

**ACCOUNTANTS' REPORT ON APM**  
*(Prepared for inclusion in this Circular)*

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29 September 1999

**The Board** of Directors  
 Tan Chong Motor Holdings Berhad  
 62-68 Jalan Ipoh  
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Dear Sirs

**APM AUTOMOTIVE HOLDINGS BERHAD**  
**ACCOUNTANTS' REPORT**

This Report has been prepared for inclusion in the Circular to Shareholders ("Circular") of Tan Chong Motor Holdings Berhad ("TCMH") dated 29 September 1999 in connection with the proposed reorganisation of the Autoparts and Non-Motor Divisions of TCMH under APM Automotive Holdings Berhad ("APM" or "Company") and Warisan TC Holdings Berhad ("WTCH") and the demerger and subsequent listing of APM and WTCH on the Main Board of Kuala Lumpur Stock Exchange ("KLSE").

**1. General Information**

**1.1 Background**

APM was incorporated in Malaysia under the Companies Act, 1965 as a public company on 26 March 1997. The Company was incorporated as an investment holding company to be the new intermediate holding company of the Autoparts operations of TCMH to facilitate TCMH's demerger exercise as described in Paragraph 1.2.

On the date of incorporation, APM's authorised share capital was 200,000 ordinary shares of RM0.50 each while its issued share capital was RM1.00 comprising 2 ordinary shares of RM0.50 each. In line with the demerger exercise set out in Paragraph 1.2 of this Report, the issued and paid-up share capital of APM will be increased in the following manner:-

***Issued and paid-up share capital***

<b>No of ordinary shares</b>	<b>Par value RM</b>	<b>Type of issue</b>	<b>Cumulative total RM</b>
2	0.50	Subscribers' shares	1.00
1	1.00	Consolidation of 2 subscribers' shares of RM0.50 each to 1 share of RM 1.00	1.00
201,599,999	1.00	To be allotted pursuant to the proposed internal reorganisation of the Autoparts Division	201,600,000

As at 29 September 1999 there is only one class of shares in the Company namely ordinary shares of RM0.50 each.

## 1.2 Demerger Exercise

TCMH is a diversified group involved in various businesses relating to the assembly and distribution of motor vehicles (“Motor and Truck Division”), manufacturing and distribution of a wide range of automotive components (“Autoparts Division”), and distribution of heavy machinery, consumer products, apparels and telecommunication equipment and tourism related activities (“Non-Motor Division”).

TCMH is proposing to reorganise the Autoparts Division of TCMH under APM and to demerge and subsequently list APM on the Main Board of the KLSE (“the Autoparts Scheme”).

The Autoparts Scheme will encompass the following steps:-

- **Step 1 - Proposed internal reorganisation of the Autoparts Division;**
- **Step 2 - Proposed special dividend of share and Rights to Allotments (“RTA”) in APM to TCMH shareholders;**
- **Step 3 - Proposed disposal to Controlling Shareholders;**
- **Step 4 - Proposed disposal to Bumiputera Investors;**
- **Step 5 - Proposed listing of APM; and**
- **Step 6 - Proposed subsequent distribution to the shareholders of TCMH of the proceeds from disposal of APM shares**

### *Details of the Autoparts Scheme*

- **Step 1 Proposed internal reorganisation of Autoparts Division**

Pursuant to the proposed Autoparts internal reorganisation, the Autoparts Division will be reorganised under an intermediate holding company, namely APM, a wholly-owned subsidiary company of TCMH. The essence of the reorganisation is that TCMH will divest of the companies comprising the Autoparts Division to APM based on the proforma net tangible assets (“NTA”) of these companies and in consideration, TCMH will receive the RTA of APM shares. Pursuant to this, the value of TCMH’s investment in APM will be the proforma NTA value of the Autoparts Division of RM229,032,000 represented by share/RTA of 201,600,000 ordinary shares of RM 1 .00 each.

- **Step 2 Proposed special dividend of share and RTA in APM to TCMH shareholders**

On completion of the proposed Autoparts internal reorganisation, TCMH will distribute 50% of its interest in APM to its shareholders via a special dividend in specie.

The shareholding structure of APM after the special dividend by TCMH will be as follows:-

	No. of APM ordinary shares of RM 1 .00 each	
	‘000	%
TCMH	100,800	50.00
Controlling shareholders	45.640	22.64
Bumiputera	-	-
Public	55,160	27.36
	<u>201,600</u>	<u>100.00</u>

- **Step 3 Proposed disposal to Controlling Shareholders**

The proposed disposal to the shareholders of Tan Chong Consolidated Sdn. Bhd. ("TCC") and/or a corporation which is a wholly-owned subsidiary of TCC and/or such person(s) approved by the independent directors of TCMH ("Controlling Shareholders") will involve the disposal of 20% of the equity interest in APM to the Controlling Shareholders at RM 1.74 per APM share.

- **Step 4 Proposed disposal to Bumiputera Investors**

TCMH will dispose of 30% of the equity interest in APM to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") at RM1.74 per APM share. The APM shares will be disposed of to the Bumiputera investors approved by the MITI ("Bumiputera Investors") as and when the Bumiputera Investors are nominated by the MITI and these investors confirm their acceptances for the APM shares. The disposal to Bumiputera Investors is to be completed within a period of one (1) year from the date of admission of APM to the Official List of the KLSE or such other longer period as may be approved by the authorities.

- **Step 5 Proposed listing of A PM**

An application will be made for the entire issued and paid-up share capital of APM to be listed on the Main Board of the KLSE.

- **Step 6 Proposed subsequent distribution to the shareholders of TCMH of the proceeds from disposal of APM shares**

The cash proceeds from the disposal of the equity interest in APM to the Controlling Shareholders and Bumiputera Investors will be distributed to the shareholders of TCMH through special dividends.

### 1.3 The Proforma APM Group

APM together with the companies which will be regrouped under the Autoparts Scheme detailed in Paragraph 1.2 are hereinafter referred to as the proforma APM Group.

The details of the proposed subsidiary and associated companies of APM, all of which were incorporated in Malaysia except Radiators Australia (2000) Pty. Ltd. which was incorporated in Australia and APM Holdings Inc. and APM Components America Inc. which were incorporated in Canada, as at the date of this Report and their principal activities are as follows:-

Name	Principal activities	Effective equity interest %
Auto Parts Manufacturers Co. Sdn. Bhd. ("APMC")	Manufacture of automotive leaf springs, seats and radiators	100.0
Auto Parts Holdings Sdn. Bhd. ("APH")	Investment holding	100.0
APM Trim Parts Sdn. Bhd.*("APMTP")	Manufacture of vehicle interior linings	100.0
APM Auto Electrics Sdn. Bhd. * ("APMAE")	Manufacture of automotive electrical components	100.0
Auto Parts Marketing Sdn. Bhd. * ("AP Marketing")	Distribution of automotive parts and accessories	100.0
APM Coil Springs Sdn. Bhd.* ("APMCS")	Manufacture of automotive coil springs	100.0

<b>Name</b>	<b>Principal activities</b>	<b>Effective equity interest %</b>
APM Springs Sdn. Bhd. ("APM Springs")	Manufacture of tapered leaf springs	100.0
APM Metal Industries Sdn. Bhd. ("APMMI")	Manufacture of metal automotive component parts	100.0
APM Shock Absorbers Sdn. Bhd. ("APMSA")	Manufacture of shock absorbers and related components	100.0
APM Plastics Sdn. Bhd. ("APM Plastics")	Manufacture of PVC body side moulding and plastic parts	100.0
APM Air-Conditioners Sdn. Bhd. ("APMAC")	Manufacture of automotive air-conditioners	100.0
APM Tooling Centre Sdn. Bhd. ("APMTC")	Dormant	100.0
APM Chalmers Suspensions Sdn. Bhd. ("APM Chalmers")	Dormant	100.0
APM Radiators Sdn. Bhd. ("APM Radiators")	Dormant	100.0
APM Communications Sdn. Bhd. ("APM Comm")	Dormant	100.0
Atsugi Parts Manufacturing Sdn. Bhd. ("Atsugi")	Dormant	100.0
Pandamaran Special Steel Sdn. Bhd. ("PSS")	Dormant	100.0
TC-Kinugawa Rubber Sdn. Bhd. ("TCK")	Dormant	100.0
KAB Otomotif Sdn. Bhd. ("KAB")	Property holding	100.0
Perusahaan Tilam Kereta Sdn. Bhd. ("PTK")	Property holding	100.0
APM Auto Mechanisms Sdn. Bhd. ("APMAM")	Dormant	100.0
Radiators Australia (2000) Pty. Ltd. * ("RA 2000")	Distribution and assembly of automotive radiators	70.0
APM-Coachair Sdn. Bhd. ("APMCO")	Manufacture of coach air-conditioners	50.0
APM Irwin Seating Sdn. Bhd. ("APMI")	Manufacture of auditorium seats	50.0
Auto Culture Supplies Sdn. Bhd. ("ACS")	Manufacture of seat covers	45.0
APM Holdings Inc. ("AHI")	Investment holding	50.0
APM Components America Inc. ("ACAI") <sup>#</sup>	Distribution of furniture components	50.0

\* **Held by APHSB**

<sup>#</sup> **Held by AHI**

A summary of the particulars of the proposed subsidiary and associated companies in the proforma APM Group under the Autoparts Scheme are as follows:-

- *APMC*

APMC was incorporated as a private limited company under the Companies Act, 1965 on 31 December 1971. The present authorised share capital of APMC is 10,000,000 ordinary shares of RM1.00 each of which 8,500,000 are issued and fully paid-up.

