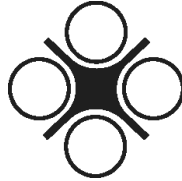


**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Pursuant to Practice Note No. 18/2005 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Part I of this Circular is not required to be reviewed by Bursa Malaysia and has not been perused by Bursa Malaysia. Further, Bursa Malaysia takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**TAN CHONG MOTOR HOLDINGS BERHAD**

(Company No. 12969-P)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PART I**

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

**PART II**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The ordinary resolutions in respect of the above proposals will be tabled at the Thirty-Fifth Annual General Meeting. The Notice of the said Meeting together with the Form of Proxy are set out in the 2006 Annual Report despatched with this Circular.

The Form of Proxy should be completed and returned in accordance with the instructions therein.

Last date and time for lodging the Form of Proxy	:	Tuesday, 15 May 2007 at 3:00 p.m.
Date and time of the 35 <sup>th</sup> Annual General Meeting	:	Thursday, 17 May 2007 at 3:00 p.m.
Venue of the 35 <sup>th</sup> Annual General Meeting	:	3 <sup>rd</sup> Floor, 21 Jalan Ipoh Kecil 50350 Kuala Lumpur

This Circular is dated 25 April 2007

## DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 1965
AGM	:	Annual General Meeting
APM	:	APM Automotive Holdings Berhad
APM Group	:	APM and its subsidiaries
Audit Committee	:	Audit committee of TCMH comprising Seow Thiam Fatt, Dato' Ng Mann Cheong and Dato' Haji Kamaruddin @ Abas bin Nordin, all of whom are Independent Non-Executive Directors
Auto Dunia	:	Auto Dunia Sdn Bhd
Board	:	Board of Directors of TCMH
Bursa Malaysia	:	Bursa Malaysia Securities Berhad
Code	:	Malaysian Code on Take-Overs and Mergers, 1998
Director	:	The meaning given in Section 4 of the Act and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer or any other company which is its subsidiary or holding company or a chief executive officer of the listed issuer, its subsidiary or holding company
EPF	:	Employees Provident Fund Board
EPS	:	Earnings per share
LR	:	Listing Requirements of Bursa Malaysia
Major Shareholder	:	Person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-  (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.  For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act.  A major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or any other company which is its subsidiary or holding company
NA	:	Net assets

## DEFINITIONS (Cont'd)

Parasand	:	Parasand Limited
Proposals	:	Proposed Share Buy-Back and Proposed Shareholders' Mandate collectively
Proposed Share Buy-Back	:	Proposed renewal of authority for TCMH to purchase and/or hold its own ordinary shares up to ten per centum (10%) of the issued and paid-up share capital of the Company
Proposed Shareholders' Mandate	:	Proposed renewal of the Shareholders' Mandate for the TCMH Group to enter into RRPT with Related Party
Related Party	:	Director, Major Shareholder or person connected with such Director or Major Shareholder; and "Related Parties" shall be construed accordingly
Related Party Transaction	:	Transaction entered into by the listed issuer or its subsidiaries which involves the interest, direct or indirect, of a Related Party
RM and sen	:	Ringgit Malaysia and sen respectively
RRPT	:	Related Party Transactions of a revenue or trading nature which are recurrent and necessary for the day-to-day operations and in the ordinary course of business
SC	:	Securities Commission
Shareholders' Mandate	:	Shareholders' general mandate pursuant to Paragraph 10.09 of the LR in respect of RRPT
TCC	:	Tan Chong Consolidated Sdn Bhd
TCIL	:	Tan Chong International Limited
TCIL Group	:	TCIL and its subsidiaries
TCMH or Company	:	Tan Chong Motor Holdings Berhad
TCMH Group or Group	:	TCMH and its subsidiaries
TCMH Shares	:	Ordinary shares of RM0.50 each in the Company
WTCH	:	Warisan TC Holdings Berhad
WTCH Group	:	WTCH and its subsidiaries

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# TAN CHONG MOTOR HOLDINGS BERHAD

(Company No. 12969-P)  
(Incorporated in Malaysia)

## Registered Office:

62-68 Jalan Ipoh  
51200 Kuala Lumpur

25 April 2007

## Board of Directors:

Dato' Tan Heng Chew (*Executive Deputy Chairman*)  
Tan Eng Soon (*Group Managing Director*)  
Azman bin Badrillah  
Dato' Ng Mann Cheong  
Dato' Haji Kamaruddin @ Abas bin Nordin  
Seow Thiam Fatt

To: The Shareholders of Tan Chong Motor Holdings Berhad

Dear Shareholders:

## **PART I PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES**

## **PART II PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

### **1. INTRODUCTION**

At the Company's AGM held on 18 May 2006, the Directors had obtained shareholders' approval for:

- (a) the Directors to purchase through Bursa Malaysia up to 64,831,000 of the Company's shares or up to 10% of the issued and paid-up share capital of the Company less treasury shares as at 31 March 2006; and
- (b) the Company and its subsidiaries to enter into recurrent Related Party Transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business of the Group.

The above approvals shall, in accordance with the LR, lapse at the conclusion of the forthcoming AGM unless fresh approvals are obtained.

On 22 February 2007, the Company announced that it would seek the renewal of authority from its shareholders to purchase its own ordinary shares and the renewal of the shareholders' mandate for recurrent related party transactions of a revenue or trading nature at the forthcoming AGM.

The Proposed Share Buy-Back and Proposed Shareholders' Mandate would become effective immediately upon the passing of the proposed resolutions and will expire at the conclusion of the next AGM of the Company unless the authority and mandate are further renewed by resolutions passed at a general meeting (either unconditionally or subject to conditions) or upon the expiration of the period within which the next AGM is required by law to be held, or if earlier revoked or varied by ordinary resolutions of the shareholders of the Company in a general meeting, whichever occurs first.

The purpose of this Circular is to provide you with information on the Proposals and to seek your approval for the proposed resolutions to be tabled at the forthcoming AGM of the Company.

## **2. PART I PROPOSED SHARE BUY-BACK**

### **2.1 DETAILS OF THE PROPOSED SHARE BUY-BACK**

The Board proposes to seek authority from its shareholders to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company through its appointed stockbrokers. As at 30 March 2007, the issued and paid-up share capital of the Company was RM336,000,000 comprising 672,000,000 TCMH Shares less 3,847,000 TCMH Shares already purchased and held as treasury shares.

