsibilities by the Group Managing Director from the outgoing Group Managing Director of the Company) which was attended by all the Independent Non-Executive Directors.

As stipulated in the Board Charter, the Directors shall devote sufficient time and efforts to carry out their responsibilities. The Board shall obtain this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

Save for the three new Executive Directors appointed on 22 March 2013 who will be required to complete the Mandatory Accreditation Programme ("MAP") within 4 months from their date of appointment, the other Directors have completed the MAP. During the financial year under review, the training attended by the Directors includes briefings, seminars and conferences conducted by relevant regulatory authorities and professional bodies as well as internal officers.

The continuous education programmes attended by the Directors during the financial year ended 31 December 2012 include the following:

Name of Director	Details of Programme
Dato' Tan Heng Chew	• KPMG: MFRS 10 – Consolidation: A new single control model MFRS 11 – Re-assessing Joint Ventures Accounting • KPMG: Corporate Governance Update • Research and Development session with part suppliers in Taiwan – localisation of automotive parts and technology updates • National Pingtung University of Science and Technology, Taiwan – Joint collaboration on some academic courses in vehicle engineering
Dato' Ng Mann Cheong	• Bursa Malaysia's Half Day Governance Programme: The key components of establishing and maintaining world-class audit committee reporting capabilities • Bursa Malaysia Sustainability Training for Directors & Practitioners • Malaysian Institute of Corporate Governance: The Malaysian Code on Corporate Governance 2012 – "The Implication and Challenges to Public Listed Companies"

CORPORATE GOVERNANCE STATEMENT

Name of Director	Details of Programme
Dato' Kamaruddin @ Abas bin Nordin	• Bursa Malaysia's Half Day Governance Programme: The key components of establishing and maintaining world-class audit committee reporting capabilities • Bursa Malaysia Sustainability Training for Directors & Practitioners • Bursa Malaysia's Governance Programme: Managing Corporate Risks and Achieving Internal Control through Statutory Compliance • Bursa Malaysia's Governance Programme: Making the most of the Chief Financial Officer Role: Everyone's responsibility • Malaysian Institute of Corporate Governance: Regulatory Updates, Governance and Current Issues For Directors of PLCs and Body Corporate 2012 • Audit Committee Institute: Breakfast Roundtable – Red Flags; Indicators of Fraud; Audit Committee Oversight Role on Financial Reporting • HELP College of Arts and Technology: Nobel Laureate Inaugural Lecture on "Social Business"
Seow Thiam Fatt	• Bursa Malaysia's Governance Programme: Role of the Audit Committee in Assuring Audit Quality • Bursa Malaysia's Seminar on Malaysian Budget 2013 • Bursa Malaysia's Governance Programme: Understanding Financial Statements – Use of Healthy Scepticism • Bursa Malaysia's Governance Programme: Managing Corporate Risks and Achieving Internal Control through Statutory Compliance • Bursa Malaysia's Half Day Governance Programme: The key components of establishing and maintaining world-class audit committee reporting capabilities • Malaysian Institute of Corporate Governance: The Malaysian Code on Corporate Governance 2012 – "The Implication and Challenges to Public Listed Companies" • Financial Institutions Directors' Education: The Director's Legal Tool Kit • Financial Institutions Directors' Education: Nominating & Remuneration Committee • Financial Institutions Directors' Education: Insurance Insights • Audit Committee Institute: Breakfast Roundtable – Red Flags; Indicators of Fraud; Audit Committee Oversight Role on Financial Reporting • Institute of Internal Auditors Malaysia (IIAM): IIAM National Conference – Rising Potential
Siew Kah Toong	• Chartered Institute of Taxation and Inland Revenue Board: National Tax Conference • Inland Revenue Board: National Tax Seminar 2012 • Sekhar & Tan: Review and Update of Malaysian Financial Reporting Standards (MFRS)/International Financial Reporting Standards (IFRS) • KPMG: MFRS 10 – Consolidation : A new single control model MFRS 11 – Re-assessing Joint Ventures Accounting • KPMG: Corporate Governance Update

The Company Secretaries normally circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board on these updates, where applicable. The Group Financial Controller and External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

Principle 5 – Uphold integrity in financial reporting by the Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Report of the Board of Directors and review of the Group's operations in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Mr Seow Thiam Fatt as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report on pages 28 to 30 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965, as the case may be. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, will adopt a policy for the types of non-audit services permitted to be provided by the external auditors, including the need for the Audit Committee's approval in writing before such services can be provided by the external auditors. To address the "self review" threat faced by the external audit firm, the procedures to be included in the policy require the engagement team conducting the non-audit services to be different from the external audit team.

In assessing the independence of external auditors, the Audit Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Principle 6 – Recognise and manage risks of the Group

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represents the key elements of the risk management and internal control structure:

(a) An organizational structure in the Group with formally defined lines of responsibility and delegation of authority;
(b) Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
(c) Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment;
(d) Active participation and involvement by the Executive Deputy Chairman and Group Managing Director in the day-to-day running of the major businesses and regular discussions with the senior management of smaller business units on operational issues; and
(e) Monthly financial reporting by the subsidiaries to the holding company.

Recognising the importance of having risk management processes and practices, the Board is taking measures to formalise a structured framework to enable Management to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

In line with the MCCG 2012 and the Listing Requirements of Bursa, the Company has in place a Systems & Internal Audit ("SIA") function, which reports directly to the Audit Committee on the effectiveness of the current system of internal controls from the perspectives of governance, risks and controls. All internal audits carried out are guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc, a globally recognized professional body for internal auditors. The in-house SIA function is independent of the activities it audits and the scope of work covered by the SIA during the financial year under review is provided in the Audit Committee Report of the Company.

Principle 7 – Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board will formalise pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company's website, where information on the Company's announcements to the regulators, the Board Charter, rights of shareholders and the Company's Annual Report may be accessed.

Principle 8 – Strengthen relationship between the Company and its shareholders

(i) Shareholder participation at general meeting

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question & answer session was held where the Chairman of the meeting invited shareholders to raise questions with responses from the Board and Senior Management. The Chairman of the meeting also shared with shareholders at the AGM, responses to questions submitted in advance by the Minority Shareholder Watchdog Group.

The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day.

(ii) Communication and engagement with shareholders and prospective investors

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

This Statement is dated 19 April 2013.

INTERNAL CONTROL STATEMENT

Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad requires the Board of a listed issuer to include in its Annual Report a statement on the state of internal control of the listed issuer as a Group. Accordingly, the Board of Directors is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2012.

Board Responsibility

The Board acknowledges its responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and Group's assets and for reviewing the adequacy and effectiveness of the internal control system. The system of internal control of the Group covers all aspects of its business. In view of the limitations inherent in any system of internal control, the Board is aware that the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's corporate objectives. Accordingly, the system can only provide reasonable, but not absolute assurance against material misstatement or loss.

Risk Management and Internal Control Structure

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

(i) An organizational structure in the Group with formally defined lines of responsibility and delegation of authority;
(ii) Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
(iii) Quarterly review of the performance of the Group's business by the Board, which also covers the assessment of the impact of changes in business and competitive environment;
(iv) Active participation and involvement by the Executive Deputy Chairman and Group Managing Director in the day-to-day running of the major businesses and regular discussions with the Senior Management of smaller business units on operational issues; and
(v) Monthly financial reporting by the subsidiaries to the holding company.

A Fraud Prevention Policy, supplemented by a Special Complaints Policy ("Policies") for the Group have been adopted effective 23 January 2013. This aims to provide broad principles, strategy and policy for the Group to adopt in relation to fraud in order to promote high standard of integrity. The Policies establish robust and comprehensive programs and controls for the Group as well as highlight the roles and responsibilities at every level for preventing and responding to fraud.

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 formalized limits of authority for different management levels. Matters beyond the formalized limits of authority for Management are referred upward to the Board for approval. Support functions like Finance and Operation Control, centralized Treasury, Internal Audit, Group Secretarial, Finance and Administration as well as Insurance also play a vital role in the overall control and risk management processes of the Group. Various management committees have been established to manage and control the Group's businesses.

Recognizing the importance of having risk management processes and practices, the Board is taking measures to formalize a structured framework to enable Management to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

The Board has received assurance from the Management that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

INTERNAL CONTROL STATEMENT

Internal Audit Function

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

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

Apart from field audits conducted by the internal auditors, key business units are also required to complete an annual internal control questionnaire which helps to assess the state of compliance with the Group's internal control procedures. The costs incurred for the internal audit function in respect of the financial year ended 31 December 2012 amounted to approximately RM1.94 million.

Weaknesses in Internal Controls that Resulted in Material Losses

The Board is of the view that there were no material losses incurred by the Group during the financial year ended 31 December 2012 as a result of weaknesses in internal controls. The Group continues to take measures to strengthen the risk management processes and internal 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 2012, 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.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2012 by KPMG, auditors for Tan Chong Motor Holdings Berhad, and firms/corporations affiliated to KPMG was RM481,645.

SHARE BUY-BACKS

Details of the shares bought back during the financial year ended 31 December 2012 and currently held as treasury shares are as follows:

Year 2012	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	1,000	4.54	4.54	4.54	4,586.37
November	1,000	4.46	4.46	4.46	4,506.34
Total	2,000				9,092.71

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 2012.

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 23 January 2013.

COMPOSITION AND MEETINGS

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

Name	Designation	Attendance
Seow Thiam Fatt (Chairman)	Independent Non-Executive Director	7/7
Dato' Ng Mann Cheong	Independent Non-Executive Director	7/7
Dato' Haji Kamaruddin @ Abas bin Nordin	Independent Non-Executive Director	6/7
Siew Kah Toong	Independent Non-Executive Director	7/7

TERMS OF REFERENCE

(A) 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.

(B) 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.

(C) 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 established by professional bodies 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. assess, review and monitor the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements;

4. 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;

5. set policy on non-audit services which may be provided by the external auditors, and conditions and procedures which must be adhered by the external auditors in the provision of such services;

6. approve non-audit services provided by external auditors; and

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

(D) 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.

(E) 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.

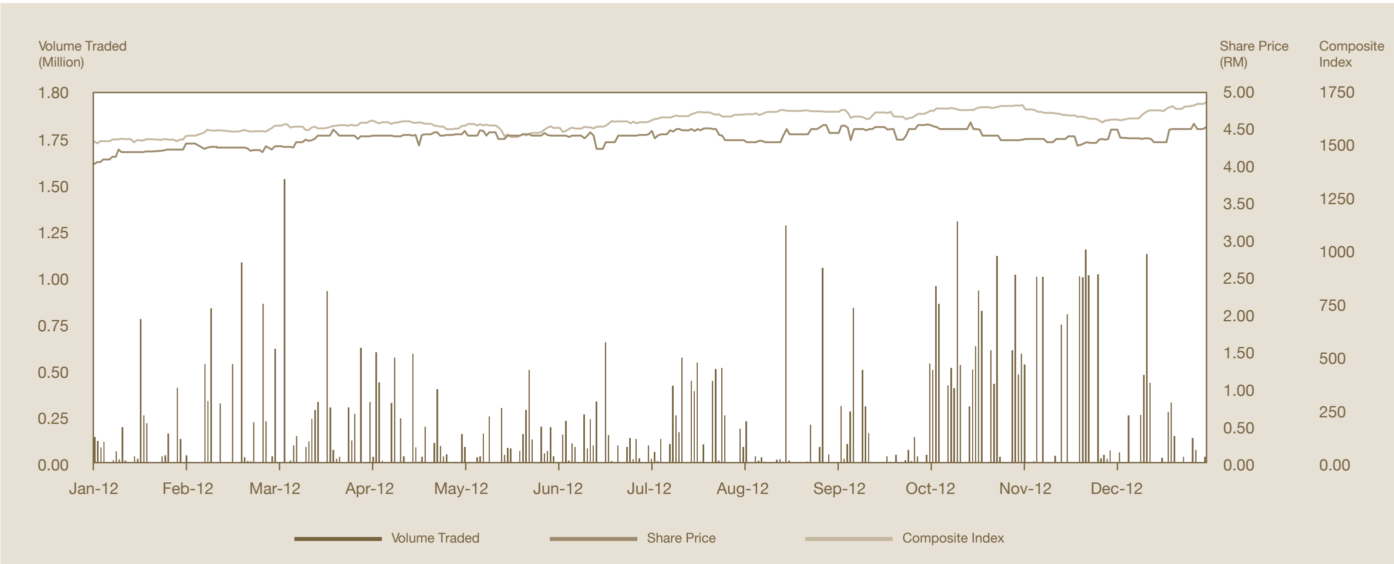
SUMMARY OF INTERNAL AUDIT ACTIVITIES

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 PRICES & VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD



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DIRECTORS' REPORT

for the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 35 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 for the year attributable to:		
Owners of the Company	157,952	33,163
Non-controlling interests	(1,794)	-
	156,158	33,163

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 RM29,376,721 in respect of the financial year ended 31 December 2011 on 22 June 2012; and

(ii) an interim dividend of 12% less tax at 25% totalling RM29,376,721 in respect of the financial year ended 31 December 2012 on 28 September 2012.

A final dividend of 12% less tax at 25% in respect of the financial year ended 31 December 2012 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
Dato' Ng Mann Cheong
Dato' Haji Kamaruddin @ Abas bin Nordin
Seow Thiam Fatt
Siew Kah Toong
Dato' Khor Swee Wah @ Koh Bee Leng (appointed on 22 March 2013)
Ling Ou Long @ Ling Wuu Long (appointed on 22 March 2013)
Ho Wai Ming (appointed on 22 March 2013)
Tan Eng Soon (resigned on 30 June 2012)

Directors' interests in shares

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 financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	Bought	Disposed/ Transferred	At 31.12.2012
Interest in the Company				
Direct interests:				
Dato' Tan Heng Chew	21,745,062	2,776,200	-	24,521,262
Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	-	-	4,992
Seow Thiam Fatt	60,000	-	-	60,000
Indirect/Deemed interests:				
Dato' Tan Heng Chew	323,072,380(1)	4,556,700	(16,482,485)(2)	311,146,595(3)
Dato' Ng Mann Cheong	120,000	-	-	120,000(4)

Notes:

(1) *Including 2,815,000 shares purchased by spouse prior to 2009 which were inadvertently omitted in previous disclosures.*

(2) *Release of shares by way of the 4th instalment to the exiting minority shareholders of Tan Chong Consolidated Sdn. Bhd. ("TCC") named in the Court Order and Compromise and Settlement Agreement dated 22 June 2009 as amended by a Supplemental Agreement dated 28 July 2009 entered into between and amongst TCC and all of its shareholders.*

(3) *Including interests of spouse and children by virtue of Section 134(12)(c) of the Companies Act, 1965. 32,964,965 shares are as to voting rights only.*

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

By virtue of Dato' Tan Heng Chew's interests in the shares of the Company, he is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Tan Chong Motor Holdings Berhad has an interest. Details of his deemed shareholdings in the subsidiaries are shown in Note 35 to the financial statements.

