TAN CHONG MOTOR HOLDINGS BERHAD

(12969-P)

ANNUAL REPORT 2007

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TAN CHONG MOTOR HOLDINGS BERHAD
(12969-P)

Thirty-Sixth Annual General Meeting of
TAN CHONG MOTOR HOLDINGS BERHAD
will be held at 3rd Floor, 21 Jalan Ipoh Kecil,
50350 Kuala Lumpur, Malaysia on Thursday,
22 May 2008 at 3:00 p.m.

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CORPORATE INFORMATION

DIRECTORS

Dato' Tan Heng Chew
Executive Deputy Chairman

Tan Eng Soon
Group Managing Director

Azman bin Badrillah
Non-Independent Non-Executive Director

Dato' Ng Mann Cheong
Independent Non-Executive Director

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

Seow Thiam Fatt
Independent Non-Executive Director

AUDIT COMMITTEE

Seow Thiam Fatt
Chairman

Dato' Ng Mann Cheong

Dato' Haji Kamaruddin @ Abas bin Nordin

COMPANY SECRETARY

Yap Bee Lee

REGISTERED OFFICE

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51200 Kuala Lumpur
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REGISTRARS

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20th Floor Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Telephone : (03) 4047 3883
Facsimile : (03) 4042 6352

AUDITORS

KPMG

LISTING

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

BUSINESS DIVISIONS

ASSEMBLY

Motor Vehicles

SALES AND DISTRIBUTION

Passenger Cars
Light Commercial Vehicles
Trucks
Buses

AFTER-SALES SERVICES

Spare Parts
Workshop

FINANCIAL PRODUCTS AND SERVICES

Hire Purchase
Leasing
Insurance Agency
Money Lending
Licensed Money Changer

PROPERTY

Management and Investment

Highlights

- >> FY2006-2007 focus on profitability over growth
- >> Sequential improvements in last 3 quarters of FY2007
- >> Driven by new models and domestic demand
- >> 1Q08 bookings exceeding targets
- >> Our business continues to perform well in spite of an uncertain environment

On behalf of the Board of Directors, I hereby present the Annual Report of Tan Chong Motor Holdings Berhad for the financial year ended 31 December 2007.

Introduction

Despite a serious inventory adjustment in 2006, Tan Chong Motor Holdings Berhad Group ("Tan Chong" or "the Group") continued to deliver profitability throughout two difficult years for the industry. Our bookings are at a record on the back of new model launches and a tentative recovery in 2H07. The all-new Nissan Grand Livina provides market share gains at a time when total industry volumes are growing again.

Both the passenger car and heavy commercial vehicle markets continued to provide bottom-line results for the Group as we continue to forge our pioneer position as the partner of 50 years for Nissan and UD brands. With the addition of the Renault distributorship five years ago, we have also successfully expanded our product range to include turbo diesel offerings last year.

Kangoo Turbo Taxi

Tan Chong has seen a slow but healthy return of pricing power in the last six months of 2007. This has driven sales on existing models and new models, without resorting to widespread industry practices of price discounting and over incentivization. While top-line growth is important, the Group has not sacrificed profitability for sales. Our track record shows that we always protect our brand equity value. At the same time we also turn a profit regardless of the business cycle.

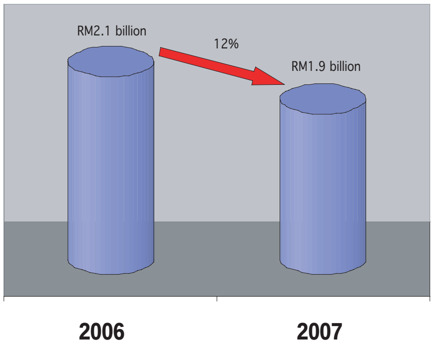
I am particularly pleased to report that these results continue to point towards the realization of the top two positions on the Customer Satisfaction Index (CSI) and Sales Satisfaction Index (SSI) from 2005 to 2007. The rankings have enabled the Group to capitalize on its capacity to value-add, strengthening our compelling customer offer. This will pave the way for a robust performance in 2008 as the cyclical recovery becomes pronounced. However challenging the external environment, we are used to change. We are grounded in our solid understanding of the vehicle assembly, distribution & after-sales business and the capacity of our people to scale when they must.

Performance

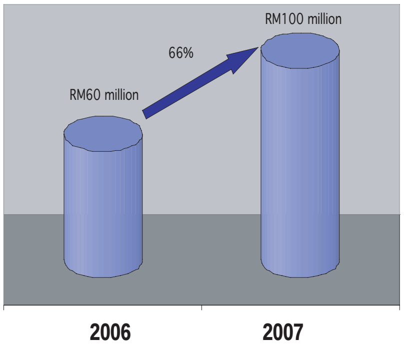
In FY2007, Group revenue fell by 12% to RM1.9 billion. Profit attributable to shareholders was RM100 million, an increase of 66% when compared with RM60 million in FY2006. Basic earnings per share were 14.91 sen (2006: 8.96 sen).

The Board of Directors has recommended to declare a final dividend of 5.0 sen per share making a full year total dividend of 7.5 sen per share (2006: 5.0 sen).

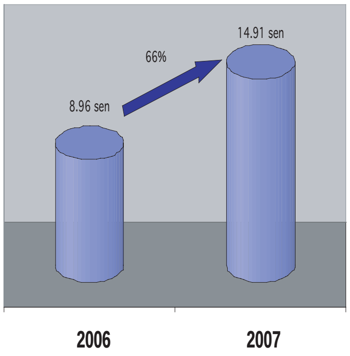
Revenue



Profit Attributable To Shareholders



Basic EPS



Year	ROE	Profitability PAT/ Sales	Efficiency Sales/ Assets	Leverage Assets/ Equity
2000	15.3%	9.9%	1.3	1.2
2001	13.7%	7.4%	1.6	1.2
2002	11.8%	6.8%	1.5	1.2
2003	11.4%	6.4%	1.4	1.3
2004	12.6%	5.4%	1.5	1.6
2005	11.9%	4.5%	1.5	1.8
2006	5.2%	2.9%	1.0	1.7
2007	8.3%	5.4%	1.0	1.6

Though returns on shareholders' equity (ROE) have been single digit in FY2006-2007 on the back of heavy capital commitments and a transition period for the automotive industry, ROEs have started to trend up again from 5.2% in FY2006 to 8.3% in FY2007.

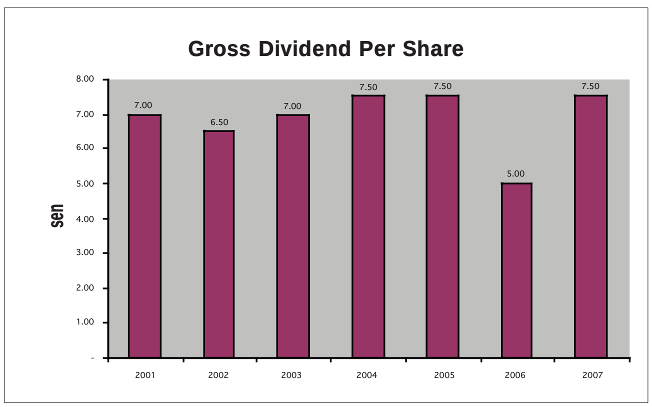
In terms of liquidity: The Group has completed a major RM413 million capital expenditure cycle from FY2005-2007 with a state-of-the-art plant in Serendah fully completed. Tan Chong begins 2008 from a position of financial vigor on the back of an improvement in net gearing ratio of 12% in FY2007 from 41% in FY2005.

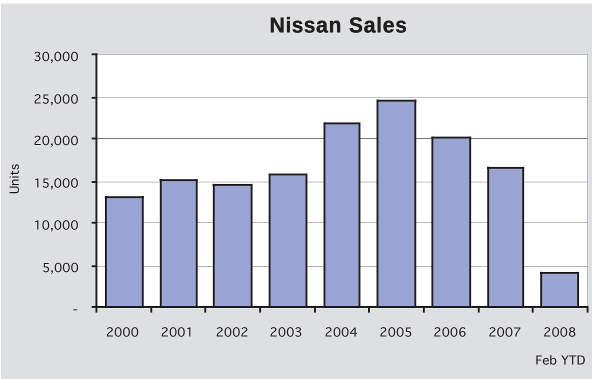
Though returns on shareholders' equity (ROE) have been single digit in FY2006-2007 on the back of heavy capital commitments and a transition period for the automotive industry, ROEs have started to trend up again from 5.2% in FY2006 to 8.3% in FY2007. Historically, the Group has maintained 14.2% ROE between FY2000-2005. Barring any significant unforeseen circumstances, the Group is on track to return double digit ROEs again in the coming year.

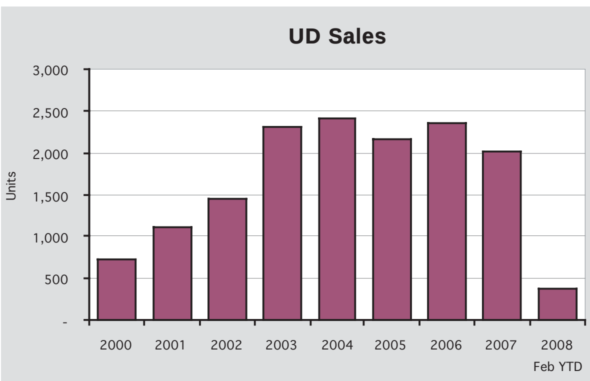
Market and Business

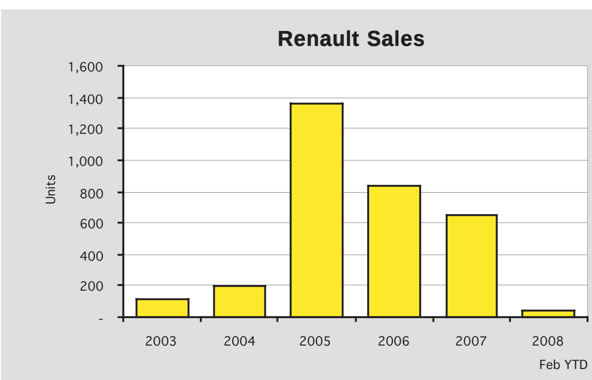
Total Industry Volume (TIV) for 2007 declined marginally by 0.7% to 487,176 units compared to 490,768 units registered in 2006. For the last quarter, TIV declined by 6.2% and dropped to 128,942 units from 137,495 units registered in the preceding quarter. On a year-on-year basis, TIV for the quarter is 19.0% higher against 108,365 units for the corresponding quarter last year (source: Malaysian Automotive Association or MAA).

TIV for heavy commercial vehicles (5 tons and above) contracted by 6% as compared to last year. In 1H07 the marketplace was affected by a slow take off of the 9MP projects followed by rising crude oil prices globally.









Tan Chong is a market leader in the Heavy Commercial Vehicles (HCV) segment with 28% market share (source: MAA) from steady demand in the dump truck and cargo truck segments.

The overall Nissan, Renault and UD vehicles sales for 2007 was 19,213 units which is 18% lower than the 23,414 units registered last year. The decrease was due to a very competitive marketplace and a delay in new model roll out until the launch of Nissan Latio & Latio Sport and the all-new Nissan Grand Livina in June and December respectively.

For the past two years, UD trucks and buses have buffered the Group's performance. Tan Chong is a market leader in the Heavy Commercial Vehicles (HCV) segment with 28% market share (source: MAA) from steady demand in the dump truck and cargo truck segments. The Bus division has maintained its top position with 35% market share (source: MAA). In the Light Commercial Vehicles (LCV) of 5-8.3 tons category, UD truck registered a drop of market share to 13% from 16% (source: MAA) previously due to the slow response of a newly launched YU41T5 model.

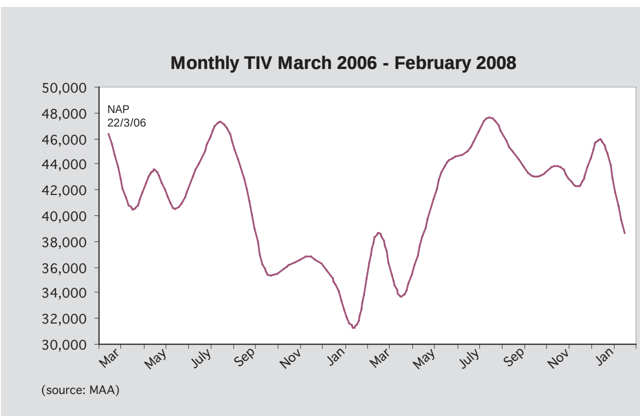
This year, larger express bus operators in the country have replaced their fleet of old buses to mitigate accident rates. Checks by the Road Transport Ministry are more stringent - capping the useful life of express buses at no more than 10 years. Furthermore tour operators increased their fleet of tour buses to cater to the influx of tourists to the country in conjunction with Visit Malaysia Year 2007-2008.


LATIO

Over a year after the National Automotive Policy came into effect (22 March 2006), consumer spending in the passenger car segment picked up in the last six months of 2007. On the whole, the automotive industry appears to have bottomed in 1Q07 and started to turn positive from 2Q07 onwards as the market responded favorably towards new model launches by various car companies.

Prospects

With our long-standing track record, Tan Chong is increasingly being viewed as an independent strategic partner for global brands. Our heavy investments in the RM230 million Serendah plant as well as in our supply chain for multi and local sourcing, underpin our commitment to deliver world-class products at affordable prices.



On the whole, the automotive industry appears to have bottomed in 1Q07 and started to turn positive from 2Q07 onwards as the market responded favorably towards new model launches by various car companies.

The industry outlook for 2008 is positive but car companies, both manufacturers and distributors need to push new product innovation and deliver fuel-efficient, consumer driven models.

As market conditions and consumer sentiment remain relatively stable, 2H07 momentum can be carried into 2008. Buying interest appears sustainable on the back of the replacement cycle for old models, less inventory overhang and an accommodating credit environment.

The full year impact of the all-new Nissan Grand Livina will be felt from 2008 onwards and the Group has secured approximately 13,000 bookings for the vehicle since its launch on 22 December 2007. The Group marketing has in place retention programs to minimize cancellations in view of the waiting period.

In April this year, we were able to raise retail prices across the board on the passenger car segment. The Group is constantly adding value to its products. Tan Chong has collaborated with Japan-based Hoshino Impul Co Ltd to offer automotive upgraded performance parts to the CKD (completely-knocked-down) model line-up. The Nissan Latio "Tuned" was launched in April this year and by the second half of 2008 other CKD models will also be enhanced.

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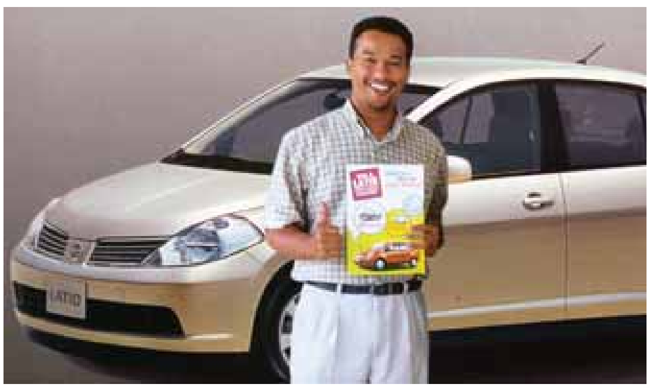


An aerial view of the new Serendah assembly plant

Corporate Governance

The Group remains firmly committed to high standards of corporate governance and will continue to promote a strong compliance culture, by upholding the principles of transparency, accountability and independence.

Conclusion

The 2007 results have underpinned the success of our new models from the newly completed Serendah plant. These promising results come off the back of hard years of solid investment and places Tan Chong in good stead for robust performance ahead.

The Group turns 50 the coming year and looks forward to another 50 years with our global partners. Tan Chong is committed to introduce more new models in market segments where our brands are currently unrepresented. After seven years, we have successfully homologated a new 2.0 liter sedan in the C-segment, to be launched in 2Q08.

Finally, I would like to express my appreciation and thanks to all our valued customers, suppliers, bankers, other business associates and lastly the Board, the management team and the staff who have contributed to the ongoing success of Tan Chong.