- *APH*

APH was incorporated as a private limited company under the Companies Act, 1965 on 8 August 1985. The present authorised share capital of APH is 1,500,000 ordinary shares of RM 1.00 each of which 1,500,000 are issued and fully paid-up.

- *APMTP*

APMTP was incorporated as a private limited company under the Companies Act, 1965 on 12 February 1982. The present authorised share capital of APMTP is 1,000,000 ordinary shares of RM 1.00 each of which 500,000 are issued and fully paid-up.

- *APMAE*

APMAE was incorporated as a private limited company under the Companies Act, 1965 on 30 September 1981. The present authorised share capital of APMAE is 3,000,000 ordinary shares of RM 1.00 each of which 1,000,000 are issued and fully paid-up.

- *AP Marketing*

AP Marketing was incorporated as a private limited company under the Companies Act, 1965 on 11 April 1986. The present authorised share capital of AP Marketing is 250,000 ordinary shares of RM1.00 each of which 100,000 are issued and fully paid-up.

- *APMCS*

APMCS was incorporated as a private limited company under the Companies Act, 1965 on 10 October 1980. The present authorised share capital of APMCS is 10,000,000 ordinary shares of RM1.00 each of which 2,500,000 are issued and fully paid-up.

- *APM Springs*

APM Springs was incorporated as a private limited company under the Companies Act, 1965 on 18 January 1984. The present authorised share capital of APM Springs is 1,000,000 ordinary shares of RM 1.00 each of which 1,000,000 are issued and fully paid-up.

- *APMMI*

APMMI was incorporated as a private limited company under the Companies Act, 1965 on 7 October 1982. The present authorised share capital of APMMI is 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 are issued and fully paid-up.

- *APMSA*  

APMSA was incorporated as a private limited company under the Companies Act, 1965 on 9 July 1980. The present authorised share capital of APMSA is 5,000,000 ordinary shares of RM 1.00 each of which 1,000,000 are issued and fully paid-up.
- *APM Plastics*  

APM Plastics was incorporated as a private limited company under the Companies Act, 1965 on 26 November 1990. The present authorised share capital of APM Plastics is 1,000,000 ordinary shares of RM 1.00 each of which 1,000,000 are issued and fully paid-up.
- *APMAC*  

APMAC was incorporated as a private limited company under the Companies Act, 1965 on 19 January 1982. The present authorised share capital of APMAC is 500,000 ordinary shares of RM 1.00 each of which 500,000 are issued and fully paid-up.
- *APMTC*  

APMTC was incorporated as a private limited company under the Companies Act, 1965 on 27 August 1991. The present authorised share capital of APMTC is 1,000,000 ordinary shares of RM 1.00 each of which 500,000 are issued and fully paid-up.
- *APM Chalmers*  

APM Chalmers was incorporated as a private limited company under the Companies Act, 1965 on 3 March 1997. The present authorised share capital of APM Chalmers is 100,000 ordinary shares of RM 1.00 each of which 1 is issued and fully paid-up.
- *APM Radiators*  

APM Radiators was incorporated as a private limited company under the Companies Act, 1965 on 5 March 1997. The present authorised share capital of APM Radiators is 100,000 ordinary shares of RM 1.00 each of which 1 is issued and fully paid-up.
- *APM Comm*  

APM Comm was incorporated as a private limited company under the Companies Act, 1965 on 14 October 1992. The present authorised share capital of APM Comm is 250,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.
- *Atsugi*  

Atsugi was incorporated as a private limited company under the Companies Act, 1965 on 1 March 1984. The present authorised share capital of Atsugi is 250,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.
- **PSS**  

PSS was incorporated as a private limited company under the Companies Act, 1965 on 3 August 1983. The present authorised share capital of PSS is 250,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.
- *TCK*  

TCK was incorporated as a private limited company under the Companies Act, 1965 on 13 November 1982. The present authorised share capital of TCK is 2,500,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.

- ***KAB***  

**KAB** was incorporated as a private limited company under the Companies Act, 1965 on 7 April 1981. The present authorised share capital of **KAB** is 3,000,000 ordinary shares of RM 1 .00 each of which 2,200,000 are issued and fully paid-up.
- ***PTK***  

**PTK** was incorporated as a private limited company under the Companies Act, 1965 on 7 April 1981. The present authorised share capital of **PTK** is 3,000,000 ordinary shares of RMI .00 each of which 2,200,000 are issued and fully paid-up.
- ***APMAM***  

**APMAM** was incorporated as a private limited company under the Companies Act, 1965 on 12 November 1982. The present authorised share capital of **APMAM** is 250,000 ordinary shares of RM1 .00 each of which 2 are issued and fully paid-up.
- ***RA 2000***  

**RA 2000** was incorporated as a private limited company under the Australian Corporations Law on 9 July 1998. The present issued and fully paid-up share capital of **RA 2000** is 1 ,000,000 ordinary shares of AUD1 .00 each.
- ***APMCO***  

**APMCO** was incorporated as a private limited company under the Companies Act, 1965 on 21 July 1981. The present authorised share capital of **APMCO** is 2,000,000 ordinary shares of RM 1 .00 each of which 1 ,000,000 are issued and fully paid-up.
- ***APMI***  

**APMI** was incorporated as a private limited company under the Companies Act, 1965 on 27 March 1996. The present authorised share capital of **APMI** is 5,000,000 ordinary shares of RM 1 .00 each of which 1 ,000,000 are issued and fully paid-up.
- ***ACS***  

**ACS** was incorporated as a private limited company under the Companies Act, 1965 on 19 September 1981. The present authorised share capital of **ACS** is 1,000,000 ordinary shares of RM1 .00 each of which 600,000 are issued and fully paid-up.
- ***AHI***  

**AHI** was incorporated under the Law of the Province of Ontario, Canada on 22 July 1999. The present issued share capital of **AHI** is 2,000 common shares.
- ***ACAI***  

**ACAI** was incorporated under the Law of the Province of Ontario, Canada on 22 July 1999. The present issued share capital of **ACAI** is 2,000 common shares.

## 2. Accounts and Auditors

The financial year end of the proforma APM Group is 31 December. We have acted as auditors to APM and all the proposed subsidiary and associated companies since the date of their incorporation, except for RA 2000, AH1 and ACAI.

The auditors' reports on the accounts of all the companies under review for the financial years covered in this Report were not subject to any qualification.

## 3. Dividends

### 3.1 APM

APM has not declared or paid any dividend since its incorporation on 26 March 1997.

### 3.2 Proposed Subsidiary Companies of APM

Details of dividends declared or paid by the individual proposed subsidiary companies of the proforma APM Group for the financial years covered in this Report are as follows:-

Year ended 31 December	Issued and fully paid-up share capital KM'000	Gross dividend rate %	Net dividend declared or paid RM'000	Tax rate %
<i>APMC</i>				
1994	8,500	215	12,450	32
1995	8,500	273	16,268	30
1996	8,500	25	1,500	30
1997	8,500	57	3,500	28
199x	8,500	278	17,000	28
<i>APH</i>				
1994	1,500	N/A	NIL	N/A
1995	1,500	N/A	NIL	N/A
1996	1,500	267	2,800	30
1997	1,500	185	2,000	28
1998	1,500	778	8,400	28
<i>APMAE</i>				
1994	1,000	N/A	NIL	N/A
1995	1,000	N/A	NIL	N/A
1996	1,000	571	4,000	30
1997	1,000	556	4,000	28
1998	1,000	1,667	12,000	28
<i>APM Springs</i>				
1994	1,000	N/A	NIL	N/A
1995	1,000	N/A	NIL	N/A
1996	1,000	214	1,500	30
1997	1,000	208	1,500	28
1998	1,000	2,361	17,000	28



Year ended 31 December	Issued and fully paid-up share capital RM'000	Gross dividend rate %	Net dividend declared or paid RM'000	Tax rate %
<i>APMSA</i>				
1994	1,000	N/A	NIL	N/A
1995	1,000	N/A	NIL	N/A
1996	1,000	N/A	NIL	N/A
1991	1,000	347	2,500	28
1998	1,000	1,389	10,000	28
<i>APM Plastics</i>				
1994	1,000	N/A	NIL	N/A
1995	1,000	400	2,800	30
1996	1,000	214	1,500	30
1997	1,000	625	4,500	28
199s	1,000	N/A	NIL	N/A
<i>APMTC</i>				
1994	500	N/A	NIL	N/A
1995	500	N/A	NIL	N/A
1996	500	143	500	30
1997	500	N/A	NIL	N/A
1998	500	N/A	NIL	N/A

None of the other companies of the proforma APM Group declared or paid any dividend since 31 December 1993 or their dates of incorporation, whichever is later.

#### 4. Financial Performance

APM was incorporated on 26 March 1997 as an investment holding company for the purpose of the Autoparts Scheme as detailed in Paragraph 1.2. No Profit and Loss Account was prepared as APM has not commenced operations since its incorporation.

Paragraph 4.1 sets out a summary of the results of the proforma APM Group for the last five (5) financial years ended 31 December 1998 based on the assumption that the proforma APM Group has been in existence throughout the periods under review.

The following results are to be read in conjunction with the notes thereto.