The remaining Director holding office at 31 December 2012 did not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Group, 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 32 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 16.

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad 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 2012 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 36 to the financial statements.

Subsequent events

Subsequent events are disclosed in Note 37 to the financial statements.

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 2013

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	Group			Company		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets							
Property, plant and equipment	3	858,396	675,779	618,388	1,508	1,255	1,035
Investment properties	4	20,303	17,558	10,490	-	-	-
Prepaid lease payments	5	16,535	11,357	-	-	-	-
Intangible assets	6	13,944	14,448	14,191	-	-	-
Investment in subsidiaries	7	-	-	-	1,340,062	1,339,221	1,270,746
Investment in associates	8	27,128	19,791	18,920	13,652	13,652	12,246
Other investments, including derivatives	9	1	1,807	1,807	32,014	48,672	49,001
Deferred tax assets	10	24,339	14,520	12,090	3,939	3,761	3,568
Hire purchase receivables	11	251,153	386,788	284,554	-	-	-
Finance lease receivables	12	2,378	1,440	3,945	-	-	-
Receivables	13	-	-	-	475,996	414,510	411,665
Total non-current assets		1,214,177	1,143,488	964,385	1,867,171	1,821,071	1,748,261
Other investments, including derivatives	9	200,603	194,064	289,936	-	-	-
Inventories	14	1,412,208	959,996	1,005,333	-	-	-
Current tax assets		7,700	7,642	3,310	6,007	4,515	5,184
Hire purchase receivables	11	52,583	107,038	54,276	-	-	-
Receivables	13	354,821	226,107	246,535	138,652	71,707	17,263
Deposits and prepayments	13	61,188	73,477	31,387	58	102	1,496
Cash and cash equivalents	15	634,426	324,634	150,088	3,022	1,852	4,339
Derivative assets		266	463	769	-	-	-
Total current assets		2,723,795	1,893,421	1,781,634	147,739	78,176	28,282
Total assets		3,937,972	3,036,909	2,746,019	2,014,910	1,899,247	1,776,543

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Equity							
Share capital		336,000	336,000	336,000	336,000	336,000	336,000
Reserves		1,625,971	1,529,650	1,371,376	976,488	1,002,079	967,853
Treasury shares		(24,795)	(24,786)	(24,778)	(24,795)	(24,786)	(24,778)
Total equity attributable to owners of the Company		1,937,176	1,840,864	1,682,598	1,287,693	1,313,293	1,279,075
Non-controlling interests		6,140	8,310	8,639	-	-	-
Total equity	16	1,943,316	1,849,174	1,691,237	1,287,693	1,313,293	1,279,075
Liabilities							
Borrowings	17	346,413	280,000	354,167	50,000	130,000	200,000
Employee benefits	18	40,830	36,272	31,667	15,789	15,088	14,496
Deferred tax liabilities	10	23,641	20,075	23,313	-	-	-
Payables and accruals	19	-	-	-	327,237	219,800	265,802
Total non-current liabilities		410,884	336,347	409,147	393,026	364,888	480,298
Borrowings	17	1,071,209	520,026	352,384	80,000	70,000	-
Derivative liabilities		1,251	-	1	-	-	-
Taxation		8,757	5,249	6,168	-	-	-
Payables and accruals	19	502,555	326,113	287,082	254,191	151,066	17,170
Total current liabilities		1,583,772	851,388	645,635	334,191	221,066	17,170
Total liabilities		1,994,656	1,187,735	1,054,782	727,217	585,954	497,468
Total equity and liabilities		3,937,972	3,036,909	2,746,019	2,014,910	1,899,247	1,776,543

The notes on pages 50 to 128 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012 (in USD equivalent)

	31.12.2012 USD'000	31.12.2011 USD'000	1.1.2011 USD'000
Assets			
Property, plant and equipment	276,634	210,196	198,011
Investment properties	6,543	5,461	3,358
Prepaid lease payments	5,329	3,533	-
Intangible assets	4,494	4,494	4,544
Investment in associates	8,743	6,156	6,058
Other investments, including derivatives	-	562	579
Deferred tax assets	7,844	4,516	3,871
Hire purchase receivables	80,939	120,307	91,116
Finance lease receivables	766	448	1,263
Total non-current assets	391,292	355,673	308,800
Other investments, including derivatives	64,648	60,362	92,839
Inventories	455,111	298,599	321,913
Current tax assets	2,481	2,377	1,060
Hire purchase receivables	16,946	33,293	17,379
Receivables	114,348	70,329	78,942
Deposits and prepayments	19,719	22,854	10,050
Cash and cash equivalents	204,456	100,975	48,059
Derivative assets	86	144	246
Total current assets	877,795	588,933	570,488
Total assets	1,269,087	944,606	879,288

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

The audited figures are converted into USD equivalent using the exchange rate of RM3.103 = USD1.00

(2011 - RM3.215 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012 (in USD equivalent)

	31.12.2012 USD'000	31.12.2011 USD'000	1.1.2011 USD'000
Equity			
Share capital	108,282	104,510	107,589
Reserves	524,000	475,785	439,121
Treasury shares	(7,991)	(7,709)	(7,934)
Total equity attributable to owners of the Company	624,291	572,586	538,776
Non-controlling interests	1,979	2,585	2,766
Total equity	626,270	575,171	541,542
Liabilities			
Borrowings	111,638	87,092	113,406
Employee benefits	13,158	11,282	10,140
Deferred tax liabilities	7,619	6,244	7,465
Total non-current liabilities	132,415	104,618	131,011
Borrowings	345,217	161,750	112,835
Derivative liabilities	403	-	1
Taxation	2,822	1,633	1,974
Payables and accruals	161,960	101,435	91,925
Total current liabilities	510,402	264,818	206,735
Total liabilities	642,817	369,436	337,746
Total equity and liabilities	1,269,087	944,607	879,288

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(2011 - RM3.215 = 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 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	20	4,086,103	3,860,071	61,000	129,583
Cost of sales		(3,304,572)	(3,079,321)	-	-
Gross profit		781,531	780,750	61,000	129,583
Other income		53,617	47,775	30	1,520
Distribution expenses		(308,593)	(268,847)	-	-
Administrative expenses		(249,353)	(209,232)	(15,823)	(17,037)
Other expenses		(32,930)	(32,540)	(1,728)	-
Results from operating activities		244,272	317,906	43,479	114,066
Finance income	21	15,227	11,011	27,024	24,930
Finance costs	22	(43,141)	(24,855)	(26,089)	(20,217)
Net finance (cost)/income		(27,914)	(13,844)	935	4,713
Share of profit of equity accounted associates, net of tax		1,246	971	-	-
Profit before tax	23	217,604	305,033	44,414	118,779
Tax expense	25	(61,446)	(89,612)	(11,251)	(25,799)
Profit for the year		156,158	215,421	33,163	92,980
Other comprehensive (loss)/income, net of tax					
Foreign currency translation differences for foreign operations		(1,505)	1,913	-	-
Cash flow hedge		(1,448)	(306)	-	-
Other comprehensive (loss)/ income for the year, net of tax	26	(2,953)	1,607	-	-
Total comprehensive income for the year		153,205	217,028	33,163	92,980
Profit attributable to:					
Owners of the Company		157,952	216,144	33,163	92,980
Non-controlling interests		(1,794)	(723)	-	-
Profit for the year		156,158	215,421	33,163	92,980
Total comprehensive income attributable to:					
Owners of the Company		155,075	217,751	33,163	92,980
Non-controlling interests		(1,870)	(723)	-	-
Total comprehensive income for the year		153,205	217,028	33,163	92,980
Basic earnings per ordinary share (sen)	27	24.19	33.11		

The notes on pages 50 to 128 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012 (in USD equivalent)

	2012 USD'000	2011 USD'000
Revenue	1,316,823	1,200,644
Cost of sales	(1,064,960)	(957,798)
Gross profit	251,863	242,846
Other income	17,279	14,860
Distribution expenses	(99,450)	(83,623)
Administrative expenses	(80,359)	(65,080)
Other expenses	(10,612)	(10,121)
Results from operating activities	78,721	98,882
Finance income	4,907	3,425
Finance costs	(13,903)	(7,731)
Net finance cost	(8,996)	(4,306)
Share of profit of equity accounted associates, net of tax	402	302
Profit before tax	70,127	94,878
Tax expense	(19,802)	(27,873)
Profit for the year	50,325	67,005

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The audited figures are converted into USD equivalent using the exchange rate of RM3.103 = USD1.00

(2011 - RM3.215 = USD1.00) being the exchange rate ruling at the date of statements of financial position.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012 (in USD equivalent)

	2012 USD'000	2011 USD'000
Other comprehensive (loss)/income, net of tax		
Foreign currency translation differences for foreign operations	(485)	595
Cash flow hedge	(467)	(95)
Other comprehensive (loss)/income for the year, net of tax	(952)	500
Total comprehensive income for the year	49,373	67,505
Profit attributable to:		
Owners of the Company	50,903	67,230
Non-controlling interests	(578)	(225)
Profit for the year	50,325	67,005
Total comprehensive income attributable to:		
Owners of the Company	50,000	67,730
Non-controlling interests	(603)	(225)
Total comprehensive income for the year	49,373	67,505
Basic earnings per ordinary share (sen)	7.80	10.30

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

		Attributable to owners of the Company								
		Non-distributable				Distributable				
Group	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Translation reserve RM'000**	**Hedging reserve 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 2011		336,000	(24,778)	(3,128)	769	100	1,373,635	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	28	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
- 2011 interim	28	-	-	-	-	-	(29,377)	(29,377)	(300)	(29,677)
Additional shares subscribed by non-controlling interest		-	-	-	-	-	-	-	750	750
Changes in shareholding of a subsidiary		-	-	-	-	-	(723)	(723)	(56)	(779)
Total transactions with owners of the Company		-	(8)	-	-	-	(59,477)	(59,485)	394	(59,091)
At 31 December 2011		336,000	(24,786)	(1,215)	463	100	1,530,302	1,840,864	8,310	1,849,174
		Note 16	Note 16	Note 16	Note 16		Note 16			
At 1 January 2012		336,000	(24,786)	(1,215)	463	100	1,530,302	1,840,864	8,310	1,849,174
Foreign currency translation differences for foreign operations		-	-	(1,429)	-	-	-	(1,429)	(76)	(1,505)
Cash flow hedge		-	-	-	(1,448)	-	-	(1,448)	-	(1,448)
Total other comprehensive loss for the year		-	-	(1,429)	(1,448)	-	-	(2,877)	(76)	(2,953)
Profit for the year		-	-	-	-	-	157,952	157,952	(1,794)	156,158
Total comprehensive (loss)/ income for the year		-	-	(1,429)	(1,448)	-	157,952	155,075	(1,870)	153,205
Purchase of treasury shares		-	(9)	-	-	-	-	(9)	-	(9)
Dividends										
- 2011 final	28	-	-	-	-	-	(29,377)	(29,377)	-	(29,377)
- 2012 interim	28	-	-	-	-	-	(29,377)	(29,377)	(300)	(29,677)
Total transactions with owners of the Company		-	(9)	-	-	-	(58,754)	(58,763)	(300)	(59,063)
At 31 December 2012		336,000	(24,795)	(2,644)	(985)	100	1,629,500	1,937,176	6,140	1,943,316
		Note 16	Note 16	Note 16	Note 16		Note 16			

The notes on pages 50 to 128 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

Company	Note	*Non-distributable* Share capital RM'000	Treasury shares RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 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	28	-	-	(29,377)	(29,377)
- 2011 interim	28	-	-	(29,377)	(29,377)
Total transactions with owners of the Company		-	(8)	(58,754)	(58,762)
At 31 December 2011/1 January 2012		336,000	(24,786)	1,002,079	1,313,293
Profit and total comprehensive income for the year		-	-	33,163	33,163
Purchase of treasury shares		-	(9)	-	(9)
Dividends					
- 2011 final	28	-	-	(29,377)	(29,377)
- 2012 interim	28	-	-	(29,377)	(29,377)
Total transactions with owners of the Company		-	(9)	(58,754)	(58,763)
At 31 December 2012		336,000	(24,795)	976,488	1,287,693
		Note 16	Note 16	Note 16	