Dato' Tan Heng Chew
Executive Deputy Chairman

Kuala Lumpur
15 April 2008

Serendah Assembly Plant : Fact Sheet

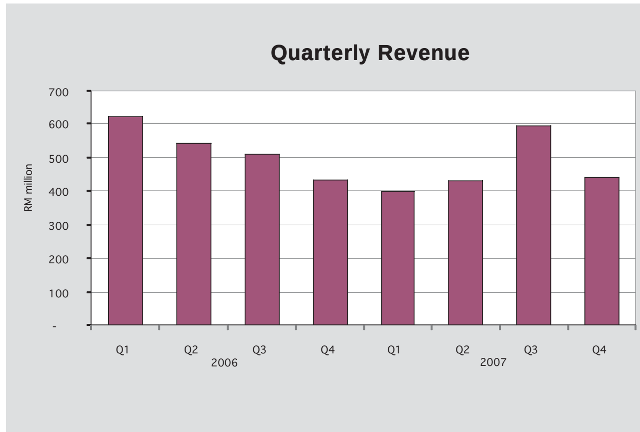
Location	Lot 29120 Seksyen 20 (PT15014), Mukim Serendah Daerah Hulu Selangor, Selangor Darul Ehsan
Investment	RM230 million
Planned Capacity (units/month)	• June 2007, 1,200 units on 1 shift • By December 2007, increased to 1,440 units on 1 shift • September 2008, 2,400 units on 2 shifts
Number of Employees	624
Vehicles Assembled	• Nissan Latio (compact sedan and hatchback) • Nissan Grand Livina (MPV) • Nissan Sylphy (mid-size sedan)
Ground Breaking	1 March 2006
Completion	October 2007
Built-up Area (approx)	923,142 square feet or 85,762 square metres
Land Area	47.32 acres


X-TRAIL
X-TRAIL

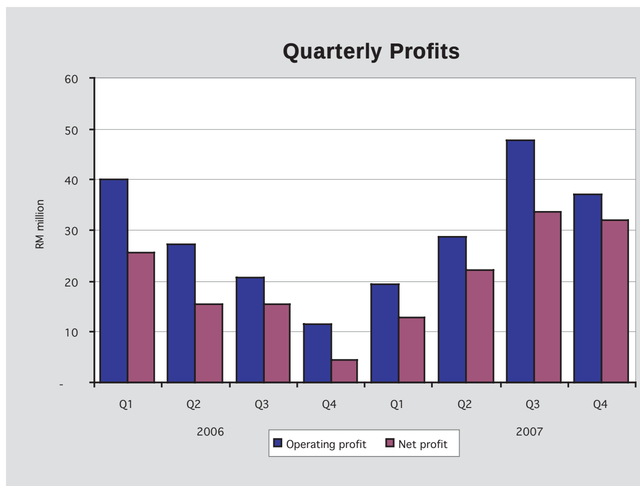
Results Review

It has been two tough years for the auto industry as Malaysia honored its commitment to reducing regional trade barriers under AFTA. In 2Q06, the New Automotive Policy (NAP) led to lower car prices and only later prices stabilized in 2H07.

Our quarterly numbers is reflective of this trend. Profit after tax for the financial year reached the RM100 million threshold we were used to deliver in FY2000-2005.

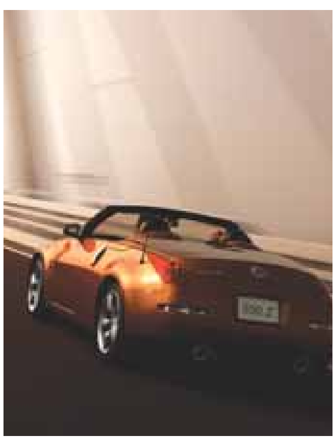


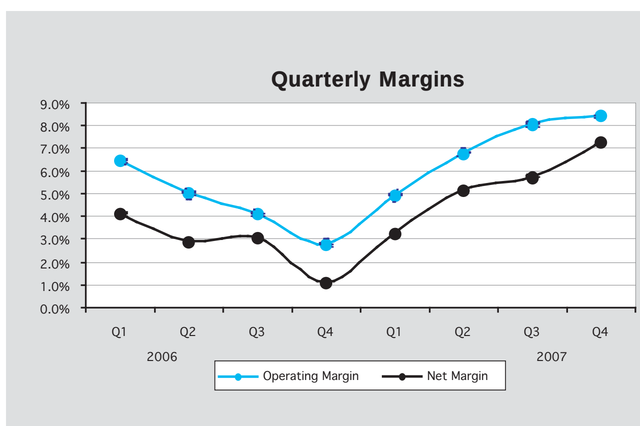
Operating margins increased from 4.7% in FY2006 to 7.1% in FY2007



All our margins showed an increasing trend in a mildly deflationary environment. Operating margins increased from 4.7% in FY2006 to 7.1% in FY2007, symptomatic of a return in pricing power. Net margins improved to 5.4% in FY2007 from 2.9% previously. The last quarter saw a dramatic swing from 3.2% net profit margin in 1Q07 to 7.2% in 4Q07.

In a falling market, breakeven results are common; so profits are indeed an anomaly. Our inventory light strategy worked well. The Group entered 2006 carrying relatively less inventory, so it could resort to price discounting last and replenish stocks at the first signs of a pick-up in 2H07.



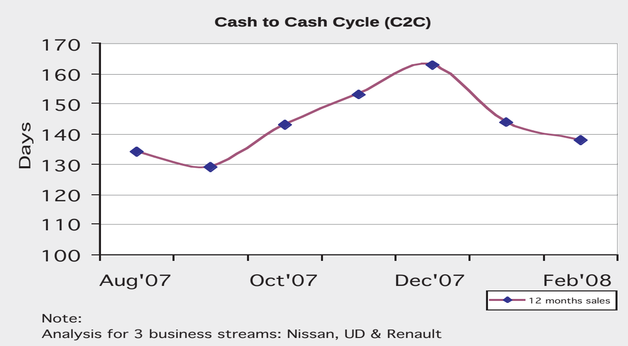


Internally, the Group supply chain management began compiling a metric that expresses the length of time (in days) a company takes to convert resource inputs into actual cash flows. It is called the Cash Conversion Cycle (CCC) and it attempts to measure the amount of time each net input dollar is tied up in the production and sales process before it is converted into cash through sale to customers. We track closely the amount of time needed to sell inventory, the amount of time needed to collect receivables and the length of time the Group is afforded to pay its bills without incurring penalties. Essentially, the shorter the cycle, the less time capital is tied up in the business process, and thus the better our Group's flexibility.

Formula: C2C or CCC = DIO + DSO - DPO

Where:

DIO = Days inventory outstanding
DSO = Days sales outstanding or days debtors outstanding
DPO = Days payable outstanding or days creditors outstanding



While 4 months C2C may seem long, one must appreciate that our vehicles are not sold on cash terms (hence the need for accounts receivables) and the nature of production & distribution cycles result in inventories (raw materials, auto-parts, work-in-progress and finished goods) however long or short.

The Group maintained total assets at just under RM2 billion in FY2006-2007. It is from this large base we will measure ourselves against. Our goal is to leverage more revenue and profit off existing assets and improve utilization and overall efficiency. In an environment of rising costs, we are interested in a lower unit cost.

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The Other Components

Tan Chong has two major areas of value. The first is our vehicle assembly, distribution and after-sales services for the 3 business streams: Nissan, Renault and UD (as discussed earlier). At year end these totaled 90% of profit before consolidation adjustments.

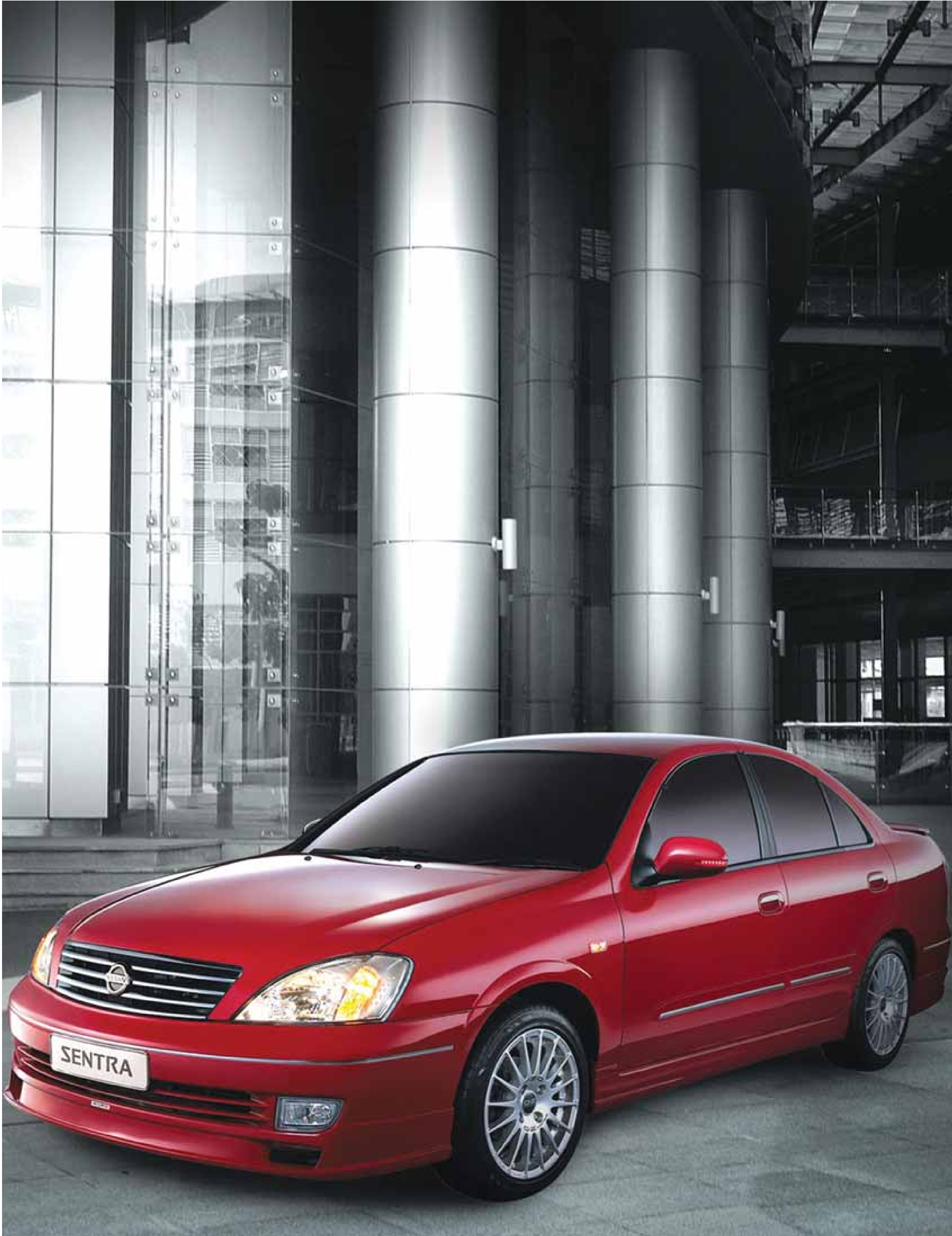
The other component of value is the hard assets and cash equivalents, that underlay the core motor business such as related financial services (hire purchase financing, money lending & changing) and property rental & investment holding. On the surface these add up to the remainder 10% of profit before consolidation adjustments at year-end. However their importance cannot be ignored.

Since FY2006, the Group has reclassified certain fixed assets under investment properties to comply with financial reporting standards. The Group is exploring the redevelopment potential of some of its fixed assets (including land and building).

Over the years the Group has built an infrastructure network that forms the backbone of our point-of-sale channel to the consumers. More than 75% of revenues are generated through our own branches, the rest are through appointed dealers. The key performance indicator is to up sales intensity per branch by offering more products, attracting more traffic and adding more services. Think retailer.

The Group Nationwide Distribution Network

		Nissan	Nissan/ Renault	Renault	UD	TOTAL
(A)	**SALES NETWORK**					
	Branches	70	-	8	6	84
	Dealers	74	-	10	25	109
	Sales Advisors	544	-	33	32	609
(B)	**AFTER-SALES NETWORK**					
	Workshops	33	10	1	9	53
	Authorized Dealers	51	-	-	32	83
	Technicians	248	10	10	113	381
(C)	**SPARE PARTS CENTRE**					
	Branches	33	10	1	8	52
	Authorized Stockists	84	9	11	59	163
	Local Part Dealers	115	-	-	129	244


SENTRA

After becoming a public listed company in 1974, Tan Chong has never pledged assets against borrowings either long or short term. The banks are comfortable with our credit worthiness - lending to us without security, based entirely on trust in our good name! By being able to do that, our investments in plants, network and real estate can be viewed as an unencumbered source of value for Tan Chong shareholders.

Going forward, Tan Chong will continue to measure progress by the two yardsticks of value we have described and will regularly update shareholders on the results.

In our efforts, the Group will be aided enormously by the managers who are loyal to Tan Chong for the rest of their working years. They know the car business forwards and backwards and they give Tan Chong a real advantage.

Foreign Exchange Risk Management

Most of the Group's cash balances were deposits in Ringgit Malaysia (RM) with major banks in Malaysia, and most of the Group's assets, liabilities, revenues and payments were held in RM. Therefore, we consider the risk exposure to foreign exchange rate fluctuations to be minimal.

Foreign exchange risks arising from sales and purchases transacted in currencies like US dollar (USD) and Japanese Yen (JPY) is managed by the Group treasury, with the use of foreign exchange forward contracts. Typically on confirmed orders only.

The Group has never speculated on JPY in the past and neither will we speculate on JPY going forward. The policy has always been to hedge JPY requirements whenever an attractively priced rate is available. JPY hedging is an important component of our CKD imports from Japan as it provides us with clarity over our cost structure. We are averse to risks and therefore believe in mitigating those risks by removing variability and uncertainties from our business whenever suitable opportunities arise.

8 YEARS FINANCIAL HIGHLIGHTS

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
RESULTS								
Revenue	1,863,177	2,109,039	2,949,253	2,385,217	1,677,517	1,526,933	1,500,585	1,183,641
Profit before taxation	123,074	85,956	183,356	181,874	149,998	149,074	152,353	140,331
Taxation	(22,934)	(24,871)	(49,788)	(52,080)	(41,928)	(45,118)	(41,383)	(23,399)
Profit for the financial year	**100,140**	**61,085**	**133,568**	**129,794**	**108,070**	**103,956**	**110,970**	**116,932**
Attributable to:								
Equity holders of the Company	99,568	59,968	130,926	126,820	106,025	101,841	108,759	114,490
Minority interest	572	1,117	2,642	2,974	2,045	2,115	2,211	2,442
BALANCE SHEET								
Assets								
Property, plant & equipment	508,951	375,962	326,236	277,866	214,464	203,786	211,056	213,993
Prepaid lease payments	72,855	73,570	-	-	-	-	-	-
Investment properties	10,803	10,913	-	-	-	-	-	-
Associates	17,824	17,100	15,853	7,809	2,609	2,274	2,021	3,314
Other investments	5,806	5,806	5,806	1,806	1,806	1,806	1,807	1,808
Hire purchase receivables	116,686	157,281	195,183	289,797	229,747	192,509	135,241	71,050
Deferred tax assets	21,563	9,042	9,110	10,950	12,029	10,828	-	-
Other assets	5,405	5,684	4,727	5,909	4,584	-	-	-
Total non-current assets	759,893	655,358	556,915	594,137	465,239	411,203	350,125	290,165
Current assets	1,201,205	1,275,258	1,607,888	1,271,220	862,309	670,215	643,393	627,709
Total Assets	**1,961,098**	**1,930,616**	**2,164,803**	**1,865,357**	**1,327,548**	**1,081,418**	**993,518**	**917,874**
Equity								
Share capital	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Reserves	902,160	831,460	812,325	722,267	636,315	565,397	505,034	425,305
Treasury shares	(5,561)	(4,090)	(2,133)	(2,133)	(2,133)	(1,842)	-	-
Shareholders’ equity	1,232,599	1,163,370	1,146,192	1,056,134	970,182	899,555	841,034	761,305
Minority interest	3,743	18,995	18,567	16,681	14,558	13,113	11,126	8,915
Total equity	1,236,342	1,182,365	1,164,759	1,072,815	984,740	912,668	852,160	770,220
Non-current liabilities	344,908	377,001	335,190	336,624	102,075	28,271	7,960	7,567
Current liabilities	379,848	371,250	664,854	455,918	240,733	140,479	133,398	140,087
Total Equity and Liabilities	**1,961,098**	**1,930,616**	**2,164,803**	**1,865,357**	**1,327,548**	**1,081,418**	**993,518**	**917,874**
FINANCIAL STATISTICS								
Basic earnings per share (sen)	14.91	8.96	19.54	18.93	15.80	15.20	16.20	17.00
Gross dividend per share (sen)	7.50	5.00	7.50	7.50	7.00	6.50	7.00	19.18
Net assets per share (sen)	1.85	1.74	1.70	1.57	1.44	1.34	1.25	1.13
Return on invested capital	7.71%	5.23%	11.92%	12.24%	12.80%	13.55%	14.72%	11.92%
Return on shareholders equity	8.31%	5.19%	11.89%	12.52%	11.34%	11.70%	13.58%	15.18%
Net debt/Equity	12.29%	20.83%	41.57%	22.17%	-0.15%	-17.58%	-22.27%	-26.03%

PROFILE OF THE BOARD OF DIRECTORS

Dato' Tan Heng Chew
JP, DJMK

Dato' Tan Heng Chew, 61, a Malaysian, was appointed to the Board on 19 October 1985 and is the Executive Deputy Chairman since 1 January 1999.

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

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

Tan Eng Soon

Tan Eng Soon, 59, a Singaporean and a Malaysian Permanent Resident, was appointed to the Board as the Group Managing Director since 1 February 1989.

