

3.2.3 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 3.2.3.1 to 3.2.3.3.

3.2.3.1 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 31 March 2006 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	45.44	-	-	-	15,213,333	22.64	13,440,000	20.00 ⁽¹⁾
Dato' Tan Heng Chew	Director	13,164,462	1.97	305,578,462	45.63 ⁽²⁾	Director	581,983	0.87	28,653,333	42.64 ⁽³⁾
Tan Eng Soon	Director	2,956,000	0.44	305,578,462	45.63 ⁽²⁾	-	70,000	0.10	28,653,333	42.64 ⁽³⁾
Dato' Tan Kim Hor	-	1,074,834	0.16	304,266,662	45.44 ⁽⁷⁾	-	153,741	0.23	28,653,333	42.64 ⁽³⁾
Dato' Tan Boon Pun	-	20,427	-. ⁽⁴⁾	304,266,942	45.44 ⁽⁵⁾	-	205,221	0.31	28,653,347	42.64 ⁽⁶⁾
Dr. Tan Ban Leong	-	260,400	0.04	304,266,662	45.44 ⁽⁷⁾	Director ⁽⁸⁾	30,000	0.04	28,653,333	42.64 ⁽³⁾
Dr. Tan Kang Leong	-	10,000	-. ⁽⁴⁾	304,266,662	45.44 ⁽⁷⁾	-	500	-. ⁽⁴⁾	28,653,333	42.64 ⁽³⁾
Tan Beng Keong	Director ⁽⁹⁾	-	-	304,266,662	45.44 ⁽⁷⁾	-	1,000	-. ⁽⁴⁾	28,653,333	42.64 ⁽³⁾
Tan Chee Keong	-	29,000	-. ⁽⁴⁾	304,266,662	45.44 ⁽⁷⁾	-	15,000	0.02	28,653,333	42.64 ⁽³⁾
Tan Hoe Pin	-	10,000	-. ⁽⁴⁾	304,266,662	45.44 ⁽⁷⁾	-	8,000	0.01	28,653,333	42.64 ⁽³⁾
Tan Kheng Leong	-	-	-	304,266,662	45.44 ⁽⁷⁾	-	13,500	0.02	28,653,333	42.64 ⁽³⁾
Dato' Haji Nadzam bin Haji Mohd. Din	Director ⁽¹⁰⁾	-	-	-	-	Director	95,000	0.14	-	-
Dato' Lee Eng Guan @ Lee Eng Yuan	Director ⁽¹⁰⁾	-	-	-	-	Director	8,000	0.01	-	-
Ngu Ew Look	Director ⁽¹⁰⁾	-	-	-	-	Director	10,000	0.01	-	-

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) Less than 0.01%
- (5) Deemed interest by virtue of interests in TCC and PNSB pursuant to Section 6A of the Act.

- (6) Deemed interest by virtue of interests in TCC, Parasand and PNSB pursuant to Section 6A of the Act.
(7) Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.
(8) Director of a subsidiary of WTCH to which the relevant RPT relate.
(9) Past director of certain subsidiaries of TCMH.
(10) Director of the subsidiary or subsidiaries of TCMH to which the relevant RRPT relate.

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:

Types of transaction	Details	Estimated amount for the financial year ending 31 December 2006 (RM' 000)
Sale of goods and services	The TCMH Group sells motor vehicles and provides after sales services to the WTCH Group.	6,904
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 services	TCMH provides administration and secretarial services to the WTCH Group.	258
Travel agency and car rental services	The TCMH Group uses the air ticketing and car rental services provided by the WTCH Group.	2,513
Purchase of goods and services	The TCMH Group purchases agriculture machinery, forklifts and generators and receives after sales services from the WTCH Group.	9,803
Rental income	<p>The TCMH Group acts as the dealer for the machinery division of the WTCH Group in East Malaysia.</p> <p>The TCMH Group rents space in the following premises and properties to the WTCH Group:</p> <ul style="list-style-type: none"> a) Office premises at Victoria Street, Penang; b) Office premises at Jalan Kuala Kangsar, Ipoh, Perak Darul Ridzuan c) Office premises at Jalan Ipoh, Kuala Lumpur. <p>Rental income for the above is received on a monthly basis. The tenure of the agreements for the properties involved, where applicable, are of varying duration but are for a lease period that is not more than three (3) years.</p>	337
Rental expense	<p>The TCMH Group rents space for showroom, office and workshop at Jalan Kemajuan, Petaling Jaya, Selangor Darul Ehsan from the WTCH Group.</p> <p>Rental payment for the above is paid on a monthly basis. The tenure of the agreements for the spaces involved, where applicable, are of varying duration but are for a lease period that is not more than three (3) years. The tenancy agreements for the above premises will cease upon completion of the acquisition of the premises by TCMH Group scheduled on 30 April 2006.</p>	260