The notes on pages 50 to 128 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from operating activities					
Profit before tax		217,604	305,033	44,414	118,779
Adjustments for:					
Amortisation of prepaid lease payments	5	793	300	-	-
Depreciation of property, plant and equipment	3	68,471	69,445	333	267
Depreciation of investment properties	4	230	350	-	-
Dividend income		-	(3,572)	(61,000)	(129,583)
Gain on disposal of property, plant and equipment	23	(8,145)	(4,917)	(30)	-
Gain on disposal of subsidiary		-	-	-	(538)
Gain on disposal of other investments		-	(94)	-	-
Finance expense	22	43,141	24,855	26,089	20,217
Finance income	21	(15,227)	(11,011)	(27,024)	(24,930)
Inventories written off		138	774	-	-
Impairment loss on other investments		-	-	658	329
Written down of inventories	14	1,885	841	-	-
Impairment loss on hire purchase receivables		4,113	3,938	-	-
Impairment loss on trade receivables		2,370	3,249	-	-
Reversal of write down of inventories	14	(569)	(853)	-	-
Reversal of impairment loss on hire purchase receivables		(928)	(1,774)	-	-
Reversal of impairment loss on trade receivables		(2,502)	(1,529)	-	-
Reversal of impairment loss on finance lease receivables		(241)	(58)	-	-
Property, plant and equipment written off		104	302	-	-
Retirement benefits charged	18	5,148	5,100	701	592
Fair value (gain)/loss on other investments		(2,833)	163	-	-
Share of profit of equity accounted associates		(1,246)	(971)	-	-
Operating profit/(loss) before changes in working capital		312,306	389,571	(15,859)	(14,867)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from operating activities (continued)					
Changes in working capital:					
Inventories		(453,666)	44,575	-	-
Hire purchase receivables		186,905	(157,160)	-	-
Finance lease receivables		(806)	4,910	-	-
Receivables		(128,475)	7,646	(345)	97
Deposits and prepayment		12,289	(42,090)	44	1,394
Payables and accruals		175,799	41,159	(132)	439
Cash generated from/(used in) operations		104,352	288,611	(16,292)	(12,937)
Tax paid		(67,963)	(100,860)	-	-
Tax refund		3,496	3,526	2,079	3,260
Interest paid		(43,141)	(24,855)	(26,089)	(20,217)
Interest received		15,227	11,011	27,024	24,930
Employee benefits paid		(590)	(495)	-	-
Net cash from/(used in) operating activities		11,381	176,938	(13,278)	(4,964)
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(297,559)	(158,510)	(586)	(487)
Acquisition of prepaid lease payments	5	(6,341)	(6,365)	-	-
Acquisition of other investments		(131,544)	(115,914)	-	-
Repayment from subsidiaries		-	-	82,608	30,069
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		-	-	(841)	(74,176)
Acquisition of share in associate		(1,447)	-	-	(1,406)
Dividends received from other investments		-	3,572	-	-
Dividends received from associate		-	100	-	-
Dividends received from subsidiaries		-	-	46,000	101,000
Proceeds from disposal of property, plant and equipment		50,623	28,570	30	-
Proceeds from disposal of subsidiary		-	-	-	6,239
Proceeds from disposal of other investments		125,000	211,717	16,000	-
Net cash (used in)/from investing activities		(261,268)	(36,859)	143,211	61,239

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from financing activities					
Dividends paid to shareholders of the Company	28	(58,754)	(58,754)	(58,754)	(58,754)
Dividends paid to non-controlling interests		(300)	(300)	-	-
Purchase of own shares		(9)	(8)	(9)	(8)
Proceeds from bills payable		806,582	257,992	-	-
Repayment of bills payable		(620,967)	(331,395)	-	-
Proceeds from term loans and revolving credit		878,852	528,587	-	-
Repayment of term loans and revolving credit		(444,448)	(355,779)	(70,000)	-
Net cash from/(used in) financing activities		560,956	40,343	(128,763)	(58,762)
Net increase/(decrease) in cash and cash equivalents		311,069	180,422	1,170	(2,487)
Effects of exchange rate fluctuations on cash and cash equivalents		(683)	54	-	-
Cash and cash equivalents at 1 January		324,040	143,564	1,852	4,339
Cash and cash equivalents at 31 December		634,426	324,040	3,022	1,852

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

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash and bank balances	15	195,671	160,865	1,723	652
Deposits with licensed banks	15	438,755	163,769	1,299	1,200
Bank overdraft	17	-	(594)	-	-
		634,426	324,040	3,022	1,852

The notes on pages 50 to 128 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 2012 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 2012 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 35 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 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. The financial impacts on transition to MFRS are disclosed in Note 38.

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

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

- Amendments to MFRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

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

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

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

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for Amendments to MFRS 1 and IC Interpretation 20 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

Material impacts of initial application of a standard, an amendment or an interpretation which will be applied retrospectively are discussed below:

MFRS 9, Financial Instruments
MFRS 9, Financial Instruments replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities.

MFRS 10, Consolidated Financial Statements
MFRS 10, *Consolidated Financial Statements* introduces a new single control model to determine which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, Consolidation – *Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 11, Joint Arrangements

MFRS 11, *Joint Arrangements* establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interest in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

MFRS 13, Fair Value Measurement

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs.

Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

MFRS 119, Employee Benefits (2011)

The amendments to MFRS 119, *Employee Benefits* change the accounting for the defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The adoption of MFRS 9, MFRS 10, MFRS 11, MFRS 13, MFRS 116 and MFRS 119 will result in changes in accounting policies. The Group is currently examining the financial impacts of adopting these standards.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements of the Group and of the Company upon their first adoption.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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 9 - valuation of other investments
- 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 18 - valuation of employee benefits
- Note 30 - contingent liabilities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Business combinations

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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. An SPE is consolidated as if it is a subsidiary, 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 SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(v) Loss of control

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 at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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.

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.

(vii) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the 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 associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Associates (continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting 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, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the 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.

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

(b) Foreign currency (continued)

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

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 that includes a foreign operation while retaining significant influence, 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 in equity.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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.

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

(c) **Financial instruments (continued)**

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

Financial assets (continued)

(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.

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

(d) Available-for-sale financial assets

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

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

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

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

(iv) Hedge accounting

Cash flow hedge

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

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

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or 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 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 less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost less any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy on borrowing costs.

Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 knowledgeable willing parties 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 available and replacement cost when appropriate.

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.

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

(ii) Reclassification from/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 reclassified as investment property.

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

When an item of property, plant and equipment is transferred from/to investment property following a change in its use under cost model, the transfer does not change the cost and carrying amount of the property transferred for measurement or disclosure purposes.

(iii) Subsequent costs

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

The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) **Property, plant and equipment (continued)**

(iv) **Depreciation**

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

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component 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	3 - 10 years
Motor vehicles	5 years
Renovation	5 - 8 years
Rough road	5 years

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

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

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

(f) Intangible assets

Goodwill

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

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business. These include land held for 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).

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).

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

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs 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.

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

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

(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 fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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

An impairment loss in respect of 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 to 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 financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

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

(k) **Impairment of assets (continued)**

(i) **Financial assets (continued)**

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 goodwill, and intangible assets that have indefinite useful lives or that are not yet available-for-sale, the recoverable amount is estimated each period at the same time.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 or cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

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

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

(l) **Equity instrument**

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

(i) **Issue expenses**

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

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

(l) Equity instrument (continued)

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(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 or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

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

(iii) Defined benefit plans

The Group's and the Company's net obligation in respect of defined benefit retirement plans is calculated separately for each plan 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 its present value. Any unrecognised past service costs and fair value of any planned assets are deducted. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's and of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group and the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefit available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group and the Company. An economic benefit is available to the Group and the Company if it is realisable during the life of the plan, or any settlement of the plan liabilities.

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(iii) Defined benefit plans (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in 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.

The Group and the Company recognise all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group and the Company recognise gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(n) Provisions

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

(i) Warranties

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

(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 not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue and other income

(i) Goods sold

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

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(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 reporting period.

(iv) Dividend income

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

(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.

(vi) Rental income

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

(vii) Interest income

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

(p) Borrowing costs

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

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

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

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

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

(q) Income tax

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

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

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

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.

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against 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, adjusted for own shares held.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Deputy Chairman and Managing Director of the Group, to make decisions about resources to be allocated to the segment and to 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										
At 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)
Reclassifications	-	-	(10)	2,841	10	-	55	-	(2,896)	-
Transfers	*(7,418)	-	-	-	-	-	-	-	-	(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/ 1 January 2012	96,898	116,475	295,247	285,153	80,204	149,077	29,298	290	30,833	1,083,475
Additions	108,185	-	2,622	7,354	9,329	57,588	7,343	8	105,130	297,559
Disposals	-	-	-	(5,490)	(12,090)	(55,102)	(21)	-	-	(72,703)
Reclassifications	-	-	1,665	24,344	2,053	-	2,840	-	(30,902)	-
Transfers	*(2,427)	*(1,037)	*159	-	-	-	-	-	-	(3,305)
Write off	-	-	-	(17,228)	(4,213)	(225)	(113)	-	-	(21,779)
Effects of movement in exchange rates	-	-	-	(390)	(53)	(40)	(69)	-	(483)	(1,035)
At 31 December 2012	202,656	115,438	299,693	293,743	75,230	151,298	39,278	298	104,578	1,282,212
Accumulated depreciation and impairment loss										
At 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
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/ 1 January 2012										
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

* Transferred (to)/from 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	-	1,484	5,116	25,071	4,289	28,968	3,484	59	-	68,471
Disposals	-	-	-	(44)	(9,310)	(20,863)	(8)	-	-	(30,225)
Write off	-	-	-	(17,227)	(4,159)	(177)	(112)	-	-	(21,675)
Transfers	-	*(390)	*60	-	-	-	-	-	-	(330)
Effects of movement in exchange rates	-	-	-	(62)	(22)	(17)	(20)	-	-	(121)
At 31 December 2012										
Accumulated depreciation	-	28,590	87,702	173,763	50,164	59,481	18,699	213	-	418,612
Accumulated impairment loss	-	-	-	5,127	33	-	44	-	-	5,204
	-	28,590	87,702	178,890	50,197	59,481	18,743	213	-	423,816
Carrying amount										
At 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/ 1 January 2012	96,898	88,979	212,721	114,001	20,805	97,507	13,899	136	30,833	675,779
At 31 December 2012	202,656	86,848	211,991	114,853	25,033	91,817	20,535	85	104,578	858,396

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

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 2011	690	172	978	1,840
Additions	-	10	477	487
At 31 December 2011/1 January 2012	690	182	1,455	2,327
Additions	-	12	574	586
Disposals	-	-	(188)	(188)
At 31 December 2012	690	194	1,841	2,725
Accumulated depreciation				
At 1 January 2011	235	95	475	805
Depreciation for the year	14	26	227	267
At 31 December 2011/1 January 2012	249	121	702	1,072
Depreciation for the year	14	27	292	333
Disposals	-	-	(188)	(188)
At 31 December 2012	263	148	806	1,217
Carrying amount				
At 1 January 2011	455	77	503	1,035
At 31 December 2011/1 January 2012	441	61	753	1,255
At 31 December 2012	427	46	1,035	1,508

Titles

The titles to certain properties with a total cost of RM23,842,000 (2011: RM6,162,000) have yet to be issued by the relevant authorities.

4. Investment properties

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 January 2011	7,243	-	5,877	13,120
Transfer	* 7,418	-	-	7,418
At 31 December 2011/1 January 2012	14,661	-	5,877	20,538
Transfers	*2,427	*1,037	*(159)	3,305
At 31 December 2012	17,088	1,037	5,718	23,843
Accumulated depreciation				
At 1 January 2011	-	-	2,630	2,630
Depreciation for the year	-	-	350	350
At 31 December 2011/1 January 2012	-	-	2,980	2,980
Depreciation for the year	-	41	189	230
Transfers	-	*390	*(60)	330
At 31 December 2012	-	431	3,109	3,540
Carrying amount				
At 1 January 2011	7,243	-	3,247	10,490
At 31 December 2011/1 January 2012	14,661	-	2,897	17,558
At 31 December 2012	17,088	606	2,609	20,303

The Directors' estimation on the fair value of investment properties by reference to market evidence of recent transaction prices for similar properties is RM49,115,000 (2011:RM42,638,000).

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

5. Prepaid lease payments

Group	Leasehold land 2012 RM'000	Leasehold land 2011 RM'000
Cost		
At 1 January	11,657	-
Additions	6,341	6,365
Reclassification	-	5,429
Effects of movement in exchange rates	(387)	(137)
At 31 December	17,611	11,657
Amortisation		
At 1 January	300	-
Amortisation for the year	793	300
Effects of movement in exchange rates	(17)	-
At 31 December	1,076	300
Carrying amount		
At 1 January	11,357	-
At 31 December	16,535	11,357

6. Intangible assets

	Group 2012 RM'000	Group 2011 RM'000
Goodwill		
Cost		
At 1 January	14,448	14,191
Effects of movement in exchange rates	(504)	257
At 31 December	13,944	14,448

6. Intangible assets (continued)

Impairment testing for cash-generating unit containing goodwill

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

The aggregate carrying amount of goodwill allocated is as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Vietnam vehicles assembly, manufacturing, distribution and after sale services	13,944	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:

- Cash flows were projected based on 5-year business plan.
- Total Industry Vehicle (TIV) is projected to grow at the following rates per annum:

  - FY 2013 - 25%
  - FY 2014 - 56%
  - FY 2015 to 2017 - 12%

- Market share to grow gradually from 4% to 7% 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 8% 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 percentage point decrease in future planned revenues would not result in any impairment loss.

7. Investment in subsidiaries

	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares in Malaysia, at cost	1,360,700	1,359,859	1,291,384
Less: Impairment loss	(20,638)	(20,638)	(20,638)
	1,340,062	1,339,221	1,270,746

Details of the subsidiaries are in Note 35.