#### 4.1 Consolidated Results of the Proforma APM Group

		-----Year Ended 31 December-----				
Note		1994	1995	1996	1997	1998
		RM'000	RM'000	RM'000	RM'000	RM'000
Turnover		257,163	371,890	436,620	531,614	23 1,642
Profit before depreciation and interest		46,702	64,623	108,901	92,204	19,100
Depreciation		(1 1,267)	(12,605)	(14,876)	(18,301)	(17,367)
Interest expense		( 1,276)	(2,182)	(2,170)	(1,155)	(480)
Interest income		1,221	878	2,035	3,354	4,858
Operating profit		35,380	50,714	93,890	76,102	6,111
Share of associated companies' profits		168	363	762	862	271
Profit before taxation	4.2.2	35,548	51,077	94,652	76,964	6,382
Taxation	4.2.3	(9,804)	(15,753)	(26,493)	(22,438)	(3,698)
Profit after taxation		25,744	35,324	68,159	54,526	2,684
Minority interest						76
Profit attributable to shareholders of APM		25,744	35,324	68,159	54,526	2,760
Number of ordinary shares of RM 1 .00 each ('000)		20 1,600	20 1,600	20 1,600	20 1,600	201,600
Earnings per share (RM)	4.2.4					
- Gross		0.18	0.25	0.41	0.38	0.03
- Net		0.13	0.18	0.34	0.27	0.01

#### 4.2 Notes to the Summary of Results

##### 4.2.1 Basis of consolidation

The consolidated results of the proforma APM Group are based on the audited accounts of the proposed subsidiary and associated companies of APM for the periods under review.

#### 4.2.2 Profit before taxation:-

Profit before taxation is stated after charging/(crediting)

	Year Ended 31 December				
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Bad debts written back					( 1,066)
Provision for doubtful debts	405	182	1,638	5,918	2,137
Provision for doubtful debt written back	(270)		(887)	(542)	(3,767)
Provision for slow moving stocks	488	615	1,846	6,221	7,798
Provision for sales discount written back					(3,600)
Realised gains on foreign exchange	(71)		(186)	(80)	(1,187)
Unrealised (gains)/loss on foreign exchange		(143)		390	(1,495)

#### 4.2.3 Taxation adjustments

Adjustments have been made to the results of the proforma APM Group for the financial years ended 31 December 1997 and 1998 due to overprovision of taxation in the financial year ended 31 December 1997 which was reflected in the audited accounts for the financial year 31 December 1998. The effects of the adjustments are as follows:-

	Year Ended 31 December				
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Taxation (audited accounts)	9,804	15,753	26,493	28,205	(2,069)
Adjustments for (over)/underprovision				(5,767)	5,767
As restated	9,804	15,753	26,493	22,438	3,698

The effective tax rate for 1998 is higher than the statutory tax rate of 28% mainly due to losses incurred by a subsidiary company which are not available for group relief.

#### 4.2.4 Earnings per share

Gross earnings per share has been calculated based on the profit before taxation but after minority interest while the net earnings per share has been calculated based on the profit after taxation including share of profit of associated companies, and after minority interest on the proposed total number of shares in issue of 201,600,000 ordinary shares of RM 1.00 each.

#### 4.2.5 Extraordinary item

There was no extraordinary item for the financial years under review

## 5. Summary of Audited Balance Sheets

We set out below the summarised balance sheets of APM and its proposed significant subsidiary companies for the six (6) years ended 31 December 1998 based on their respective audited accounts.

The proposed significant subsidiary companies referred to are APMC, APMAE, APMSA, APMAC, AP Marketing, APM Springs and APMCS. The summaries of the balance sheets of APMTTP, APMMI, APM Plastics, APMTTC, APM Chalmers, APM Radiators, APH, APM Comm, Atsugi, PSS, TCK, KAB, PTK, APMAM, RA2000, APMCO, APMI, ACS, AH1 and ACAI are not detailed in this report due to their immateriality to the proforma APM Group. For this purpose, a significant company is defined as one which contributes 10% or more towards the proforma APM Group's consolidated profit before taxation for the year ended 31 December 1998.

### 5.1 APM

	-Year Ended 31 December--	
	1997	1998
	RM'000	RM'000
Expenditure carried forward	1	2
	<u>1</u>	<u>2</u>
Share capital	-*	-*
Amount due to holding company	1	2
	<u>1</u>	<u>2</u>

\* Share capital comprises 2 ordinary shares of RM0.50 each.

### 5.2 APMC

	-----Year Ended 31 December-----					
	1993	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	19,781	23,515	22,857	24,512	36,651	36,528
Amount due from/(to) holding company*	20,478	9,197	89	68	(128)	672
Amount due from related companies*	35,699	28,502	28,400	29,600	31,587	12,918
Current assets	32,456	42,297	58,802	85,741	98,060	61,768
Current liabilities	(23,509)	(24,427)	(38,015)	(44,993)	(67,630)	(31,322)
Net current assets	8,947	17,870	20,787	40,748	30,430	30,446
	<u>84,905</u>	<u>79,084</u>	<u>72,133</u>	<u>94,928</u>	<u>98,540</u>	<u>80,564</u>
Financed by:-						
Share capital	8,500	8,500	8,500	8,500	8,500	8,500
Capital reserve	5,391	5,391	5,391	5,391	5,391	5,391
Unappropriated profits	69,785	63,835	56,562	79,098	82,434	64,693
Shareholders' funds	83,676	77,726	70,453	92,989	96,325	78,584
Deferred and long term liabilities	1,229	1,358	1,680	1,939	2,215	1,980
	<u>84,905</u>	<u>79,084</u>	<u>72,133</u>	<u>94,928</u>	<u>98,540</u>	<u>80,564</u>
Net tangible assets per share (RM)	9.84	9.14	8.29	10.93	11.33	9.25

#### Note:-

\* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while holding company refers to TCMH.

### 5.3 APMAE

	-----Year Ended 31 December-----					
	1993 RM'000	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Fixed assets	1,864	3,345	3,003	3,646	3,861	3,518
Amount due from related companies*	4,269	7,862	10,644	7,174	2,615	16,516
Current assets	20,507	19,994	33,929	44,523	63,437	38,262
Current liabilities	(3,492)	<b>(3,814)</b>	(15,918)	(15,285)	(27,212)	(24,179)
Net current assets	17,015	16,180	18,011	29,238	36,225	14,083
	23.148	27.387	31.658	40.058	42.701	34.117
Financed by:-						
Share capital	1,000	<b>1,000</b>	1,000	1,000	1,000	1,000
Unappropriated profits	22,148	26,212	30,647	39,047	41,691	33,043
Shareholders' funds	23,148	27,212	31,647	40,047	42,691	34,043
Deferred and long term liabilities		175	11	11	<b>10</b>	74
	23,148	27,387	31,658	40,058	42,701	34,117
Net tangible assets per share (RM)	23.15	27.21	<b>31.65</b>	40.05	42.69	34.04

**Note:-**

- \* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while holding company refers to TCMH.

### 5.4 APMSA

	-----Year Ended 31 December-----					
	1993 RM'000	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Fixed assets	3,989	4,315	4,433	4,498	4,856	4,309
Amount due (to)/from related companies*	<b>(4,314)</b>	<b>(4,015)</b>	<b>(2,027)</b>	<b>(423)</b>	279	8,744
Current assets	8,945	12,765	16,786	25,139	32,094	21,970
Current liabilities	<b>(1,840)</b>	(4,386)	(6,411)	(7,576)	(9,043)	(14,439)
Net current assets	7,105	8,379	10,375	17,563	23,051	7,531
	6,780	8,679	12,781	21,638	28,186	20,584
Financed by:-						
Share capital	1,000	<b>1,000</b>	1,000	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
Unappropriated profits	5,492	<b>7,431</b>	11,473	20,233	26,695	19,151
Shareholders' funds	6,492	<b>8,431</b>	12,473	21,233	27,695	20,151
Amount due to holding company*	51	26	22	40	25	4
Deferred and long term liabilities	237	222	286	365	466	429
	6,780	8,679	12,781	21,638	28,186	20,584
Net tangible assets per share (RM)	6.49	8.43	12.47	<b>21.23</b>	27.70	20.15

**Note:-**

- \* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while holding company refers to TCMH.

## 5.5 APMAC

	Year Ended 31 December					
	1993	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	3,030	3,073	7,205	7,412	7,130	5,892
Amount due (to)/from related companies*	(7,814)	(6,697)	(1,636)	(1,544)	2,183	2,683
Deferred expenditure	201	99	53	42	19	23
Current assets	12,085	16,994	21,201	22,579	33,150	27,412
Current liabilities	(6,157)	(10,478)	(13,303)	(11,098)	(20,068)	(11,954)
Net current assets	5,928	6,516	7,898	11,481	13,082	15,458
	1,345	2,991	13,520	17,391	22,414	24,056
Financed by:-						
Share capital	500	500	500	500	500	500
Unappropriated profits	1,181	2,722	4,661	6,145	13,122	14,656
Shareholders' funds	1,681	3,222	5,161	6,645	13,622	15,156
Amount due (from)/to holding company*	(540)	(433)	5,916	5,940	5,919	5,849
Deferred and long term liabilities	204	202	2,443	4,806	2,873	3,051
	1,345	2,991	13,520	17,391	22,414	24,056
Net tangible assets per share (RM)	2.96	6.25	10.22	13.21	27.21	30.27

Note:-

\* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while holding company refers to TCMH.

## 5.6 AP Marketing

	Year Ended 31 December					
	1993	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	54	80	491	499	466	429
Amount due from holding company*	48	61	67	19	19	224
Amount due to related companies*	(9,451)	(8,162)	(12,113)	(12,783)	(12,023)	(7,545)
Current assets	10,190	9,572	13,617	14,641	14,439	12,078
Current liabilities	(648)	(858)	(1,137)	(1,187)	(1,093)	(2,222)
Net current assets	9,542	8,714	12,480	13,454	13,346	9,856
	193	693	925	1,189	1,808	2,964
Financed by:-						
Share capital	100	100	100	100	100	100
(Accumulated losses)/Unappropriated profits	(35)	428	621	847	1,414	2,710
Shareholders' funds	65	528	721	947	1,514	2,810
Deferred and long term liabilities	128	165	204	242	294	154
	193	693	925	1,189	1,808	2,964
Net tangible assets per share (RM)	0.65	5.28	7.21	9.47	15.14	28.10

Note:-

\* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while holding company refers to TCMH.