The shareholders' approval for the Proposed Share Buy-Back does not impose an obligation on the Company to purchase its own shares on Bursa Malaysia. The approval will allow the Board to exercise the power of the Company to purchase its own ordinary shares at any time within the abovementioned time period using the internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the availability of internally generated funds, actual number of TCMH Shares to be purchased and other cost factors. The actual number of TCMH Shares to be purchased will depend on the market conditions as well as the retained profits and financial resources available to the Company. The Proposed Share Buy Back will reduce the cashflow of the Company by an amount dependent on the purchase price of TCMH Shares and the actual number of TCMH Shares bought back.

The Board proposes to allocate a sum of not exceeding the retained profits of the Company for the purchase of the TCMH Shares subject to compliance with Section 67A of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase. The audited retained profits of the Company as at 31 December 2006 was RM11.12 million. The Company did not have any share premium as at 31 December 2006.

The purchased shares may be cancelled immediately or retained as treasury shares or a combination of both. The purchased shares held as treasury shares, may either be subsequently cancelled or distributed as share dividends or resold by the Company on Bursa Malaysia, or both, depending on the availability of, amongst others, the retained profits of the Company. The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits and/or the share premium account (if applicable) of the Company.

An immediate announcement will be made to Bursa Malaysia upon the purchase or resale of the shares. In addition, the Company will also announce whether the purchased shares will be cancelled or retained as treasury shares or a combination of both.

TCMH shall only purchase its own ordinary shares at a price which is not more than fifteen per centum (15%) above the weighted average market price for the five (5) market days immediately preceding the date of the purchase(s).

The Company may only resell the purchased shares held as treasury shares at a price which is not less than the weighted average market price for the five (5) market days immediately preceding the date of resale or not less than 5% below the weighted average market price for the five (5) market days immediately prior to the resale provided that (i) the resale takes place no earlier than thirty (30) days from the date of purchase and (ii) the resale price is not less than the cost of purchase of the shares being resold.

As at 30 March 2007, the public shareholding spread of the Company was approximately 39.05%.

For the purpose of illustration, if the Company purchases up to the maximum number of TCMH Shares as allowed under the Proposed Share Buy-Back and assuming the purchases will not reduce the number of TCMH Shares currently held by the Directors, the substantial shareholders or persons connected with the Directors and/or substantial shareholders, the public shareholding spread of the Company based on the position at 30 March 2007 is expected to be approximately 32.67%.

## 2.2 POTENTIAL ADVANTAGES AND DISADVANTAGES

### 2.2.1 Advantages

The Proposed Share Buy-Back provides the opportunity for TCMH to stabilise the supply and demand of TCMH Shares in the open market and thereby allowing the share price of TCMH to better reflect the fundamental value of TCMH Shares. In addition, the purchased shares may be held as treasury shares and resold on Bursa Malaysia with the intention of realising a potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this will serve to reward the shareholders of the Company.

Furthermore, the share repurchase by the Company may enhance the EPS and NA per share of TCMH, depending on factors such as purchase prices of the TCMH Shares and the effective funding cost and/or loss in interest income to the Company.

### 2.2.2 Disadvantages

The Proposed Share Buy-Back may result in the Group foregoing other investment opportunities that may emerge in the future and may also reduce the amount of resources available for distribution in the form of dividends to shareholders of TCMH. However, the financial resources of the TCMH Group may recover and increase upon the resale of the repurchased shares which are held as treasury shares.

Nevertheless, the Board will be mindful of the interests of TCMH and its shareholders in undertaking the Proposed Share Buy-Back.

## 2.3 PURCHASE, CANCELLATION AND RE-SALE IN THE PREVIOUS 12 MONTHS

TCMH had purchased 1,478,000 of its own shares in the 12 months preceding the date of this Circular. Together with the 2,369,000 shares bought back earlier, the total number of shares bought back as at 30 March 2007 was 3,847,000. TCMH has not made any cancellation of its own shares or re-sold any of its treasury shares during the same period. Details of the shares bought back and currently held as treasury shares are as follows :-

Month	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* (RM)
May 2006	60,000	1.500	1.460	1.485	89,760.24
June 2006	326,000	1.500	1.300	1.406	461,621.72
August 2006	195,000	1.350	1.350	1.350	265,200.80
September 2006	280,000	1.310	1.260	1.282	361,608.38
October 2006	50,000	1.220	1.220	1.220	61,451.40
November 2006	165,000	1.290	1.290	1.290	214,427.25
February 2007	100,000	1.350	1.220	1.289	129,804.64
March 2007	302,000	1.250	1.160	1.197	364,208.80

\*Including transaction cost.

## 2.4 EFFECTS OF THE PROPOSED SHARE BUY-BACK

In the event that the Company purchases 63,353,000 TCMH Shares and the shares so repurchased are cancelled or alternatively retained as treasury shares or both, the effects of the Proposed Share Buy-Back on the share capital, NA, working capital, earnings and substantial shareholders' and Directors' shareholdings as well as the implications relating to the Code are as set out below:

**(a) Share capital**

In the event that the maximum number of shares authorised under the Proposed Share Buy-Back are purchased and cancelled, the issued and paid-up share capital of TCMH as at 30 March 2007 will be as follows:

	<u>No. of shares</u>	<u>Amount (RM)</u>
Issued and paid-up share capital	672,000,000	336,000,000
Purchased and held as treasury shares as at 30 March 2007	(3,847,000)	(1,923,500)
Proposed Share Buy Back if the maximum no. of shares are purchased	(63,353,000)	(31,676,500)
Resultant issued and paid-up share capital, if the treasury shares are cancelled	604,800,000	302,400,000

However, if all the TCMH Shares purchased are retained as treasury shares, the share repurchase would not have any effect on the share capital of TCMH, although substantially all rights attached to the shares held as treasury shares would be suspended.

**(b) NA**

The effect of the share repurchase on the NA per share of the TCMH Group is dependent on the purchase prices of the TCMH Shares. Nonetheless, the share repurchase would reduce the NA per share of the TCMH Group if the purchase price exceeds the NA per share at the relevant point in time. Conversely, the NA per share of the TCMH Group would increase if the purchase price is less than the NA per share at the relevant point in time. Based on the audited accounts as at 31 December 2006 the NA of the TCMH Group is RM1.74 per share.

**(c) Working capital**

The share repurchase will result in an outflow of cashflow and thereby reduce the working capital of the TCMH Group, the quantum of which is dependent on the purchase prices of the TCMH Shares and the number of TCMH Shares repurchased. Nevertheless, the Board will be mindful of the interests of TCMH and its shareholders in undertaking the Proposed Share Buy-Back and will assess the working capital needs of the TCMH Group prior to any repurchase of TCMH Shares. In the event the Company purchases its own shares using external borrowings, the Company will ensure that it has sufficient funds to repay the external borrowings.