8. Investment in associates

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost:						
In Malaysia	7,841	1,750	1,750	1,406	1,406	-
Outside Malaysia	12,247	12,247	12,247	12,246	12,246	12,246
Share of post-acquisition reserve	7,040	5,794	4,923	-	-	-
	27,128	19,791	18,920	13,652	13,652	12,246

Summary financial information on associates:

Group	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Profit/ (loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
31 December 2012						
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	25.00	1,750	1,317	17,688	20
Structurflex Sdn. Bhd.	Malaysia	50.00	4,346	465	4,231	805
THK Rhythm Malaysia Sdn. Bhd. (formerly known as TRW Steering & Suspension (Malaysia) Sdn. Bhd.)	Malaysia	20.00	47,754	4,985	34,268	10,323
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	3,905	1,359	94,546	55,071
TC Express Auto Services and Spare Parts (Thailand) Co. Ltd.	Thailand	49.00	1,780	(1,006)	2,091	8,957

8. **Investment in associates (continued)**

Group	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Profit/ (loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
31 December 2011						
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	25.00	1,706	1,641	16,374	23
Structurflex Sdn. Bhd.	Malaysia	50.00	5,208	341	3,753	588
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	3,215	2,096	63,734	26,136
TC Express Auto Services & Spare Parts (Thailand) Co.Ltd.	Thailand	49.00	1,959	(1,148)	1,765	7,550
1 January 2011						
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	25.00	1,987	1,716	14,738	28
Structurflex Sdn. Bhd.	Malaysia	50.00	4,184	410	3,649	837
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	2,005	1,404	48,663	13,979
TC Express Auto Services & Spare Parts (Thailand) Co. Ltd.	Thailand	49.00	1,973	(1,291)	1,789	6,324
Company						
31 December 2012						
Structurflex Sdn. Bhd.	Malaysia	50.00	4,346	465	4,231	805
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	3,905	1,359	94,546	55,071
31 December 2011						
Structurflex Sdn. Bhd.	Malaysia	50.00	5,208	341	3,753	588
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	3,215	2,096	63,734	26,136
1 January 2011						
TC Capital (Thailand) Co. Ltd.	Thailand	45.45	2,005	1,404	48,663	13,979

9. Other investments, including derivatives

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Non-current							
Available-for-sale financial asset:							
Unquoted shares		-	1,806	1,806	-	-	-
Fair value through profit or loss financial asset:							
Option	a	1	1	1	1	1	1
Held to maturity financial assets:							
Asset-backed notes	b	-	-	-	25,000	41,000	41,000
Loan and receivables financial asset:							
Asset-backed notes	b	-	-	-	8,000	8,000	8,000
Less: Impairment of asset-backed notes		-	-	-	(987)	(329)	-
		1	1,807	1,807	32,014	48,672	49,001
Current							
Fair value through profit or loss financial asset:							
Quoted unit trusts		200,603	194,064	289,936	-	-	-
Representing items:							
At cost/amortised cost		-	1,806	1,806	32,013	48,671	49,000
At fair value		200,604	194,065	289,937	1	1	1
		200,604	195,871	291,743	32,014	48,672	49,001
Market value of quoted unit trusts		200,603	194,064	289,936	-	-	-

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

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

	Notes RM'000	Date of maturity	Coupon rate
Class A (T3)	19,000	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:

Group	Assets			Liabilities			Net		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets									
Property, plant and equipment/ Investment properties									
- capital allowances	-	-	-	(5,878)	(6,111)	(6,296)	(5,878)	(6,111)	(6,296)
Provisions	18,176	12,545	8,507	-	-	-	18,176	12,545	8,507
Unabsorbed capital allowances	286	43	1,446	-	-	-	286	43	1,446
Tax loss carry-forwards	11,303	7,967	7,892	-	-	-	11,303	7,967	7,892
Other items	452	76	541	-	-	-	452	76	541
Tax assets/(liabilities)	30,217	20,631	18,386	(5,878)	(6,111)	(6,296)	24,339	14,520	12,090
Deferred tax liabilities									
Property, plant and equipment/ Investment properties									
- capital allowances	-	-	-	(24,281)	(22,341)	(20,776)	(24,281)	(22,341)	(20,776)
- revaluation	-	-	-	(3,838)	(3,878)	(4,199)	(3,838)	(3,878)	(4,199)
Reinvestment allowances	-	2,836	-	-	-	-	-	2,836	-
Provisions	4,037	2,481	1,692	-	-	-	4,037	2,481	1,692
Unabsorbed capital allowances	851	14	14	-	-	-	851	14	14
Tax loss carry-forwards	-	214	-	-	-	(12)	-	214	(12)
Other items	-	599	-	(410)	-	(32)	(410)	599	(32)
Tax assets/(liabilities)	4,888	6,144	1,706	(28,529)	(26,219)	(25,019)	(23,641)	(20,075)	(23,313)
Company									
Deferred tax assets									
Property, plant and equipment									
- capital allowances	-	-	-	(51)	(58)	(48)	(51)	(58)	(48)
Provisions	3,990	3,819	3,616	-	-	-	3,990	3,819	3,616
Tax assets/(liabilities)	3,990	3,819	3,616	(51)	(58)	(48)	3,939	3,761	3,568

10. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities (continued)

Group movements in deferred tax assets during the year:

Group	At 1.1.2011 RM'000	Recognised in profit or loss (Note 25) RM'000	Effects of movement in exchange rate RM'000	At 31.12.2011 RM'000	Recognised in profit or loss (Note 25) RM'000	Effects of movement in exchange rate RM'000	At 31.12.2012 RM'000
Property, plant and equipment/ Investment properties							
- capital allowances	(6,296)	185	-	(6,111)	233	-	(5,878)
Provisions	8,507	4,038	-	12,545	5,631	-	18,176
Unabsorbed capital allowances	1,446	(1,403)	-	43	243	-	286
Tax loss carry-forwards	7,892	164	(89)	7,967	3,554	(218)	11,303
Other items	541	(465)	-	76	376	-	452
	12,090	2,519	(89)	14,520	10,037	(218)	24,339

Group movements in deferred tax liabilities during the year:

Group	At 1.1.2011 RM'000	Recognised in profit or loss (Note 25) RM'000	Effects of movement in exchange rate RM'000	At 31.12.2011 RM'000	Recognised in profit or loss (Note 25) RM'000	Effects of movement in exchange rate RM'000	At 31.12.2012 RM'000
Property, plant and equipment/ Investment properties							
- capital allowances	(20,776)	(1,565)	-	(22,341)	(1,940)	-	(24,281)
- revaluation	(4,199)	321	-	(3,878)	40	-	(3,838)
Reinvestment allowances	-	2,836	-	2,836	(2,836)	-	-
Provisions	1,692	789	-	2,481	1,556	-	4,037
Unabsorbed capital allowances	14	-	-	14	837	-	851
Tax loss carry-forwards	(12)	226	-	214	(214)	-	-
Other items	(32)	631	-	599	(1,009)	-	(410)
	(23,313)	3,238	-	(20,075)	(3,566)	-	(23,641)

10. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities (continued)

Company movements in deferred tax assets during the year:

Company	At 1.1.2011 RM'000	Recognised in profit or loss (Note 25) RM'000	Effects of movement in exchange rate RM'000	At 31.12.2011 RM'000	Recognised in profit or loss (Note 25) RM'000	Effects of movement in exchange rate RM'000	At 31.12.2012 RM'000
Property, plant and equipment							
- capital allowances	(48)	(10)	-	(58)	7	-	(51)
Provisions	3,616	203	-	3,819	171	-	3,990
	3,568	193	-	3,761	178	-	3,939

Except for the tax loss carry-forwards of RM34,102,205 (VND229,027,569,633), (stated at gross) which will be expiring in financial years 2014 to 2017 for a subsidiary in Vietnam, the other deductible differences do not expire under current tax legislation.

Unrecognised deferred tax assets

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

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unabsorbed capital allowances	6,037	9,480	7,032
Tax losses carry-forwards	58,732	50,298	31,185
Deductible temporary differences	317	1	-
Provisions	7,073	2,183	1,108
	72,159	61,962	39,325
Deferred tax assets not recognised at 25%	18,040	15,491	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 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Gross repayments receivables	352,126	561,295	399,609
Less: Unearned income receivables	(36,352)	(58,390)	(53,793)
	315,774	502,905	345,816
Less: Impairment loss	(12,038)	(9,079)	(6,986)
	303,736	493,826	338,830
Current			
Hire purchase receivables	56,011	107,366	58,080
Less: Impairment loss	(3,428)	(328)	(3,804)
	52,583	107,038	54,276
Non-current			
Hire purchase receivables	259,763	395,539	287,736
Less: Impairment loss	(8,610)	(8,751)	(3,182)
	251,153	386,788	284,554
	303,736	493,826	338,830

Group	Gross repayments receivables 31.12.2012 RM'000	Unearned income receivables 31.12.2012 RM'000	Present value of minimum hire purchase receivables 31.12.2012 RM'000	Gross repayments receivables 31.12.2011 RM'000	Unearned income receivables 31.12.2011 RM'000	Present value of minimum hire purchase receivables 31.12.2011 RM'000	Gross repayments receivables 1.1.2011 RM'000	Unearned income receivables 1.1.2011 RM'000	Present value of minimum hire purchase receivables 1.1.2011 RM'000
Current									
Less than one year	66,875	10,864	56,011	124,873	17,507	107,366	71,518	13,438	58,080
Non-current									
Between one and five years	225,213	21,050	204,163	385,505	35,799	349,706	234,975	32,052	202,923
After five years	60,038	4,438	55,600	50,917	5,084	45,833	93,116	8,303	84,813
	285,251	25,488	259,763	436,422	40,883	395,539	328,091	40,355	287,736
	352,126	36,352	315,774	561,295	58,390	502,905	399,609	53,793	345,816

Doubtful debts written off against impairment loss during the year amounted to RM226,000 (2011: RM71,000).

12. Finance lease receivables

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Finance lease receivables		5,961	5,136	10,921
Less: Unearned interest		(688)	(669)	(1,544)
		5,273	4,467	9,377
Less: Impairment loss		-	(241)	(299)
		5,273	4,226	9,078
Current				
Finance lease receivables		2,895	3,027	5,432
Less: Impairment loss		-	(241)	(299)
	13	2,895	2,786	5,133
Non-current				
Finance lease receivables		2,378	1,440	3,945
		5,273	4,226	9,078

Group	Future minimum lease payments 31.12.2012 RM'000	Unearned interest 31.12.2012 RM'000	Present value of minimum lease payments 31.12.2012 RM'000	Future minimum lease payments 31.12.2011 RM'000	Unearned interest 31.12.2011 RM'000	Present value of minimum lease payments 31.12.2011 RM'000	Future minimum lease payments 1.1.2011 RM'000	Unearned interest 1.1.2011 RM'000	Present value of minimum lease payments 1.1.2011 RM'000
Current									
Less than one year	3,266	371	2,895	3,422	395	3,027	6,274	842	5,432
Non-current									
Between one and five years	2,695	317	2,378	1,714	274	1,440	4,635	698	3,937
After five years	-	-	-	-	-	-	12	4	8
	2,695	317	2,378	1,714	274	1,440	4,647	702	3,945
	5,961	688	5,273	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 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Non-current							
Non-trade							
Amount due from subsidiaries	a	-	-	-	485,257	423,771	420,926
Less: Impairment loss		-	-	-	(9,261)	(9,261)	(9,261)
		-	-	-	475,996	414,510	411,665
Current							
Trade receivables		326,064	211,455	188,070	-	-	-
Less: Impairment loss	b	(11,709)	(11,990)	(10,938)	-	-	-
		314,355	199,465	177,132	-	-	-
Finance lease receivables	12	2,895	2,786	5,133	-	-	-
Other receivables	c	37,571	23,856	64,270	614	269	366
Amount due from subsidiaries	d	-	-	-	138,038	71,438	16,897
		354,821	226,107	246,535	138,652	71,707	17,263
Current							
Deposits		10,964	10,437	6,658	25	92	1,223
Prepayment	e	50,224	63,040	24,729	33	10	273
		61,188	73,477	31,387	58	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% (2011: 5.55%) per annum.

Note b
Doubtful debts written off against impairment loss during the year amounted to RM149,000 (2011: RM668,000).

Note c
Included in other receivables of the Group was an amount owing from a director of a subsidiary amounting to RM250,000 (2011: RM500,000) 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.

Note d
The current amount due from subsidiaries is in respect of advances that are unsecured, repayable on demand and subject to interest ranging from 2.65% to 3.69% (2011: 2.65%) per annum.

Note e
As at 31 December 2011, prepayment of the Group consists of an amount of RM9,375,000 paid by a wholly-owned subsidiary of the Company being 50% of the total consideration payable to acquire a piece of freehold land.

14. Inventories

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Raw materials	9,274	9,284	21,229
Unassembled vehicle packs	883,084	645,273	579,240
Work-in-progress	16,740	17,977	8,816
Manufactured inventories and trading inventories	6,334	3,844	3,085
Used vehicles	18,357	14,589	17,892
New vehicles	356,284	175,580	296,626
Spare parts and others	122,135	93,449	78,445
	1,412,208	959,996	1,005,333
Recognised in profit or loss:			
Inventories recognised as cost of sales	3,040,389	2,700,264	2,741,272

The write-down of inventories to net realisable value amounted to RM1,885,000 (2011: RM841,000). The reversal of write-down amounted to RM569,000 (2011: RM853,000). The write-down and reversal are included in cost of sales.

15. Cash and cash equivalents

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cash and bank balances	195,671	160,865	117,440	1,723	652	3,139
Deposits with licensed banks	438,755	163,769	32,648	1,299	1,200	1,200
	634,426	324,634	150,088	3,022	1,852	4,339

16. Share capital and reserves

Share capital

	Group and Company					
	Amount 31.12.2012 RM'000	Number of shares 31.12.2012 '000	Amount 31.12.2011 RM'000	Number of shares 31.12.2011 '000	Amount 1.1.2011 RM'000	Number of shares 1.1.2011 '000
Ordinary shares of RM0.50 each:						
Authorised	500,000	1,000,000	500,000	1,000,000	500,000	1,000,000
Issued and fully paid	336,000	672,000	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 23 May 2012 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 2,000 (2011: 1,800) of its issued shares from the open market at prices ranging from RM4.46 to RM4.54 (2011: RM4.34 to RM4.41) per ordinary share. The cumulative total number of shares bought back at the end of the year was 19,185,000 (2011: 19,183,000). These transactions were financed by internally generated funds.

As at 31 December 2012, the number of outstanding shares in issue after deducting treasury shares held was 652,815,000 (2011: 652,817,000) ordinary shares of RM0.50 each.

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

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.

Hedging reserve

The hedging 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.

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 2012 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.

17. Borrowings

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current						
Term loans - unsecured	346,413	280,000	354,167	50,000	130,000	200,000
Current						
Term loans - unsecured	248,750	73,125	21,371	80,000	70,000	-
Bills payable - unsecured	301,701	116,086	189,489	-	-	-
Revolving credit - unsecured	520,758	330,221	135,000	-	-	-
Bank overdraft - unsecured	-	594	6,524	-	-	-
	1,071,209	520,026	352,384	80,000	70,000	-

Information on repayment terms and interest rates to the Group's and the Company's borrowings are as set out in Note 33.5.