## 5.7 APMCS

	Year Ended 31 December-----					
	1993 RM'000	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Fixed assets	608	377	423	10,595	20,243	21,291
Amount due from/(to) related companies*	1,206	1,093	1,471	(6,325)	(10,113)	(11,319)
Current assets	1,119	2,495	5,008	6,513	4,676	3,130
Current liabilities	(184)	(349)	(989)	(2,298)	(3,794)	(1,527)
Net current assets	935	2,146	4,019	4,215	882	1,603
	2,749	3,616	5,913	8,485	11,012	11,575
Financed by:-						
Share capital	500	500	500	2,500	2,500	2,500
Unappropriated profits	2,230	3,070	5,357	5,910	8,028	8,413
Shareholders' funds	2,730	3,570	5,857	8,410	10,528	10,913
Deferred and long term liabilities	37	45	50	66	473	657
Amount due (from)/to ultimate holding company*	(18)	1	6	9	11	5
	2,749	3,616	5,913	8,485	11,012	11,575
Net tangible assets per share (RM)	5.46	7.14	11.71	3.36	4.21	4.37

**Note:-**

- \* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while ultimate holding company refers to TCMH.

## 5.8 A PM Springs

	-----Year Ended 31 December-----					
	1993 RM'000	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Fixed assets	8,008	7,692	6,972	5,435	2,921	3,588
Amount due (to)/from related company*	(11,549)	(2,311)	4,404	10,367	13,153	30,417
Current assets	9,354	13,095	18,659	29,204	38,500	11,497
Current liabilities	(1,506)	(4,887)	(6,811)	(10,027)	(10,203)	(17,911)
Net current assets/(liabilities)	7,848	8,208	11,848	19,177	28,297	(6,414)
	4,307	13,589	23,224	34,979	44,377	27,591
Financed by:-						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Unappropriated profits	2,819	12,037	21,824	33,649	42,910	26,321
Shareholders' funds	3,819	13,037	22,824	34,649	43,910	27,327
Amount due to holding company*	53	18	49	40	93	5
Deferred and long term liabilities	435	534	351	290	374	259
	4,307	13,589	23,224	34,979	44,377	27,591
Net tangible assets per share (RM)	3.82	13.04	22.82	34.65	43.91	27.33

**Note:-**

- \* Related companies refer to all subsidiary companies of TCMH before the Autoparts Scheme while holding company refers to TCMH.

## 6. Statement of Assets and Liabilities

The following statement of assets and liabilities of APM and the proforma Autoparts Division are based on the audited accounts of the Company and its proposed subsidiary and associated companies as at 31 December 1998 and should be read in conjunction with the notes to the statement of assets and liabilities.

		<b>Audited Company</b> <b>31 December 1998</b>	<b>Proforma</b> <b>Autoparts Division</b> <b>31 December 1998</b>
	Note	RM'000	RM'000
<b>Fixed assets</b>	7.3		100,549
<b>Associated companies</b>	7.4		4,622
<b>Deferred expenditure</b>	7.5	2	448
<b>Current assets</b>			
Stocks	7.6	-	105,366
Trade debtors	7.7	-	63,852
Other debtors, deposits and prepayments	7.8	-	56,615
Cash and bank balances	7.9	-	23,859
		-	249,692
<b>Current liabilities</b>			
Trade creditors		-	34,514
Other creditors and accruals		-	35,179
Amount due to holding company	7.10	2	
Short term borrowings (unsecured)	7.11	-	1,928
Term loan	7.12	-	1,464
Taxation		-	14,088
Dividend payable		-	50,000
		2	137,173
<b>Net current (liabilities)/assets</b>		(2)	112,519
<b>Minority interests</b>			610
<b>Deferred taxation</b>			782
<b>Retirement benefits</b>			4,182
<b>Term loans (unsecured)</b>	7.12		1,084
<b>Deferred grant income</b>	7.13		1,556
			209,924
<b>Net tangible assets per share (RM)</b>			<b>1.05*</b>

\* *Net tangible assets per share has been calculated based on the total number of shares assumed in issue of the proforma APM Group of 201,600,000 ordinary shares of RM1.00 each.*



## 7. Notes to the Statement of Assets and Liabilities

### 7.1 Basis of Preparation

The accounts of APM and its proposed subsidiary companies have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings in subsidiary companies, and in compliance with approved accounting standards in Malaysia.

### 7.2 Significant Accounting Policies

#### 7.2.1 Basis of Consolidation

The proforma Autoparts Divisions accounts consolidate the audited accounts of the Company and its proposed subsidiary companies made up to 31 December 1998 using the merger method of accounting.

All intercompany balances and transactions have been eliminated on consolidation.

#### 7.2.2 Depreciation

Leasehold land is amortised over the period of the lease which ranges from 25 years to 99 years. All other fixed assets are depreciated on a straight line basis to write off the cost or valuation of each asset over its estimated useful life.

The following annual depreciation rates are used by the proforma Autoparts Division:-

Buildings	2% - 4%
Plant, machinery and equipment	10% - 25%
Furniture, fixtures, fittings and office equipment	10% - 33.3%
Motor vehicles	10% - 20%

Work in progress comprises land development cost for which no depreciation is provided.

#### 7.2.3 Deferred Taxation

Provision for deferred taxation is made under the liability method in respect of all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

#### 7.2.4 Foreign Currencies

Assets and liabilities in foreign currencies are translated at exchange rates approximating those ruling at balance sheet date or at contracted rates where applicable. Transactions in foreign currencies during the year have been translated at rates approximate to those prevailing on the transaction dates. Exchange differences arising from translations are included in the operating results of the year.

On consolidation, the assets and liabilities of foreign incorporated subsidiary companies are translated into Ringgit Malaysia at the exchange rates approximating those ruling at balance sheet date whilst the operating results are translated into Ringgit Malaysia at the average rates of exchange for the year. The resulting difference arising from such translation is taken to the Exchange Adjustment Account.

#### 7.2.5 *stocks*

Stocks are stated at the lower of cost and net realisable value.

Costs of manufactured stocks, work-in-progress and raw materials are determined primarily at standard cost adjusted for variances and approximates actual cost on a first-in-first-out basis.

Costs of trading stocks are determined on a weighted average basis.

Work-in-progress include direct materials, labour and production overheads.

#### 7.2.6 *Deferred Expenditure*

**Preproduction** and development expenses incurred on new products are stated at cost less accumulated amortisation. These are deferred and amortised over a period of five (5) years after commencement of commercial production.

#### 7.2.7 *Associated Companies*

An associated company is defined as a company, not being a subsidiary, in which the Group has a substantial interest (not less than 20% of the equity) and in whose financial and operating policy decisions the Group exercises significant influence.

Investment in associated companies is stated at cost. Provision is made for any permanent diminution in value of the investment.

The Group's share of profits less losses of associated companies is included in the consolidated profit and loss account while the Group's share of post-acquisition retained profits and reserves is added to the carrying value of the investment in the consolidated balance sheet.

#### 7.2.8 *Deferred Grant Income*

Grant income from the World Bank arise from the installation of machinery for environment control purposes. This is amortised on a straight line basis over a period of 10 years in line with the depreciation of the related machinery.

#### 7.2.9 *Year 2000 Compliance Cost*

Year 2000 compliance costs are expensed off to the Profit and Loss Account as and when they are incurred. When the cost incurred represents an enhancement to the hardware and software systems, these costs are capitalised.

### 7.3 *Fixed Assets*

#### **Proforma Autoparts Division**

	<b>Cost/Valuation</b> RM'000	<b>Accumulated depreciation</b> RM'000	<b>Net book value</b> RM'000
Long leasehold land	32,598	2,058	30,540
Buildings	21,777	5,917	15,860
Plant, machinery and equipment	139,439	91,280	48,159
Furniture, fixtures, fittings and office equipment	11,623	7,438	3,985
Motor vehicles	5,149	3,421	1,728
Work-in-progress	277	-	277
	<b>210,863</b>	<b>110,314</b>	<b>100,549</b>
	<b>Cost</b> RM'000	<b>Valuation</b> RM'000	<b>Total</b> RM'000
Representing items:-			
Long leasehold land	15,861	16,737	32,598
Buildings	15,127	6,650	21,711
Plant, machinery and equipment	139,439		139,439
Furniture, fixtures, fittings and office equipment	11,623		11,623
Motor vehicles	5,149		5,149
Work-in-progress	277		277
	<b>187,476</b>	<b>23,387</b>	<b>210,863</b>

Certain long term leasehold land and building were revalued in 1984 on a valuation on the existing use basis by an independent professional valuer.

It is the proforma Autoparts Division's policy to state fixed assets at cost. Revaluation of certain properties in 1984 was carried out primarily for the purpose of issuing bonus shares then in TCMH and was not intended to effect a change in the accounting policy to one of revaluation of properties.

The directors are of the opinion that the current market price of the revalued freehold land and buildings are not less than their net book value as at 31 December 1998. The Company is following the transitional provision to International Accounting Standard No. 16 Property, Plant and Equipment as approved by the Malaysian Accounting Standards Board (MASB). The transitional provision allows the Company to retain the carrying amounts of the revalued assets on the basis of their previous revaluation subject to continuity in their depreciation policy and the requirement to write an asset down to its recoverable amount. Accordingly, the above valuations have not been updated.