**(d) Earnings**

The effect of the share repurchase on the EPS of the TCMH Group is dependent on the purchase prices of TCMH Shares and the effective funding cost and/or loss in interest income to the Company thereof. For instance, the share buy back will increase the EPS of the TCMH Group if the effective funding cost and/or interest income forgone to the Company attributable to every purchased share is lower than the EPS of the TCMH Group and vice versa.

**(e) Dividends**

Assuming the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the share repurchase will have the effect of increasing the dividend rate of TCMH as a result of a decrease in the number of shares in TCMH which are entitled to participate in the dividends.

For the financial year ended 31 December 2006, TCMH declared an interim dividend of 5% tax exempt and proposed a final dividend of 10% less income tax.



(f) **Substantial shareholders' and directors' shareholdings**

The effects of the share repurchase on the shareholdings of substantial shareholders and Directors based on the Register of Substantial Shareholders and the Register of Directors' Shareholdings respectively as at 30 March 2007 are as follows:

	<-----No. of TCMH Shares held----->							
	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
Substantial shareholders	Direct	%	Indirect	%	Direct	%	Indirect	%
TCC	304,266,662	45.54	-	-	304,266,662	50.31	-	-
NML	37,333,324	5.59	-	-	37,333,324	6.17	-	-
AllianceBernstein L.P.	34,104,200	5.10	-	-	34,104,200	5.64	-	-
EPF	33,607,300	5.03	-	-	33,607,300	5.56	-	-
Dato' Tan Heng Chew	14,830,462	2.22	310,708,962	46.50 <sup>(1)</sup>	14,830,462	2.45	310,708,962	51.37 <sup>(1)</sup>
Tan Eng Soon	2,956,000	0.44	310,708,962	46.50 <sup>(1)</sup>	2,956,000	0.49	310,708,962	51.37 <sup>(1)</sup>
Dato' Tan Kim Hor	180,234	0.03	304,266,662	45.54 <sup>(2)</sup>	180,234	0.03	304,266,662	50.31 <sup>(2)</sup>
Dato' Tan Boon Pun	20,427	<sup>(3)</sup>	304,266,942	45.54 <sup>(4)</sup>	20,427	<sup>(3)</sup>	304,266,942	50.31 <sup>(4)</sup>
Dato' Tan Hoe Pin	10,000	<sup>(3)</sup>	304,266,662	45.54 <sup>(2)</sup>	10,000	<sup>(3)</sup>	304,266,662	50.31 <sup>(2)</sup>
Dr. Tan Ban Leong	180,400	0.03	304,266,662	45.54 <sup>(2)</sup>	180,400	0.03	304,266,662	50.31 <sup>(2)</sup>
Dr. Tan Kang Leong	10,000	<sup>(3)</sup>	304,266,662	45.54 <sup>(2)</sup>	10,000	<sup>(3)</sup>	304,266,662	50.31 <sup>(2)</sup>
Tan Beng Keong	-	-	304,266,662	45.54 <sup>(2)</sup>	-	-	304,266,662	50.31 <sup>(2)</sup>
Tan Chee Keong	29,000	<sup>(3)</sup>	304,266,662	45.54 <sup>(2)</sup>	29,000	<sup>(3)</sup>	304,266,662	50.31 <sup>(2)</sup>
Tan Kheng Leong	-	-	304,266,662	45.54 <sup>(2)</sup>	-	-	304,266,662	50.31 <sup>(2)</sup>
AXA Financial, Inc.	-	-	34,104,200	5.10 <sup>(5)</sup>	-	-	34,104,200	5.64 <sup>(5)</sup>
<b>Directors</b>								
Dato' Tan Heng Chew	14,830,462	2.22	310,708,962	46.50 <sup>(1)</sup>	14,830,462	2.45	310,708,962	51.37 <sup>(1)</sup>
Tan Eng Soon	2,956,000	0.44	310,708,962	46.50 <sup>(1)</sup>	2,956,000	0.49	310,708,962	51.37 <sup>(1)</sup>
Azman bin Badrillah	20,000	<sup>(3)</sup>	-	-	20,000	<sup>(3)</sup>	-	-
Dato' Ng Mann Cheong	-	-	-	-	-	-	-	-
Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	<sup>(3)</sup>	-	-	2,992	<sup>(3)</sup>	-	-
Seow Thiam Fatt	10,000	<sup>(3)</sup>	-	-	10,000	<sup>(3)</sup>	-	-

**Notes:**

- (1) Deemed interest by virtue of interest in TCC and Wealthmark Holdings Sdn Bhd ("Wealthmark") pursuant to Section 6A of the Act.
- (2) Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.
- (3) Less than 0.01%.
- (4) Deemed interest by virtue of interest in TCC and Progroup Nominees Sdn Bhd ("PNSB") pursuant to Section 6A of the Act.
- (5) Deemed interest by virtue of interest in AllianceBernstein L.P. pursuant to Section 6A of the Act.

(g) **Implication relating to the Code**

The Proposed Share Buy-Back, if carried out in full will result in the equity interest of TCC in TCMH to increase from 45.54% as at 30 March 2007 to 50.31% after the share repurchase.

If the Proposed Share Buy-Back results in the equity interest of TCC and persons acting in concert with it in TCMH to increase by more than 2% in any six (6) months period, pursuant to Part II of the Code, TCC and persons acting in concert with it may be obliged to undertake a mandatory offer for all the TCMH Shares not held by them collectively.

However, under Practice Note 2.9.10 of the Code, the SC may grant an exemption for holders of voting shares, directors and persons acting in concert with the directors of a company when the company repurchases its shares subject to certain conditions such as the following, depending on the circumstances surrounding the application for the waiver:

- (i) A holder of voting shares who triggers the mandatory obligation as a result of a reduction of the voting shares of the company through a buy back scheme under the Act will be exempted if the increase in his holding is inadvertent and as a result of any action that is outside his direct participation. The SC, however will not grant an exemption if the holder of voting shares has previously acquired voting shares in the knowledge that the company intends to seek permission from its holders of voting shares to purchase its own voting shares;

- (ii) Directors and persons acting in concert with the directors may also apply for exemption under the Code, which may be granted by the SC if the directors and/or persons acting in concert with the directors have obtained the approval from the independent holders of voting shares of the company, on a poll, at a meeting of the holders of the relevant class of securities for the parties concerned to gain control of the company, or, if their existing holding of voting shares is more than 33% but less than 50%, to increase their voting shares by more than 2% in any six (6) month period, without having to make a mandatory offer under Part II of the Code;
- (iii) The SC will not normally waive an obligation under Part II of the Code if the directors and persons acting in concert with them have previously acquired voting shares in the knowledge that the company intended to seek permission from its holders of voting shares to purchase its own shares;
- (iv) An exemption, if granted by the SC under Practice Note 2.9.10, would be invalidated if the applicant seeking a waiver under Practice Note 2.9.10 and persons acting in concert with him purchases, acquires or becomes entitled to any voting shares of the offeree during the period between the holders of voting shares' meeting referred to in paragraph (ii) and the granting of the exemption by the SC under Practice Note 2.9.10; and
- (v) An applicant seeking an exemption under Practice Note 2.9.10 and persons acting in concert with him, must at all times disclose to the SC all acquisitions, purchases or entitlements to acquire or purchase voting shares of the offeree made by the applicant and persons acting in concert in a 12 month period from the date of granting of an exemption by the SC.