18. Employee benefits

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Recognised liability for employee benefits	40,830	36,272	31,667	15,789	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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net liability at 1 January	36,272	31,667	15,088	14,496
Benefits paid	(590)	(495)	-	-
Expense recognised in profit or loss	5,148	5,100	701	592
Net liability at 31 December	40,830	36,272	15,789	15,088

18. Employees benefits (continued)

Expense recognised in profit or loss

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current service cost	3,683	3,875	510	473
Interest on obligation	1,732	1,569	568	515
Actuarial gains	(267)	(344)	(377)	(396)
	5,148	5,100	701	592

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cost of sales	935	822	-	-
Administrative expenses	4,213	4,278	701	592
	5,148	5,100	701	592

Actuarial assumptions

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

	2012 %	2011 %
Discount rate	5.4	5.4
Future salary increases	6.5	6.5

19. Payables and accruals

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Non-current							
Non-trade							
Amount due to subsidiaries	a	-	-	-	327,237	219,800	265,802
Current							
Trade							
Trade payables		303,833	186,345	117,233	-	-	-
Non-trade							
Payables and accruals		198,722	139,768	169,849	1,184	1,316	877
Amount due to subsidiaries	b	-	-	-	253,007	149,750	16,293
		198,722	139,768	169,849	254,191	151,066	17,170
		502,555	326,113	287,082	254,191	151,066	17,170

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% (2011: 5.55%) per annum.

Note b
The current amount due to subsidiaries is in respect of advances that are unsecured, repayable on demand and are subject to interest ranging from 2.65% to 3.70% (2011: 2.65%) per annum.

20. Revenue

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Sale of goods	3,787,946	3,615,066	-	-
Services rendered	255,217	211,440	-	-
Financial services income	42,940	33,565	-	-
Dividend income	-	-	61,000	129,583
	4,086,103	3,860,071	61,000	129,583

21. Finance income

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest income of financial assets that are not at fair value through profit or loss	8,459	4,898	27,024	24,930
Other finance income	6,768	6,113	-	-
Recognised in profit or loss	15,227	11,011	27,204	24,930

22. Finance costs

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Term loans	22,590	19,481	7,655	9,599
- Bank overdraft	1	3	-	-
- Bills payable	8,757	2,550	-	-
- Revolving credit	9,543	2,599	-	-
- Other borrowings	2,250	222	18,434	10,618
Recognised in profit or loss	43,141	24,855	26,089	20,217

23. Profit before tax

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax is arrived at after crediting:				
Bad debts recovered	371	545	-	-
Dividend income from:				
- Unquoted subsidiaries	-	-	61,000	129,583
- Other investments	-	3,572	-	-
Gain on disposal of property, plant and equipment	8,145	4,917	30	-
Gain on disposal of subsidiary	-	-	-	538
Gain on disposal of other investments	-	94	-	-
Net gain on foreign exchange:				
- realised	1,449	2,795	-	-
- unrealised	7,483	3,830	-	1,311
Interest income	15,227	11,011	27,024	24,930
Reversal of write down of inventories	569	853	-	-
Reversal of impairment loss on:				
- hire purchase receivables	928	1,774	-	-
- finance lease receivables	241	58	-	-
- trade receivables	2,502	1,529	-	-
Rental income on leased assets	4,127	4,631	-	-
Rental income on land and buildings	1,439	1,145	-	-
Fair value gain on other investments	2,838	-	-	-

23. Profit before tax (continued)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax is arrived at after charging:				
Audit fee				
Current year				
- KPMG Malaysia	476	433	47	45
- Overseas affiliates of KPMG Malaysia	49	50	-	-
- Other auditors	19	24	-	-
Under provision in prior year	-	21	-	-
Non-audit fee				
Current year				
- KPMG Malaysia	230	199	-	60
- Overseas affiliates of KPMG Malaysia	252	78	-	-
Bad debts written off	861	1,903	-	-
Amortisation of prepaid lease payments	793	300	-	-
Depreciation of:				
- property, plant and equipment	68,471	69,445	333	267
- investment properties	230	350	-	-
Direct operating expenses of investment properties generating rental income	409	232	-	-
Interest expense	43,141	24,855	26,089	20,217
Inventories written off	138	774	-	-
Written down of inventories	1,885	841	-	-
Impairment loss on:				
- hire purchase receivables	4,113	3,938	-	-
- trade receivables	2,370	3,249	-	-
- other investments	-	-	658	329
Net loss on foreign exchange:				
- unrealised	10,223	196	1,070	-
- realised	1,594	2,332	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	33,609	24,329	973	985
- Expenses related to defined benefit plans	5,148	5,100	701	592
- Wages, salaries and others	267,801	225,847	5,835	7,702
Property, plant and equipment written off	104	302	-	-
Rental expense on land and buildings	19,087	16,353	314	255
Warranty claim	331	179	-	-
Fair value loss on other investments	5	163	-	-

24. Key management personnel compensations

The key management personnel compensations are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors:				
- Fees	424	399	424	399
- Remuneration	8,909	10,068	5,193	6,689
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	104	117	104	117
	9,437	10,584	5,721	7,205
Other key management personnel:				
- Remuneration and other short term employee benefits	12,296	13,003	-	-
	21,733	23,587	5,721	7,205

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.

25. Tax expense

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Recognised in the profit or loss				
Current tax expense	74,674	90,722	11,390	26,148
(Over)/Under provided in prior years	(6,757)	4,647	39	(156)
	67,917	95,369	11,429	25,992
Deferred tax expense				
Origination and reversal of temporary differences	(9,655)	(2,371)	(173)	(178)
Under/(Over) provided in prior years	3,184	(3,386)	(5)	(15)
	(6,471)	(5,757)	(178)	(193)
	61,446	89,612	11,251	25,799

25. Tax expense (continued)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Reconciliation of effective tax expense				
Profit before tax	217,604	305,033	44,414	118,779
Income tax calculated using Malaysian tax rate of 25% (2011: 25%)	54,401	76,258	11,104	29,695
Double deduction	(232)	(213)	-	-
Non-deductible expenses	12,660	8,008	730	626
Tax exempt income	(3,197)	(877)	(617)	(4,351)
Tax incentives at subsidiaries	(1,300)	(310)	-	-
Unrecognised deferred tax assets	2,549	5,580	-	-
Others	138	(95)	-	-
	65,019	88,351	11,217	25,970
(Over)/Under provided in prior years	(3,573)	1,261	34	(171)
	61,446	89,612	11,251	25,799

26. Other comprehensive (loss)/income

	Group 2012 RM'000	Group 2011 RM'000
Foreign currency translation differences for foreign operations	(1,505)	1,913
Cash flow hedge		
- Losses during the year	(1,448)	(306)
	(2,953)	1,607

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

27. 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 RM157,952,000 (2011: RM216,144,000) and the weighted average number of ordinary shares outstanding during the year is 652,816,000 (2011: 652,817,000).

27. Earnings per ordinary share (continued)

Weighted average number of ordinary shares

	2012 '000	2011 '000
Issued ordinary shares at 1 January	652,817	652,819
Effect of treasury shares held	(1)	(2)
Weighted average number of ordinary shares at 31 December	652,816	652,817

28. Dividends

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

2012	Sen per share (net of tax)	Total amount RM'000	Date of payment
Interim 2012 ordinary	4.50	29,377	28 September 2012
Final 2011 ordinary	4.50	29,377	22 June 2012
Total amount		58,754	
2011			
Interim 2011 ordinary	4.50	29,377	28 September 2011
Final 2010 ordinary	4.50	29,377	24 June 2011
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 2012 was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

29. 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 are 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
External revenue	4,038,567	3,820,015	42,940	33,565	4,596	6,491	4,086,103	3,860,071
Inter-segment revenue	6,593	6,595	3,166	4,224	47,337	32,471	57,096	43,290
Segment EBITDA	302,822	381,638	18,806	14,711	10,022	8,489	331,650	404,838
Depreciation and amortisation	(61,163)	(63,199)	(1,902)	(1,716)	(6,429)	(5,180)	(69,494)	(70,095)
Finance costs	(33,932)	(15,242)	(492)	(81)	(8,717)	(9,532)	(43,141)	(24,855)
Finance income	14,027	10,181	671	645	529	185	15,227	11,011
Share of profit of associates	299	(394)	618	955	329	410	1,246	971
Unallocated corporate expenses							(17,884)	(16,837)
Profit before tax							217,604	305,033
Tax expense							(61,446)	(89,612)
Profit for the year							156,158	215,421

30. Contingent liabilities

i) Litigation (unsecured)

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 2012. On 5 May 2012, 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 Court of Appeal has adjourned the case and stated that the Registrar will fix the date for the case management.

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 Court has allowed the case to be transferred to Sessions Court and has fixed the trial dates on 2 and 3 May 2013.

ii) Import duty (unsecured)

During the financial year, the General Department of Vietnam Customs ("the Vietnam Customs") has opined that a subsidiary in Vietnam is not entitled to the preferential import tax rate for the importation of completely knock-down ("CKD") parts during the period from 2009 to 2011. It was on the basis that the subsidiary company was viewed not to meet one of the conditions stipulated under the prevailing regulations to enjoy the preferential import duty rates for automotive parts and components whereby the CKD parts must be imported/entrusted to be imported by a qualified automobile manufacturer/assembler as stipulated by the Ministry of Industry and Trade ("MOIT").

The subsidiary company is appealing for its importation of CKD parts for reselling at cost to Hoa Binh Automobile Joint Venture Company ("VMC"), a qualified automobile manufacturer/assembler, in the period from 2009 and 2011 to be treated similar to the importation under entrustment (the qualified importation) and that the import duty liabilities in respect of CKD parts would remain the same had VMC imported the CKD parts itself.

The subsidiary company is currently appealing to the relevant authorities. As of date of this report, no liability has been recognised in the financial statements as the outcome of the appeal is uncertain and undeterminable.

31. Capital commitments

		Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Capital commitments:			
Property, plant and equipment:			
Authorised but not contracted for	184,906	158,165	125,218
Authorised and contracted for			
In Malaysia	36,439	24,177	37,584
Outside Malaysia	27,437	89,412	-
Overseas operation commitments:			
Authorised and contracted for	95,164	42,244	6,246
Investment:			
Authorised and contracted for	-	1,548	377
	343,946	315,546	169,425

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control 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.

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

Controlling related party relationships are as follows:

(i) The subsidiaries as disclosed in Note 35.
(ii) The substantial shareholders of the Company.

Other than disclosed elsewhere in the financial statements, other significant related party transactions are as follows:

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

	Group	
	2012 RM’000	2011 RM’000
With WTCH Group		
Purchases	(35,391)	(11,963)
Sales	30,848	25,377
Insurance agency, workshop services and administrative services	3,323	4,308
Travel agency and car rental services	(2,601)	(4,410)
Rental income receivable	86	79
Rental expense payable	(449)	(9)
Purchases of property, plant and equipment	(222)	-
Contract assembly fee receivable	4,443	3,949
With APM Group		
Purchases	(131,254)	(119,917)
Sales	7,091	7,198
Warranty claim	-	4
Insurance agency, workshop services and administrative services	670	962
Rental income receivable	8	12
Rental expense payable	(691)	(336)
With TCIL Group		
Purchases	(25)	(22)
Sales	10,602	2,074
Contract assembly fee receivable	85	-

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

32. Related parties (continued)

Transactions with related parties

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Purchases	(1,932,227)	(1,268,365)
Sales	1,108	588
Technical assistance fee and royalty	(4,743)	(5,902)

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

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Purchases	(7,632)	(8,323)

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 a Director of the Company, Dato' Tan Heng Chew, by virtue of Section 122A of the Companies Act, 1965.

	Group	
	2012	**2011**
	RM'000	**RM'000**
Purchases	(41,958)	(165,377)
Sales	25,163	17,425
Rental income receivable	208	189
Rental expense payable	(292)	-

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

32. 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:

	Group 2012 RM'000	Group 2011 RM'000
Subsidiaries		
Dividend income receivable	61,000	129,583
Interest income receivable	24,544	22,233
Management fees payable	(6,930)	(6,180)
Rental expense payable	(314)	(255)
Interest expense payable	(18,434)	(10,618)
Purchases of property, plant and equipment	(586)	(487)

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 19.

There are no impairment loss made and no bad or doubtful receivable recognised for the financial year ended 31 December 2012 and 31 December 2011 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 24.

33. Financial instruments

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT"); or
- Designated upon initial recognition ("DUIR");
(c) 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

33. Financial instruments (continued)

33.1 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
31 December 2012							
Financial assets							
Group							
Other investments, including derivatives	200,604	-	200,603	1	-	-	-
Trade and other receivables	351,926	351,926	-	-	-	-	-
Hire purchase receivables	303,736	303,736	-	-	-	-	-
Finance lease receivables	5,273	5,273	-	-	-	-	-
Deposits	10,964	10,964	-	-	-	-	-
Derivative assets	266	-	-	-	-	-	266
Cash and cash equivalents	634,426	634,426	-	-	-	-	-
	1,507,195	1,306,325	200,603	1	-	-	266
Company							
Other investments	32,014	7,013	-	1	-	25,000	-
Amount due from subsidiaries	614,034	614,034	-	-	-	-	-
Other receivables	614	614	-	-	-	-	-
Deposits	25	25	-	-	-	-	-
Cash and cash equivalents	3,022	3,022	-	-	-	-	-
	649,709	624,708	-	1	-	25,000	-

33. Financial instruments (continued)

33.1 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
31 December 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 assets	463	-	-	-	-	-	463
Cash and cash equivalents	324,634	324,634	-	-	-	-	-
	1,252,778	1,056,444	194,064	1	1,806	-	463
Company							
Other investments	48,672	7,671	-	1	-	41,000	-
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	495,832	-	1	-	41,000	-

33. Financial instruments (continued)

33.1 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
1 January 2011							
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 assets	769	-	-	-	-	-	769
Cash and cash equivalents	150,088	150,088	-	-	-	-	-
	1,038,568	746,056	289,936	1	1,806	-	769
Company							
Other investments	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	-

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000	Derivatives designated as hedging instrument RM'000
31 December 2012			
Financial liabilities			
Group			
Borrowings	1,417,622	1,417,622	-
Payables and accruals	502,555	502,555	-
Derivative liabilities	1,251	-	1,251
	1,921,428	1,920,177	1,251
Company			
Borrowings	130,000	130,000	-
Payables and accruals	581,428	581,428	-
	711,428	711,428	-
31 December 2011			
Financial liabilities			
Group			
Borrowings	800,026	800,026	-
Payables and accruals	326,113	326,113	-
	1,126,139	1,126,139	-
Company			
Borrowings	200,000	200,000	-
Payables and accruals	370,866	370,866	-
	570,866	570,866	-
1 January 2011			
Financial liabilities			
Group			
Borrowings	706,551	706,551	-
Payables and accruals	287,082	287,082	-
Derivative liabilities	1	-	1
	993,634	993,633	1