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

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

Azman bin Badrillah

Azman bin Badrillah, 60, a Malaysian, was appointed to the Board on 4 April 1994. He is a Non-Independent Non-Executive Director.

Encik Azman graduated with a degree in Economics from the University of Malaya in 1971. He joined Bank of America and had risen to the position of Assistant Vice-President when he left 11 years later. His service with Bank of America included a period spent with the international operations of the Bank. Encik Azman joined Tan Chong Group in 1983 as an executive director of its manufacturing division and was responsible for the overall performance of one of its key product groups until 1999. When the Tan Chong Group undertook a corporate re-structuring, Encik Azman was appointed to the board of APM Automotive Holdings Berhad.

Encik Azman also sits on the board of Eco Resources Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

Dato' Ng Mann Cheong
DSSA, SMP, JP

Dato' Ng Mann Cheong, 63, a Malaysian, was appointed to the Board on 31 July 1998 as an Independent Non-Executive Director and is a member of the Audit Committee.

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

Dato' Ng also sits on the board of AmTrustee Berhad.

Dato' Haji Kamaruddin @ Abas bin Nordin
DSSA, KMN

Dato' Haji Kamaruddin @ Abas bin Nordin, 69, a Malaysian, was appointed to the Board on 23 November 2001. He is an Independent Non-Executive Director and a member of the Audit Committee.

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

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

Seow Thiam Fatt

Seow Thiam Fatt, 67, a Malaysian, was appointed to the Board on 3 July 2002. He is an Independent Non-Executive Director and the Chairman of the Audit Committee.

Mr. Seow, a Chartered Accountant, was admitted as a member of CPA Australia in 1963, the Institute of Chartered Secretaries and Administrators in 1964 and the Institute of Chartered Accountants in Australia in 1968. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants (MICPA) since 1969. He is the past president of MICPA and also served four years as a government appointed Independent Director of the previous Kuala Lumpur Commodities Exchange (KLCE). He has more than 20 years' professional experience as a practicing accountant in the capacity of a Senior Partner of Larry Seow & Co/Moores & Rowland and a Partner of Arthur Young. He diverted from professional practice in 1994 and thereafter held various senior positions in private and public companies. His work experience includes a two year contract with the Securities Commission of Malaysia as General Manager of the Financial Reporting Surveillance and Compliance Department.

Mr. Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad, Affin Investment Bank Berhad, ING Funds Berhad and Malaysia Pacific Corporation Berhad.

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

None of the directors have any conflict of interest in any business arrangement involving the Company, nor have convictions for any offences within the past 10 years.

All the Directors attended the five (5) Board meetings held in 2007.

STATEMENT ON CORPORATE GOVERNANCE

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

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

A. DIRECTORS

(i) The Board

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

There were five (5) Board meetings held in 2007 which were attended by all Board members. The Board has a formal schedule of matters reserved for making broad policy decisions, including the approval of annual and interim results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to committees of the Board and management as well as officers of the Group.

(ii) Board Composition

The Board currently has six (6) members, comprising the Executive Deputy Chairman, the Group Managing Director and four (4) other Non-Executive Directors, three (3) of whom are independent directors. During the year, the composition of the Board had complied with the requirement that one-third of the Directors must be independent.

Together, the Directors have wide ranging experience essential for the successful direction of the Group. The profiles of the Board members are set out on pages 20 and 21.

(iii) Supply of Information

Board members are provided with an agenda and summary board papers in advance of each scheduled Board and Committee meeting.

For Board meetings these documents may include a report on current trading and business issues, a period financial report and proposal papers from the management.

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

(iv) Appointment to the Board

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

(v) Re-election

The Company's Articles of Association provide that at every annual general meeting of the Company, one-third of the Directors shall retire from office and that all Directors shall retire from office once at least in each three years, but shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their last election.

Non-Executive Directors are not appointed for a specific term and are subject to re-election by shareholders at the next annual general meeting following their appointment, or to re-election in accordance with the Company's Articles of Association.

Directors who are due for re-election at the forthcoming Thirty-Sixth Annual General Meeting are Dato' Tan Heng Chew and Dato' Ng Mann Cheong. The profiles of these Directors are set out on page 20. All Directors held office throughout the year.

(vi) Directors' Training

In keeping themselves abreast with the constant changes in regulations requirements and development in the business environment, the Directors had attended, in accordance to the needs of the respective Directors, some of the seminars and conferences organized by the relevant regulatory authorities and professional bodies in 2007.

B. DIRECTORS' REMUNERATION

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

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

The guidelines on bonuses in respect of 2007 and annual increment for 2008 in respect of executive employees of the Group were recommended for Board's approval by committees whose members included senior heads of operations below the Board level. The quantum of the annual performance bonus was dependent on the operating results of the Group after taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Directors.

The remuneration of each of the Non-Executive Directors is determined by the Board as a whole within the limits fixed by the shareholders of the Company at an amount not exceeding, in aggregate, RM300,000 per annum. The Non-Executive Directors do not participate in discussions on their remuneration.

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

	Fees (RM)	Salaries and Allowance (RM)	Bonus (RM)	Benefits-in-kind (RM)
Executive Directors	-	4,870,428	2,664,379	38,360
Non-Executive Directors	258,000	42,700	-	28,600

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

Range of Remuneration	Executive	Non-Executive
RM100,001 to RM150,000	-	3
RM2,850,001 to RM2,900,000	1	-
RM4,700,001 to RM4,750,000	1	-

C. RELATIONS WITH SHAREHOLDERS

(i) Dialogue between the Company and Investors

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

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

(ii) Annual General Meeting

The Thirty-Fifth Annual General Meeting ("AGM") of the Company was held on Thursday, 17 May 2007 at 3rd Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur. The Notice of Meeting was attached to the Annual Report distributed to shareholders. The AGM in 2007 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 59% of the issued share capital.

There was a forum for the shareholders to raise questions or issues at the AGM regarding the Group's performance in 2006, which the Directors appropriately addressed.

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

(ii) Internal Control

The Statement on Internal Control furnished on page 25 provides an overview of the state of internal controls within the Group.

(iii) Audit Committee and Auditors

The Board of Directors has established an Audit Committee. The membership of this Committee, a summary of the terms of reference and the activity report of the Audit Committee are set out on pages 28 to 30.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

The Directors consider that during 2007, the Company had complied substantially with the Best Practices in Corporate Governance set out under Part 2 of the Code, except for the formation of the nomination and remuneration committees as explained in the report on the application of the principles and best practices in corporate governance.

STATEMENT ON INTERNAL CONTROL

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

BOARD RESPONSIBILITY

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

RISK MANAGEMENT AND CONTROL STRUCTURE

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

(i) Review and approval of annual business plan and budget of all major business units by the Board. These plans set out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;

(ii) Quarterly review of the performance of the Group's business by the Board which also assesses the impact of the changes in business and competitive environment;

(iii) Active participation by certain members of the Board in the day-to-day running of the major businesses and regular dialogues with the senior management of smaller business units; and

(iv) Monthly financial reporting by the subsidiaries to the holding Company.

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

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

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

INTERNAL AND MANAGEMENT AUDIT FUNCTION

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

The internal audit function adopts a risk-based approach and prepares its audit strategies and plans based on the risk profiles of the major business units of the Group. Detailed internal audit plans are tabled annually and approved by the Audit Committee before implementation. Apart from field audits conducted by the internal auditors, key business units are also required to complete the internal control checklist which help to ascertain the state of compliance with internal control procedures from time to time.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

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

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Tan Chong Group is very conscious of its duty as a good corporate citizen and has always been committed towards helping the community, managing its business activities' environmental impact and enhancing the workplace culture through promoting a safe and healthy working environment for all employees and employee welfare.

Community

Throughout 2007, the Group contributed to welfare organizations to support and fund projects/activities across Malaysia including donation of wheel chairs to homes for the elderly and the disabled community in the rural areas. The Group also provided relief and aid to help the flood victims in Johor and Penang during the massive floods in Peninsula Malaysia.

Tan Chong Motor Assemblies Sdn Bhd, the subsidiary that undertakes the motor vehicles assembly activities of the Group, has provided employment opportunities to the Sarawak people, especially the Giat Mara graduates by offering them employment at the Group's assembly plant upon completion of their training in college. We have so far employed more than 100 of these graduates working at the plant.

Environment

From the environmental dimension, both of the Group's assembly plants have in place programs and targets to reduce its CO_2 emissions, energy consumption and the amount of waste/chemicals generated. The assembly plant has a waste water treatment plant at its premises to help achieve 40% reduction in water consumption. With the installation of electrostatic spraying system at its paint shop, 30% less paint wastage will be achieved.

OTHER STATEMENTS AND DISCLOSURES

STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL FINANCIAL STATEMENTS

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

In preparing the financial statements for the year ended 31 December 2007, the Directors have:

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

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

MATERIAL CONTRACTS

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

REVALUATION POLICY

The revaluation policy on landed properties is set out under Notes 2(d), 2(e) and 2(h) of the Notes to the financial statements on pages 52-54 and 56 of the Annual Report.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2007 by KPMG, auditors for Tan Chong Motor Holdings Berhad, was RM10,000.

SHARE BUY-BACKS

Details of the shares bought back during the financial year ended 31 December 2007 and currently held as treasury shares are as follows:

Year 2007	No. of shares bought back and held as treasury shares	Highest price paid per share (RM)	Lowest price paid per share (RM)	Average price paid per share (RM)	Total consideration paid* (RM)
February	100,000	1.350	1.220	1.298	129,804.64
March	302,000	1.250	1.160	1.206	364,208.80
April	100,000	1.220	1.200	1.217	121,694.12
May	100,000	1.290	1.220	1.264	126,430.20
June	50,000	1.230	1.220	1.236	61,804.64
July	300,000	1.310	1.270	1.300	389,865.80
August	168,000	1.240	1.220	1.243	208,855.86
September	51,000	1.300	1.260	1.304	66,484.37
November	1,000	2.220	2.220	2.237	2,237.21
Total	1,172,000				1,471,385.64

*Including transaction cost.

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

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Tan Chong Motor Holdings Berhad is pleased to present the report of the Audit Committee of the Board for the year ended 31 December 2007.

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

COMPOSITION AND MEETINGS

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

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

TERMS OF REFERENCE

Membership

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

The Audit Committee shall include at least one Director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least 3 years working experience and have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule.

No alternate director shall be appointed a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from amongst their number who shall be an independent director.

In the event of any vacancy in the Audit Committee which results in a breach in the Listing Requirements of Bursa Malaysia Securities Berhad, the vacancy must be filled within three months.

The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

REPORT OF THE AUDIT COMMITTEE

Authority

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

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

Functions

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

1. review the following and report the same to the Board:
   (a) the audit plan, the evaluation of the system of internal control and the audit report with the external auditors; the assistance given by the employees of the Company/Group to the external auditors;
   (b) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
   (c) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function;
   (d) the quarterly results and year end financial statements, prior to approval by the Board of Directors, focusing on:
      (i) changes in or implementation of major accounting policy changes;
      (ii) significant and unusual events; and
      (iii) compliance with accounting standards and other legal requirements;
   (e) any related party transactions and conflict of interest situation that may arise within the Company and Group including any transaction, procedure or course of conduct that raises questions of management integrity;
   (f) any letter of resignation from external auditors; and
   (g) whether there is any reason to believe that external auditors are not suitable for re-appointment;
2. recommend the nomination of person or persons as external auditors;
3. approve any appointment or termination of senior staff members of the internal audit function and review any appraisal or assessment of the performance of its members; and
4. any other function as may be required by the Board from time to time.

CONDUCT OF MEETINGS

The chairman shall call for meetings to be held not less than four times a year. Any member of the committee may at any time, and the secretary on requisition of the member, summon a meeting.

Except in the case of an emergency, seven days notice of meeting shall be given in writing to all members.

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

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

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

REPORTING PROCEDURES

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

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

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

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

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

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

SUMMARY OF INTERNAL AUDIT ACTIVITIES

The Chief Internal Auditor reports directly to the Audit Committee.

Activities of internal auditors during the year encompassed the following:

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

Principal activities

The Company is principally engaged in investment holding and the provision of management services to companies in the Group, whilst the principal activities of the subsidiaries are as stated in Note 31 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	99,568	804,944
Minority interest	572	-

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

Dividends

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

(i) a final dividend of 5% less tax at 27% totalling RM12,192,000 in respect of the year ended 31 December 2006 on 22 June 2007; and

(ii) an interim dividend of 5% tax exempt totalling RM16,686,000 in respect of the year ended 31 December 2007 on 28 September 2007.

The final dividend recommended by the Directors in respect of the year ended 31 December 2007 is 10% less tax at 26% totalling RM24,693,000.

Directors of the Company

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

Dato' Tan Heng Chew
Tan Eng Soon
Azman bin Badrillah
Dato' Ng Mann Cheong
Dato' Haji Kamaruddin @ Abas bin Nordin
Seow Thiam Fatt

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2007	**Bought**	**Transferred**	**At 31.12.2007**
Interests in the Company				
Direct interests:				
Dato' Tan Heng Chew	13,672,362	2,158,100	(1,200,000)	14,630,462
Tan Eng Soon	2,956,000	-	-	2,956,000
Azman bin Badrillah	20,000	-	-	20,000
Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	-	-	2,992
Seow Thiam Fatt	10,000	-	-	10,000
Indirect/Deemed interests:				
Dato' Tan Heng Chew	309,632,262	4,740,690*	-	314,372,952
Tan Eng Soon	309,632,262	1,407,300	-	311,039,562
Dato' Ng Mann Cheong	-	41,000#	-	41,000

* Including interests of spouse and children by virtue of Section 134(12)(c) of the Companies Act, 1965 which came into force on 15 August 2007.

\# Interest of spouse by virtue of Section 134(12)(c) of the Companies Act, 1965 which came into force on 15 August 2007.

By virtue of their interests in the shares of the Company, Dato' Tan Heng Chew and Tan Eng Soon are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Tan Chong Motor Holdings Berhad has an interest. Details of their deemed shareholdings in non-wholly owned subsidiaries are shown as below:

	At 1.1.2007	**Subscribed**	**Sold**	**At 31.12.2007**
Ordinary shares of RM1.00 each:				
Tan Chong Motor Assemblies Sdn. Bhd.	700,000	700,000	-	1,400,000
TC Capital Premium Sdn. Bhd.	175,002	-	-	175,002
Kereta Komersil Seladang (M) Sdn. Bhd.	-	70	-	70
Legal capital in USD:				
Tanda Motor Co Ltd	-	700,000	-	700,000

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Group, the Company and of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the related party transactions as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

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

Options granted over unissued shares

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

Other statutory information

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

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

(ii) all current assets have been stated at the lower of cost and net realisable value.

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

(i) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the Group and in the Company's financial statements misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the early adoption of FRS 112, *Income Taxes* as disclosed in Note 33, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

Under a reorganisation scheme to integrate the ownership of the Group's properties at Segambut (Segambut Properties) to facilitate control and management, TC Metropolitan Sdn. Bhd., a wholly owned subsidiary, has on 28 February 2008 entered into an agreement to acquire from fellow subsidiaries the Segambut Properties measuring approximately 46.91 acres at RM363.5 million. The purchase consideration is arrived at based on market value using the cost approach method on a willing buyer-willing seller basis as appraised by independent registered valuers on 3 January 2008.

The Segambut Properties are currently owned by the Company's wholly owned subsidiaries and the transactions will have no impact to the Group's consolidated financial statements.

Auditors

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

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

Seow Thiam Fatt
Director

Azman bin Badrillah
Director

Kuala Lumpur,
7 April 2008

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 38 to 95, except for pages 40 and 42 which are expressed in USD, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

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

Seow Thiam Fatt
Director

Azman bin Badrillah
Director

Kuala Lumpur,
7 April 2008

STATUTORY DECLARATION

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

I, **Loh Chun Ying**, the officer primarily responsible for the financial management of Tan Chong Motor Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 38 to 95, except for pages 40 and 42 which are expressed in USD, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 7 April 2008.