## 2.5 SHARE PRICES

The monthly highest and lowest prices of TCMH Shares traded on Bursa Malaysia for the last 12 months from April 2006 to March 2007 were as follows:

	<b>High RM</b>	<b>Low RM</b>
<b>2006</b>		
April	1.65	1.52
May	1.70	1.44
June	1.52	1.30
July	1.49	1.33
August	1.54	1.34
September	1.36	1.24
October	1.34	1.20
November	1.34	1.26
December	1.31	1.24
<b>2007</b>		
January	1.38	1.25
February	1.46	1.20
March	1.30	1.15

The last transacted price of TCMH Shares on 16 April 2007, being the latest practicable date prior to the printing of this Circular RM1.19

*(Source: The Star)*

## **2.6 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

None of the Directors and/or substantial shareholders of the Company or persons connected with the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Share Buy-Back.

## **2.7 DIRECTORS' RECOMMENDATION**

The Board is of the opinion that the Proposed Share Buy-Back is fair, reasonable and in the best interest of the Company and its shareholders and therefore recommends that you vote in favour of the proposed resolution in relation to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

## **3. PART II PROPOSED SHAREHOLDERS' MANDATE**

TCMH is principally an investment holding company which provides management services to its subsidiaries which are involved in the assembly and distribution of motor vehicles, provision of after-sales services and financial services such as hire purchase, insurance agency services, money lending and money exchange.

The Board wishes to seek the approval of the shareholders of TCMH for the renewal of the Shareholders' Mandate given at the AGM held on 18 May 2006 which would enable the TCMH Group to continue to enter into RRPT provided that such transactions are in the ordinary course of business and undertaken at arm's length, on normal commercial terms of the TCMH Group 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. These include transactions such as those described in section 3.2.

### **3.1 LISTING REQUIREMENTS OF BURSA MALAYSIA**

Under Paragraph 10.09 of the LR, a listed issuer may seek a Shareholders' Mandate subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (b) The Shareholders' Mandate is subject to annual renewal and disclosure being made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under paragraph 2.1 of PN12/2001.
- (c) issuance of a circular to shareholders by the listed issuer; and
- (d) in a meeting to obtain shareholders' mandate, the interested Director, interested Major Shareholder or interested person connected with a Director or Major Shareholder; and where it involves the interest of a person connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

The estimated transaction values for the financial year ending 31 December 2007 as set out in section 3.2 are based on the projected business volume for the current financial year ending 31 December 2007. The actual value of transactions may, however, vary from the estimated values disclosed in section 3.2, in light of the changing economic and competitive environment. Nevertheless, disclosures will be made in accordance with the LR in the Annual Report of the Company for the financial year ending 31 December 2007 of the actual aggregate value of transactions made pursuant to the Proposed Shareholders' Mandate during the said financial year.

## 3.2 CLASSES OF RELATED PARTIES

### 3.2.1 Related Parties arising from the internal re-organisation and de-merger scheme of the TCMH Group

The TCMH Group completed the internal re-organisation of its Foreign, Autoparts and Non-Motor Divisions in 1999, resulting in the complete de-merger and emergence of three (3) additional and separate listed groups of companies, i.e. the WTCH Group, the APM Group and the TCIL Group, each with distinct areas of business activities and are accountable for their own performance and profitability. TCMH does not own any shares in WTCH, APM or TCIL.

The RRPT between the TCMH Group and the said groups of companies are as set out in sections 3.2.1.1 to 3.2.1.3.

#### 3.2.1.1 WTCH Group

WTCH is an investment holding company which provides management services to its subsidiaries, including TCIM Sdn Bhd which distributes heavy equipment and machinery under brand names such as Nissan, John Deere and Sumitomo and Mayflower Acme Tours Sdn Bhd which provides travel and car rental services.

The Directors and Major Shareholders of the TCMH Group who are interested in the RRPT with the WTCH Group and the nature of their interests as at 30 March 2007 are as follows:

Related Party	TCMH					WTCH				
	Directorship in the TCMH Group	Shareholding in TCMH				Directorship in the WTCH Group	Shareholding in WTCH			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	304,266,662	45.54	-	-	-	15,213,333	22.76	13,440,000	20.11 <sup>(1)</sup>
Dato' Tan Heng Chew	Director	14,830,462	2.22	310,708,962	46.50 <sup>(2)</sup>	Director	692,733	1.04	28,653,333	42.86 <sup>(3)</sup>
Tan Eng Soon	Director	2,956,000	0.44	310,708,962	46.50 <sup>(2)</sup>	-	70,000	0.10	28,653,333	42.86 <sup>(3)</sup>
Dato' Tan Kim Hor	-	180,234	0.03	304,266,662	45.54 <sup>(4)</sup>	-	153,742	0.23	28,653,333	42.86 <sup>(3)</sup>
Dato' Tan Boon Pun	-	20,427	<sup>(5)</sup>	304,266,942	45.54 <sup>(6)</sup>	-	205,221	0.31	28,653,347	42.86 <sup>(7)</sup>
Dato' Tan Hoe Pin	-	10,000	<sup>(5)</sup>	304,266,662	45.54 <sup>(4)</sup>	-	8,000	0.01	28,653,333	42.86 <sup>(3)</sup>
Dr. Tan Ban Leong	-	180,400	0.03	304,266,662	45.54 <sup>(4)</sup>	-	30,000	0.04	28,653,333	42.86 <sup>(3)</sup>
Dr. Tan Kang Leong	-	10,000	<sup>(5)</sup>	304,266,662	45.54 <sup>(4)</sup>	-	500	<sup>(5)</sup>	28,653,333	42.86 <sup>(3)</sup>
Tan Beng Keong	-	-	-	304,266,662	45.54 <sup>(4)</sup>	-	1,000	<sup>(5)</sup>	28,653,333	42.86 <sup>(3)</sup>
Tan Chee Keong	-	29,000	<sup>(5)</sup>	304,266,662	45.54 <sup>(4)</sup>	-	15,000	0.02	28,653,333	42.86 <sup>(3)</sup>
Tan Kheng Leong	-	-	-	304,266,662	45.54 <sup>(4)</sup>	-	13,500	0.02	28,653,333	42.86 <sup>(3)</sup>