3.2.3.2 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 31 March 2006 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	45.44	-	-	-	45,639,999	22.67	40,320,000	20.03 ⁽¹⁾
Dato' Tan Heng Chew	Director	13,164,462	1.97	305,578,462	45.63 ⁽²⁾	Director	3,379,249	1.68	87,549,899	43.48 ⁽³⁾
Tan Eng Soon	Director	2,956,000	0.44	305,578,462	45.63 ⁽²⁾	Director	210,000	0.10	87,549,899	43.48 ⁽³⁾
Dato' Tan Kim Hor	-	1,074,834	0.16	304,266,662	45.44 ⁽⁹⁾	-	461,225	0.23	85,959,999	42.70 ⁽¹⁰⁾
Dato' Tan Boon Pun	-	20,427	-(⁴)	304,266,942	45.44 ⁽⁵⁾	-	28,064	0.01	86,156,541	42.79 ⁽⁶⁾
Dr. Tan Ban Leong	-	260,400	0.04	304,266,662	45.44 ⁽⁹⁾	-	90,000	0.04	86,138,499	42.78 ⁽⁷⁾
Dr. Tan Kang Leong	-	10,000	-(⁴)	304,266,662	45.44 ⁽⁹⁾	-	1,500	-(⁴)	85,959,999	42.70 ⁽¹⁰⁾
Tan Beng Keong	Director ⁽¹¹⁾	-	-	304,266,662	45.44 ⁽⁹⁾	-	-	-	86,138,499	42.78 ⁽⁷⁾
Tan Chee Keong	-	29,000	-(⁴)	304,266,662	45.44 ⁽⁹⁾	-	14,000	0.01	85,959,999	42.70 ⁽¹⁰⁾
Tan Hoe Pin	-	10,000	-(⁴)	304,266,662	45.44 ⁽⁹⁾	-	5,000	-(⁴)	86,138,499	42.78 ⁽⁷⁾
Tan Kheng Leong	-	-	-	304,266,662	45.44 ⁽⁹⁾	-	40,500	0.02	85,959,999	42.70 ⁽¹⁰⁾
Azman bin Badrillah	Director	20,000	-(⁴)	-	-	Director	1,537,000	0.76	-	-
Dato' Haji Kamaruddin @ Abas bin Nordin	Director	2,992	-(⁴)	-	-	Director	448	-(⁴)	-	-
Tan Eng Hwa	Director ⁽¹²⁾	4,455,058	0.67	1,322,800	0.20 ⁽⁸⁾	Director	669,908	0.33	1,591,550	0.78 ⁽⁸⁾

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

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:

Types of transaction	Details	Estimated amount for the financial year ending 31 December 2006 (RM' 000)
Sale of goods and services	The TCMH Group sells motor vehicles and provides after sales services to the APM Group	947
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.	106,362
Warranty Claim	The TCMH Group claims for warranty for automotive components purchase from the APM Group.	392
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.	388
Administrative services	TCMH provides administration services to the APM Group	36
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"> (a) Office premises at Jalan Kemajuan, Pending Industrial Estate, Kuching Sarawak; (b) Workshop, warehouse, office and factory premises at Batu Caves, Selangor Darul Ehsan; and (c) Workshop at Jalan Segambut, Kuala Lumpur. <p>Rental income for the above is received on a monthly basis. The tenure of the agreements for the properties involved, where applicable, are of varying duration but are for a lease period that is not more than three (3) years.</p>	951
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.</p> <p>Rental payment for the above is paid on a monthly basis. The tenure of the agreements for the spaces involved, where applicable, are of varying duration but are for a lease period that is not more than three (3) years.</p>	372