### 7.4 *Associated Companies*

#### **Proforma Autoparts Division**

	RM'000
Unquoted shares at cost	2,664
Proforma Group's share of post acquisition retained reserves	1,958
	<b>4,622</b>

## 7.5 *Deferred Expenditure*

### **Proforma Autoparts Division**

	RM'000
Deferred expenditure, at cost at 1 January 1998	21
Addition during the year	437
	<hr/> 458
Less: Accumulated amortisation	(10)
	<hr/> 448

## 7.6 *Stocks*

### **Proforma Autoparts Division**

	RM'000
Raw materials	57,412
Finished goods and trading stocks	56,067
Work-in-progress	4,434
Spare parts and others	4,847
	<hr/> 122,760
Provision for slow moving stocks	(17,394)
	<hr/> 105,366

## 7.7 *Trade Debtors*

### **Proforma Autoparts Division**

	RM'000
Trade debtors	70,119
Provision for doubtful debts	(6,267)
	<hr/> 63,852

## 7.8 *Other Debtors, Deposits and Prepayments*

### **Proforma Autoparts Division**

Included in other debtors, deposit and prepayments are funds of RM51,336,053 placed with a financial institution through Tan Chong & Sons Motor Company Sdn. Bhd., a related party in accordance with TCMH Group Policy to centralise the management of cash of the whole TCMH Group including the Autoparts Division. The funds earn interest at a rate of 6% per annum.

## 7.9 *Cash and Bank Balances*

### **Proforma Autoparts Division**

	RM'000
Cash and bank balances	<hr/> 23,859

The bank balances include time deposits of RM14,187,000 deposited with licensed banks in Malaysia.

### 7.10 *Holding Company*

The holding company is Tan Chong Motor Holdings Berhad, a company incorporated in Malaysia.

### 7.11 *Short Term Borrowings (Unsecured)*

#### **Proforma Autoparts Division**

	RM'000
Bills payable	1,812
Bank overdrafts	116
	<hr/>
	1,928
	<hr/>

Interest levied on short term borrowings ranged from 5% to 13% per annum.

### 7.12 *Term Loans (Unsecured)*

#### **Proforma Autoparts Division**

	RM'000
Repayable within one year	1,464
Repayable after one year	1,084
	<hr/>
	2,548
	<hr/>

The term loan bears interest at 1.5% above the lender's base lending and is repayable in thirty-six equal monthly installments of RM122,000 each which commenced on 4 September 1997 and a final installment of RM 108,000.

### 7.23 *Deferred Grant Income*

#### **Proforma Autoparts Division**

	RM'000
Balance at 1 January 1998	
Received during the year	2,202
Amortised during the year	(646)
	<hr/>
	1,556
	<hr/>

### 7.14 *Capital Commitments*

#### **Proforma Autoparts Division**

	RM'000
Capital expenditure contracted but not provided for in the accounts	266
Capital expenditure approved but not contracted for	
	<hr/>
	266
	<hr/>

### 7.15 *List of Proposed Subsidiary Companies*

The proposed subsidiary and associated companies, all of which were incorporated in Malaysia except for RA 2000 which was incorporated in Australia and AHI and ACAI which were incorporated in Canada, are as follows:-

<b>Company</b>	<b>Principal activities</b>	<b>Effective equity interest %</b>
APMC	Manufacture of automotive leaf springs, seats and radiators	100.0
APH	Investment holding	100.0
APMTP	Manufacture of vehicle interior linings	100.0
APMAE	Manufacture of automotive electrical components	100.0
AP Marketing	Distribution of automotive parts and accessories	100.0
APMCS	Manufacture of automotive coil springs	100.0
APM Springs	Manufacture of tapered leaf springs	100.0
APMMI	Manufacture of metal automotive component parts	100.0
APMSA	Manufacture of shock absorbers and related components	100.0
APM Plastic	Manufacture of PVC body side moulding and plastic parts	100.0
APMAC	Manufacture of automotive air-conditioners	100.0
APMTC	Dormant	100.0
APM Chalmers	Dormant	100.0
APM Radiators	Dormant	100.0
APM Comm	Dormant	100.0
Atsugi	Dormant	100.0
PSS	Dormant	100.0
TCK	Dormant	100.0
KAB	Property holding	100.0
PTK	Property holding	100.0
APMAM	Dormant	100.0
RA 2000	Distribution and assembly of automotive radiators	70.0
APMCO	Manufacture of coach air-conditioners	50.0
APMI	Manufacture of auditorium seats	50.0
ACS	Manufacture of seat covers	45.0
AHI	Investment holding	50.0
ACAI	Distribution of furniture components	50.0

### 8 **Proforma Net Tangible Assets Cover**

Based on the proforma statement of assets and liabilities of the proforma Autoparts Division as at 31 December 1998 and after adjusting for the following transactions to be undertaken pursuant to Autoparts Scheme:-

- (i) Cash distributions from retained earnings of an amount of RM 135,000,000 and the subsequent capitalisation of the said amount into shares in certain of the proposed subsidiaries of APM.
- (ii) Listing expenses incurred and estimated at RM1,092,000. The listing expenses will be amortised over a period of three (3) years from the year of listing on the Main Board of KLSE.
- (iii) Capitalisation of stamp duty of approximately RM985,000 for the demerger exercise.

- (iv) The purchase of a piece of property held under H.S.(M) 6587, Lot 600, **Mukim** and District of Kelang, Port Kelang and known as Lot 600 Batu 4½, **Jalan Raja Lumu**, Kawasan Perusahaan Pandamaran, 42000 **Klang** by APMAM from Tung Pao Sdn. Bhd. for a purchase consideration of **RM27,800,000** and a capital injection of **RM18,000,000** by TCMH into APMAM via APM in conjunction with the purchase of the property.

The net tangible assets cover per share is calculated as follows:-

	<b>Proforma Group RM'000</b>
Net tangible assets per statement of assets and liabilities of proforma Autoparts Division as at 31 December 1998	<b>211,032</b>
Adjusted for the effect of:-	
(i) Cash distribution	<b>(135,000)</b>
(ii) Capitalisation into shares in certain of the proposed subsidiary companies of APM	<b>135,000</b>
(iii) Listing expenses	<b>(1,092)</b>
(iv) Stamp duty	<b>(985)</b>
(v) Capital injection to APMAM	<b>18,000</b>
Adjusted net tangible assets	<b>226,955</b>
Number of proposed issued and paid-up ordinary shares of <b>RM1.00</b> each	<b>201,600</b>
Net tangible assets cover per ordinary share of <b>RM1.00</b> each (RM)	<b>1.13</b>

9. **Accounts**

No audited accounts have been made up in respect of any period subsequent to 31 December 1998.

Yours faithfully

**KPMG**  
**Public Accountants**

**Jimmy Leow Min Fong**  
**Partner**

ACCOUNTANTS' REPORT ON WTCH  
(Prepared for inclusion in this Circular)

KPMG  
12<sup>th</sup> Floor, Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

29 September 1999

The Board of Directors  
Tan Chong Motor Holdings Berhad  
62-68 Jalan Ipoh  
5 1200 Kuala Lumpur

Dear Sirs

**WARISAN TC HOLDINGS BERHAD**  
ACCOUNTANTS' REPORT

This Report has been prepared for inclusion in the Circular to Shareholders ("Circular") of Tan Chong Motor Holdings Berhad ("TCMH") dated 29 September 1999 in connection with the proposed reorganisation of the Autoparts and Non-Motor Divisions of TCMH under APM Automotive Holdings Berhad ("APM") and Warisan TC Holdings Berhad ("WTCH" or "Company") and the demerger and subsequent listing of APM and WTCH on the Main Board of Kuala Lumpur Stock Exchange ("KLSE").

**1. General Information**

**1.1 Background**

WTCH was incorporated in Malaysia under the Companies Act, 1965 as a public company on 26 March 1997. The Company was incorporated as an investment holding company to be the new intermediate holding company of the Non-Motor operations of TCMH to facilitate TCMH's demerger exercise as described in Paragraph 1.2.

On the date of incorporation, WTCH's authorised share capital was 200,000 ordinary shares of RM0.50 each while its issued share capital was RM1.00 comprising 2 ordinary shares of RM0.50 each. In line with the demerger exercise set out in Paragraph 1.2 of this Report, the issued and paid-up share capital of WTCH will be increased in the following manner:-

***Issued and paid-up share capital***

No of ordinary shares	Par value RM	Type of issue	Cumulative total RM
2	0.50	Subscribers' shares	1.00
1	1.00	Consolidation of 2 subscribers' shares of RM0.50 each to 1 share of <b>RM 1.00</b>	1.00
67,199,999	1.00	To be allotted pursuant to the proposed internal reorganisation of the Non-Motor Division	67,200,000



As at 29 September 1999 there is only one class of shares in the Company namely ordinary shares of RM0.50 each.

## 1.2 **Demerger Exercise**

TCMH is a diversified group involved in various businesses relating to the assembly and distribution of motor vehicles (“Motor and Truck Division”), manufacturing and distribution of a wide range of automotive components (“Autoparts Division”), and distribution of heavy machinery, consumer products, apparels and telecommunication equipment and tourism related activities (“Non-Motor Division”).

TCMH is proposing to reorganise the Non-Motor Division of TCMH under WTCH and to demerge and subsequently list WTCH on the Main Board of the KLSE (“the Non-Motor Scheme”).