**Notes:**

- (1) Deemed interest by virtue of interest in Parasand pursuant to Section 6A of the Act.
- (2) Deemed interest by virtue of interests in TCC and Wealthmark pursuant to Section 6A of the Act.
- (3) Deemed interest by virtue of interests in TCC and Parasand pursuant to Section 6A of the Act.
- (4) Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.
- (5) Less than 0.01%
- (6) Deemed interest by virtue of interests in TCC and PNSB pursuant to Section 6A of the Act.
- (7) Deemed interest by virtue of interests in TCC, Parasand and PNSB pursuant to Section 6A of the Act.

The RRPT between the TCMH Group and the WTCH Group, which are carried out at arm's length, on normal commercial terms of the TCMH Group which are not more favourable to the WTCH Group than those generally available to the public and are not to the detriment of the minority shareholders, are as detailed below:

<b>Types of transaction</b>	<b>Details</b>	<b>Estimated amount for the financial year ending 31 December 2007 (RM' 000)</b>
Sale of goods and services	The TCMH Group sells motor vehicles and provides after sales services to the WTCH Group.	8,798
Insurance agency services	The TCMH Group (through a subsidiary, TCCL Sdn Bhd) sells certain insurance products such as motor, property and marine policies to the WTCH Group.	352
Administrative & consultancy services	The TCMH Group provides administrative and consultancy services to the WTCH Group.	400
Travel agency and car rental services	The TCMH Group uses the air ticketing and car rental services provided by the WTCH Group.	1,003
Purchase of goods and services	The TCMH Group purchases agriculture machinery, forklifts and generators and receives after sales services from the WTCH Group.	12,690
	The TCMH Group acts as the dealer for the machinery division of the WTCH Group in East Malaysia.	
Rental income	The TCMH Group rents office premises at Jalan Ipoh Kecil, Kuala Lumpur to the WTCH Group.	4
	Rental income for the above is received on a monthly basis. The tenure for the rental of the said office space is for a period that is not more than three (3) years.	

### 3.2.1.2 APM Group

The APM Group is engaged in the manufacturing and distribution of a wide-range of automotive products and components including suspension systems, heat exchange systems, electrical systems, plastic components and car interiors and seating.

The Directors and Major Shareholders of the TCMH Group who are interested in the RRPT with the APM Group and the nature of their interests as at 30 March 2007 are as follows:

Related Party	TCMH					APM				
	Directorship in the TCMH Group	Shareholding in TCMH				Directorship in the APM Group	Shareholding in APM			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	304,266,662	45.54	-	-	-	45,639,999	22.80	40,320,000	20.15 <sup>(1)</sup>
Dato' Tan Heng Chew	Director	14,830,462	2.22	310,708,962	46.50 <sup>(2)</sup>	Director	3,739,899	1.87	89,684,899	44.81 <sup>(3)</sup>
Tan Eng Soon	Director	2,956,000	0.44	310,708,962	46.50 <sup>(2)</sup>	Director	210,000	0.10	89,864,899	44.81 <sup>(3)</sup>
Dato' Tan Kim Hor	-	180,234	0.03	304,266,662	45.54 <sup>(4)</sup>	-	461,225	0.23	85,959,999	42.95 <sup>(5)</sup>
Dato' Tan Boon Pun	-	20,427	-( <sup>6</sup> )	304,266,942	45.54 <sup>(7)</sup>	-	28,064	0.01	86,156,541	43.05 <sup>(8)</sup>
Dato' Tan Hoe Pin	-	10,000	-( <sup>6</sup> )	304,266,662	45.54 <sup>(4)</sup>	-	5,000	-( <sup>6</sup> )	86,138,499	43.04 <sup>(9)</sup>
Dr. Tan Ban Leong	-	180,400	0.03	304,266,662	45.54 <sup>(4)</sup>	-	90,000	0.04	86,138,499	43.04 <sup>(9)</sup>
Dr. Tan Kang Leong	-	10,000	-( <sup>6</sup> )	304,266,662	45.54 <sup>(4)</sup>	-	1,500	-( <sup>6</sup> )	85,959,999	42.95 <sup>(5)</sup>
Tan Beng Keong	-	-	-	304,266,662	45.54 <sup>(4)</sup>	-	-	-	86,138,499	43.04 <sup>(9)</sup>
Tan Chee Keong	-	29,000	-( <sup>6</sup> )	304,266,662	45.54 <sup>(4)</sup>	-	14,000	0.01	85,959,999	42.95 <sup>(5)</sup>
Tan Kheng Leong	-	-	-	304,266,662	45.54 <sup>(4)</sup>	-	40,500	0.02	85,959,999	42.95 <sup>(5)</sup>
Tan Eng Hwa	Director <sup>(10)</sup>	4,230,058	0.63	6,453,300	0.97 <sup>(11)</sup>	Director	634,508	0.32	3,726,550	1.86 <sup>(11)</sup>

#### Notes:

- (1) Deemed interest by virtue of interest in Parasand pursuant to Section 6A of the Act.
- (2) Deemed interest by virtue of interest in TCC and Wealthmark pursuant to Section 6A of the Act.
- (3) Deemed interest by virtue of interests in TCC, Parasand and Wealthmark pursuant to Section 6A of the Act.
- (4) Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.
- (5) Deemed interest by virtue of interest in TCC and Parasand pursuant to Section 6A of the Act.
- (6) Less than 0.01 %
- (7) Deemed interest by virtue of interests in TCC and PNSB pursuant to Section 6A of the Act.
- (8) Deemed interest by virtue of interests in TCC, Parasand, PNSB, Exepro Sdn Bhd ("ESB") and Magic Rooms Sdn Bhd pursuant to Section 6A of the Act.
- (9) Deemed interest by virtue of interests in TCC, Parasand, ESB pursuant to Section 6A of the Act.
- (10) Director of the subsidiary or subsidiaries of TCMH to which the relevant RRPT relate.
- (11) Deemed interest by virtue of interests in Solomon House Sdn Bhd and Wealthmark pursuant to Section 6A of the Act.