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000	Derivatives designated as hedging instrument RM'000
1 January 2011			
Financial liabilities			
Company			
Borrowings	200,000	200,000	-
Payables and accruals	282,972	282,972	-
	482,972	482,972	-

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	6,538	6,044	-	-
Held-to-maturity investments	-	-	1,773	2,320
Available-for-sales	-	3,572	-	-
Loans and receivables	34,879	22,210	24,593	23,592
Financial liabilities measured at amortised cost	(46,026)	(20,811)	(27,159)	(20,217)
Derivatives designated as hedging instrument	(1,448)	(306)	-	-
	(6,057)	10,709	(793)	5,695

33.3 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

33.4 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.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Receivables

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are 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
31 December 2012				
Not past due	197,650	-	-	197,650
Past due 1 – 30 days	52,001	-	-	52,001
Past due 31 – 90 days	26,081	-	-	26,081
Past due more than 90 days	50,332	(11,579)	(130)	38,623
	326,064	(11,579)	(130)	314,355

33. Financial instruments (continued)

33.4 Credit risk (continued)

Impairment losses (continued)

(a) Trade receivables (continued)

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
31 December 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	(11,966)	(24)	26,682
	211,455	(11,966)	(24)	199,465
1 January 2011				
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

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

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	11,990	10,938
Impairment loss recognised	2,370	3,249
Impairment loss reversed	(2,502)	(1,529)
Impairment loss written off	(149)	(668)
At 31 December	11,709	11,990

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.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Impairment losses (continued)

(b) Hire purchase receivables

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
31 December 2012				
Not past due	271,241	-	(75)	271,166
Past due 1 – 30 days	24,553	-	(173)	24,380
Past due 31 – 90 days	7,656	(3)	(427)	7,226
Past due more than 90 days	12,324	(4,087)	(7,273)	964
	315,774	(4,090)	(7,948)	303,736
31 December 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
1 January 2011				
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

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

	Group	
	2012 RM'000	2011 RM'000
At 1 January	9,079	6,986
Impairment loss recognised	4,113	3,938
Impairment loss reversed	(928)	(1,774)
Impairment loss written off	(226)	(71)
At 31 December	12,038	9,079

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.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Impairment losses (continued)

(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
31 December 2012				
Not past due	4,149	-	-	4,149
Past due 1 – 30 days	436	-	-	436
Past due 31 – 90 days	546	-	-	546
Past due more than 90 days	142	-	-	142
	5,273	-	-	5,273
31 December 2011				
Not past due	4,030	(241)	-	3,789
Past due 1 – 30 days	437	-	-	437
	4,467	(241)	-	4,226
1 January 2011				
Not past due	8,090	(299)	-	7,791
Past due 1 – 30 days	340	-	-	340
Past due 31 – 90 days	492	-	-	492
Past due more than 90 days	455	-	-	455
	9,377	(299)	-	9,078

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

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	241	299
Impairment loss reversed	(241)	(58)
At 31 December	-	241

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.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Advances are only provided to subsidiaries of the Company.

Impairment losses

At the end of the reporting period, there was no indication that any subsidiary would default on payment.

33.5 Liquidity risk

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

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

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

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis

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

Group	Contractual interest rate %	Carrying amount RM'000	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
31 December 2012							
Non-derivative financial liabilities							
Term loans	2.85 – 6.50	595,163	361,250	233,913	643,975	268,037	375,938
Bills payable	3.22 – 3.62	301,701	301,701	-	301,701	301,701	-
Revolving credit	3.50 – 6.23	520,758	520,758	-	520,758	520,758	-
Payables and accruals	-	502,555	502,555	-	502,555	502,555	-
		1,920,177	1,686,264	233,913	1,968,989	1,593,051	375,938

Group	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
31 December 2011							
Non-derivative financial liabilities							
Term loans	3.50 – 6.50	353,125	223,125	130,000	377,935	81,072	296,863
Bills payable	3.33 – 3.52	116,086	116,086	-	116,086	116,086	-
Revolving credit	3.33 – 3.97	330,221	330,221	-	330,221	330,221	-
Bank overdraft	6.60	594	594	-	594	594	-
Payables and accruals	-	326,113	326,113	-	326,113	326,113	-
		1,126,139	996,139	130,000	1,150,949	854,086	296,863

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

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

Group	Contractual interest rate %	Carrying amount RM'000	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
1 January 2011							
Non-derivative financial liabilities							
Term loans	3.50 – 6.50	375,538	95,538	280,000	420,067	42,105	377,962
Bills payable	2.38 – 3.31	189,489	189,489	-	189,489	189,489	-
Revolving credit	3.10 – 3.58	135,000	135,000	-	135,000	135,000	-
Bank overdraft	5.50 – 6.30	6,524	6,524	-	6,524	6,524	-
Payables and accruals	-	287,082	287,082	-	287,082	287,082	-
		993,633	713,633	280,000	1,038,162	660,200	377,962

Company	Contractual interest rate %	Carrying amount RM'000	Not later than 2 years RM'000	More than 2 years but not later than 5 years RM'000	Contractual cash flows RM'000	Not later than 1 year RM'000	More than 1 year but not later than 5 years RM'000
31 December 2012							
Non-derivative financial liabilities							
Term loan	4.70 – 4.90	130,000	130,000	-	136,667	85,257	51,410
Amount due to subsidiaries							
- Non-current	5.55	327,237	-	327,237	363,560	-	363,560
- Current	2.65 – 3.70	253,007	253,007	-	253,007	253,007	-
Payables and accruals	-	1,184	1,184	-	1,184	1,184	-
		711,428	384,191	327,237	754,418	339,448	414,970

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

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:

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

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

33.6 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.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

Group	2012 Denominated in		2011 Denominated in	
	USD RM'000	JPY RM'000	USD RM'000	JPY RM'000
Trade receivables	3,953	3,727	5,690	188
Intra-group balances	(55,605)	-	(571)	-
Cash and cash equivalents	12,521	5,105	4,839	1,047
Payables and accruals	(4,615)	(148)	(169)	(943)
Borrowings	(42,114)	-	(55,350)	-
Derivative assets	-	266	375	88
Derivative liabilities	-	(1,251)	-	-
Net exposure	(85,860)	7,699	(45,186)	380

Currency risk sensitivity analysis

A simulated 5% strengthening in the USD/JPY against Ringgit at the end of the reporting period would have increase/(decrease) equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables such as interest rates and market conditions remain constant.

	2012		2011	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
USD	-	(4,293)	19	(2,278)
JPY	(49)	434	4	15

A simulated 5% weakening of USD/JPY 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.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed rate instruments						
Financial assets:						
Assets-backed notes	-	-	-	32,013	48,671	49,000
Hire purchase receivables	303,736	493,826	338,830	-	-	-
Finance lease receivables	5,273	4,226	9,078	-	-	-
Amount due from subsidiaries	-	-	-	475,996	485,948	428,562
Loan to a director of a subsidiary	250	500	750	-	-	-
Deposits with licensed banks	438,755	163,769	32,648	1,299	1,200	1,200
Financial liabilities:						
Term loans	(530,000)	(353,125)	(375,538)	(130,000)	(200,000)	(200,000)
Amount due to subsidiaries	-	-	-	(327,237)	(369,550)	(282,095)
	218,014	309,196	5,768	52,071	(33,731)	(3,333)

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rate risk

Exposure to interest rate risk (continued)

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Floating rate instruments						
Financial assets:						
Amount due from subsidiaries	-	-	-	138,038	-	-
Financial liabilities:						
Term loans	(65,163)	-	-	-	-	-
Bank overdraft	-	(594)	(6,524)	-	-	-
Bills payables	(301,701)	(116,086)	(189,489)	-	-	-
Revolving credit	(520,758)	(330,221)	(135,000)	-	-	-
Amount due to subsidiaries	-	-	-	(253,007)	-	-
	(887,622)	(446,901)	(331,013)	(114,969)	-	-

Interest rate risk sensitivity analysis

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

	Profit or loss	
	100 bp increase	100 bp decrease
Group		
RM'000		
2012		
Floating rate instruments	(8,876)	8,876
2011		
Floating rate instruments	(4,469)	4,469
Company		
RM'000		
2012		
Floating rate instruments	(1,149)	1,149

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

33.7 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 (loss)/gain under forward foreign currency exchange contracts deferred in the cash flow hedging reserve is:

	2012 RM'000	2011 RM'000
Hedging reserve	(985)	463

33. Financial instruments (continued)

33.8 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	31.12.2012 Carrying amount RM'000	31.12.2012 Fair value RM'000	31.12.2011 Carrying amount RM'000	31.12.2011 Fair value RM'000	1.1.2011 Carrying amount RM'000	1.1.2011 Fair value RM'000
Other investments, including derivatives:						
Unquoted shares	-	-	1,806	1,806	1,806	1,806
Option	1	1	1	1	1	1
Quoted unit trusts	200,603	200,603	194,064	194,064	289,936	289,936
Hire purchase receivables	303,736	303,736	493,826	493,826	338,830	338,830
Finance lease receivables	5,273	5,273	4,226	4,226	9,078	9,078
Receivables	351,926	351,926	223,321	223,321	241,402	241,402
Deposits	10,964	10,964	10,437	10,437	6,658	6,658
Forward exchange contract – assets	266	266	463	463	769	769
Cash and cash equivalents	634,426	634,426	324,634	324,634	150,088	150,088
Borrowings:						
Term loans	(595,163)	(595,163)	(353,125)	(353,125)	(375,538)	(375,538)
Bills payables	(301,701)	(301,701)	(116,086)	(116,086)	(189,489)	(189,489)
Revolving credits	(520,758)	(520,758)	(330,221)	(330,221)	(135,000)	(135,000)
Bank overdraft	-	-	(594)	(594)	(6,524)	(6,524)
Forward exchange contract – liabilities	(1,251)	(1,251)	-	-	(1)	(1)
Payables and accruals	(502,555)	(502,555)	(326,113)	(326,113)	(287,082)	(287,082)

Company	31.12.2012 Carrying amount RM'000	31.12.2012 Fair value RM'000	31.12.2011 Carrying amount RM'000	31.12.2011 Fair value RM'000	1.1.2011 Carrying amount RM'000	1.1.2011 Fair value RM'000
Other investments, including derivatives:						
Option	1	1	1	1	1	1
Asset-backed notes	32,013	32,013	48,671	48,671	49,000	49,000
Receivables	614,648	614,648	486,217	486,217	428,928	428,928
Deposits	25	25	92	92	1,223	1,223
Cash and cash equivalents	3,022	3,022	1,852	1,852	4,339	4,339
Borrowing – Term loans	(130,000)	(130,000)	(200,000)	(200,000)	(200,000)	(200,000)
Payables and accruals	(581,428)	(581,428)	(370,866)	(370,866)	(282,972)	(282,972)

33. Financial instruments (continued)

33.8 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 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 assets/liabilities

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

Interest rates used to determine fair value

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

	31.12.2012	31.12.2011	1.1.2011
Hire purchase receivables	2.38% - 9.00%	2.30% - 9.80%	2.30% - 10.00%
Finance lease receivables	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%
Term loans	2.85% - 6.60%	3.50% - 6.50%	3.50% - 6.50%

33. Financial instruments (continued)

33.8 Fair values of financial instruments (continued)

33.8.1 Fair value hierarchy

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2012				
Financial assets				
Other investments	-	200,604	-	200,604
Derivative assets	-	266	-	266
	-	200,870	-	200,870
Financial liabilities				
Derivative liabilities	-	(1,251)	-	(1,251)
31 December 2011				
Financial assets				
Other investments	-	194,065	-	194,065
Derivative assets	-	463	-	463
	-	194,528	-	194,528
1 January 2011				
Financial assets				
Other investments	-	289,937	-	289,937
Derivative assets	-	769	-	769
	-	290,706	-	290,706
Financial liabilities				
Derivative liabilities	-	(1)	-	(1)

33. Financial instruments (continued)

33.8 Fair values of financial instruments (continued)

33.8.1 Fair value hierarchy (continued)

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.

34. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and 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 2012, at 31 December 2011 and 1 January 2011 were as follows:

		Group		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Total borrowings	17	1,417,622	800,026	706,551
Less: Other investments	9	(200,603)	(194,064)	(289,936)
Cash and cash equivalents	15	(634,426)	(324,634)	(150,088)
Net debt		582,593	281,328	266,527
Total equity attributable to owners of the Company		1,937,176	1,840,864	1,682,598
Net debt-to-equity ratios		0.30	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.