The Non-Motor Scheme will encompass the following steps:-

- **Step 1 - Proposed internal reorganisation of the Non-Motor Division;**
- **Step 2 - Proposed special dividend of share and Rights to Allotment (‘RTA’) in WTCH to TCMH shareholders;**
- **Step 3 - Proposed disposal to Controlling Shareholders;**
- **Step 4 - Proposed disposal to Bumiputera Investors;**
- **Step 5 - Proposed listing of WTCH; and**
- **Step 6 - Proposed subsequent distribution to the shareholders of TCMH of the proceed from disposal of WTCH shares**

### *Details of the Non-Motor Scheme*

- **Step 1 Proposed internal reorganisation of Non-Motor Division**

Pursuant to the proposed Non-Motor internal reorganisation, the Non-Motor Division will be reorganised under an intermediate holding company, namely WTCH, a wholly-owned subsidiary company of TCMH. The essence of the reorganisation is that TCMH will divest of the companies comprising the Non-Motor Division to WTCH based on the proforma net tangible assets (“NTA”) of these companies and in consideration, TCMH will receive the RTA of WTCH shares. Pursuant to this, the value of TCMH’s investment in WTCH will be the proforma NTA value of the Non-Motor Division of RM76,805,000 represented by share/RTA of 67,200,000 ordinary shares of RM 1 .00 each.

- **Step 2 Proposed special dividend of share and RTA in WTCH to TCMH shareholders**

On completion of the proposed Non-Motor internal reorganisation, TCMH will distribute 50% of its interest in WTCH to its shareholders via a special dividend in specie.

The shareholding structure of WTCH after the special dividend by TCMH will be as follows:-

	<b>No. of WTCH ordinary shares of RM1.00 each</b>	
	<b>’000</b>	<b>%</b>
TCMH	33,600	50.00
Controlling shareholders Bumiputera	<b>15,213</b>	<b>22.64</b>
Public	18,387	27.36
	<u>67,200</u>	<u>100.00</u>

- **Step 3 Proposed disposal to Controlling Shareholders**

The proposed disposal to the shareholders of Tan Chong Consolidated Sdn. Bhd. ("TCC") and/or a corporation which is a wholly-owned subsidiary of TCC and/or such person(s) approved by the independent directors of TCMH ("Controlling Shareholders") will involve the disposal of 20% of the equity interest in WTCH to the Controlling Shareholders at RM1.82 per WTCH share.

- **Step 4 Proposed disposal to Bumiputera Investors**

TCMH will dispose of 30% of the equity interest in WTCH to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") at RM1.82 per WTCH share. The WTCH shares will be disposed of to the Bumiputera investors approved by the MITI ("Bumiputera Investors") as and when the Bumiputera Investors are nominated by the MITI and these investors confirm their acceptances for the WTCH shares. The disposal to Bumiputera Investors is to be completed within a period of one (1) year from the date of admission of WTCH to the official list of the KLSE or such other longer period as may be approved by the authorities.

- **Step 5 Proposed listing of WTCH**

An application will be made for the entire issued and paid-up share capital of WTCH to be listed on the Main Board of the KLSE.

- **Step 6 Proposed subsequent distribution to the shareholders of TCMH of the proceeds from disposal of WTCH shares**

The cash proceeds from the disposal of the equity interest in WTCH to the Controlling Shareholders and Bumiputera Investors will be distributed to the shareholders of TCMH through special dividends.

### I.3 **The Proforma WTCH Group**

WTCH together with the companies which will be regrouped under the Non-Motor Scheme detailed in Paragraph 1.2 are hereinafter referred to as the proforma WTCH Group.

The details of the proposed subsidiary companies of WTCH, all of which were incorporated in Malaysia, as at the date of this Report and their principal activities are as follows:-

<b>Name</b>	<b>Principal activities</b>	<b>Effective equity interest %</b>
<b>Machinery Division</b>		
TCIM Sdn. Bhd. ("TCIM")	Distribution of heavy equipment and machinery	100.0
Jentrakel Sdn. Bhd. ("Jentrakel")	Equipment leasing	100.0
Angka-Tan Machinery Sdn. Bhd. ("ATM")	Dormant	100.0
<b>Consumer Products Division</b>		
Tung Pao Sdn. Bhd. ("TPSB")	Distribution of Shiseido cosmetics	100.0
Tan Chong Apparels Sdn. Bhd. ("TCAP")	Distribution of Wacoal undergarments	100.0

<b>Name</b>	<b>Principal activities</b>	<b>Effective equity interest %</b>
Tan Chong Apparels Manufacturer Sdn. Bhd. ("TCAM")	Manufacture of Wacoal undergarments	100.0
TC Beauty Services Sdn. Bhd. ("TCBS")	Personal care and beauty salon	51.0
Comit Communication Technologies (M) Sdn. Bhd. ("CCT")	Distribution of telecommunication equipment	100.0
Comit Phone (Malaysia) Sdn. Bhd. ("CPSB")	Dormant	100.0
Telechoice Communication Sdn. Bhd. ("Telechoice")	Dormant	100.0
<b><i>Tour and Travel Division</i></b>		
Mayflower Acme Tours Sdn. Bhd. ("MAT")	Travel and car rental	100.0
Belize Holdings Sdn. Bhd. ("Belize")	Investment holding	100.0
Travel Shoppe Sdn. Bhd. ("TSSB")	Travel agent and tour operator	100.0

A summary of the particulars of the proposed subsidiary companies in the proforma WTCH Group under the Non-Motor Scheme are as follows:-

***TCIM***

TCIM was incorporated as a private limited company under the Companies Act, 1965 on 16 June 1983. The present authorised share capital of TCIM is 4,000,000 ordinary shares of RM 1.00 each of which 2,340,000 are issued and fully paid-up.

***Jen trakel***

Jentrakel was incorporated as a private limited company under the Companies Act, 1965 on 22 July 1991. The present authorised share capital of Jentrakel is 5,000,000 ordinary shares of RM 1.00 each of which 2,000,000 are issued and fully paid-up.

***ATM***

ATM was incorporated as a private limited company under the Companies Act, 1965 on 7 June 1982 under the name of Angka-Tan Auto Sdn. Bhd.. On 16 December 1996, it changed its name to Angka-Tan Machinery Sdn. Bhd.. The present authorised share capital of ATM is 2,000,000 ordinary shares of RM1.00 each of which 1,170,000 are issued and fully paid-up.

***TPSB***

TPSB was incorporated as a private limited company under the Companies Act, 1965 on 28 April 1977. The present authorised share capital of TPSB is 15,000,000 ordinary shares of RM1.00 each of which 14,300,000 are issued and fully paid-up.

***TCAP***

TCAP was incorporated as a private limited company under the Companies Act, 1965 on 16 September 1991. The present authorised share capital of TCAP is 10,000,000 ordinary shares of RM1.00 each of which 7,000,000 are issued and fully paid-up.

- *TCAM*

TCAM was incorporated as a private limited company under the Companies Act, 1965 on 12 December 1992. The present authorised share capital of TCAM is 5,000,000 ordinary shares of RM 1.00 each of which 2,500,000 are issued and fully paid-up.

- *TCBS*

TCBS was incorporated as a private limited company under the Companies Act, 1965 on 2 December 1993. The present authorised share capital of TCBS is 150,000 ordinary shares of RM 1.00 each of which 150,000 are issued and fully paid-up.

- *CCT*

CCT was incorporated as a private limited company under the Companies Act, 1965 on 31 July 1991. The present authorised share capital of CCT is 250,000 ordinary shares of RM 1.00 each of which 250,000 are issued and fully paid-up.

- *CPSB*

CPSB was incorporated as a private limited company under the Companies Act, 1965 on 5 December 1992. The present authorised share capital of CPSB is 250,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.

- *Telechoice*

Telechoice was incorporated as a private limited company under the Companies Act, 1965 on 24 January 1997. The present authorised share capital of Telechoice is 100,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.

- *MAT*

MAT was incorporated as a private limited company under the Companies Act, 1965 on 27 December 1969. The present authorised share capital of MAT is 3,000,000 ordinary shares of RM 1.00 each of which 2,400,000 are issued and fully paid-up.

- *Belize*

Belize was incorporated as a private limited company under the Companies Act, 1965 on 4 April 1997. The present authorised share capital of Belize is 100,000 ordinary shares of RM 1.00 each of which 2 are issued and fully paid-up.

- *TSSB*

TSSB was incorporated as a private limited company under the Companies Act, 1965 on 18 June 1984. The present authorised share capital of TSSB is 1,000,000 ordinary shares of RM 1.00 each of which 592,002 are issued and fully paid-up.

## 2. **Accounts and Auditors**

The financial year end of the proforma WTCH Group is 31 December. We have acted as auditors to WTCH and all the proposed subsidiary companies of WTCH since the date of their incorporation except for Belize and TSSB. The accounts of Belize and TSSB for the financial period/year ended 31 December 1998 were audited by another firm of auditors.

The auditors' reports on the accounts of all the companies under review for the financial years covered in this Report were not subject to any qualification.

3. Dividends

3.1 **WTCH**

WTCH has not declared or paid any dividend since its incorporation on 26 March 1997.

3.2 **Proposed Subsidiary Companies of WTCH**

Details of dividends declared or paid by the individual proposed subsidiary companies of the proforma WTCH Group for the financial years covered in this Report are as follows:-

Year ended 31 December	Issued and fully paid-up share capital RM'000	Gross dividend rate %	Net dividend declared or paid RM'000	Tax rate %
<i>TCIM</i>				
1994	2,340	N/A	NIL	N/A
1995	2,340	21.4	350	30
1996	2,340	N/A	NIL	N/A
1997	2,340	N/A	NIL	N/A
1998	2,340	N/A	NIL	N/A
<b><i>TPSB</i></b>				
1994	14,300	2.1	201	32
1995	14,300	4.0	399	30
1996	14,300	N/A	NIL	N/A
1997	14,300	N/A	NIL	N/A
1998	14,300	N/A	NIL	N/A
<i>CCT</i>				
1994	250	63	107	32
1995	250	86	150	30
1996	250	N/A	NIL	N/A
1997	250	N/A	NIL	N/A
1998	250	N/A	NIL	N/A
<b><i>TCBS</i></b>				
1994	150	N/A	NIL	N/A
1995	150	N/A	NIL	N/A
1996	150	N/A	NIL	N/A
1997	150	208	225	28
1998	150	N/A	NIL	N/A
<i>ATM</i>				
1994	1,170	N/A	NIL	N/A
1995	1,170	31	250	30
1996	1,170	N/A	NIL	N/A
1997	1,170	N/A	NIL	N/A
1998	1,170	N/A	NIL	N/A

TCAP, TCAM, MAT, Jentrakel, CPSB, Telechoice, Belize and TSSB have not declared or paid any dividend since 31 December 1993 or their dates of incorporation, whichever is later.