3.2.3.3 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 31 March 2006 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	45.44	-	-	-	912,799,986	45.34	-	-
NML	-	37,333,324	5.58	-	-	-	(1)	(1)	(1)	(1)
Dato' Tan Heng Chew	Director	13,164,462	1.97	305,578,462	45.63 ⁽²⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Tan Eng Soon	Director	2,956,000	0.44	305,578,462	45.63 ⁽²⁾	Director	4,200,000	0.21	1,014,379,986	50.38 ⁽⁶⁾
Dato' Tan Kim Hor	-	1,074,834	0.16	304,266,662	45.44 ⁽⁸⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Dato' Tan Boon Pun	-	20,427	-(4)	304,266,942	45.44 ⁽⁷⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Dr. Tan Ban Leong	-	260,400	0.04	304,266,662	45.44 ⁽⁸⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Dr. Tan Kang Leong	-	10,000	-(4)	304,266,662	45.44 ⁽⁸⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Tan Beng Keong	Director ⁽⁹⁾	-	-	304,266,662	45.44 ⁽⁸⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Tan Chee Keong	-	29,000	-(4)	304,266,662	45.44 ⁽⁸⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Tan Hoe Pin	-	10,000	-(4)	304,266,662	45.44 ⁽⁸⁾	-	(5)	(5)	912,799,986	45.34 ⁽⁵⁾
Tan Kheng Leong	-	-	-	304,266,662	45.44 ⁽⁸⁾	Director	2,205,000	0.11	913,009,986	45.35 ⁽³⁾

Notes:

- (1) Direct and indirect interests 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 its interests to TCIL or the Company.
- (2) Deemed interest by virtue of interest in TCC and Wealthmark pursuant to Section 6A of the Act.
- (3) Deemed interest by virtue of family member's shareholdings and interest in TCC.
- (4) Less than 0.01%.
- (5) 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.
- (6) Deemed interest by virtue of interests in TCC and a corporation controlled by Tan Eng Soon.
- (7) Deemed interest by virtue of interests in TCC and PNSB pursuant to Section 6A of the Act.
- (8) Deemed interest by virtue of interest in TCC pursuant to Section 6A of the Act.
- (9) Past director of certain subsidiaries of TCMH.

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 comprise the sale of automotive components to the TCIL Group for the assembly of new cars and also as replacement parts for distribution to dealers and motor repair workshops which are estimated at RM2.921 million per annum and the purchase of other automotive components from the TCIL Group estimated at RM0.2 million per annum.

3.2.4 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 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. The TCMH Group also rents the premises belonging to Auto Dunia for its after-sales service operation.

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 and Ahmad bin Abdullah, both Directors of TCMH, have disclosed that they are Major Shareholders and Directors 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. Tan Eng Hwa, a Director of certain subsidiaries of TCMH has disclosed that he is 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 31 March 2006 are as follows:

Related Party	TCMH					Type of interests
	Directorship in the TCMH Group	Shareholding in TCMH				
		Direct	%	Indirect	%	
Dato' Tan Heng Chew	Director	13,164,462	1.97	305,578,462	45.63 ⁽¹⁾	Auto Dunia is a body corporate associated with Dato' Tan Heng Chew
Tan Eng Soon	Director	2,956,000	0.44	305,578,462	45.63 ⁽¹⁾	Auto Dunia is a body corporate associated with Tan Eng Soon
Ahmad bin Abdullah	Director	-	-	-	-	Director and Major Shareholder ⁽³⁾
Azman bin Badrillah	Director	20,000	-(2)	-	-	Director and Major Shareholder ⁽⁴⁾
Dato' Syed Alwi bin Tun Syed Nasir	Director	-	-	-	-	Director and Major Shareholder ⁽⁵⁾
Tan Eng Hwa	Director	4,455,058	0.67	1,322,800	0.20 ⁽⁶⁾	Director

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) Ahmad bin Abdullah has 35,000 shares or 35% shareholding in Auto Dunia.
- (4) Azman bin Badrillah has 5,000 shares or 5% shareholding in Auto Dunia.
- (5) Dato' Syed Alwi bin Tun Syed Nasir has 30,000 shares or 30% shareholding in Auto Dunia.
- (6) 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 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:

Types of transaction	Details	Estimated amount for the financial year ending 31 December 2006 (RM' 000)
Sale of goods and services	The TCMH Group sells motor vehicles, spare parts and provides after sales service to Auto Dunia.	9,967
Purchase of goods	The TCMH Group purchases metal bins from Auto Dunia.	6
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
Rental expenses	The TCMH Group rents space for workshop and spare parts centre at No 2, Jalan Kilang 46050 Petaling Jaya from Auto Dunia (the workshop and spare parts centre is closed in February 2006).	30
	Rental payment for the above is paid on a monthly basis. The tenure of the agreements for the spaces involved, where applicable, are of varying duration but are for a lease period that is not more than three (3) years.	