Before me:

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

REPORT OF THE AUDITORS

to the members of Tan Chong Motor Holdings Berhad

We have audited the financial statements set out on pages 38 to 95, except for pages 40 and 42 which are expressed in USD. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

    (i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and

    (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 31 to the financial statements and we have considered their financial statements and, where audited, the auditors' reports thereon.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Peter Ho Kok Wai
Partner
Approval Number: 1745/12/09(J)

Kuala Lumpur,
7 April 2008

BALANCE SHEETS
as at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
Assets					
Property, plant and equipment	3	**508,951**	375,962	**2,042**	2,725
Prepaid lease payments	4	**72,855**	73,570	**-**	-
Investment properties	5	**10,803**	10,913	**-**	-
Investment in subsidiaries	6	**-**	-	**989,329**	223,945
Investment in associates	7	**17,824**	17,100	**12,246**	12,246
Other investments	8	**5,806**	5,806	**-**	-
Development costs	9	**-**	3,545	**-**	-
Deferred tax assets	10	**21,563**	9,042	**4,393**	2,084
Hire purchase receivables	11	**116,686**	157,281	**-**	-
Long term receivables	12	**5,405**	2,139	**-**	-
Other receivables	13	**-**	-	**17,054**	19,460
Total non-current assets		**759,893**	655,358	**1,025,064**	260,460
Other investments	8	**232,749**	185,746	**-**	-
Hire purchase receivables	11	**56,523**	70,178	**-**	-
Trade and other receivables	13	**249,961**	242,971	**103,135**	99,233
Current tax assets		**8,755**	21,638	**3,620**	3,606
Inventories	14	**583,270**	621,538	**-**	-
Cash and cash equivalents	15	**69,947**	133,187	**4,310**	1,491
Total current assets		**1,201,205**	1,275,258	**111,065**	104,330
TOTAL ASSETS		**1,961,098**	1,930,616	**1,136,129**	364,790

BALANCE SHEETS
as at 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000
Equity					
Share capital	16	**336,000**	336,000	**336,000**	336,000
Reserves	16	**902,160**	831,460	**787,186**	11,120
Treasury shares	16	**(5,561)**	(4,090)	**(5,561)**	(4,090)
Total equity attributable to shareholders of the Company		**1,232,599**	1,163,370	**1,117,625**	343,030
Minority interest		**3,743**	18,995	**-**	-
Total equity		**1,236,342**	1,182,365	**1,117,625**	343,030
Liabilities					
Deferred tax liabilities	10	**30,895**	18,730	**-**	-
Trade and other payables	17	**-**	-	**4,541**	4,873
Borrowings	18	**295,596**	340,667	**-**	-
Employee benefits	19	**18,417**	17,604	**7,555**	7,347
Total non-current liabilities		**344,908**	377,001	**12,096**	12,220
Trade and other payables	17	**219,944**	149,613	**6,408**	9,540
Borrowings	18	**158,542**	220,541	**-**	-
Taxation		**1,362**	1,096	**-**	-
Total current liabilities		**379,848**	371,250	**6,408**	9,540
Total liabilities		**724,756**	748,251	**18,504**	21,760
Total equity and liabilities		**1,961,098**	1,930,616	**1,136,129**	364,790

The notes on pages 48 to 95 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
as at 31 December 2007

(In USD equivalent)

	2007 USD'000	2006 USD'000 (Restated)
Assets		
Property, plant and equipment	**153,645**	106,429
Prepaid lease payments	**21,994**	20,827
Investment properties	**3,261**	3,089
Investment in associates	**5,381**	4,841
Other investments	**1,753**	1,644
Development costs	**-**	1,004
Deferred tax assets	**6,510**	2,560
Hire purchase receivables	**35,226**	44,523
Long term receivables	**1,632**	607
Total non-current assets	**229,402**	185,524
Other investments	**70,264**	52,582
Hire purchase receivables	**17,063**	19,867
Trade and other receivables	**75,460**	68,781
Current tax assets	**2,643**	6,125
Inventories	**176,082**	175,948
Cash and cash equivalents	**21,116**	37,703
Total current assets	**362,628**	361,006
TOTAL ASSETS	**592,030**	546,530
Equity		
Share capital	**101,434**	95,117
Reserves	**272,350**	235,374
Treasury shares	**(1,679)**	(1,158)
Total equity attributable to shareholders of the Company	**372,105**	329,333
Minority interest	**1,130**	5,378
Total equity	**373,235**	334,711
Liabilities		
Deferred tax liabilities	**9,327**	5,302
Borrowings	**89,237**	96,439
Employee benefits	**5,560**	4,983
Total non-current liabilities	**104,124**	106,724
Trade and other payables	**66,398**	42,353
Borrowings	**47,862**	62,432
Taxation	**411**	310
Total current liabilities	**114,671**	105,095
Total liabilities	**218,795**	211,819
Total equity and liabilities	**592,030**	546,530

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

Figures are converted into USD equivalent using the exchange rate of RM3.3125 = USD1.00 (2006 - RM3.5325 = USD1.00), being the exchange rate ruling at the balance sheet date.

INCOME STATEMENTS
for the year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000
Revenue	20	**1,863,177**	2,109,039	**1,116,818**	121,352
Cost of sales		**(1,494,485)**	(1,751,031)	**-**	-
Gross profit		**368,692**	358,008	**1,116,818**	121,352
Other income		**17,877**	21,112	**2**	19
Distribution expenses		**(143,445)**	(163,542)	**-**	-
Administrative expenses		**(91,522)**	(96,488)	**(13,392)**	(14,703)
Other expenses		**(18,570)**	(19,456)	**(7,846)**	(75)
Results from operating activities		**133,032**	99,634	**1,095,582**	106,593
Interest income		**8,023**	5,843	**2,863**	1,973
Finance costs		**(18,704)**	(20,768)	**(378)**	(289)
Operating profit	21	**122,351**	84,709	**1,098,067**	108,277
Share of profit after tax and minority interest of equity accounted associates		**723**	1,247	**-**	-
Profit before tax		**123,074**	85,956	**1,098,067**	108,277
Tax expense	23	**(22,934)**	(24,871)	**(293,123)**	(29,100)
Profit for the year		**100,140**	61,085	**804,944**	79,177
Attributable to:					
Shareholders of the Company		**99,568**	59,968	**804,944**	79,177
Minority interest		**572**	1,117	**-**	-
Profit for the year		**100,140**	61,085	**804,944**	79,177
Basic earnings per ordinary share (sen)	24	**14.9**	9.0		
Dividends per ordinary share (sen) (net)	25	**6.2**	4.3	**6.2**	4.3

The notes on pages 48 to 95 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2007

(In USD equivalent)

	2007 USD'000	2006 USD'000
Revenue	**562,468**	597,039
Cost of sales	**(451,165)**	(495,692)
Gross profit	**111,303**	101,347
Other income	**5,397**	5,977
Distribution expenses	**(43,304)**	(46,296)
Administrative expenses	**(27,629)**	(27,315)
Other expenses	**(5,606)**	(5,508)
Results from operating activities	**40,161**	28,205
Interest income	**2,422**	1,654
Finance costs	**(5,647)**	(5,879)
Operating profit	**36,936**	23,980
Share of profit after tax and minority interest of equity accounted associates	**218**	353
Profit before tax	**37,154**	24,333
Tax expense	**(6,923)**	(7,041)
Profit for the year	**30,231**	17,292
Attributable to:		
Shareholders of the Company	**30,058**	16,976
Minority interest	**173**	316
Profit for the year	**30,231**	17,292
Basic earnings per ordinary share (US cents)	**4.5**	2.5
Dividends per ordinary share (US cents)	**1.9**	1.2

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

Figures are converted into USD equivalent using the exchange rate of RM3.3125 = USD1.00 (2006 - RM3.5325 = USD1.00), being the exchange rate ruling at the balance sheet date.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

		← Attributable to equity holders of the Company →								
		← Non-distributable			→	← Distributable →				
	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Surplus on revaluation of properties RM'000	Capitalisation of retained profits RM'000	Retained profits RM'000	Sub-total RM'000	Minority interest RM'000	Total equity RM'000
Group										
At 1 January 2006		336,000	(2,133)	-	23	100	812,202	1,146,192	18,567	1,164,759
Purchase of treasury shares		-	(1,957)	-	-	-	-	(1,957)	-	(1,957)
Acquisition of subsidiary		-	-	-	-	-	-	-	75	75
Additional shares subscribed by minority shareholders		-	-	-	-	-	-	-	100	100
Profit for the year		-	-	-	-	-	59,968	59,968	1,117	61,085
Dividends										
- 2005 final	25	-	-	-	-	-	(24,106)	(24,106)	-	(24,106)
- 2006 interim	25	-	-	-	-	-	(16,727)	(16,727)	(864)	(17,591)
At 31 December 2006		336,000	(4,090)	-	23	100	831,337	1,163,370	18,995	1,182,365
At 1 January 2007		336,000	(4,090)	-	23	100	831,337	1,163,370	18,995	1,182,365
Purchase of treasury shares		-	(1,471)	-	-	-	-	(1,471)	-	(1,471)
Foreign exchange translation difference		-	-	10	-	-	-	10	-	10
Additional shares subscribed by minority shareholders		-	-	-	-	-	-	-	1,276	1,276
Profit for the year		-	-	-	-	-	99,568	99,568	572	100,140
Dividends										
- 2006 final	25	-	-	-	-	-	(12,192)	(12,192)	-	(12,192)
- 2007 interim	25	-	-	-	-	-	(16,686)	(16,686)	(17,100)	(33,786)
At 31 December 2007		336,000	(5,561)	10	23	100	902,027	1,232,599	3,743	1,236,342
		Note 16	Note 16							

The notes on pages 48 to 95 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2007

Company	Note	Share capital RM'000	Treasury shares RM'000	Distributable (Accumulated loss)/ Retained profits RM'000	Total equity RM'000
At 1 January 2006					
As previously reported		336,000	(2,133)	77,576	411,443
Adjusted retrospectively					
- Effect of adopting FRS 127		-	-	(104,800)	(104,800)
At 1 January 2006, as restated		336,000	(2,133)	(27,224)	306,643
Purchase of treasury shares		-	(1,957)	-	(1,957)
Profit for the year		-	-	79,177	79,177
Dividends					
- 2005 final	25	-	-	(24,106)	(24,106)
- 2006 interim	25	-	-	(16,727)	(16,727)
At 31 December 2006		336,000	(4,090)	11,120	343,030
At 1 January 2007		336,000	(4,090)	11,120	343,030
Purchase of treasury shares		-	(1,471)	-	(1,471)
Profit for the year		-	-	804,944	804,944
Dividends					
- 2006 final	25	-	-	(12,192)	(12,192)
- 2007 interim	25	-	-	(16,686)	(16,686)
At 31 December 2007		336,000	(5,561)	787,186	1,117,625
		Note 16	Note 16	Note 16	

The notes on pages 48 to 95 are an integral part of these financial statements.

CASH FLOW STATEMENTS
for the year ended 31 December 2007

Cash flows from operating activities	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000
Profit before tax	**123,074**	85,956	**1,098,067**	108,277
Adjustments for:				
Amortisation and impairment loss of development cost	**3,545**	1,182	**-**	-
Depreciation of property, plant and equipment	**37,598**	26,515	**600**	632
Amortisation of prepaid lease payments	**1,125**	1,114	**-**	-
Amortisation of investment property	**110**	111	**-**	-
Dividend income	**(1,462)**	(2,496)	**(1,114,061)**	(118,655)
(Gain)/loss on disposal of property, plant and equipment	**(1,617)**	(1,129)	**304**	21
Interest expense	**18,704**	20,768	**378**	289
Interest income	**(8,023)**	(5,843)	**(2,863)**	(1,973)
(Gain)/loss on disposal of other investments	**(1,271)**	1,715	**-**	-
Property, plant and equipment written off	**358**	35	**-**	-
Retirement benefits charged	**1,708**	1,357	**213**	106
Reversal of impairment loss on investment in subsidiaries	**-**	-	**-**	(19)
Share of profit of associates	**(723)**	(1,247)	**-**	-
Operating profit/(loss) before working capital changes	**173,126**	128,038	**(17,362)**	(11,322)
Changes in working capital:				
Inventories	**38,268**	126,069	**-**	-
Hire purchase receivables	**54,250**	43,354	**-**	-
Trade and other receivables	**(10,256)**	234,604	**(3,902)**	8,358
Trade and other payables	**70,331**	(40,163)	**(3,132)**	1,279
Cash generated from/(used in) operations	**325,719**	491,902	**(24,396)**	(1,685)
Tax paid	**(28,104)**	(37,703)	**(298,097)**	(31,660)
Tax refund	**17,963**	20	**2,651**	-
Interest paid	**(18,704)**	(20,768)	**(378)**	(289)
Interest received	**8,023**	5,843	**2,863**	1,973
Employee benefits paid	**(895)**	(1,673)	**(2)**	(1,087)
Employee benefits transferred	**-**	-	**(3)**	-
Net cash generated from/(used in) operating activities	**304,002**	437,621	**(317,362)**	(32,748)

CASH FLOW STATEMENTS
for the year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities		(Restated)		
Advances from/(repayment to) subsidiaries	-	-	2,074	(40,894)
Acquisition of subsidiary, net of cash acquired	-	174	-	-
Subscription to subsidiaries share capital	-	-	(765,384)	(999)
Subscription of additional shares by minority shareholders	1,276	100	-	-
Investment in associates	(1)	-	-	-
Dividends received from other investments	1,462	2,496	-	-
Dividends received from subsidiaries	-	-	1,114,061	118,655
Proceeds from disposal of property, plant and equipment	5,544	4,389	357	135
Proceeds from disposal of other investments	1,271	472,796	-	-
Purchase of property, plant and equipment	(174,872)	(164,053)	(578)	(1,286)
Purchase of prepaid lease payments	(410)	(1,191)	-	-
Purchase of other investments	(47,003)	(603,415)	-	-
Effects of exchange rate change on cash and cash equivalents	10	-	-	-
Net cash (used in)/generated from investing activities	(212,723)	(288,704)	350,530	75,611
Cash flows from financing activities				
Dividends paid to shareholders of the Company	(28,878)	(40,833)	(28,878)	(40,833)
Dividend paid to minority shareholders	(17,100)	(864)	-	-
Purchase of own shares	(1,471)	(1,957)	(1,471)	(1,957)
Proceeds from bills payable	202,574	271,191	-	-
Repayment of bills payable	(191,857)	(559,998)	-	-
Proceeds from term loans	-	140,000	-	-
Repayment of term loans	(103,210)	(32,850)	-	-
Repayment of Cagamas Berhad	(14,577)	(32,345)	-	-
Net cash used in financing activities	(154,519)	(257,656)	(30,349)	(42,790)

CASH FLOW STATEMENTS
for the year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000 (Restated)	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	**(63,240)**	(108,739)	**2,819**	73
Cash and cash equivalents at beginning of year	**133,187**	241,926	**1,491**	1,418
Cash and cash equivalents at end of year	**69,947**	133,187	**4,310**	1,491

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	**52,499**	46,644	**4,310**	1,491
Deposits	**17,448**	86,543	**-**	-
	69,947	133,187	**4,310**	1,491

The notes on pages 48 to 95 are an integral part of these financial statements.

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

The Company is principally engaged in investment holding and the provision of management services to companies in the Group, whilst the principal activities of the subsidiaries are as stated in Note 31 to the financial statements.

The financial statements were approved by the Board of Directors on 7 April 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.
The MASB has also issued the following FRSs that are relevant to the Group and Company's operations and effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements, except for FRS 112, *Income Taxes* which have been early adopted.

FRSs		Effective date
FRS 107	*Cash Flow Statements*	1 July 2007
FRS 112	*Income Taxes*	1 July 2007
FRS 118	*Revenue*	1 July 2007
Amendment to FRS 121	*The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
FRS 134	*Interim Financial Reporting*	1 July 2007
FRS 137	*Provisions, Contingent Liabilities and Contingent Assets*	1 July 2007
FRS 139	*Financial Instruments: Recognition and Measurement*	To be announced

The effect of adopting the new/revised FRSs in the current financial year is set out in Note 33.

The Group and the Company plan to apply the rest of the abovementioned FRSs for the annual period beginning 1 January 2008 except for FRS 139, *Financial Instruments: Recognition and Measurement* which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs is not expected to have any material impact on the financial statements of the Group and the Company.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

* Note 10 - recognition of unutilised tax losses, capital allowances and reinvestment allowances (RA)
* Note 19 - estimation of employee benefits

2. Significant accounting policies

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

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 34).

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Special purpose entity

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

(iii) Minority interest

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

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

(iv) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Changes in Group composition

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

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

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(vi) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

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

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

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(iii) Net investment in foreign operations

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

(c) Derivative financial instruments

The Group holds derivative financial instruments, namely forward foreign exchange contracts, to hedge its exposure to foreign exchange risks arising from operational activities.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1984 was carried out primarily for the purpose of issuing bonus shares then in the Company and was not intended to effect a change in the accounting policy to one of revaluation of properties. No later valuation has been recorded for these property, plant and equipment.

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

The Directors are of the opinion that the current market values of the revalued properties are no less than their book values as at 31 December 2007.

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Reclassification to investment property

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

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

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment except for one of the subsidiaries where its plant, machinery and equipment are depreciated over the shorter of the model useful life or sales volume generated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Plant, machinery and equipment	4-10 years
Furniture, fixtures, fittings and office equipment	5-10 years
Motor vehicles	5 years
Renovation	5-8 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

(ii) Operating lease

Other leases are operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Certain leasehold land were revalued in 1984 primarily for the purpose of issuing bonus shares. No later valuation has been recorded for these leasehold land. The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, *Leases* in 2006.