The RRPT between the TCMH Group and the APM Group, carried out at arm's length, on normal commercial terms of the TCMH Group which are not more favourable to the APM Group than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders, are as detailed below:

<b>Types of transaction</b>	<b>Details</b>	<b>Estimated amount for the financial year ending 31 December 2007 (RM' 000)</b>
Sale of goods and services	The TCMH Group sells motor vehicles and provides after sales services to the APM Group	864
Purchase of goods	The TCMH Group buys automotive components from the APM Group for the assembly of new cars and also as replacement parts for distribution to dealers and motor repair workshops.	76,263
Warranty Claim	The TCMH Group claims for warranty for automotive components purchase from the APM Group.	477
Insurance agency services	The TCMH Group (through a subsidiary, TCCL Sdn Bhd) sells certain insurance products such as motor, property and marine policies to the APM Group.	383
Administrative & consultancy services	The TCMH Group provides administrative and consultancy services to the APM Group	200
Labour services	The TCMH Group incurs labour service expenses for repair of APM air conditioners	18
Rental income	<p>The TCMH Group rents space in the following premises and properties to the APM Group:</p> <ul style="list-style-type: none"> <li>(a) Office premises at Jalan Kemajuan, Pending Industrial Estate, Kuching Sarawak;</li> <li>(b) Factory premises at Jalan Perusahaan 1, Batu Caves, Selangor Darul Ehsan; and</li> <li>(c) Workshop at Jalan Segambut, Kuala Lumpur.</li> </ul> <p>Rental income for the above is received on a monthly basis. The tenure of the agreements for the properties involved, are of varying duration that is not more than three (3) years.</p>	848
Rental expenses	<p>The TCMH Group rents from the APM Group portions of vacant lands at Lot 1 and Lot 3, Jalan 6/3, Kawasan Perusahaan Seri Kembangan, 43300 Seri Kembangan, Selangor for use as vehicle storage yard (the rental ceased in March 2007).</p> <p>Rental payment for the above is paid on a monthly basis. The tenure of the agreement for the spaces involved is for a lease period that is not more than three (3) years.</p>	93

### 3.2.1.3 TCIL Group

The TCIL Group's principal businesses consist of the distribution of motor vehicles, property investment and development and industrial equipment distribution in Singapore. The TCIL Group's other major businesses include motor vehicle distribution in Hong Kong, industrial equipment distribution in Thailand and the manufacturing of auto parts in the People's Republic of China.

The Directors and Major Shareholders of the TCMH Group who are interested in the RRPT with the TCIL Group and the nature of their interests as at 30 March 2007 are as follows:

Related Party	TCMH					TCIL				
	Directorship in the TCMH Group	Shareholding in TCMH				Directorship in the TCIL Group	Shareholding in TCIL			
		Direct	%	Indirect	%		Direct	%	Indirect	%
TCC	-	304,266,662	45.54	-	-	-	912,799,986	45.34	-	-
Dato' Tan Heng Chew	Director	14,830,462	2.	310,708,962	46.50 <sup>(1)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(2)</sup>
Tan Eng Soon	Director	2,956,000	0.44	310,708,962	46.50 <sup>(1)</sup>	Director	4,200,000	0.21	1,014,379,986	50.38 <sup>(3)</sup>
Dato' Tan Kim Hor	-	180,034	0.03	304,266,662	45.54 <sup>(4)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(2)</sup>
Dato' Tan Boon Pun	-	20,427	<sup>(5)</sup>	304,266,942	45.54 <sup>(6)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(2)</sup>
Dato' Tan Hoe Pin	-	10,000	<sup>(5)</sup>	304,266,662	45.54 <sup>(4)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(2)</sup>
Dr. Tan Ban Leong	-	180,400	0.03	304,266,662	45.54 <sup>(4)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(2)</sup>
Dr. Tan Kang Leong	-	10,000	<sup>(5)</sup>	304,266,662	45.54 <sup>(4)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(5)</sup>
Tan Beng Keong	-	-	-	304,266,662	45.54 <sup>(4)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(5)</sup>
Tan Chee Keong	-	29,000	<sup>(5)</sup>	304,266,662	45.54 <sup>(4)</sup>	-	<sup>(2)</sup>	<sup>(2)</sup>	912,799,986	45.34 <sup>(5)</sup>
Tan Kheng Leong	-	-	-	304,266,662	45.54 <sup>(4)</sup>	Director	2,205,000	0.11	913,009,986	45.35 <sup>(7)</sup>

**Notes:**

- (1) Deemed interest by virtue of interest in TCC and Wealthmark pursuant to Section 6A of the Act.
- (2) Direct and indirect interests (other than through TCC) of the Related Party in TCIL are not available to the Company as the Related Party is not required by statute or law to disclose the details of his interests to TCIL or the Company.
- (3) Deemed interest by virtue of interests in TCC and a corporation controlled by Tan Eng Soon.
- (4) Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.
- (5) Less than 0.01%.
- (6) Deemed interest by virtue of interests in TCC and PNSB pursuant to Section 6A of the Act.
- (7) Deemed interest by virtue of family member's shareholdings and interest in TCC.

The RRPT between the TCMH Group and the TCIL Group are carried out at arm's length, on normal commercial terms of the TCMH Group which are not more favourable to the TCIL Group than those generally available to the public and are not to the detriment of the minority shareholders.

The said RRPT with TCIL comprise the sale of motor vehicles and sale of automotive components as replacement parts for distribution to dealers and motor repair workshops which are estimated at RM0.3 million per annum and the purchase of other automotive components from the TCIL Group estimated at RM0.2 million per annum.



### 3.2.2 Auto Dunia

Auto Dunia is involved in the importation and sale of motor vehicles and also provides workshop services and distributes spare parts, engine oil and other automotive related products.

Apart from being an appointed authorised dealer of new Nissan motor vehicles in several locations in Malaysia, Auto Dunia is an importer of Renault completely-built-up (CBU) vehicles for the sole and exclusive sale to the TCMH Group pursuant to a Tripartite Agreement entered with Renault and a subsidiary of TCMH. The TCMH Group may further enter into other arrangements with Auto Dunia in relation to the importation of CBU vehicles and/or to purchase from Auto Dunia CBU and locally assembled vehicles for sale by the TCMH Group from time to time.

Dato' Tan Heng Chew and Tan Eng Soon, Directors of TCMH, have declared Auto Dunia to be a body corporate associated with them under Section 122A of the Act. Azman bin Badrillah, a Director of TCMH, has disclosed that he is a Major Shareholder and Director of Auto Dunia. Dato' Syed Alwi bin Tun Syed Nasir, a director of a subsidiary of TCMH has disclosed that he is a Major Shareholder and a Director of Auto Dunia.