NOTES TO THE FINANCIAL STATEMENTS

35. 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 31.12.2012 %	31.12.2011 %	1.1.2011 %
	Incorporated in Malaysia:				
	Agensi Pekerjaan Bijak Sdn. Bhd.	Provision of employment agency services	100	100	100
	Auto Components Manufacturers Sdn. Bhd.	Property holding	100	100	100
	Auto Infiniti Sdn. Bhd.	Trading of car air- conditioners	100	100	100
	Auto Research and Development Sdn. Bhd.	Research and development	100	100	100
	Autokita Sdn. Bhd.	Insurance agency	100	100	100
	Ceranamas Sdn. Bhd.	Property and investment holding	100	100	100
	Constant Knight (M) Sdn. Bhd.	Property holding	100	100	100
	Cyberguard Vehicle Security Technologies Sdn. Bhd.	Trading and marketing of security alarm systems and the provision of alarm warranty services	100	100	100
	Edaran Tan Chong Motor Sdn. Bhd.	Trading and marketing of motor vehicles	100	100	100
	E-Garage Auto Services Sdn. Bhd.	Trading of car grooming products	100	100	100
	Hikmat Asli Sdn. Bhd.	Property holding	100	100	100
	Inspired Motor Sdn. Bhd.	Sales and marketing of motor vehicles	70	70	-
	Pemasaran Alat Ganti Sdn. Bhd.	Marketing of automotive parts	100	100	100
	Perwiramas Sdn. Bhd.	Investment holding	100	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	100
	Sungei Bintang Sdn. Bhd.	Property holding	100	100	100
	Tan Chong & Sons Motor Company Sdn. Bhd.	Assembly and sale of motor vehicles	100	100	100

35. Subsidiaries (continued)

Name	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Incorporated in Malaysia:				
Tan Chong Agency Sdn. Bhd.	Insurance agency and property holding	100	100	100
Tan Chong Education Sdn. Bhd.	Investment holding	100	100	100
Tan Chong Education Services Sdn. Bhd.	Provision of education services	100	100	100
Tan Chong Ekspres Auto Servis Sdn. Bhd.	Automotive workshop services	100	100	100
Tan Chong Industrial Equipment (Sabah) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100	100
Tan Chong Industrial Equipment Sdn. Bhd.	Distribution of commercial vehicles and spare parts	100	100	100
Tan Chong Premier Sdn. Bhd.	Insurance agency	100	100	-
Tan Chong Motor Assemblies Sdn. Bhd.	Assembly of motor vehicles and engines	70	70	70
Tan Chong Trading (Malaysia) Sdn. Bhd.	Investment holding and merchandise trading	100	100	100
Tanahku Holdings Sdn. Bhd.	Property holding	100	100	100
TC Aluminium Castings Sdn. Bhd.	Casting, machining and assembly of aluminium parts and components	100	100	100
TC Auto Tooling Sdn. Bhd.	Production of car alarm system and other security systems, autoparts and accessories	100	100	100
TC Capital Resources Sdn. Bhd.	Hire purchase financing, leasing and money lending	100	100	100
TC Euro Cars Sdn. Bhd.	Distribution of motor vehicles	100	100	100
TC Hartanah Sdn. Bhd.	Property holding	100	100	100
TC Heritage Sdn. Bhd.	Investment holding	100	100	100
TC Insurservices Sdn. Bhd.	Insurance agency	100	100	100
TC Management Services Corporation Sdn. Bhd.	Provision of management services	100	100	100

35. Subsidiaries (continued)

Name	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Incorporated in Malaysia:				
TC Metropolitan Sdn. Bhd.	Property investment holding	100	100	100
TC Motors (Sarawak) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	100	100	100
TC Trucks Group Sdn. Bhd.	Investment holding	100	100	100
TC Trucks After Sales Sdn. Bhd.	Distribution and sales of auto parts and provision of after sales services for commercial vehicles	100	100	100
TC Trucks Sales Sdn. Bhd.	Distribution and sales of commercial vehicles	100	100	100
TC Utama Sdn. Bhd.	Property holding	100	100	100
TCCL Sdn. Bhd.	Insurance agency	100	100	100
TCM Stamping Products Sdn. Bhd.	Manufacture and sale of fuel tanks and press metal parts	100	100	100
Truckquip Sdn. Bhd.	Distribution of automotive spare parts and construction of vehicle bodies	100	100	100
VDC Sdn. Bhd.	Installation of accessories and fittings for motor vehicles	100	100	100
Vincus Holdings Sdn. Bhd.	Investment holding	100	100	100
West Anchorage Sdn. Bhd.	Investment holding	100	100	100
Auto Trucks & Components Sdn. Bhd.	Dormant	100	100	100
Edaran Tan Chong Motor (Sabah) Sdn. Bhd.	Dormant	100	100	100
Edaran Tan Chong Motor (Sarawak) Sdn. Bhd.	Dormant	100	100	100
Edaran Tan Chong Motor (Selatan) Sdn. Bhd.	Dormant	100	100	100
Edaran Tan Chong Motor (Tengah) Sdn. Bhd.	Dormant	100	100	100

35. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
	Incorporated in Malaysia:				
	Edaran Tan Chong Motor (Utara) Sdn. Bhd.	Dormant	100	100	100
	Fujiyama Car Cooler Sdn. Bhd.	Dormant	100	100	100
	Tan Chong Construction Sdn. Bhd.	Dormant	100	100	-
	Tan Chong Development Sdn. Bhd.	Dormant	100	100	100
	Tan Chong Higher Education Sdn. Bhd.	Dormant	100	100	100
	Tan Chong Private Education Sdn. Bhd.	Dormant	100	100	100
	Tan Chong Motorcycles (Malaysia) Sdn. Bhd.	Dormant	100	100	-
	TC Brake System Sdn. Bhd.	Dormant	100	100	100
	TC Capital Premium Sdn. Bhd.	Dormant	100	100	100
	TC Engines Manufacturing Sdn. Bhd.	Dormant	100	100	100
	TC Facilities Management Sdn. Bhd.	Dormant	100	100	-
	TC Manufacturing Company (Sabah) Sdn. Bhd.	Dormant	100	100	100
	TC Manufacturing Holdings Sdn. Bhd.	Dormant	100	100	100
	TC Security Services Sdn. Bhd.	Dormant	100	100	100
	TC Transmission Sdn. Bhd.	Dormant	100	100	100
@	TC Automotive Electronics Sdn. Bhd.	Dormant	100	-	-
@	TC Module Integrator Sdn. Bhd.	Dormant	100	-	-
@	First Energy Networks Sdn. Bhd.	Dormant	100	-	-

35. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
	Incorporated in Labuan:				
	ETCM (C) Pty. Ltd.	Investment holding and trading of motor vehicles	100	100	100
	ETCM (Labuan) Pty. Ltd.	Investment holding	100	100	100
	ETCM (L) Pty. Ltd.	Investment holding and trading of motor vehicles	100	100	100
	ETCM (V) Pte. Ltd.	Investment holding	100	100	100
	Tan Chong Motorcycles (Labuan) Pte. Ltd.	Investment holding	100	100	100
	TC Express Auto Services and Spare Parts (Labuan) Pty. Ltd.	Investment holding	100	100	100
	TCIE (Labuan) Pty. Ltd.	Investment holding	100	100	100
	Tan Chong Trading (Labuan) Pty. Ltd.	Dormant	100	100	100
	TC Capital Resources (Labuan) Pty. Ltd.	Dormant	100	100	100
@	TC Manufacturing (Labuan) Pte. Ltd.	Dormant	100	-	-
@	TCMSC (Labuan) Pte. Ltd.	Dormant	100	-	-
@	ETCM (MM) Pte. Ltd.	Dormant	100	-	-
@^	Tan Chong Motorcycles (MM) Pte. Ltd.	Dormant	100	-	-
	Incorporated in Cambodia:				
*	TC Express Auto Services and Spare Parts (Cambodia) Pty. Ltd.	Automobile workshop services and trading of spare parts	100	100	100
^	Tan Chong Motor (Cambodia) Pty. Ltd.	Dormant	100	100	100

35. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
	Incorporated in Vietnam:				
*	TC Motor Vietnam Co. Ltd.	Manufacture and assembly of buses, trucks and automobiles	100	100	70
*	TCIE Vietnam Pte. Ltd.	Manufacture and assembly of passenger cars, buses, trucks, pick-up and automobiles	100	100	100
	Nissan Vietnam Co. Ltd.	Importation and distribution of motor vehicles	74	74	74
	Incorporated in Laos:				
^	Tan Chong Motorcycles (Laos) Co., Ltd.	Dormant	100	100	100
^	Tan Chong Motor (Lao) Co., Ltd.	Dormant	100	100	100
	Incorporated in Myanmar:				
^	E-Garage Auto Services and Spare Parts (Myanmar) Company Limited	Dormant	90	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 2012 financial statements of the newly incorporated subsidiary and non-operating subsidiaries are not required to be audited pursuant to the 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.

36. Significant 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 as traders, manufacturers 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 to design, develop, manufacture, 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.

(vii) On 10 May 2012, ETCM (Labuan) Pty. Ltd., a wholly-owned subsidiary of the Company, incorporated a new subsidiary named ETCM (MM) Pte. Ltd. as an investment holding company. ETCM (MM) Pte. Ltd. has an issued and paid-up capital of USD1.00.

(viii) On 15 May 2012, the Company Incorporated a new subsidiary named First Energy Networks Sdn. Bhd. to undertake the business to build and operate the charging infrastructure and system for Electric Vehicles and any related after sales service and ancillary services in connection therewith. First Energy Networks Sdn. Bhd. has an authorised capital of RM100,000 and paid-up capital of RM2.00.

(ix) On 21 June 2012, Vincus Holdings Sdn. Bhd. ("Vincus"), a wholly-owned subsidiary of the Company acquired an additional 5% equity interest comprising 573,238 shares of RM1.00 each in THK Rhythm Malaysia Sdn. Bhd. ("TRMS") (formerly known as TRW Steering & Suspension (Malaysia) Sdn. Bhd.), bringing the total shareholding of Vincus in TRMS from 15% to 20%, thereby resulting in TRMS being an associate of the Group.

(x) On 20 September 2012, TCIE Vietnam Pte. Ltd., a wholly-owned subsidiary of TCIE (Labuan) Pte. Ltd., which in turn is a wholly-owned subsidiary of the Company, was appointed by Nissan Motor Co., Ltd. as the exclusive distributor and authorised assembler/manufacturer for a certain model of Nissan vehicle in Vietnam.

(xi) On 23 October 2012, Tan Chong Motorcycle (Labuan) Pte. Ltd. a wholly-owned subsidiary of Tan Chong Motor Holdings Berhad ("TCMH") incorporated a new subsidiary named Tan Chong Motorcycle (MM) Pte. Ltd., to undertake the business to import, export and distribution of motorcycles and all kinds of vehicles. Tan Chong Motorcycles (Labuan) Pte. Ltd. has an issued and paid-up capital of USD1.00.

36. Significant events (continued)

(xii) 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 2012-A of RM388 million on 3 December 2012.

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"), a wholly-owned subsidiary of the Company. RM355 million of Class A Notes was issued to investors in the debt capital markets while Class B Notes of RM12 million and Class C Notes RM21 million were subscribed by TCCR.

37. Subsequent events

(i) On 3 January 2013, TC Manufacturing Holdings Sdn. Bhd. ("TCMan"), a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TC Plastics Sdn. Bhd. ("TC Plastics") to undertake the supply of painted plastic parts to automotive assembly plants and plastic injection manufacturing. TC Plastics has an authorised capital of RM100,000 and paid-up share capital of RM2.00.

(ii) On 3 January 2013, Tan Chong & Sons Motor Company Sdn. Bhd. ("TCM"), a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TMC Services Sdn. Bhd. ("TMC") to undertake the provision of treasury management services. TMC has an authorised capital of RM10,000,000 and paid-up share capital of RM2.00.

(iii) On 3 January 2013, the Company incorporated a new subsidiary named TC ITECH Sdn. Bhd. ("TCI") to undertake the provision of information technology services. TCI has an authorised capital of RM100,000 and paid-up share capital of RM2.00.

(iv) On 6 February 2013, the Company incorporated a new subsidiary named TC Industrial Entity Sdn. Bhd. as an investment holding company. TC Industrial Entity Sdn. Bhd. has an authorised capital of RM100,000 and paid-up share capital of RM2.00.

(v) On 18 February 2013, TC Industrial Entity Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a new subsidiary named TC Industrial Lands (Serendah) Sdn. Bhd. as an property holding company. TC Industrial Lands (Serendah) Sdn. Bhd. has an authorised capital of RM100,000 and paid-up share capital of RM2.00.

(vi) On 20 February 2013, TCMan increased its authorised share capital from RM100,000 comprising 100,000 shares of RM1.00 each to RM50,000,000 comprising 50,000,000 shares of RM1.00 by the creation of 49,900,000 shares of RM1.00 each to rank pari passu in all respects with the existing shares in TCMan. On 20 February 2013 and 20 March 2013, TCMan acquired the equity interest in various related companies from the Company and Pemasaran Alat Ganti Sdn. Bhd. ("PAG"), a related company of TCMan, for a total consideration of RM39,335,570 satisfied via the issuance of 39,335,570 new ordinary shares of RM1.00 each in TCMan ("TCMan Shares") to the Company and PAG in the manner as set out below:

	No. of TCMan shares issued
TCMH	39,335,569
PAG	1
	39,335,570

PAG subsequently transferred its 1 share in TCMan to the Company on 22 March 2013 thereby resulting in TCMan being a direct wholly-owned subsidiary of the Company.

38. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's and the Company's date of transition to MFRSs).

The transition to MFRSs does not have any financial impact to the financial statements of the Group and of the Company save for the classification of amounts previously reported in the Group's Statement of Changes in Equity prepared in accordance with previous FRSs as set out below:

Group	**1.1.2011**			**31.12.2011**		
	FRSs RM'000	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**
Statement of changes in equity						
Revaluation reserves	23	(23)	-	23	(23)	-
Retained earnings	1,373,612	23	1,373,635	1,530,279	23	1,530,302

The classification of the amount RM23,000 is a result of the Group's decision to apply the optional exemption to use a previous revaluation as deemed cost upon transition to MFRSs.

39. 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised profits	1,815,461	1,709,945	973,619	997,007
- Unrealised (loss)/profit	(26,330)	(19,543)	2,869	5,072
	1,789,131	1,690,402	976,488	1,002,079
Total retained earnings of the associated companies:				
- Realised profits	6,972	5,794	-	-
- Unrealised profit	68	-	-	-
	7,040	5,794	-	-
Total retained earnings before consolidation adjustment	1,796,171	1,696,219	976,488	1,002,079
Less: Consolidation adjustment	(166,671)	(165,917)	-	-
	1,629,500	1,530,302	976,488	1,002,079

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 38 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 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 39 on page 129 to the financial statements has been 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 2013

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 in respect of financial year ended 31 December 2012, do solemnly and sincerely declare that the financial statements set out on pages 38 to 129 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 in the Federal Territory on 19 April 2013.

Loy Swee Im
MIA 9096

Before me:

Samsiah binti Ali
No. W589
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 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 128 (except for pages 40, 41, 43 and 44 that do not form part of the financial statements and which were included in the Annual Report only for information purposes).

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012, and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the 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 35 to the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Tan Chong Motor Holdings Berhad

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 39 on page 129 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 Malaysian Financial Reporting Standards and International 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

As stated in Note 1(a) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial positions as of 31 December 2012 and financial performances and cash flows for the year then ended.