The Directors are of the opinion that the current market values of the revalued properties are no less than their book values as at 31 December 2007.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Intangible assets

(i) Goodwill

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

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

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(i) Goodwill (continued)

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

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

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

(ii) Development cost and amortisation

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

(g) Other investments

Long term investments in unquoted shares and assets-backed notes are stated at cost less allowance for diminution in value. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Current investment in quoted unit trusts is stated at the lower of cost and market value, determined on an individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and

(b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

2. Significant accounting policies (continued)

(h) Investment properties

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

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

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

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

(i) Inventories

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

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

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

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

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

2. Significant accounting policies (continued)

(l) Impairment of assets

The carrying amounts of assets, except for financial assets, inventories, deferred tax assets and investments (other than investment in subsidiaries and associates) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(m) Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of share. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(n) Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

2. Significant accounting policies (continued)

(o) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of wages, salaries and annual bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group's contribution to statutory pension funds is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Defined benefit plans

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

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

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

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

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

2. Significant accounting policies (continued)

(p) Provisions

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

(i) Warranties

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

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(r) Revenue recognition

(i) Goods sold

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

(ii) Services

Revenue from services rendered is recognised in the income statement as and when the services are performed.

(iii) Hire purchase revenue

Hire purchase revenue is recognised in the income statement based on a pattern reflecting a constant periodic rate of return on the net investment outstanding at the end of each accounting period.

(iv) Dividend income

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

(v) Money-changing income

Net income derived from the trading of various foreign currencies is recognised when transacted.

(vi) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

2. Significant accounting policies (continued)

(s) Interest income and borrowing costs

Interest income is recognised in the income statement as it accrues, using the effective interest rates.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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

(t) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

In the previous year, unutilised RA or investment tax allowance was recognised as a reduction of tax expense as and when it was utilised. Following the adoption of FRS 112, a tax incentive that is not a tax base of an asset is treated as a reduction of the tax rate as and when it is utilised and hence, deferred tax is measured using the reduced tax rate when the temporary differences reverse at the same time the tax incentive is utilised. This change in accounting policy is applied retrospectively.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(u) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(v) Segment reporting

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

3. Property, plant and equipment

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Under construction RM'000	Total RM'000
Cost/valuation										
At 1 January 2006	83,496	87,736	5,612	105,139	96,662	55,629	47,763	12,365	25,836	520,238
Transfer to prepaid lease payments (Note 4)	-	(87,736)	(5,612)	-	-	-	-	-	-	(93,348)
At 1 January 2006, restated	83,496	-	-	105,139	96,662	55,629	47,763	12,365	25,836	426,890
Additions	9,728	-	-	15,483	9,312	5,584	13,924	2,437	107,585	164,053
Disposals	-	-	-	-	(8)	(346)	(7,644)	(44)	-	(8,042)
Reclassification	-	-	-	4,400	2,649	671	140	808	(8,668)	-
Write off	-	-	-	-	(979)	(92)	(29)	-	-	(1,100)
At 31 December 2006/ 1 January 2007 - restated	93,224	-	-	125,022	107,636	61,446	54,154	15,566	124,753	581,801
Additions	-	-	-	70,018	57,275	5,047	28,555	1,183	12,794	174,872
Disposals	-	-	-	-	(267)	(218)	(10,630)	(5)	-	(11,120)
Reclassification	-	-	-	54,081	59,994	596	565	-	(115,236)	-
Write off	-	-	-	-	(74)	(155)	(174)	(713)	(96)	(1,212)
At 31 December 2007	93,224	-	-	249,121	224,564	66,716	72,470	16,031	22,215	744,341

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Under construction RM'000	Total RM'000
Accumulated depreciation										
At 1 January 2006	-	17,616	2,239	52,632	73,117	39,078	17,567	2,777	-	205,026
Transfer to prepaid lease payments (Note 4)	-	(17,616)	(2,239)	-	-	-	-	-	-	(19,855)
At 1 January 2006, restated	-	-	-	52,632	73,117	39,078	17,567	2,777	-	185,171
Depreciation for the year	-	-	-	3,425	4,886	5,286	10,583	2,335	-	26,515
Disposals	-	-	-	-	(8)	(297)	(4,463)	(14)	-	(4,782)
Reclassification	-	-	-	(265)	-	(14)	14	265	-	-
Write off	-	-	-	-	(953)	(83)	(29)	-	-	(1,065)
At 31 December 2006/ 1 January 2007 - restated	-	-	-	55,792	77,042	43,970	23,672	5,363	-	205,839
Depreciation for the year	-	-	-	4,932	10,213	5,483	14,342	2,628	-	37,598
Disposals	-	-	-	-	(241)	(195)	(6,757)	-	-	(7,193)
Write off	-	-	-	-	(73)	(147)	(21)	(613)	-	(854)
At 31 December 2007	-	-	-	60,724	86,941	49,111	31,236	7,378	-	235,390
Carrying amount										
At 1 January 2006	83,496	70,120	3,373	52,507	23,545	16,551	30,196	9,588	25,836	315,212
Transfer to prepaid lease payments (Note 4)	-	(70,120)	(3,373)	-	-	-	-	-	-	(73,493)
At 1 January 2006, restated	83,496	-	-	52,507	23,545	16,551	30,196	9,588	25,836	241,719
At 31 December 2006/ 1 January 2007 - restated	93,224	-	-	69,230	30,594	17,476	30,482	10,203	124,753	375,962
At 31 December 2007	93,224	-	-	188,397	137,623	17,605	41,234	8,653	22,215	508,951

3. Property, plant and equipment (continued)

Company	Buildings RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2006	690	469	2,466	3,625
Additions	-	104	1,182	1,286
Disposals	-	-	(532)	(532)
At 31 December 2006/1 January 2007	690	573	3,116	4,379
Additions	-	61	517	578
Disposals	-	(20)	(1,127)	(1,147)
At 31 December 2007	690	614	2,506	3,810
Accumulated depreciation				
At 1 January 2006	166	350	882	1,398
Depreciation for the year	14	50	568	632
Disposals	-	-	(376)	(376)
At 31 December 2006/1 January 2007	180	400	1,074	1,654
Depreciation for the year	20	48	532	600
Disposals	-	(7)	(479)	(486)
At 31 December 2007	200	441	1,127	1,768
Carrying amount				
At 1 January 2006	524	119	1,584	2,227
At 31 December 2006/1 January 2007	510	173	2,042	2,725
At 31 December 2007	490	173	1,379	2,042

Revaluation

The carrying amounts of the revalued freehold land and buildings had they been stated under the cost model were not disclosed due to the absence of complete historical records as allowed under the transitional provision when the MASB first issued FRS 116_{2004}, *Property, Plant and Equipment* in 2000.

Titles

The titles to certain properties with a total cost of RM4,371,000 (2006 - RM4,371,000) have yet to be issued by the relevant authorities.

Borrowing costs

Included in property, plant and equipment under construction of the Group is net interest capitalised at average rate of 6.25% (2006 - 6.25%) per annum for the year of RM4,178,000 (2006 - RM9,336,000).

4 Prepaid lease payments

Group	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Cost/valuation			
At 1 January 2006	-	-	-
Transfer from property, plant and equipment (Note 3)	87,736	5,612	93,348
At 1 January 2006, restated	87,736	5,612	93,348
Additions	1,191	-	1,191
At 31 December 2006/1 January 2007	88,927	5,612	94,539
Additions	410	-	410
At 31 December 2007	89,337	5,612	94,949
Accumulated depreciation			
At 1 January 2006	-	-	-
Transfer from property, plant and equipment (Note 3)	17,616	2,239	19,855
At 1 January 2006, restated	17,616	2,239	19,855
Amortisation for the year	971	143	1,114
At 31 December 2006/1 January 2007	18,587	2,382	20,969
Amortisation for the year	1,079	46	1,125
At 31 December 2007	19,666	2,428	22,094
Carrying amount			
At 1 January 2006	-	-	-
Transfer from property, plant and equipment (Note 3)	70,120	3,373	73,493
At 1 January 2006, restated	70,120	3,373	73,493
At 31 December 2006/1 January 2007	70,340	3,230	73,570
At 31 December 2007	69,671	3,184	72,855

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost/valuation			
At 1 January 2006/31 December 2006/ 1 January 2007/31 December 2007	7,243	5,877	13,120
Accumulated depreciation			
At 1 January 2006	-	2,096	2,096
Depreciation for the year	-	111	111
At 31 December 2006/1 January 2007	-	2,207	2,207
Depreciation for the year	-	110	110
At 31 December 2007	-	2,317	2,317
Carrying amount			
At 1 January 2006	7,243	3,781	11,024
At 31 December 2006/1 January 2007	7,243	3,670	10,913
At 31 December 2007	7,243	3,560	10,803

The Directors' valuation on the fair value of investment properties based on available valuation reports prepared by an independent valuer is RM55,060,000 (2006 - RM16,568,000).

6. Investment in subsidiaries

	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares in Malaysia, at cost	**994,884**	226,764
Less: Impairment loss	**(5,555)**	(2,819)
	989,329	223,945

Details of the subsidiaries are in Note 31.

7. Investment in associates

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost:				
In Malaysia	**1,750**	1,750	**-**	-
Outside Malaysia	**12,247**	12,246	**12,246**	12,246
Share of post-acquisition reserve	**3,827**	3,104	**-**	-
	17,824	17,100	**12,246**	12,246

Summary financial information on associates:

Group

	Country of incorporation	Effective ownership interest 2007 %	Effective ownership interest 2006 %	2007 Revenues (100%) RM'000	2007 Profit (100%) RM'000	2007 Total assets (100%) RM'000	2007 Total liabilities (100%) RM'000	2006 Revenues (100%) RM'000	2006 Profit (100%) RM'000	2006 Total assets (100%) RM'000	2006 Total liabilities (100%) RM'000
Kanzen Energy Ventures Sdn. Bhd	Malaysia	**25**	25	**1,363**	**1,319**	**12,003**	**23**	1,461	1,471	11,290	632
Structurflex Sdn. Bhd	Malaysia	**50**	50	**3,331**	**249**	**2,914**	**719**	2,590	97	2,749	653
TC Capital (Thailand) Co. Ltd	Thailand	**45.45**	45.45	**2,295**	**1,101**	**33,899**	**5,220**	2,502	1,830	35,321	5,018
TC Express Auto Services & Spare Parts (Thailand) Co. Ltd	Thailand	**49**	-	**-**	**(474)**	**874**	**1,380**	-	-	-	-

Company

	Country of incorporation	Effective ownership interest 2007 %	Effective ownership interest 2006 %	2007 Revenues (100%) RM'000	2007 Profit (100%) RM'000	2007 Total assets (100%) RM'000	2007 Total liabilities (100%) RM'000	2006 Revenues (100%) RM'000	2006 Profit (100%) RM'000	2006 Total assets (100%) RM'000	2006 Total liabilities (100%) RM'000
TC Capital (Thailand) Co. Ltd	Thailand	**45.45**	45.45	**2,295**	**1,101**	**33,899**	**5,220**	2,502	1,830	35,321	5,018

8. Other investments

	Group 2007 RM'000	Group 2006 RM'000
Non-current		
At cost:		
Unquoted shares	**1,806**	1,806
Asset-backed notes	**4,000**	4,000
	5,806	5,806
Current		
At cost:		
Quoted unit trusts	**232,749**	185,746
At market value:		
Quoted unit trusts	**232,769**	185,746
Details of disposed investments stated at cost are as follows:		
Proceeds from disposal	**1,271**	472,796
Carrying amount of investments disposed	**-**	474,511
Gain / (loss) on disposal of investments	**1,271**	(1,715)

The asset-backed notes comprise Class B Notes and Class C Notes of RM2,000,000 each which were issued by an SPE established for the Group's securitisation exercise in 2005.

9. Development costs

	Group 2007 RM'000	Group 2006 RM'000
Cost		
At 1 January/31 December	**5,909**	5,909
Amortisation and impairment loss		
At 1 January	**2,364**	1,182
Amortisation for the year	**1,182**	1,182
Impairment loss	**2,363**	-
At 31 December	**5,909**	2,364
Carrying amount at 31 December	**-**	3,545

Impairment loss represents the carrying amount of the development costs written off and charged to the income statement during the year as the Group is expected not able to recover the development costs from the vehicle sales.

10. Deferred tax assets and liabilities

The amounts, determined after appropriate offsetting, are as follows:

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Deferred tax assets, net	**21,563**	9,042	**4,393**	2,084
Deferred tax liabilities, net	**(30,895)**	(18,730)	**-**	-

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes related to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) and movement in temporary differences during the year are as follows:

Group	At 1.1.2006 RM'000	Recognised in income statement RM'000	At 31.12.2006 RM'000	Recognised in income statement RM'000	At 31.12.2007 RM'000
Property, plant and equipment/ Investment properties					
- capital allowances	(3,925)	(4,637)	(8,562)	(13,205)	**(21,767)**
- reinvestment allowances	-	-	-	11,188	**11,188**
- revaluation	(10,570)	407	(10,163)	1,318	**(8,845)**
Provisions	8,078	222	8,300	1,367	**9,667**
Other items	288	294	582	(166)	**416**
Unabsorbed capital allowances	446	(382)	64	(55)	**9**
Unutilised tax losses	-	91	91	(91)	**-**
	(5,683)	(4,005)	(9,688)	356	**(9,332)**
Company					
Property, plant and equipment					
- capital allowances	(42)	1	(41)	(124)	**(165)**
Provisions	2,735	(657)	2,078	2,480	**4,558**
Unabsorbed capital allowances	437	(390)	47	(47)	**-**
	3,130	(1,046)	2,084	2,309	**4,393**

10. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group	
	2007	**2006**
	RM'000	**RM'000**
Unabsorbed capital allowances	**3,067**	2,223
Property, plant and equipment		
- capital allowances	**(208)**	(28)
Unutilised tax losses	**22,576**	17,763
Deductible temporary differences	**19**	2,253
	25,454	22,211

Deferred tax assets have not been recognised in respect of these items because it is not probable that the respective subsidiaries will generate sufficient future taxable profits available against which it can be utilised.

11. Hire purchase receivables

	Group	
	2007	**2006**
	RM'000	**RM'000**
Hire purchase receivables	**199,434**	259,024
Less: Unearned interest	**(20,329)**	(27,446)
	179,105	231,578
Less: Allowance for doubtful debts	**(5,896)**	(4,119)
	173,209	227,459
Less than one year	**56,523**	70,178
Between one and five years	**109,301**	148,822
More than five years	**7,385**	8,459
	173,209	227,459

12. Long term receivables

	Group 2007 RM'000	Group 2006 RM'000
Finance lease receivables	**10,346**	4,188
Less: Unearned interest	**(619)**	(475)
	9,727	3,713
Less than one year (Note 13)	**4,322**	1,574
Between one and five years	**5,405**	2,127
More than five years	**-**	12
	9,727	3,713

Finance lease receivable in less than one year is classified under current assets as trade and other receivables.

13. Trade and other receivables

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Non-current					
Subsidiaries (non-trade)	a	**-**	-	**24,334**	21,733
Less: Allowance for doubtful debts		**-**	-	**(7,280)**	(2,273)
		-	-	**17,054**	19,460
Current					
Trade receivables		**192,910**	184,776	**-**	-
Less: Allowance for doubtful debts	b	**(8,592)**	(6,863)	**-**	-
		184,318	177,913	**-**	-
Other receivables, deposits and prepayments	c	**61,321**	63,484	**394**	483
Subsidiaries (non-trade)	d	**-**	-	**102,741**	98,750
Finance lease receivables (Note 12)		**4,322**	1,574	**-**	-
		249,961	242,971	**103,135**	99,233

13. Trade and other receivables (continued)

Note a

The non-current amounts due from subsidiaries are in respect of advances that are unsecured, not receivable within the next twelve months and interest free except for amounts due from certain subsidiaries of RM14,592,000 (2006 - RM14,261,000) which are subject to interest at negotiated rates.

Note b

Doubtful debts written off against allowance for doubtful debts during the year amounted to RM756,000 (2006 - RM213,000)

Note c

There were no trade prepayments in other receivables, deposits and prepayments during the year (2006 - RM244,502,000 for goods received in the first quarter of 2006).

Note d

The current amounts due from subsidiaries are in respect of advances that are unsecured, with no fixed term of repayments and interest free except for amounts due from certain subsidiaries of RM99,527,000 (2006 - RM45,772,000) which are subject to interest at negotiated rates.

Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currency of the Group are as follows:

	2007 RM'000	2006 RM'000
Foreign currency		
Japanese Yen	**2,451**	289
US Dollar	**184**	39
Singapore Dollar	**28**	33

14. Inventories

	Group 2007 RM'000	Group 2006 RM'000
At cost:		
Raw materials	**26,717**	23,706
Unassembled vehicle packs	**268,918**	260,606
Work-in-progress	**8,950**	17,752
Manufactured inventories and trading inventories	**60,096**	72,493
Used vehicles	**340**	531
New vehicles	**139,035**	174,834
Spare parts and others	**52,919**	53,162
	556,975	603,084
At net realisable value:		
Raw materials	**1,533**	1,113
Unassembled vehicle packs	**5,280**	2,135
Manufactured inventories and trading inventories	**127**	1,931
Used vehicles	**6,285**	11,120
New vehicles	**12,717**	1,817
Spare parts and others	**353**	338
	26,295	18,454
	583,270	621,538

In 2007, inventories recognised as cost of sales amounted to RM1,269,917,000 (2006 - RM959,898,000) and the write-down of inventories to net realisable value amounted to RM1,826,000 (2006 - RM1,235,000). The reversal of write-downs amounted to RM1,631,000 (2006 - RM Nil). The write down and reversal are included in cost of sales.