#### 4. Financial Performance

WTCH was incorporated on 26 March 1997 as an investment holding company for the purpose of the Non-Motor Scheme as detailed in Paragraph 1.2. No Profit and Loss Account was prepared as WTCH has not commenced operations since its incorporation.

Paragraph 4.1 sets out a summary of the results of the proforma WTCH Group for the last five financial years ended 31 December 1998 based on the assumption that the proforma WTCH Group has been in existence throughout the periods under review.

The following results are to be read in conjunction with the notes thereto.

##### 4.1 Consolidated Results of Proforma WTCH Group

	Note	Year Ended 31 December-----				
		1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Turnover		224,736	242,558	314,989	302,584	242,722
Profit before depreciation and interest		19,694	24,923	34,022	28,710	21,692
Depreciation		(4,414)	(5,540)	(7,035)	(8,238)	(8,488)
Interest expense		(3,301)	(3,698)	(4,259)	(4,507)	(2,232)
Interest income		33		16	18	414
Profit before taxation	4.2.2	12,012	15,685	22,744	15,983	11,386
Taxation	4.2.3	(4,295)	(4,843)	(8,294)	(5,718)	(2,425)
Profit after taxation		7,717	10,842	14,450	10,265	8,961
Minority interests		(4)	(54)	(53)	(44)	(14)
Profit attributable to shareholders of WTCH		7,713	10,788	14,397	10,221	8,947
Number of ordinary shares of RM1.00 each ('000)		67,200	67,200	67,200	67,200	67,200
Earnings per share (sen)	4.2.4					
- Gross		17.87	23.26	33.77	23.72	16.92
- Net		11.48	16.05	21.42	15.21	13.31

##### 4.2 Notes to the Summary of Results

###### 4.2.1 Basis of consolidation

The consolidated results of the proforma WTCH Group are based on the audited accounts of the proposed subsidiary companies of WTCH for the periods under review.

#### 4.2.2 Profit before taxation

Profit before taxation is stated after charging/(crediting):-

	Year Ended 31 December				
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Gain on disposal of fixed assets	(71)	(394)	(1,349)	(834)	(193)
Insurance recovery from loss of stocks					(1,158)
Loss on foreign exchange	23	49	190	2,267	115
Provision for doubtful debts	714	1,018	1,468	1,223	2,709
Provision for stock obsolescence	177	597	1,416	2,245	1,080
Stocks write down		52		9.50	1,724
Rental income of properties	(2,745)	(4,335)	(4,417)	(4,404)	(4,172)

#### 4.2.3 Taxation adjustments

Adjustments have been made to the results of the proforma WTCH Group for the financial years ended 31 December 1994, 1995, 1997 and 1998 due to overprovision of taxation in the financial years ended 31 December 1993, 1994 and 1995 which was reflected in the audited accounts for the financial years ended 31 December 1997 and 1998. The effects of the adjustments are as follows:-

	Year Ended 31 December				
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000
Taxation (audited accounts)	4,672	4,969	8,294	5,177	2,183
Adjustments for (over)/underprovision	(377)	(126)		541	242
As restated	4,295	4,843	8,294	5,718	2,425

#### 4.2.4 Earnings per share

Gross earnings per share has been calculated based on the profit before taxation but after minority interest while the net earnings per share has been calculated based on the profit after taxation and minority interest on the proposed total number of shares in issue of 67,200,000 ordinary shares of RM 1.00 each.

#### 4.2.5 Extraordinary item

There was no extraordinary item for the financial years under review.

## 5. Summary of Audited Balance Sheets

We set out below the summarised balance sheets of WTCH and its proposed significant subsidiary companies for the six (6) years ended 31 December 1998 based on their respective audited accounts.

The proposed significant subsidiary companies referred to are TCIM, TPSB, CCT and MAT. The summaries of the balance sheets of Jentrakel, TCAP, TCAM, TCBS, ATM, CPSB, Telechoice, Belize and TSSB are not detailed in this report due to their immateriality to the proforma WTCH Group. For this purpose, a significant subsidiary company is defined as one which contributes 10% or more towards the proforma WTCH Group's consolidated profit before taxation for the year ended 31 December 1998.

### 5.1 WTCH

	<b>--Year Ended 31 December--</b>	
	<b>1997</b>	<b>1998</b>
	RM'000	RM'000
Expenditure carried forward	1	2
	<hr/>	<hr/>
	1	2
	<hr/>	<hr/>
Share capital	_ *	_ *
Amount due to holding company	1	2
	<hr/>	<hr/>
	1	2
	<hr/>	<hr/>

\* Share capital comprises 2 ordinary shares of RM0.50 each.

### 5.2 TCIM

	<b>-----Year Ended 31 December-----</b>					
	1993	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	5,192	5,705	6,047	6,397	7,140	6,687
Amount owing by related companies*	5,897	9,864	9,341	1,510	3,755	5,096
Current assets	21,136	22,394	41,903	55,650	56,179	19,928
Current liabilities	(25,466)	(28,531)	(43,322)	(42,250)	(40,757)	(5,521)
Net current (liabilities)/assets	(4,330)	(6,137)	(1,419)	13,400	15,422	14,407
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,359	9,432	13,969	21,307	26,317	26,190
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Share capital	2,340	2,340	2,340	2,340	2,340	2,340
Share premium	530	530	530	530	530	530
Unappropriated profits	4,082	6,109	9,754	16,669	22,403	23,154
Shareholders' funds	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,952	8,979	12,624	19,539	25,273	26,024
Amount owing to holding company*	208	336	1,194	1,619	897	38
Deferred and long term liabilities	199	117	151	149	147	128
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,359	9,432	13,969	21,307	26,317	26,190
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tangible assets per share (RM)	2.97	3.84	5.39	8.35	10.80	11.12

Note:-

\* Related companies refer to all subsidiary companies of TCMH before the Non-Motor Scheme while holding company refers to TCMH.



5.3 *TPSB*

	-----Year Ended 31 December-----					
	<b>1993</b>	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	30,877	32,167	32,046	32,554	31,595	30,647
Interest in subsidiary company		38	(157)	(257)	46	29
Interest in associated company	5,675	8,343	11,123	11,498	9,594	6,316
Amount owing by related companies*	169	58.5	923	132	589	10,535
Current assets	10,609	13,890	16,857	17,419	16,679	15,023
Current liabilities	(15,907)	(20,592)	(21,825)	(17,802)	(10,387)	(11,070)
Net current (liabilities)/assets	(5,298)	(6,702)	(4,968)	(383)	6,292	3,953
	31,423	34,431	38,967	43,546	48,116	51,480
Share capital	14,300	14,300	14,300	14,300	14,300	14,300
Unappropriated profits	14,764	19,136	24,032	28,752	33,290	36,619
Shareholders' funds	29,064	33,436	38,332	43,052	47,590	50,919
Amount owing to holding company*	469	579	241	58	64	46
Deferred and long term liabilities	1,890	416	394	436	462	515
	31,423	34,431	38,967	43,546	48,116	51,480
Net tangible assets per share (RM)	2.03	2.34	2.68	3.01	3.33	3.56

Note:-

\* *Related companies refer to all subsidiary companies of TCMH before the Non-Motor Scheme while holding company refers to TCMH.*

5.4 *CCT*

	-----Year Ended 31 December-----					
	1993	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	386	462	570	955	818	560
Interest in subsidiary company						50
Amount owing by related companies*	1,200	847	247	270	127	406
Current assets	5,176	3,566	11,586	18,993	20,359	16,691
Current liabilities	(4,348)	(1,965)	(8,559)	(9,221)	(9,903)	(12,555)
Net current assets	828	1,601	3,027	9,772	10,456	4,136
	2,414	2,910	3,844	10,997	11,401	5,152
Share capital	250	250	250	250	250	250
Unappropriated profits	2,106	2,660	3,359	4,431	3,649	3,053
Shareholders' funds	2,356	2,910	3,609	4,681	3,899	3,303
Amount owing to holding company*	58		235	6,267	7,452	1,799
Deferred and long term liabilities				49	50	50
	2,414	2,910	3,844	10,997	11,401	5,152
Net tangible assets per share (RM)	9.42	11.64	14.44	17.72	15.60	13.21

**Note:-**

- \* *Related companies refer to all subsidiary companies of TCMH before the Non-Motor Scheme while holding company refers to TCMH.*

**5.5 MAT**

	<b>Year Ended 31 December</b>					
	1993	1994	1995	1996	1997	1998
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	10,179	11,462	14,384	13,161	15,426	12,989
Investment in unquoted company	10	10	10	10	10	10
Current assets	6,858	9,704	10,518	12,729	10,249	13,878
Current liabilities	(5,445)	(8,456)	(9,670)	(9,191)	(7,199)	(9,186)
Net current assets	1,413	1,248	848	3,538	3,050	4,692
	<b>11,602</b>	<b>12,720</b>	<b>15,242</b>	<b>16,709</b>	<b>18,486</b>	<b>17,691</b>
Share capital	2,400	2,400	2,400	2,400	2,400	2,400
Unappropriated profits	2,622	4,024	5,961	7,712	10,173	15,128
Shareholders' funds	5,022	6,424	8,361	10,112	12,573	17,528
Amount owing to holding company*	598	802	552	40	127	17
Amount owing (by)/to related companies*	3,952	(139)	2,421	2,816	2,676	(2,469)
Deferred and long term liabilities	2,030	5,633	3,902	3,741	3,110	2,615
	<b>11,602</b>	<b>12,720</b>	<b>15,242</b>	<b>16,709</b>	<b>18,486</b>	<b>17,691</b>
Net tangible assets per share (RM)	2.09	2.68	3.48	4.21	5.24	7.30

**Note:-**

- \* *Related companies refer to all subsidiary companies of TCMH before the Non-Motor Scheme while holding company refers to TCMH.*

## 6. Statement of Assets and Liabilities

The following statement of assets and liabilities of WTCH and the profonna Non-Motor Division are based on the audited accounts of the Company and its proposed subsidiary companies as at 31 December 1998 and should be read in conjunction with the notes to the statement of assets and liabilities.