The Directors and Major Shareholders of the TCMH Group who are interested in the RRPT with Auto Dunia and the nature of their interests as at 30 March 2007 are as follows:

Related Party	TCMH					Type of interests
	Directorship in the TCMH Group	Shareholding in TCMH				
		Direct	%	Indirect	%	
Dato' Tan Heng Chew	Director	14,480,362	2.17	310,002,362	46.37 <sup>(1)</sup>	Auto Dunia is a body corporate associated with Dato' Tan Heng Chew
Tan Eng Soon	Director	2,956,000	0.44	310,002,362	46.37 <sup>(1)</sup>	Auto Dunia is a body corporate associated with Tan Eng Soon
Azman bin Badrillah	Director	20,000	-( <sup>2</sup> )	-	-	Director and Major Shareholder <sup>(3)</sup>
Dato' Syed Alwi bin Tun Syed Nasir	Director	-	-	-	-	Director and Major Shareholder <sup>(4)</sup>

**Notes:**

- (1) Deemed interest by virtue of interest in TCC and Wealthmark pursuant to Section 6A of the Act.
- (2) Less than 0.01%.
- (3) Azman bin Badrillah has 39,000 shares or 39% shareholding in Auto Dunia.
- (4) Dato' Syed Alwi bin Tun Syed Nasir has 30,000 shares or 30% shareholding in Auto Dunia.

The RRPT between the TCMH Group and Auto Dunia are carried out at arm's length, on normal commercial terms of the TCMH Group which are not more favourable to Auto Dunia than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders. The descriptions of the transactions presently envisaged to be carried out are as detailed below:

<b>Types of transaction</b>	<b>Details</b>	<b>Estimated amount for the financial year ending 31 December 2007 (RM' 000)</b>
Sale of goods and services	The TCMH Group sells motor vehicles, spare parts and provides after sales service to Auto Dunia.	25,843
Purchase of vehicles	The TCMH Group has entered into an arrangement with Auto Dunia in relation to the importation of CBU vehicles for the sole and exclusive sale by the TCMH Group.	26,000
	The TCMH Group may further enter into other arrangements with Auto Dunia in relation to the importation of CBU vehicles and/or for the purchase of CBU or locally assembled vehicles for sale by the TCMH Group from time to time.	20,000

### **3.3 PRICING**

The terms of the pricing of the above RRPT are consistent with the TCMH Group's usual business pricing practices and policies and are not more favorable to the Related Parties than to the public (where applicable) and are not to the detriment of the minority shareholders of TCMH.

However, for certain transactions, the condition that the terms of the transactions (including pricing) are not more favourable to the Related Parties than to the public may not be applicable. For example, certain products supplied by the APM Group to the TCMH Group are based on technical designs/specifications and are not available from other suppliers or to the public.

### **3.4 DISCLOSURE AND REVIEW PROCEDURES**

Disclosure will be made in accordance with the LR in the Annual Report of the Company of the aggregate value of RRPT conducted pursuant to the Proposed Shareholders' Mandates during the financial year ending 31 December 2007.

#### **3.4.1 Review procedures for the RRPT**

The TCMH Group has implemented the following methods and procedures to ensure that the RRPT are undertaken at arm's length, on normal commercial terms of the TCMH Group which are not more favourable to the Related Party than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders:

- (a) A list of Related Parties has been circulated to all operating companies with the instruction that, as in the past, all RRPT are required to be undertaken at arm's length and on normal commercial terms (where applicable).
- (b) All companies are required to provide quarterly reports on all RRPT to the internal audit department.

- (c) The internal audit department shall review significant RRPT to ensure that transactions are undertaken at arm's length, on normal commercial terms of the TCMH Group which are not more favourable to the Related Party than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders of TCMH.
- (d) The Audit Committee shall review the quarterly and yearly reports on RRPT issued by the internal audit department to ascertain that the guidelines and procedures established to monitor the RRPT have been complied with. The internal audit department shall highlight any exceptions arising from work done.
- (e) The Board and the Audit Committee shall be responsible for the determination of review procedures, with the authority to sub-delegate such responsibilities to individuals or committees within the TCMH Group, as they deem appropriate.
- (f) If a member of the Board or Audit Committee has an interest in the RRPT, he shall abstain from participating in the deliberation and voting in respect of the said RRPT.

### **3.4.2 Audit Committee's Statement**

The Audit Committee has seen and reviewed the procedures mentioned above and are of the view that the said procedures are sufficient to ensure that the RRPT are in the ordinary course of business and undertaken at arm's length, on normal commercial terms of the TCMH Group 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.

## **3.5 RATIONALE**

All transactions with Related Parties are entered into for the long-term benefit of the TCMH Group. The Related Parties represent an existing market with reliable payment terms for TCMH Group's products and provide a good source for certain components purchased by the TCMH Group. Sales to Related Parties also contribute to overall higher sales for the TCMH Group thus increasing trading volume, higher production efficiency and better bargaining power when negotiating with vendors. This is consistent with TCMH Group's objectives of brand building and maintaining our competitive edge.

The RRPT envisaged under the Proposed Shareholders' Mandate are in the ordinary course of business of the TCMH Group and are undertaken at arm's length, on normal commercial terms of the TCMH Group 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.

The Proposed Shareholders' Mandate on an annual basis would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential RRPT arise, thereby reducing time and the expenses in convening such meetings without compromising the corporate objectives and adversely affecting the business opportunities available to the TCMH Group.

## **3.6 EFFECTS**

The Proposed Shareholders' Mandate is not expected to have any effect on the issued and paid-up share capital of TCMH and substantial shareholders' shareholdings in TCMH but is expected to have a positive effect on the earnings and NA of the TCMH Group.

## **3.7 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

Save as disclosed in section 3.2, none of the other Directors, Major Shareholders and/or persons connected with the Directors or Major Shareholders of TCMH have any interest as defined in the LR, direct or indirect, in the Proposed Shareholders' Mandate.

The Directors of TCMH who are interested in the RRPT (namely Dato' Tan Heng Chew, Tan Eng Soon and Azman bin Badrillah) have abstained and will continue to abstain from deliberating and voting on the resolutions in respect of the Proposed Shareholders' Mandate which involves their respective interests at the relevant meetings of the Board.