15. Cash and cash equivalents

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Cash and bank balances	**52,499**	46,644	**4,310**	1,491
Deposits	**17,448**	86,543	**-**	-
	69,947	133,187	**4,310**	1,491
Deposits are placed with:				
Licensed banks	**17,448**	81,397	**-**	-
Other corporations	**-**	5,146	**-**	-
	17,448	86,543	**-**	-

16. Share capital and reserves

Share capital

	Group and Company			
	Number of shares 2007 '000	Amount 2007 RM'000	Number of shares 2006 '000	Amount 2006 RM'000
Ordinary shares of RM0.50 each				
Authorised	**1,000,000**	**500,000**	1,000,000	500,000
Issued and fully paid	**672,000**	**336,000**	672,000	336,000

Treasury shares

The shareholders of the Company via a resolution passed in the Annual General Meeting held on 17 May 2007 approved the Company's plan to purchase its own shares.

During the year, the Company bought back 1,172,000 (2006 - 1,417,000) of its issued shares from the open market at prices ranging from RM1.16 to RM2.22 (2006 - RM1.22 to RM1.53) per ordinary share. The cumulative total number of shares bought back at the end of the year is 4,617,000 (2006 - 3,445,000). The repurchased transactions were financed by internally generated funds.

As at 31 December 2007, the number of outstanding shares in issue after deducting treasury shares held is 667,383,000 (2006 - 668,555,000) ordinary shares of RM0.50 each.

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

Surplus on revaluation of properties

The surplus relates to the revaluation of property, plant and equipment and investment properties prior to its reclassification from property, plant and equipment.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 December 2007 if paid out as dividends.

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

17. Trade and other payables

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Non-current					
Subsidiaries (non-trade)	a	**-**	-	**4,541**	4,873
Current					
Trade payables		**96,476**	74,897	**-**	-
Other payables and accrued expenses		**123,468**	74,716	**3,710**	3,771
Subsidiaries (non-trade)	b	**-**	-	**2,698**	5,769
		219,944	149,613	**6,408**	9,540

Note a

The non-current amounts due to subsidiaries are in respect of advances that are unsecured, not repayable within the next twelve months and interest free except for the amounts due to certain subsidiaries of RM4,159,000 (2006 - RM4,250,000) which are subject to interest at negotiated rates.

Note b

The current amounts due to subsidiaries are in respect of advances that are unsecured, repayable on demand and subject to interest at negotiated rates. In 2006, the amounts subject to interest at negotiated rates is only RM5,714,000.

Analysis of foreign currency exposure for significant payables

Significant payables outstanding at year end that are not in the functional currency of the Group are as follows:

	2007 RM'000	2006 RM'000
Foreign currency		
Japanese Yen	**8,084**	5,241
Euro Dollar	**20**	1,492
US Dollar	**421**	539
Pounds Sterling	**12**	29
Singapore Dollar	**6**	7
Thai Baht	**388**	-

18. Borrowings

	Note	Group 2007 RM'000	Group 2006 RM'000
Non-current			
Term loans - unsecured		**295,596**	333,421
Amount due to Cagamas Berhad	a	**-**	7,246
		295,596	340,667
Current			
Amount due to Cagamas Berhad	a	**7,334**	14,665
Term loans - unsecured		**37,844**	103,229
Bills payable - unsecured		**113,364**	102,647
		158,542	220,541

Note a

The Group, via an intermediary financial institution, sold a portion of its hire purchase receivables to Cagamas Berhad with recourse to the Group. Under this arrangement, the Group undertakes to administer the hire purchase loans on behalf of Cagamas Berhad over a 60 months period and to buy back any loans which are regarded as defective. Amount due to Cagamas Berhad represents the outstanding balance, before financial charges, repayable to Cagamas Berhad and is subject to interest.

19. Employee benefits

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Recognised liability for defined benefit obligations	**18,417**	17,604	**7,555**	7,347

Under the Group's and Company's defined benefit scheme, eligible employees are entitled to retirement benefits of 16.0% to 17.0% of total basic salary earned less the statutory pension funds for each completed year of service upon the retirement age of 55 as well as retirement benefits of a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 55.

19. Employee benefits (continued)

Movements in the net liability recognised in the balance sheets

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net liability at 1 January	**17,604**	17,920	**7,347**	8,328
Benefits paid	**(895)**	(1,673)	**(2)**	(1,087)
Expense recognised in the income statements	**1,708**	1,357	**213**	106
Benefits transferred	**-**	-	**(3)**	-
Net liability at 31 December	**18,417**	17,604	**7,555**	7,347

Expense recognised in the income statements

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Current service cost	**641**	692	**24**	53
Interest on obligation	**558**	665	**129**	53
Actuarial losses	**509**	-	**60**	-
	1,708	1,357	**213**	106

The expense is recognised in the following line items in the income statements

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of sales	**379**	348	**-**	-
Administrative expenses	**1,329**	1,009	**213**	106
	1,708	1,357	**213**	106

Actuarial assumptions

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	2007	**2006**
	%	**%**
Discount rate	**5.4**	7.0
Future salary increases	**6.5**	6.5

20. Revenue

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Sale of goods	**1,721,189**	1,975,470	**-**	-
Services rendered	**126,962**	117,092	**2,757**	2,697
Financial services income	**13,564**	16,477	**-**	-
Dividend income	**1,462**	-	**1,114,061**	118,655
	1,863,177	2,109,039	**1,116,818**	121,352

21. Operating profit

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Operating profit is arrived at after crediting:				
Dividend income from:				
Unquoted subsidiaries	**-**	-	**1,114,061**	118,655
Other investments	**1,462**	2,496	**-**	-
Finance lease interest income	**25**	62	**-**	-
Gain on disposal of property, plant and equipment	**1,617**	1,129	**-**	-
Gain on disposal of other investments	**1,271**	-	**-**	-
Net gain on foreign exchange - realised	**-**	944	**-**	-
Inventories written back	**-**	149	**-**	-
Reversal of inventories written down	**1,631**	-	**-**	-
Rental income on leased assets	**1,462**	828	**-**	-
Rental income on land and buildings	**2,310**	2,473	**-**	52
Reversal of impairment loss on investment in subsidiaries	**-**	-	**-**	19
and after charging:				
Auditors' remuneration				
- current year	**296**	293	**33**	35
- over provision in prior year	**(12)**	(18)	**(7)**	-
Allowance for doubtful debts	**4,262**	2,402	**-**	44
Amortisation of development cost	**1,182**	1,182	**-**	-
Impairment loss on development cost	**2,363**	-	**-**	-
Bad debts written off	**45**	30	**-**	-
Depreciation of property, plant and equipment	**37,598**	26,515	**600**	632
Amortisation of prepaid lease payments	**1,125**	1,114	**-**	-
Depreciation of investment properties	**110**	111	**-**	-
Direct operating expenses of investment properties generated rental income	**548**	252	**-**	-

21. Operating profit (continued)

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
and after charging (continued):				
Interest expense	**18,704**	20,768	**378**	289
Inventories written down	**1,826**	1,235	**-**	-
Inventories written off	**69**	129	**-**	-
Loss on foreign exchange- unrealised	**356**	979	**-**	-
Loss on disposal of other investments	**-**	1,715	**-**	-
Loss on disposal of property, plant and equipment	**-**	-	**304**	21
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	**13,952**	13,526	**1,001**	496
- Expenses related to defined benefit plans	**1,708**	1,357	**213**	106
- Wages, salaries and others	**125,362**	118,444	**9,228**	6,443
Property, plant and equipment written off	**358**	35	**-**	-
Rental expense on land and buildings	**10,857**	12,255	**241**	377
Warranty claim	**69**	61	**-**	-

22. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Directors				
- Fees	**304**	244	**258**	198
- Remuneration	**14,049**	14,109	**5,238**	7,641
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**264**	264	**67**	94
Total short-term employee benefits	**14,617**	14,617	**5,563**	7,933
- Post-employment benefits	**247**	15	**169**	-
	14,864	14,632	**5,732**	7,933

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

23. Tax expense

Recognised in the income statements

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense	**24,693**	23,961	**295,432**	28,054
Over provision in prior years	**(1,403)**	(3,095)	**-**	-
	23,290	20,866	**295,432**	28,054
Deferred tax expense				
Origination and reversal of temporary differences	**(949)**	1,859	**(1,049)**	1,046
Reversal / (write down) of deferred tax assets previously written-down	**593**	2,146	**(1,260)**	-
	(356)	4,005	**(2,309)**	1,046
	22,934	24,871	**293,123**	29,100

Reconciliation of effective tax expense

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Profit before taxation	**123,074**	85,956	**1,098,067**	108,277
Income tax using statutory tax rates	**33,230**	24,068	**296,478**	30,318
Effect of tax at 20% on chargeable income of individual company below RM500,000*	**(442)**	(435)	**-**	-
Double deduction	**(156)**	(200)	**-**	-
Non-deductible expenses	**3,192**	2,358	**573**	338
Effect of changes in tax rate**	**(441)**	-	**-**	-
Utilisation of group relief	**(381)**	-	**-**	-
Non-taxable income	**-**	(5)	**-**	(5)
Tax exempt income	**(394)**	(564)	**(2,699)**	(1,564)
Tax incentives	**-**	(1,608)	**-**	-
Unrecognised deferred tax assets	**883**	935	**-**	-
Recognition of previously unrecognised tax losses	**(7)**	(47)	**-**	-
Deferred tax asset arising from reinvestment allowances	**(11,188)**	-	**-**	-
Other items	**(552)**	1,318	**31**	13
	23,744	25,820	**294,383**	29,100
Over provision in prior years	**(810)**	(949)	**(1,260)**	-
	22,934	24,871	**293,123**	29,100

23. Tax expense (continued)

* *With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.*

** *The corporate tax rate for year of assessment 2007 is 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% for year of assessment 2008 and to 25% with effect from year of assessment 2009. Consequently deferred tax assets and liabilities are measured using these tax rates. However, for small and medium companies the tax rate for chargeable income up to RM500,000 remains at 20%.*

24. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM99,568,000 (2006 - RM59,968,000) and the weighted average number of ordinary shares outstanding during the year of 667,804,000 (2006 - 669,232,000).

Weighted average number of ordinary shares

	2007 '000	2006 '000
Issued ordinary shares at 1 January	**672,000**	672,000
Effect of treasury shares held	**(4,196)**	(2,768)
Weighted average number of ordinary shares at 31 December	**667,804**	669,232

25. Dividends

Dividends recognised in the current year are:

	Group and Company	
	2007 RM'000	2006 RM'000
Ordinary		
Final paid:		
2006 - 5% per share less tax at 27% (2005 - 10% per share less tax at 28%)	**12,192**	24,106
Interim paid:		
2007 - 5% per share tax exempt (2006 - 5% per share tax exempt)	**16,686**	16,727
	28,878	40,833

25. Dividends (continued)

Proposed final dividend

After the balance sheet date, the Directors proposed a final dividend for the year ended 31 December 2007 of 10% less tax at 26% totalling RM24,693,000. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

Dividends per ordinary share

The calculation of dividends per ordinary share is based on the net dividends for the financial year ended 31 December 2007 of RM41,379,000 (2006 - RM28,928,000) and the number of ordinary shares in issue during the year of 672,000,000 (2006 - 672,000,000) less treasury shares held of 4,617,000 (2006 - 3,445,000).

26. Segmental information

Segment information is presented in respect of the Group's business segments. The business segments are based on the Group's management and internal reporting structure. Segment information by geographical segments is not provided as the activities of the Group are located principally in Malaysia. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise investments (other than investment property) and related revenue, borrowings and related expenses, corporate assets, head office expenses and tax assets and liabilities.

Business segments

The Group comprises the following main business segments:

Vehicles assembly, distribution and after sale services	-	Assembly and distribution of passenger and commercial vehicles, automotive workshop services, distribution of automotive spare parts and insurance agency
Financial services	-	Provision of hire purchase financing, personal loans and money changing
Other operations	-	Property and investment holding activities

26. Segmental information (continued)

Business segments	Vehicles assembly, distribution and after sale services 2007 RM'000	2006 RM'000	Financial services 2007 RM'000	2006 RM'000	Other operations 2007 RM'000	2006 RM'000	Eliminations 2007 RM'000	2006 RM'000	Consolidated 2007 RM'000	2006 RM'000
Revenue from external customers	**1,847,992**	2,092,463	**13,564**	16,477	**1,621**	99	**-**	-	**1,863,177**	2,109,039
Inter-segment revenue	**517**	1,537	**-**	-	**3,651**	3,605	**(4,168)**	(5,142)	**-**	-
Total revenue	**1,848,509**	2,094,000	**13,564**	16,477	**5,272**	3,704	**(4,168)**	(5,142)	**1,863,177**	2,109,039
Segment result	**127,680**	98,436	**9,592**	10,619	**4,011**	2,647	**-**	-	**141,283**	111,702
Unallocated expenses									**(8,251)**	(12,068)
Operating profit									**133,032**	99,634
Interest income									**8,023**	5,843
Finance costs									**(18,704)**	(20,768)
Share of profit of associates	**(108)**	48	**501**	831	**330**	368	**-**	-	**723**	1,247
Profit before tax									**123,074**	85,956
Tax expense									**(22,934)**	(24,871)
Minority interest									**(572)**	(1,117)
Profit for the year									**99,568**	59,968

	Vehicles assembly, distribution and after sale services 2007 RM'000	2006 RM'000	Financial services 2007 RM'000	2006 RM'000	Other operations 2007 RM'000	2006 RM'000	Consolidated 2007 RM'000	2006 RM'000
Segment assets	**1,404,910**	1,300,044	**184,151**	236,870	**61,115**	63,148	**1,650,176**	1,600,062
Investment in associates	**17,824**	17,100	**-**	-	**-**	-	**17,824**	17,100
Unallocated assets							**293,098**	313,454
Total assets							**1,961,098**	1,930,616
Segment liabilities	**225,998**	124,747	**975**	31,247	**122**	105	**227,095**	156,099
Unallocated liabilities							**497,661**	592,152
Total liabilities							**724,756**	748,251
Capital expenditure	**173,814**	156,359	**466**	657	**1,002**	8,228	**175,282**	165,244
Depreciation and amortisation	**36,856**	26,872	**133**	169	**1,844**	1,881	**38,833**	28,922
Non-cash expenses other than depreciation and amortisation	**3,613**	1,364	**1,786**	-	**213**	106	**5,612**	1,470

27. Contingent liabilities

(i) On 24 June 2003, two third-parties filed a claim against the Company and its wholly-owned subsidiary, TC Euro Cars Sdn. Bhd. for general damages in the sum of RM150,000,000. The plaintiffs also claimed costs and any other relief to be awarded by the High Court for conspiracy to injure in relation to a specific project investment as alleged in the Statement of Claim. On 16 January 2004, the Senior Assistant Registrar of the High Court struck out the above mentioned suit. On 20 May 2004, on appeal by the plaintiffs, the High Court Judge reinstated the plaintiffs' suit. The Company and TC Euro Cars Sdn. Bhd., being dissatisfied with the decision of the High Court Judge, then filed a Notice of Appeal to the Court of Appeal, appealing against the said decision of the High Court Judge. No hearing date has been fixed yet.

No provision has been made for any potential liability as the Group believes that the outcome of the case will be favourable to the Group.

(ii) Tan Chong & Sons Motor Company Sdn Bhd (TCM), a wholly-owned subsidiary of Tan Chong Motor Holdings Berhad, and two others were sued in the High Court at Kota Kinabalu by a third-party for general damages estimated at RM10,672,000 and liquidated damages of RM2,970,000 together with interest and costs in connection with car distributorship in Sabah. The High Court has vacated the trial dates of 16 to 20 June 2008 and a new date has not been fixed.