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, the transactions between the NML Group and Renault Group and the TCMH Group under the sole distributorship arrangement are typical transactions between principal and distributor and there are no such equivalent transactions with the public. Similarly, 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 2006.

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) If during the periodic reviews, the Audit Committee is of the view that the guidelines and procedures are not sufficient to ensure normal commercial terms and/or the transaction is detrimental to the minority shareholders, the Company will revert to shareholders for a fresh Shareholders' Mandate based on new guidelines and procedures.
- (f) 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.
- (g) 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

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 NTA 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 Shareholder's Mandate.

The Directors of TCMH who are interested in the RRPT (namely Dato' Tan Heng Chew, Tan Eng Soon, Ahmad bin Abdullah, Azman bin Badrillah and Dato' Haji Kamaruddin @ Abas bin Nordin) 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 who have equity interest in TCMH (namely Dato' Tan Heng Chew, Tan Eng Soon, Azman bin Badrillah, Dato' Haji Kamaruddin @ Abas bin Nordin and Tan Eng Hwa) 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 on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

The interested Major Shareholders of TCMH (namely NML and TCC) will abstain and will also ensure that persons connected with them, in the case of TCC will also ensure that 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, Dr Tan Kang Leong, Tan Beng Keong, Tan Chee Keong, Tan Hoe Pin 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 2005 Annual Report, will be held at the Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Thursday, 18 May 2006 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 2005 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

Apart from the agreements entered into with Renault s.a.s, agreements of which are in the ordinary course of business and 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 31 March 2006 (being the latest practicable date prior to the printing of this Circular):-

- (i) Sale and Purchase Agreement dated 13 May 2004 between Tan Chong & Sons Motor Company Sdn Bhd ("TCSM") and Temasya Development Co. Sdn Bhd ("TDC") in relation to the acquisition by TCSM from TDC of a freehold industrial land held under Title Lot No. H.S. (D) No. 102187 P.T. No. 16000, Mukim of Damansara, Daerah Petaling, State of Selangor measuring approximately 5,580 square metres in area for a purchase consideration of RM7,207,680.
- (ii) Sale and Purchase Agreement dated 18 October 2004 between TCSM and Alliance Network Sdn Bhd ("ANSB") in relation to the acquisition by TCSM from ANSB of a freehold vacant commercial land held under Title No. H.S. (D) No. 331740 Lot No. PTD 166367, Mukim of Plentong, District of Johor Bahru, Johor measuring approximately 8,717 square metres in area for a purchase consideration of RM9,100,000.
- (iii) Agreement for Sale and Purchase of Shares dated 17 January 2005 between Tan Chong Trading (Malaysia) Sdn Bhd ("TCT") and Teo Chee Cheong and Gnan Yuet Ling (collectively "the Vendors") in relation to the acquisition by TCT from the Vendors an aggregate of 10,200,000 fully paid ordinary shares of RM1.00 each representing the entire issued and paid-up share capital in Constant Knight (M) Sdn Bhd for a purchase consideration of RM7,600,000.
- (iv) Sale and Purchase Agreement dated 16 January 2006 entered into between TCSM 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 TCSM 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 86,451 square feet for a total cash consideration of RM14,200,000.

3. MATERIAL LITIGATION

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 plaintiff also claimed costs and any other relief to be awarded by the High Court. Applications were made by the Company and TCEC to strike out the plaintiffs' Writ and Statement of Claim filed against the Company and TCEC. The Senior Assistant Registrar of the High Court of Malaya at Kuala Lumpur who heard the applications, granted the applications made by the Company and TCEC with costs on 16 January 2006 wherein the Writ and Statement of Claim were struck out. Appeals were filed by the plaintiffs to the Judge of the High Court of Malaya at Kuala Lumpur and, on 20 May 2004, the said Judge had allowed the appeals with costs in the cause. Both the Company and TCEC have since filed appeals against the decisions of the said Judge with the Court of Appeal of Malaysia. The date(s) of the hearing of the appeals have yet to be fixed by the Court of Appeal of Malaysia.

Apart from the above, neither TCMH nor its subsidiaries as at 31 March 2006 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.

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 2004 to 2005;
- (iii) Material contracts referred to in section 2 above; and
- (iv) Relevant Cause papers in respect of material litigation referred to in section 3.