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: 2941/09/14(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 19 April 2013

TEN LARGEST PROPERTIES OF THE GROUP

as at 31 December 2012

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	117.20	6	09.05.96	-
Lot 93 Seksyen 46 Kuala Lumpur	Car park	50,637	-	Freehold	41.83	-	27.08.12	2012
Lot 92 Seksyen 46 Kuala Lumpur	Car park	50,228	-	Freehold	41.51	-	24.08.12	2012
No. 1 Jalan Sesiku 15/2 Section 15, Shah Alam 40000 Selangor Darul Ehsan	Industrial plant	713,983	408,912	Leasehold 19.02.2066	39.48	44	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	22.59	37	15.01.74	1984
Lot 1004, Bandar Nusajaya Bukit Indah 81200 Johor Bahru Johor Darul Takzim	Vacant commercial land	143,400	-	Freehold	18.70	-	01.03.11	2010
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	13.08	30	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	13.21	19	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	11.27	33	11.09.81	1984
Lot 43097 Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse & hostel	325,030	100,496	Leasehold 27.01.2074	9.79	15	27.03.81	-

SHAREHOLDERS' STATISTICS

as at 1 April 2013

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	190	2.55	4,102	-[1]
100 - 1,000	2,445	32.81	2,280,941	0.34
1,001 - 10,000	3,828	51.38	16,229,968	2.42
10,001 - 100,000	775	10.40	24,172,239	3.60
100,001 - 32,640,749[2]	208	2.79	243,416,821	36.22
32,640,750 and above[3]	5	0.07	366,710,929	54.57
Sub Total	**7,451**	**100.00**	**652,815,000**	**97.15**
Treasury shares			19,185,000	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	25,419,662	3.89	311,146,595	47.66[1]
2	Dato' Haji Kamaruddin @ Abas bin Nordin	4,992	-[2]	-	-
3	Seow Thiam Fatt	60,000	0.01	-	-
4	Dato' Ng Mann Cheong	-	-	120,000	0.02[3]
5	Dato' Khor Swee Wah @ Koh Bee Leng	9,540,390	1.46	327,025,867	50.09[4]
6	Ling Ou Long @ Ling Wuu Long	-	-	5,000	-[3]

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. 32,964,965 shares are as to voting rights only.*

[2] *Less than 0.01%.*

[3] *Interest of spouse by virtue of Section 134(12)(c) of the Act.*

[4] *Interests of spouse and children by virtue of Section 134(12)(c) of the Act. 32,964,965 shares are as to voting rights only.*

SHAREHOLDERS' STATISTICS

as at 1 April 2013

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	255,937,640	39.21	32,964,965	5.05[(1)]
2	Nissan Motor Co, Ltd	37,333,324	5.72	-	-
3	Employees Provident Fund Board	44,953,100	6.89	-	-
4	Dato' Tan Heng Chew	25,419,662	3.89	299,856,205	45.93[(2)]
5	Tan Eng Soon	-	-	302,812,205	46.39[(3)]
6	Tan Kheng Leong	200,000	0.03	288,902,605	44.25[(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"). 32,964,965 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. 32,964,965 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	217,789,240	33.36
2	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	41,282,300	6.32
3	Tan Chong Consolidated Sdn Bhd	37,341,100	5.72
4	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for Daiwa Securities Co Ltd Clients Acc*	37,333,324	5.72
5	HSBC Nominees (Tempatan) Sdn Bhd *Exempt AN for HSBC (Malaysia) Trustee Berhad (D09-6061)*	32,964,965	5.05
6	Amanahraya Trustees Berhad *Skim Amanah Saham Bumiputera*	30,479,400	4.67
7	Tan Kim Hor	18,790,032	2.88
8	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Heng Chew (MM1063)*	12,738,000	1.95
9	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)*	9,087,400	1.39
10	Cartaban Nominees (Asing) Sdn Bhd *BBH (Lux) SCA for Fidelity Funds ASEAN*	7,194,600	1.10
11	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for the Bank of New York Mellon SA/NV (BDS Jersey)*	6,794,200	1.04
12	Pang Sew Ha @ Phang Sui Har	6,329,275	0.97
13	Key Development Sdn Berhad	6,194,400	0.95
14	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Khor Swee Wah @ Koh Bee Leng (MM1208)*	5,929,390	0.91
15	Tan Boon Pun	4,944,744	0.76

SHAREHOLDERS' STATISTICS
as at 1 April 2013

	Name	No. of Shares Held	%
16	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	4,699,300	0.72
17	Gan Teng Siew Realty Sdn Berhad	4,679,000	0.72
18	Tan Ban Leong	4,351,377	0.67
19	Tan Beng Keong	4,351,377	0.67
20	Tan Chee Keong	4,351,377	0.67
21	Tan Hoe Pin	4,351,377	0.67
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	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Heng Chew	3,751,300	0.57
25	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account for Lung Ma Investments Pte Ltd (SIN 9047-5)	2,956,000	0.45
26	Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	2,899,800	0.44
27	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	2,845,000	0.44
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Heng Chew (E-KLC)	2,818,100	0.43
29	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Heng Chew	2,669,400	0.41
30	Amanahraya Trustees Berhad Public Islamic Equity Fund	2,483,900	0.38
	TOTAL	**530,793,678**	**81.31**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-First 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, 22 May 2013 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 2012 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To declare a final dividend of 12% less income tax for the financial year ended 31 December 2012. **Resolution 2**

3. To re-elect Dato' Tan Heng Chew, a Director who retires 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 re-elect the following Directors who retire pursuant to Article 81 of the Articles of Association of the Company, and being eligible, have offered themselves for re-election:

   (i) Dato' Khor Swee Wah @ Koh Bee Leng **Resolution 4**
   (ii) Mr Ling Ou Long @ Ling Wuu Long **Resolution 5**
   (iii) Mr Ho Wai Ming **Resolution 6**

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

   (i) "THAT 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 7**

   (ii) "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 8**

6. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2013 and to authorise the Directors to fix their remuneration. **Resolution 9**

As Special Business

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

7. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   (i) "THAT approval be and is hereby given for Dato' Ng Mann Cheong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 10**

   (ii) "THAT subject to the passing of Resolution 7, approval be and is hereby given for Dato' Haji Kamaruddin @ Abas bin Nordin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 11**

   (iii) "THAT subject to the passing of Resolution 8, approval be and is hereby given for Mr Seow Thiam Fatt who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 12**

8. **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 13**

9. **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 14**

10. **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 2013 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 15**

11. **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 2013 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 16**

12. **PROPOSED RENEWAL OF 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 2013 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 17**

13. **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 2013 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 18**

14. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"THAT the Articles of Association of the Company be amended as follows:

(i) By substituting the following new Article for Article 2(c):

"Authorised Nominee" shall have the meaning ascribed thereto in the Central Depositories Act and "Exempt Authorised Nominee" means an Authorised Nominee which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

(ii) By substituting the following new Article for Article 75:

<u>Article 75. Proxy need not be a member</u>

(a) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

(b) Subject to Article 75(c), (d), (e) and (f), a member shall be entitled to appoint not more than two (2) proxies to attend and vote at a meeting of the Company.

(c) Subject to Article 75(e) and (f), where a member is a Depositor who is also an Authorised Nominee, the Authorised Nominee may appoint not more than two (2) proxies in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors requested by the Company pursuant to Article 57(b)(ii) for the purposes of the meeting for which the Authorised Nominee is appointing proxies.

(d) Subject to Article 75(e) and (f), where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors requested by the Company pursuant to Article 57(b)(ii) for the purposes of the meeting for which the Exempt Authorised Nominee is appointing proxies, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(e) Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee pursuant to this Article shall be by a separate instrument of proxy which shall specify:

(i) the securities account number;
(ii) the name of beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
(iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.

(f) Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies for the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected." **Special Resolution**

15. 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 Forty-First Annual General Meeting of Tan Chong Motor Holdings Berhad, a final dividend of 12% less income tax will be paid on 21 June 2013 to shareholders whose names appear in the Register of Members on 3 June 2013.

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

(1) shares transferred into the depositor's securities account before 4:00 p.m. on 3 June 2013 in respect of transfers;
(2) shares deposited into the depositor's securities account before 12:30 p.m. on 30 May 2013 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 2013

NOTES:

1. *A depositor whose name appears in the Record of Depositors of the Company as at 14 May 2013 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. Resolutions 10, 11 and 12 - Continuing in Office as Independent Non-Executive Directors

Pursuant to the Malaysian Code on Corporate Governance 2012, it is recommended that approval of shareholders be sought in the event the Company intends to retain an independent director who has served in that capacity for more than nine (9) years.

Following an assessment by the Board, Dato' Ng Mann Cheong, Dato' Haji Kamaruddin @ Abas bin Nordin and Mr Seow Thiam Fatt, who each has served as Independent Non-Executive Director of the Company for a cumulative term of more than 9 years as at the date of this Notice, have been recommended by the Board to continue to act as Independent Non-Executive Directors, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. Key justifications for their recommended continuance as Independent Non-Executive Directors are as follows:

(i) They fulfil the independent director criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, therefore, are able to bring independent and objective judgment to the Board.
(ii) Their relevant experience and expertise in legal, economics, finance and accounting would enable them to provide the Board with pertinent and a diverse set of expertise, skills and competence.
(iii) Their long service with the Company enhances their knowledge and understanding of the business operations of the Group which enable them to contribute actively and effectively during deliberations at Audit Committee and Board meetings.

2. Resolution 13 - 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 40th Annual General Meeting held on 23 May 2012 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 40th Annual General Meeting which will lapse at the conclusion of the 41st Annual General Meeting to be held on 22 May 2013.

A renewal of the mandate is being sought at the 41st Annual General Meeting under proposed Resolution 13. 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. Resolution 14 - Proposed Renewal of Authority for the Company to Purchase Its Own Ordinary Shares

The proposed Resolution 14, 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 2013, despatched together with the Company's 2012 Annual Report.

4. Resolutions 15, 16, 17 and 18 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Resolutions 15, 16, 17 and 18, 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 these proposed Resolutions are set out in the Company's Circular to Shareholders dated 30 April 2013, despatched together with the Company's 2012 Annual Report.

5. **Special Resolution - Proposed Amendments to the Articles of Association of the Company**

The proposed amendments to the Articles of Association ("Proposed Amendments") are to align the Articles of Association of the Company with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to the following which took effect on 3 January 2012:

(i) To allow a member who is an exempt authorised nominee to appoint multiple proxies for each omnibus account it holds. However in order to treat all members pari passu or equally, all members including beneficial owners who hold ordinary shares in the Company, whether through a securities account or an omnibus account, shall be entitled to appoint up to two (2) proxies.
(ii) To clarify that proxies have the same right as members to speak at the general meeting.

The full text of the proposed new Article 2(c) and 75 of the Articles of Association of the Company, marked up to show changes from the existing Article 2(c) and 75 is set out below:

"Article 2(c) "Authorised Nominee" shall have the meaning ascribed thereto in the Central Depositories Act and "Exempt Authorised Nominee" means an Authorised Nominee which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

Article 75. Proxy need not be a member

(a) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.

(b) Subject to Article 75(c), (d), (e) and (f), a~~A~~ member shall be entitled to appoint not more than two (2) proxies to attend and vote at a meeting of the Company. ~~except where~~

(c) Subject to Article 75(e) and (f), where ~~the~~ a member is a Depositor who is also an Authorised Nominee, ~~then~~ the Authorised Nominee may appoint not more than two (2) proxies ~~one proxy~~ in respect of each securities account the Authorised Nominee holds with ordinary shares in the Company standing to the credit of such securities account as reflected in the Record of Depositors requested by the Company pursuant to Article 57(b)(ii) for the purposes of the meeting for which the Authorised Nominee is appointing proxies. ~~the proxy Each appointment of proxy by an Authorised Nominee pursuant to this Article 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~~

(d) Subject to Article 75(e) and (f), where a member is a Depositor who is also an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as reflected in the Record of Depositors requested by the Company pursuant to Article 57(b)(ii) for the purposes of the meeting for which the Exempt Authorised Nominee is appointing proxies, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(e) Each appointment of proxy by a member including an Authorised Nominee or an Exempt Authorised Nominee pursuant to this Article shall be by a separate instrument of proxy which shall specify:

(i) the securities account number;
(ii) the name of beneficial owner for whom the Authorised Nominee or Exempt Authorised Nominee is acting; and
(iii) where two (2) proxies are appointed, the proportion of ordinary shareholdings or the number of ordinary shares to be represented by each proxy.

(f) Any beneficial owner who holds ordinary shares in the Company through more than one (1) securities account and/or through more than one (1) omnibus account, shall be entitled to instruct the Authorised Nominee and/or Exempt Authorised Nominee for such securities accounts and/or omnibus accounts to appoint not more than two (2) persons to act as proxies for the beneficial owner. If there shall be three (3) or more persons appointed to act as proxies for the same beneficial owner of ordinary shares in the Company held through more than one (1) securities account and/or through more than one (1) omnibus account, all the instruments of proxy shall be deemed invalid and shall be rejected."

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 Forty-First 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, 22 May 2013 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' Tan Heng Chew as Director		
Resolution 4	Re-election of Dato' Khor Swee Wah @ Koh Bee Leng as Director		
Resolution 5	Re-election of Mr Ling Ou Long @ Ling Wuu Long as Director		
Resolution 6	Re-election of Mr Ho Wai Ming as Director		
Resolution 7	Re-appointment of Dato' Haji Kamaruddin @ Abas bin Nordin pursuant to Section 129(6) of the Companies Act, 1965		
Resolution 8	Re-appointment of Mr Seow Thiam Fatt pursuant to Section 129(6) of the Companies Act, 1965		
Resolution 9	Re-appointment of Messrs KPMG as Auditors		
Resolution 10	Continuing in office for Dato' Ng Mann Cheong as Independent Non-Executive Director		
Resolution 11	Continuing in office for Dato' Haji Kamaruddin @ Abas bin Nordin as Independent Non-Executive Director		
Resolution 12	Continuing in office for Mr Seow Thiam Fatt as Independent Non-Executive Director		
Resolution 13	Proposed Grant of Authority pursuant to Section 132D of the Companies Act, 1965		
Resolution 14	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Resolution 15	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad and its subsidiaries and jointly-controlled entities		
Resolution 16	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad and its subsidiaries and jointly-controlled entities		
Resolution 17	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited and its subsidiaries		
Resolution 18	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		
Special Resolution	Proposed Amendments to the Articles of Association of the Company		

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

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

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

____
Signature/Common Seal

Number of shares held : ______________
Date : ______________

Notes:

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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.

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Affix
Stamp
here

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

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