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

28. Capital commitments

	Group	
	2007	**2006**
	RM'000	**RM'000**
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	**40,660**	21,504
Authorised and contracted for	**20,658**	113,825
Joint venture investment		
Authorised and contracted for	**215**	1,081
	61,533	136,410

29. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

Controlling related party relationships are as follows:

(i) The subsidiaries as disclosed in Note 31

(ii) The substantial shareholders of the Company

Transactions with related parties

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

	Group	
	2007	**2006**
	RM'000	**RM'000**
With WTCH Group		
Purchases	**10,352**	4,358
Sales	**(15,567)**	(7,738)
Insurance agency and administrative services	**(229)**	(284)
Travel agency and car rental services	**965**	1,162
Rental expense payable	**-**	258
Rental income receivable	**(3)**	(147)
With APM Group		
Purchases	**47,454**	81,624
Sales	**(356)**	(789)
Warranty claim	**117**	605
Insurance agency and administrative services	**(82)**	(265)
Rental income receivable	**(851)**	(906)
Rental expense payable	**372**	93

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

29. Related parties (continued)

Transactions with related parties (continued)

(ii) Significant transactions with Tan Chong International Limited and its subsidiaries, companies in which certain Directors of the Company, namely Dato' Tan Heng Chew and Tan Eng Soon, are deemed to have substantial financial interests, are as follows:

	Group 2007 RM'000	Group 2006 RM'000
Purchases	**176**	195
Sales	**(27)**	(257)

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

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

	Group 2007 RM'000	Group 2006 RM'000
Purchases of goods	**498,680**	440,931
Sales	**(1,459)**	(2,176)
Technical assistance fee and royalty	**2,397**	3,010
Purchases of plant and machinery	**4,925**	4,104

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

(iv) Significant transactions with Renault s.a.s. Group, who is a substantial shareholder of Nissan Motor Co. Limited, are as follows:

	Group 2007 RM'000	Group 2006 RM'000
Purchases	**7,916**	27,233

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

29. Related parties (continued)

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

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

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

	Group	
	2007	2006
	RM'000	RM'000
Sales	**(5,842)**	(22,507)
Rental expense payable	**-**	59
Rental income receivable	**(6)**	-

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

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

	Company	
	2007	2006
	RM'000	RM'000
Subsidiaries		
Dividend income receivable	**(1,114,061)**	(118,655)
Interest income receivable	**(2,863)**	(1,973)
Management fees receivable	**(2,598)**	(2,598)
Rental income receivable	**-**	(52)
Rental expense payable	**222**	347
Interest expense payable	**378**	289
Purchases of property, plant and equipment	**517**	1,184

30. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, liquidity risk and currencies risks arise in the normal course of the Group's and the Company's business. Credit risk in relation to the Group's core business activities are managed by the respective operating units. The Group has a centralised Treasury Department that manages the interest and currencies risks of the Group. The Treasury Department monitors the interest rate trend and currencies exchange rate movements on an ongoing basis.

Derivative financial instruments like forward exchange contracts or options are used to reduce exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are offset by opposite effects on the items being hedged. The Group does not use leverage derivatives for hedging purposes and also does not use any derivatives for speculative purposes.

The Group's and the Company's accounting policies in relation to derivative financial instruments are set out in Note 2(c).

Credit risk

In respect of the operating units, credit policies that are specific to their respective industries are in place.

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

Transactions involving derivative financial instruments are entered into with licensed banks only. The Group also places a significant portion of its excess funds in money market funds and short term deposits with licensed financial institutions and discount houses. The management is of the view that credit and interest rate risks exposure to licensed banks and financial institutions and discount houses is minimal.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

Foreign currency risk

The Group and the Company incur foreign currency risk mainly on purchases that are denominated in Japanese Yen and US Dollar. The Group monitors its exchange exposure regularly and undertakes selective hedging whenever deemed necessary.

Liquidity risk

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

Interest rate risk

The Group's exposure to interest rate risk arises from interest-bearing borrowings and the placement of excess funds in interest earning deposits. The borrowings which have been obtained to finance the working capital of the Group are subject to floating interest rates except for term loans and borrowings from Cagamas Berhad and certain commercial banks which are fixed with tenure ranging from 60 to 96 months.

Excess funds are placed with licensed financial institutions for certain periods during which the interest rates are fixed. The management reviews the rates at regular intervals.

30. Financial instruments (continued)

Interest rate risk (continued)

On the other hand, the Group provides hire purchase loans at fixed rates for tenures of up to 7 years. These loans are funded by internal and external resources. To minimise the impact of interest rate volatility, the Group has taken up fixed rate borrowings from Cagamas Berhad as disclosed in Note 18 to partially hedge against adverse movement in its cost of funds from external sources.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

	2007				2006			
Group	**Effective interest rate %**	**Total RM'000**	**Within 1 year RM'000**	**> 5 years RM'000**	**Effective interest rate %**	**Total RM'000**	**Within 1 year RM'000**	**> 5 years RM'000**
Financial assets								
Short term deposits	**3.26**	**17,448**	**17,448**	**-**	3.34	86,543	86,543	-
Asset-backed notes	**10.00**	**4,000**	**-**	**4,000**	9.97	4,000	-	4,000

	2007				2006			
	Effective interest rate %	**Total RM'000**	**Within 1 year RM'000**	**1 - 5 years RM'000**	**Effective interest rate %**	**Total RM'000**	**Within 1 year RM'000**	**1 - 5 years RM'000**
Financial liabilities								
Amount due to Cagamas Berhad	**5.00**	**7,334**	**7,334**	**-**	5.41	21,911	7,246	14,665
Unsecured fixed rate term loan	**5.97**	**333,440**	**37,844**	**295,596**	5.71	436,650	103,229	333,421
Unsecured bills payable	**3.82**	**113,364**	**113,364**	**-**	4.12	102,647	102,647	-
Company								
Financial assets								
Amount due from certain subsidiaries	**3.74**	**114,119**	**99,527**	**14,592**	3.83	60,033	45,772	14,261
Financial liabilities								
Amount due to certain subsidiaries	**3.74**	**6,857**	**2,698**	**4,159**	3.83	9,964	5,714	4,250

30. Financial instruments (continued)

Fair values

Recognised financial instruments

The aggregate fair values of quoted unit trusts, hire purchase receivables, amount due to Cagamas Berhad and fixed rate term loans carried on the balance sheet as at 31 December are represented in the following table.

Group	2007 Carrying amount RM'000	2007 Fair value RM'000	2006 Carrying amount RM'000	2006 Fair value RM'000
Financial assets				
Quoted unit trusts	**232,749**	**232,769**	185,746	185,746
Hire purchase receivables	**173,209**	**179,002**	227,459	234,670
Financial liabilities				
Amount due to Cagamas Berhad	**7,334**	**7,159**	21,911	21,458
Fixed rate term loans	**333,440**	**323,073**	436,650	411,434
	340,774	**330,232**	458,561	432,892

The fair values of amount due to Cagamas Berhad, fixed rate term loans and hire purchase receivables listed above have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date. In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate their fair value due to the relatively short term nature of these financial instruments.

The fair value of quoted unit trusts is their quoted bid price at the balance sheet date.

For the investment in asset-backed notes where there is no available quoted market price, a reasonable estimate of fair value could not be made as it is not practicable within the constraints of timeliness or cost. This investment is carried at its original cost of RM4,000,000 (2006 - RM4,000,000) in the balance sheet.

For the investment in unquoted shares where there is also no available quoted market price, a reasonable estimate of fair value could not be made as it is not practicable within the constraints of timeliness or cost. This investment is carried at its original cost of RM1,806,000 (2006 - RM1,806,000) in the balance sheet. At year end, the Group's proportionate share of the net tangible assets based on the audited financial statements of the unquoted company at 31 December 2007 was RM4,934,000 (2006 - RM5,449,000).

Company

The carrying amounts of cash and cash equivalents, trade and current other receivables and trade and current other payables approximate their fair value due to the relatively short term nature of these financial instruments.

In respect of the non-current amounts due to and due from subsidiaries, a reasonable estimate of fair value could not be made as the non-current repayment terms are not specified.

30. Financial instruments (continued)

Unrecognised financial instruments

The contract or notional principal amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are:

Group	2007 Contract or notional principal amount RM'000	2007 Fair value favourable/ (unfavourable) RM'000	2006 Contract or notional principal amount RM'000	2006 Fair value favourable/ (unfavourable) RM'000
Forward foreign exchange contracts to purchase foreign currency	**85,416**	**501**	117,123	(10,285)

Fair value of the forward foreign exchange contracts are arrived at based on the difference between the contract values and marked to market using listed market price of the forward foreign exchange contracts.

31. Subsidiaries

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are shown below:

	Name	Principal activities	Effective ownership interest 2007 %	Effective ownership interest 2006 %
	Incorporated in Malaysia:			
	Auto Components Manufacturers Sdn. Bhd.	Property holding	**100**	100
	Auto Infiniti Sdn. Bhd.	Trading of car air-conditioners	**100**	100
	Auto Research and Development Sdn. Bhd.	Research and development	**100**	100
	Autokita Sdn. Bhd.	Insurance agency	**100**	100
	Bijak Security Services Sdn. Bhd.	Provision of security services and its related services	**100**	100
	Ceranamas Sdn. Bhd.	Property and investment holding	**100**	100
*	Constant Knight (M) Sdn. Bhd.	Property holding	**100**	100
	Cyberguard Vehicle Security Technologies Sdn. Bhd.	Trading and marketing of alarm security systems and the provision of alarm warranty services	**100**	100
	Edaran Tan Chong Motor Sdn. Bhd.	Trading and marketing of motor vehicles	**100**	100
	E-Garage Auto Services Sdn. Bhd.	Automobile workshop services and trading of car grooming products	**100**	100

31. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2007 %	2006 %
	Incorporated in Malaysia:			
	Hikmat Asli Sdn. Bhd.	Property holding	**100**	100
	Pemasaran Alat Ganti Sdn. Bhd.	Marketing of automotive parts	**100**	100
	Perwiramas Sdn. Bhd.	Investment holding	**100**	100
***	Premium Commerce Berhad	Special purpose entity for asset-backed securitisation	**-**	-
	Rustcare Sdn. Bhd.	Rust proofing	**100**	100
	Sungei Bintang Sdn. Bhd.	Property holding	**100**	100
	Tan Chong & Sons Motor Company Sdn. Bhd.	Assembly and sale of motor vehicles and hire purchase financing	**100**	100
	Tan Chong Agency Sdn. Bhd.	Insurance agency and property holding	**100**	100
	Tan Chong Ekspres Auto Servis Sdn. Bhd.	Automotive workshop services	**100**	100
	Tan Chong Industrial Equipment (Sabah) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	**100**	100
	Tan Chong Industrial Equipment Sdn. Bhd.	Distribution of commercial vehicles and spare parts	**100**	100
	Tan Chong Motor Assemblies Sdn. Bhd.	Assembly of motor vehicles and engines and trading of parts	**70**	70
	Tan Chong Trading (Malaysia) Sdn. Bhd.	Property and investment holding	**100**	100
	Tanahku Holdings Sdn. Bhd.	Property holding	**100**	100
	TC Auto Tooling Sdn. Bhd.	Production of car alarm system	**100**	100
*	TC Capital Premium Sdn. Bhd.	Licensed money changer	**50.001**	50.001
*	TC Capital Resources Sdn. Bhd.	Hire-purchase financing, leasing and money lending	**100**	100

31. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2007 %	2006 %
	Incorporated in Malaysia:			
	TC Euro Cars Sdn. Bhd.	Distribution of motor vehicles and provision of after sales services	**100**	100
	TC Hartanah Sdn. Bhd.	Property holding	**100**	100
*	TC Heritage Sdn. Bhd.	Investment holding	**100**	100
*	TC Insurservices Sdn. Bhd.	Insurance agency	**100**	100
	TC Motors (Sarawak) Sdn. Bhd.	Distribution of passenger and commercial vehicles, heavy equipment and machinery	**100**	100
	TCCL Sdn. Bhd.	Insurance agency	**100**	100
	TCM Stamping Products Sdn. Bhd.	Manufacture and sale of fuel tanks and press metal parts	**100**	100
	Truckquip Sdn. Bhd.	Distribution of automotive spare parts and construction of vehicle bodies	**100**	100
	Vincus Holdings Sdn. Bhd.	Investment holding	**100**	100
	West Anchorage Sdn. Bhd.	Investment holding	**100**	100
	Auto Trucks & Components Sdn. Bhd.	Dormant	**100**	100
	Edaran Tan Chong Motor (Sabah) Sdn. Bhd.	Dormant	**100**	100
	Edaran Tan Chong Motor (Sarawak) Sdn. Bhd.	Dormant	**100**	100
	Edaran Tan Chong Motor (Selatan) Sdn. Bhd.	Dormant	**100**	100
	Edaran Tan Chong Motor (Tengah) Sdn. Bhd.	Dormant	**100**	100
	Edaran Tan Chong Motor (Utara) Sdn. Bhd.	Dormant	**100**	100

31. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2007 %	2006 %
	Incorporated in Malaysia:			
	Fujiyama Car Cooler Sdn. Bhd.	Dormant	**100**	100
	Ragib-TC Security Services Sdn. Bhd.	Dormant	**100**	100
*	TC Aluminium Castings Sdn. Bhd.	Dormant	**100**	100
	TC Brake System Sdn. Bhd.	Dormant	**100**	100
*	TC Engines Manufacturing Sdn. Bhd.	Dormant	**100**	100
	TC Management Services Corporation Sdn. Bhd. (formerly known as TC Capital Sdn Bhd)	Dormant	**100**	100
*	TC Manufacturing Company (Sabah) Sdn. Bhd.	Dormant	**100**	100
*	TC Manufacturing Holdings Sdn. Bhd.	Dormant	**100**	100
	TC Transmission Sdn. Bhd.	Dormant	**100**	100
	Kereta Komersil Seladang (M) Sdn. Bhd.	Dormant	**70**	-
	TC Metropolitan Sdn. Bhd.	Property investment holding	**100**	-
	VDC Sdn. Bhd.	Dormant	**100**	-
	Incorporated in Labuan:			
*	ETCM (Labuan) Pty. Ltd.	Dormant	**100**	100
*	TC Express Auto Services and Spare Parts (Labuan) Pty. Ltd.	Investment holding	**100**	100
*	TCIE (Labuan) Pty. Ltd.	Investment holding	**100**	100
*	TC Capital Resources (Labuan) Pty. Ltd.	Dormant	**100**	100

31. Subsidiaries (continued)

	Name	Principal activities	Effective ownership interest 2007 %	Effective ownership interest 2006 %
	Incorporated in Cambodia:			
**	TC Express Auto Services and Spare Parts (Cambodia) Pty. Ltd.	Automobile after sales services and spare parts business	**100**	100
	Incorporated in Vietnam:			
*	Tanda Motor Co. Ltd.	Assembly and sale of bus chassis and sale of complete bus	**51**	-

* Company audited by another firm of accountants

** Company not audited by KPMG and consolidated using unaudited management financial statements. The financial statements of this subsidiary are not required to be audited in the country where it is incorporated and is not material to the Group.

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

32. Subsequent event

Under a reorganisation scheme to integrate the ownership of the Group's properties at Segambut (Segambut Properties) to facilitate control and management, TC Metropolitan Sdn. Bhd., a wholly owned subsidiary, has on 28 February 2008 entered into an agreement to acquire from fellow subsidiaries the Segambut Properties measuring approximately 46.91 acres at RM363.5 million. The purchase consideration is arrived at based on market value using the cost approach method on a willing buyer-willing seller basis as appraised by independent registered valuers on 3 January 2008.

The Segambut Properties are currently owned by the Company's wholly owned subsidiaries and the transactions will have no impact to the Group's consolidated financial statements.

33. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2007.

The changes in accounting policies arising from the adoption of new/revised FRSs are summarised below:

i) the adoption of the following new/revised FRSs effective for financial periods beginning on or after 1 October 2006:

FRS 117 *Leases*
FRS 124 *Related Party Disclosures*
Amendment to FRS 119_{2004} *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*

ii) early adoption of FRS 112 *Income Taxes* which only becomes operative for financial periods beginning on or after 1 July 2007.

33. Changes in accounting policies (continued)

The adoption of FRS 124 and Amendment to FRS 119_{2004} does not have significant financial impact on the Group and the Company. The effect of the changes in accounting policy resulting from the adoption of FRS 117 and FRS 112 are as follows:

(a) FRS 117 *Leases*
Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. The adoption of FRS 117 does not impact the prior year financial statements, other than the reclassification of the leasehold land previously under property, plant and equipment as disclosed in Note 34.

(b) FRS 112 *Income Taxes*
The Company opted to early adopt FRS 112, *Income Taxes*, replacing FRS 112_{2004}, where the unutilised reinvestment allowances as a reduction in the tax rate applied to deferred tax liabilities. The early adoption of FRS 112 facilitated the utilisation of RA to offset against the taxable income and consequently a reduction in tax expense of RM11 million for the year but has no impact to the prior year financial statements as there was no unutilised RA as at 31 December 2006.