The interested Directors of the TCMH Group (namely Dato' Tan Heng Chew, Tan Eng Soon, Azman bin Badrillah, Tan Eng Hwa and Dato' Syed Alwi bin Tun Syed Nasir) will abstain and will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company (if any) on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

The interested Major Shareholder of TCMH, namely TCC will abstain and will also ensure that persons connected with them including those other Major Shareholders who have deemed interest by virtue of their interests as described in section 3.2 (namely Dato' Tan Kim Hor, Dato' Tan Boon Pun, Dr Tan Ban Leong, Dato' Tan Hoe Pin, Dr Tan Kang Leong, Tan Beng Keong, Tan Chee Keong and Tan Kheng Leong) and persons connected with them, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

### **3.8 DIRECTORS' RECOMMENDATION**

The Board, with the exception of the interested Directors as disclosed in section 3.7, is of the opinion that the Proposed Shareholders' Mandate are fair, reasonable and in the best interest of the Company and therefore recommends that you vote in favour of the proposed resolutions in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

### **4. APPROVALS REQUIRED**

The Proposals are conditional upon the approval of the shareholders of TCMH at the forthcoming AGM. However, the Proposals are not inter-conditional.

### **5. AGM**

The AGM, the notice of which is set out in the 2006 Annual Report, will be held at 3<sup>rd</sup> Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur on Thursday, 17 May 2007 at 3:00 p.m., for the purpose of considering and, if thought fit, passing the proposed resolutions on the ordinary businesses and the special businesses of the AGM which include the proposed resolutions on the Proposals.

If you are unable to attend the AGM in person, please return the completed Form of Proxy attached to the 2006 Annual Report to the Company's Registered Office at 62-68 Jalan Ipoh, 51200 Kuala Lumpur, so as to arrive not less than 48 hours before the time fixed for the holding of the AGM. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently find that you are able to do so.

### **6. ADDITIONAL INFORMATION**

Shareholders are requested to refer to the Appendix 1 for additional information.

Yours faithfully  
for and on behalf of the Board  
**TAN CHONG MOTOR HOLDINGS BERHAD**

**Dato' Ng Mann Cheong**  
Independent Non-Executive Director

**ADDITIONAL INFORMATION****1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of TCMH and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all enquires as were reasonable in the circumstances, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

**2. MATERIAL CONTRACTS**

Saved as disclosed below, neither TCMH nor its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years up till 30 March 2007 (being the latest practicable date prior to the printing of this Circular):-

- (i) Sale and Purchase Agreement dated 16 January 2006 entered into between Tan Chong & Sons Motor Company Sdn Bhd ("TCM") and Tung Pao Sdn Bhd ("TP"), a wholly-owned subsidiary of Warisan TC Holdings Berhad which is deemed to be connected with Dato' Tan Heng Chew and Mr Tan Eng Soon, directors of TCMH, by virtue of the provisions of Section 122A of the Companies Act, 1965, in relation to the acquisition by TCM from TP of a leasehold land (expiring on 6 September 2065) held under Title: PN 4914, Lot No. 73, Section 13, Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan, measuring in area approximately 78,801 square feet together with a showroom, workshop, warehouse and offices erected thereon measuring in built-up area approximately 85,735 square feet for a total cash consideration of RM14,200,000.

**3. MATERIAL LITIGATION**

Saved as disclosed below, neither TCMH nor its subsidiaries as at 30 March 2007 are engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Board is not aware of any proceedings, pending or threatened, against TCMH or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of TCMH or its subsidiaries.

- (i) The Company and its wholly-owned subsidiary, TC Euro Cars Sdn Bhd ("TCEC") were served with a Writ of Summons ("Writ") and a Statement of Claim on 11 July 2003 filed by Inokom Corporation Sdn Bhd and Quasar Carriage Sdn Bhd as plaintiffs in Kuala Lumpur High Court Civil Suit No. S 22-822-2003. The first defendant in the suit is Renault s.a.s while the Company and TCEC are the second and third defendants respectively.

The main claim made by the plaintiffs that is relevant to the Company and TCEC is the claim for "General Damages in the sum of RM150,000,000.00 against all the defendants for conspiracy to injure" in relation to the Renault Kangoo project as alleged in the Statement of Claim. The plaintiffs also claimed costs and any other relief to be awarded by the High Court. The Company and TCEC's applications to strike out the plaintiffs' Writ and Statement of Claim were allowed with costs by the Senior Assistant Registrar of the High Court of Malaya at Kuala Lumpur on 16 January 2004. The plaintiffs have filed an appeal to the Judge in Chambers of the High Court of Malaya at Kuala Lumpur and the same was allowed by the said Judge with costs in the cause on 20 May 2004. Both the Company and TCEC have filed appeals against the decisions of the said Judge with the Court of Appeal of Malaysia on 20 May 2004. The date(s) of the hearing of the appeals have yet to be fixed by the Court of Appeal of Malaysia.

- (ii) TCM, a wholly-owned subsidiary of TCMH, was served with a Writ of Summons and Statements of Claim in 1985 filed by Teck Guan Trading (Sabah) Sdn Bhd ("Teck Guan") as plaintiff in Kota Kinabalu High Court Suit K1420 of 1985. The suit was consolidated with Kota Kinabalu High Court Suit K243 of 1989 by order of the Court made on 25 and 30 September 1999. Nissan Motor Co. Ltd ("Nissan") and Auto Dunia Sdn Bhd ("Auto Dunia") were the co-defendants of the suit.

In the suit:

- (a) Teck Guan claims against TCM and Auto Dunia jointly and severally for damages estimated in the principal sum of RM10,672,411.19 for inducing Nissan to breach the sole distributorship agreement to sell Nissan vehicles in Sabah.
- (b) Teck Guan is also claiming against TCM for liquidated damages of RM2,970,327.00 for TCM's alleged breach of agreement to procure the best obtainable rate for marine insurance premium, port charges and local delivery charges for the vehicles sold and delivered to Teck Guan and/or overcharging Teck Guan the marine insurance premium, port charges and local delivery charges.
- (c) Alternatively Teck Guan is claiming for damages against TCM for damages for the unlawful termination of the sole distributorship agreement allegedly made in 1978 between Teck Guan and TCM.

TCM is defending Teck Guan's claim and its Defence has been filed. The solicitors representing TCM are of the opinion that TCM has a valid defence to Teck Guan's claim. Before full trial, TCM has raised preliminary issues of law and parties have filed in their respective written submissions. The Honourable Judge has fixed 13 July 2007 for decision.

#### **4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company following the publication of this Circular from Mondays to Fridays (except public holidays) during business hours up to and including the date of the AGM:

- (i) Memorandum and Articles of Association of TCMH;
- (ii) Financial statements of the TCMH Group for the two (2) financial years ended 31 December 2005 to 2006;
- (iii) Material contract referred to in section 2 above; and
- (iv) Relevant Cause papers in respect of material litigation referred to in section 3.