34. Comparative figures

During the financial year, certain comparative figures have been reclassified as a result of adoption of FRS 117, *Leases* as stated in Note 33:

	As restated RM'000	As previously reported RM'000
Balance sheets		
Non-current assets		
Property, plant and equipment	375,962	449,532
Prepaid lease payments	73,570	-
Income statements		
Depreciation of property, plant and equipment	26,515	27,629
Amortisation of prepaid lease payments	1,114	-
Cash flow statements		
Depreciation of property, plant and equipment	26,515	27,629
Amortisation of prepaid lease payments	1,114	-

TEN LARGEST PROPERTIES OF THE GROUP
As at 31 December 2007

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM' million)	Age of Building (years)	Date of Acquisition	Date of last Revaluation
Lot 29120 Seksyen 20 (PT 15014) Mukim Serendah Daerah Hulu Selangor	Assembly plant & office	2,061,326	923,142	Leasehold 24.04.2095	132.12	1	09.05.96	-
249 Jalan Segambut 51200 Kuala Lumpur	Assembly plant, offices, warehouse/store, vehicle storage yard & canteen	806,749	596,335	Leasehold 14.01.2073	25.39	32	15.01.74	1984
Lot 9, Jalan Kemajuan Section 13, Petaling Jaya 46200 Selangor	Office, showroom, service, spare parts & training centre	78,801	85,735	Leasehold 06.09.2065	13.83	25	16.01.06	-
Lot 3 Jalan Perusahaan Satu 68100 Batu Caves, Selangor	Spare parts & service centre, factory, warehouse/store, offices & canteen	416,949	141,820	Leasehold 05.09.2074	13.22	28	11.09.81	1984
196 Blk G Jalan Sultan Azlan Shah 11900 Sg Tiram, Pulau Pinang	Building intended for showroom, service & spare parts centre	104,639	53,640	Freehold	13.07	14	26.01.04	-
Lot 43097 Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse & hostel	339,448	39,305	Leasehold 27.01.2074	11.52	10	27.03.81	-
PTD 166367 Mukim Plentong Johor Bahru, Johor	PDI & car storage yard	93,833	-	Freehold	9.41	-	18.10.04	-
Lot 4185 Jalan Segambut 51200 Kuala Lumpur	Office & factory	147,066	85,900	Freehold	7.59	15	05.11.77	-
Lot 1388 Jalan Seri Amar 50350 Kuala Lumpur	Levelled commercial land for development	22,185	-	Freehold	7.44	-	03.12.94	-
39 Jalan Pelukis U1/46 Sek U1, Temasya Industrial Park 40150 Shah Alam, Selangor	Vacant land	60,064	-	Freehold	7.42	-	13.05.04	-

SHAREHOLDERS' STATISTICS
As at 31 March 2008

SHARE CAPITAL

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

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 - 99	139	1.17	3,554	0.00
100 - 1,000	3,519	29.55	3,401,791	0.51
1,001 - 10,000	6,659	55.92	28,646,472	4.26
10,001 - 100,000	1,340	11.25	41,188,712	6.13
100,001 - 33,599,999	249	2.09	281,542,485	41.89
33,600,000 and above	3	0.03	312,599,986	46.52
Sub Total	**11,909**	**100.00**	**667,383,000**	**99.31**
Treasury shares			4,617,000	0.69
Total			**672,000,000**	**100.00**

DIRECTORS' SHAREHOLDING
(as per Register of Directors' Shareholding)

	Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
1.	Dato' Tan Heng Chew	16,690,462	2.50	314,575,752	47.14 (1)
2.	Tan Eng Soon	2,956,000	0.44	311,242,362	46.64 (2)
3.	Azman bin Badrillah	20,000	- (3)	-	-
4.	Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	- (3)	-	-
5.	Seow Thiam Fatt	10,000	- (3)	-	-
6.	Dato' Ng Mann Cheong	-	-	41,000	0.01 (4)

Notes:

(1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act") and interests of spouse and children by virtue of Section 134(12)(c) of the Act.

(2) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Act.

(3) Less than 0.01%.

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

SHAREHOLDERS' STATISTICS

As at 31 March 2008

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

	Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
1	Tan Chong Consolidated Sdn Bhd	304,266,662	45.59	-	-
2	Nissan Motor Co Ltd	37,333,324	5.59	-	-
3	Employees Provident Fund Board	33,661,200	5.04	-	-
4	Dato' Tan Heng Chew	16,690,462	2.50	311,242,362	46.64 (1)
5	Tan Eng Soon	2,956,000	0.44	311,242,362	46.64 (1)
6	Dato' Tan Kim Hor	180,234	0.03	304,266,662	45.59 (2)
7	Dato' Tan Boon Pun	427	- (4)	304,266,942	45.59 (3)
8	Dato' Tan Hoe Pin	10,000	- (4)	304,266,662	45.59 (2)
9	Dr. Tan Ban Leong	180,400	0.03	304,266,662	45.59 (2)
10	Dr. Tan Kang Leong	10,000	- (4)	304,266,662	45.59 (2)
11	Tan Beng Keong	-	-	304,266,662	45.59 (2)
12	Tan Chee Keong	29,000	- (4)	304,266,662	45.59 (2)
13	Tan Kheng Leong	-	-	304,266,662	45.59 (2)

Notes:

(1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act").

(2) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd pursuant to Section 6A of the Act.

(3) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Progroup Nominees Sdn Bhd pursuant to Section 6A of the Act.

(4) Less than 0.01%

THIRTY LARGEST SHAREHOLDERS

	Name	No. Of Shares Held	%
1	Tan Chong Consolidated Sdn Bhd	230,266,662	34.50
2	Mayban Nominees (Tempatan) Sdn Bhd *Tan Chong Consolidated Sdn Bhd (N14011984860)*	45,000,000	6.74
3	Cartaban Nominees (Asing) Sdn Bhd *Exempt An for Daiwa Securities SMBC Co. Ltd. (Clients)*	37,333,324	5.59
4	Employees Provident Fund Board	21,816,200	3.27
5	Cimsec Nominees (Tempatan) Sdn Bhd *Allied Investments Limited for Tan Chong Consolidated Sdn Bhd*	20,000,000	3.00
6	Citigroup Nominees (Asing) Sdn Bhd *Goldman Sachs International*	12,635,200	1.89
7	HSBC Nominees (Tempatan) Sdn Bhd *Nomura Asset Mgmt Malaysia for Employees Provident Fund*	9,200,000	1.38
8	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)*	9,000,000	1.35
9	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Heng Chew (MM1063)*	8,648,200	1.30

	Name	No. Of Shares Held	%
10	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for Prudential Fund Management Berhad*	5,999,200	0.90
11	Citigroup Nominees (Asing) Sdn Bhd *CBNY for DFA Emerging Markets Fund*	5,338,300	0.80
12	Key Development Sdn. Berhad	4,994,400	0.75
13	HSBC Nominees (Asing) Sdn Bhd *Exempt An for the Hongkong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)*	4,965,000	0.74
14	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Heng Chew (E-KLC)*	4,927,000	0.74
15	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Morgan Stanley & Co. Incorporated*	4,738,700	0.71
16	Tan Chong Motor Holdings Berhad *Share Buy Back Account*	4,617,000	0.69
17	HSBC Nominees (Asing) Sdn Bhd *HSBC TUB AG for SPB Investment Company Ltd*	4,370,700	0.65
18	HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (Taiwan)*	4,293,900	0.64
19	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wealthmark Holdings Sdn Bhd (50003 PZDM)*	4,087,400	0.61
20	Citigroup Nominees (Asing) Sdn Bhd *GSCO for TGEM Asia LP*	3,931,700	0.59
21	Gan Teng Siew Realty Sdn Berhad	3,829,000	0.57
22	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for Boronia Corporation*	3,690,000	0.55
23	Chinchoo Investment Sdn Berhad	3,605,000	0.54
24	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for Guardis Investments Group Limited*	3,600,000	0.54
25	Amanah Raya Nominees (Tempatan) Sdn Bhd *Public Far-East Balanced Fund*	3,522,200	0.53
26	HLG Nominee (Tempatan) Sdn Bhd *Hong Leong Fund Management Sdn Bhd for Hong Leong Bank Berhad*	3,414,100	0.51
27	HLG Nominee (Asing) Sdn Bhd *Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited*	3,234,100	0.48
28	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Khor Swee Wah @ Koh Bee Leng (MM1208)*	3,133,390	0.47
29	HLG Nominee (Tempatan) Sdn Bhd *PB Trustee Services Berhad for HLG Growth Fund*	3,078,000	0.46
30	HLB Nominees (Asing) Sdn Bhd *Pledged Securities Account for Lung Ma Investments Pte Ltd (SIN 9047-5)*	2,956,000	0.44
	TOTAL	**480,224,676**	**71.96**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth Annual General Meeting of TAN CHONG MOTOR HOLDINGS BERHAD will be held at 3rd Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Malaysia on Thursday, 22 May 2008 at 3:00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive the Financial Statements for the year ended 31 December 2007 together with the Reports of the Directors and Auditors thereto. **Ordinary Resolution 1**

2. To declare a final dividend of 10% less income tax for the financial year ended 31 December 2007. **Ordinary Resolution 2**

3. To re-elect the following Directors who are eligible and have offered themselves for re-election, in accordance with Article 101 of the Company's Articles of Association:

   i. Dato' Tan Heng Chew **Ordinary Resolution 3**

   ii. Dato' Ng Mann Cheong **Ordinary Resolution 4**

4. To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

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

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

"THAT, subject always to the Companies Act, 1965 ("Act"), the Articles of Association of the Company and approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM0.50 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 6**

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

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

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

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

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

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

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

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

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by BMSB and/or any other relevant governmental and/or regulatory authorities (if any).

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority." **Ordinary Resolution 7**

7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH WARISAN TC HOLDINGS BERHAD GROUP

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.1 of the Company's Circular to Shareholders dated 29 April 2008 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 8**

8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH APM AUTOMOTIVE HOLDINGS BERHAD GROUP

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with APM Automotive Holdings Berhad Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.2 of the Company's Circular to Shareholders dated 29 April 2008 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 9**

9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH TAN CHONG INTERNATIONAL LIMITED GROUP

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Tan Chong International Limited Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1.3 of the Company's Circular to Shareholders dated 29 April 2008 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 10**

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Auto Dunia Sdn Bhd involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.2 of the Company's Circular to Shareholders dated 29 April 2008 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Ordinary Resolution 11**

11. PROPOSED AMENDMENTS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the Articles of Association of the Company set forth in the Schedule to Appendix I to the Circular to Shareholders dated 29 April 2008 be adopted following the amendment, modification and variation of the existing Articles of Association by the deletion of those words which have been struck off, the insertion of words which have been double-underlined and the renumbering where necessary of Articles in numerical running order, as are more particularly set out in the aforementioned Schedule." **Special Resolution**

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Thirty-Sixth Annual General Meeting of Tan Chong Motor Holdings Berhad to be held on 22 May 2008, a final dividend of 10% less income tax will be paid on 18 June 2008 to shareholders whose names appear in the Register of Members on 28 May 2008.

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

(1) shares transferred into the depositor's securities account before 4:00 p.m. on 28 May 2008 in respect of ordinary transfers;

(2) shares deposited into the depositor's securities account before 12:30 p.m. on 26 May 2008 in respect of shares exempted from mandatory deposit; and

(3) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

By order of the Board

YAP BEE LEE
Company Secretary

Kuala Lumpur
29 April 2008

NOTES:

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

2. Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.

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

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

EXPLANATORY NOTES ON SPECIAL BUSINESS:

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

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

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors of the Company be empowered, as proposed in Ordinary Resolution 6, to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being, for such purpose. This authority, unless revoked or varied at a general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

2. Proposed Share Buy-Back

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 29 April 2008, despatched together with the Company's 2007 Annual Report.

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

The proposed Ordinary Resolutions 8, 9, 10 and 11, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on proposed Ordinary Resolutions 8, 9, 10 and 11 are set out in the Company's Circular to Shareholders dated 29 April 2008, despatched together with the Company's 2007 Annual Report.

4. Proposed Amendments of the Articles of Association of the Company

The rationale for the proposed amendments of the Articles of Association of the Company ("the Articles") as contained in the proposed Special Resolution is *inter alia* as follows:
(i) to bring the Articles in line with the recent amendments of the Listing Requirements of Bursa Malaysia Securities Berhad;
(ii) to streamline the Articles with the recent amendments to the Companies Act, 1965 which took effect on 15 August 2007;
(iii) to clarify the wording of certain Articles; and
(iv) to renumber the Articles in numerical running order in consequence to the said amendments to the Articles.

Further information on the proposed Special Resolution is set out in the Company's Circular to Shareholders dated 29 April 2008, despatched together with the Company's 2007 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors Standing for Re-election at the Thirty-Sixth Annual General Meeting

The Directors standing for re-election pursuant to Article 101 of the Company's Articles of Association are Dato' Tan Heng Chew and Dato' Ng Mann Cheong. Details of these Directors are set out in the section entitled "Profile of the Board of Directors" on page 20 of the Annual Report. As at 31 March 2008, their shareholdings in the Company are as follows:

	Direct No. of Shares Held	Indirect No. of Shares Held
Dato' Tan Heng Chew	16,690,462	314,575,752[1]
Dato' Ng Mann Cheong	-	41,000[2]

Notes:

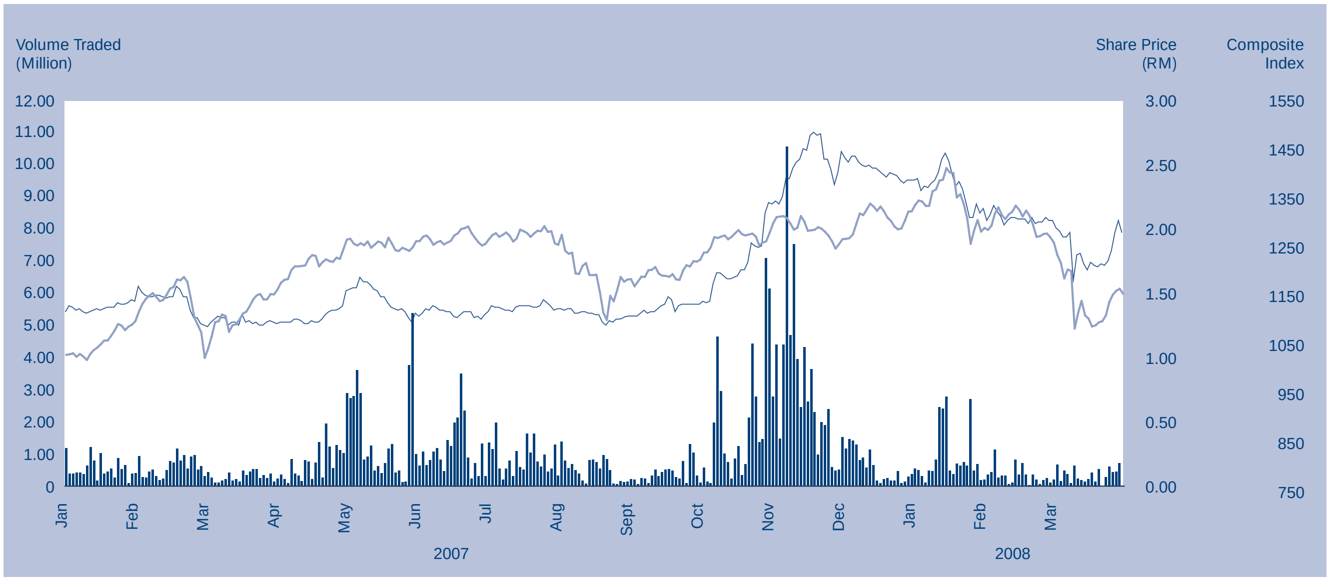
(1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act") and interests of spouse and children by virtue of Section 134(12)(c) of the Act.

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

By virtue of his interest in the shares of the Company, Dato' Tan Heng Chew is also deemed interested in the shares of the subsidiaries of the Company to the extent that the Company has an interest.

Dato' Ng Mann Cheong does not have any interest in the shares of the subsidiaries of the Company.

DAILY SHARE PRICES & VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD



Volume Traded
(number of shares traded for the day)

Share Price
(closing price for the day)

BMSB Composite Index
(closing index for the day)

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

FORM OF PROXY

CDS ACCOUNT NO. OF AUTHORISED NOMINEE

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

IC No./ID No./Company No. ________________________ (new) ________________________ (old)

of ____ *(full address)*

being a member of TAN CHONG MOTOR HOLDINGS BERHAD, hereby appoint ____________________________

(name of proxy as per NRIC, in capital letters) IC No. __________________ (new) ____________________ (old)

and/or ____ *(name of proxy as per NRIC, in capital letters)*

IC No. ____________________________ (new) ________________________ (old) or failing him/her

the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirty-Sixth Annual General Meeting of the Company to be held at 3rd Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Malaysia, on Thursday, 22 May 2008 at 3:00 p.m., and at any adjournment thereof, as indicated below:

		For	**Against**
Ordinary Resolution 1	Financial Statements and Reports of the Directors and Auditors		
Ordinary Resolution 2	Final Dividend		
Ordinary Resolution 3	Re-election of Dato' Tan Heng Chew as Director		
Ordinary Resolution 4	Re-election of Dato' Ng Mann Cheong as Director		
Ordinary Resolution 5	Re-appointment of KPMG as Auditors		
Ordinary Resolution 6	Proposed Grant of Authority pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 7	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Ordinary Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad Group		
Ordinary Resolution 9	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad Group		
Ordinary Resolution 10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited Group		
Ordinary Resolution 11	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		
Special Resolution	Proposed Amendments of the Articles of Association of the Company		

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

____
Signature/Common Seal

Number of shares held: ____________________

Date: __________________________

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

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

Notes:

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

(2) Where the Form of Proxy is executed by a corporation, it must be executed under seal or under the hand of an officer or attorney duly authorised.

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

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

fold here

Affix
Stamp
here

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

fold here