	Note	Audited Company 31 December 1998 RM'000	Proforma Non-Motor Division 31 December 1998 RM'000
<b>Fixed assets</b>	7.3		56,704
<b>Investment in unquoted companies, at cost</b>			10
<b>Deferred expenditure</b>		2	2
<b>Current assets</b>			
Stocks	7.4	-	33,906
Trade debtors	7.5	-	24,187
Other debtors, deposits and prepayments	7.6	-	24,024
Cash and bank balances	7.7	-	9,657
			91,774
<b>Current liabilities</b>			
Trade creditors		-	18,878
Other creditors and accruals	7.x	2	23,392
Bank overdrafts (unsecured)	7.9	-	644
Taxation		-	2,569
		2	45,483
<b>Net current (liabilities)/assets</b>		(2)	46,291
<b>Minority interest</b>			131
<b>Deferred taxation</b>			1,829
<b>Retirement benefits</b>			1,765
			99,282
<b>Net tangible assets per share (RM)</b>			1.48*

\* *Net tangible assets per share has been calculated based on the total number of shares assumed in issue of the proforma WTCH Group of 67,200,000 ordinary shares of RM1.00 each.*

## 7. Notes to the Statement of Assets and Liabilities

### 7.1 Basis of Preparation

The accounts of WTCH and its proposed subsidiary companies have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings in subsidiary companies and in compliance with approved accounting standards in Malaysia.

## 7.2 *Significant Accounting Policies*

### 7.2.1 *Basis of Consolidation*

The proforma Non-Motor Division accounts consolidate the audited accounts of the Company and its proposed subsidiary companies made up to 31 December 1998 using the merger method of accounting.

All intercompany balances and transactions have been eliminated on consolidation.

### 7.2.2 *Depreciation*

Freehold land is not amortised. Leasehold land is amortised over the period of the lease which ranges from 72 years to 800 years. All other fixed assets are depreciated on a straight line basis to write off the cost or valuation of each asset over its estimated useful life.

The following annual depreciation rates are used by the proforma Non-Motor Division:-

Buildings	2% - 4%
Plant, machinery and equipment	10% - 25%
Furniture, fixtures, fittings and office equipment	10% - 33.3%
Motor vehicles	10% - 20%

### 7.2.3 *Deferred Taxation*

Provision for deferred taxation is made under the liability method in respect of all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

### 7.2.4 *Foreign Currencies*

Assets and liabilities in foreign currencies are translated at exchange rates approximating those ruling at balance sheet date or contracted rates where applicable. Transactions in foreign currencies during the year have been translated at rates approximate to those prevailing on the transaction dates. Exchange differences arising from translations are included in the operating results of the year.

### 7.2.5 *Stocks*

Finished goods and trading stocks, work-in-progress and raw materials are stated at the lower of cost and net realisable value, and are determined on a weighted average basis.

Cost of finished goods and trading stocks, and work-in-progress includes direct materials, labour and production overheads.

### 7.2.6 *Investment in Unquoted Company*

Investment in unquoted company is stated at cost or directors' valuation. Provision is made for any permanent diminution in value of the investment.

### 7.2.7 *Deferred Expenditure*

Deferred expenditure of the Company represents preliminary expenses, are stated at cost and amortised over a period of five (5) years from the year of commencement of operation.

### 7.2.8 Year 2000 Compliance Cost

Year 2000 compliance costs are expensed off to the Profit and Loss Account as and when they are incurred. When the cost incurred represents an enhancement to the hardware and software systems, these costs are capitalised.

### 7.3 Fixed Assets

#### Proforma Non-Motor Division

	<b>Cost/Valuation</b> RM'000	<b>Accumulated depreciation</b> RM'000	<b>Net book value</b> RM'000
Freehold land	2,065		2,065
Long leasehold land	12,887	1,996	10,891
Buildings	31,951	8,582	23,369
Construction-in-progress	408		408
Plant, machinery and equipment	12,949	7,216	5,753
Furniture, fixtures, fittings and office equipment	8,343	5,542	2,801
Motor vehicles	22,715	11,29X	11,417
	<b>91,338</b>	<b>34,634</b>	<b>56,704</b>
	<b>Cost</b> RM'000	<b>Valuation</b> RM'000	<b>Total</b> RM'000
Representing items:-			
Freehold land	2,065		2,065
Long leasehold land		12,887	12,887
Buildings	21,901	10,050	31,951
Construction-in-progress	408		408
Plant, machinery and equipment	12,969		12,969
Furniture, fixtures, fittings and office equipment	8,343		8,343
Motor vehicles	22,715		22,115
	<b>68,401</b>	<b>22,937</b>	<b>91,338</b>

The long term leasehold land and buildings were revalued in 1984 based on a valuation on the existing use basis by an independent professional valuer.

It is the profonna Non-Motor Division's policy to state fixed assets at cost. Revaluation of certain properties in 1984 was carried out primarily for the purpose of issuing bonus shares then in TCMH and was not intended to effect a change in the accounting policy to one of revaluation of properties.

The directors are of the opinion that the current market price of the revalued freehold land and buildings are not less than their net book value as at 31 December 1998. The Company is following the transitional provisions to International Accounting Standard No. 16 Property, Plant and Equipment as approved by the Malaysian Accounting Standards Board (MASB). The transitional provisions allows the Company to retain the carrying amounts of the revalued assets on the basis of their previous revaluations subject to continuity in their depreciation policy and the requirement to write an asset down to its recoverable amount. Accordingly, the above valuations have not been updated.

7.4 **Stocks**

**Proforma Non-Motor Division**

	RM'000
Raw materials	898
Finished goods and trading stocks	30,927
Work-in-progress	31
Spare parts and others	7,221
	<hr/>
	39,077
Less : Provision for slow moving stocks	(5,171)
	<hr/>
	<u>33,906</u>

7.5 **Trade Debtors**

**Proforma Non-Motor Division**

	RM'000
Trade debtors	32,515
Less : Provision for doubtful debts	(8,328)
	<hr/>
	<u>24,187</u>

Included in trade debtors are amounts owing from related parties of RM1,826,000. The amounts owing are unsecured, interest free and have no fixed term of repayment.

7.6 **Other Debtors, Deposits and Prepayments**

**Proforma Non-Motor Division**

Included in other debtors, deposits and prepayments are funds of RM16,615,000 placed with a financial institution through Tan Chong & Sons Motor Company Sdn Bhd, a related party, in accordance with TCMH Group policy to centralise the management of cash of the whole TCMH Group including the Non-Motor Division. The funds earn interest at a rate of 6% per annum.

7.7 **Cash and Bank Balances**

**Proforma Non-Motor Division**

The bank balances include time deposits of RM966,000 deposited with licensed banks in Malaysia.

7.8 **Other Creditors and Accruals**

**Proforma Non-Motor Division**

Included in other creditors and accruals are advances of RM3,398,000 from related parties. The amounts owing are unsecured, interest free and have no fixed term of repayment.

7.9 **Bank Overdrafts (Unsecured)**

**Proforma Non-Motor Division**

	RM'000
Bank overdrafts	<hr/>
	644

Interest levied on bank overdrafts ranged from 8.5% to 15.3% per annum.

## 7.10 Capital Commitments

### Proforma Non-Motor Division

	<b>RM'000</b>
Capital expenditure contracted but not provided for in the accounts	1,966
Capital expenditure approved but not contracted for	1,850
	<u>3,816</u>

## 7.11 List Of Proposed Subsidiary Companies

The proposed subsidiary companies, all of which were incorporated in Malaysia are as follows:-

<b>Company</b>	<b>Principal activities</b>	<b>Effective interest %</b>
<i>Machinery division</i>		
TCIM	Distribution of heavy equipment and machinery	100.0
Jentrakel	Equipment leasing	100.0
ATM	Distribution of re-conditioned machinery (Dormant as at the date of this Report)	100.0
<i>Consumer Products Division</i>		
TPSB	Distribution of Shiseido cosmetics	100.0
TCAP	Distribution of Wacoal undergarments	100.0
TCAM	Manufacture of Wacoal undergarments	100.0
TCBS	Personal care and beauty salon	51.0
CCT	Distribution of telecommunication equipment	100.0
CPSB	Dormant	100.0
Telechoice	Dormant	100.0
<i>Tour and Travel Division</i>		
MAT	Travel and car rental	100.0
Belize	Investment holding	100.0
TSSB	Travel agent and tour operator	100.0

## 8. Proforma Net Tangible Assets Cover

Based on the proforma statement of assets and liabilities of the proforma Non-Motor Division at 31 December 1998 and after adjusting for the following transactions to be undertaken pursuant to the Non-Motor Scheme:-

- (i) A total dividend of RM33,000,000 will be declared by the Non-Motor Division to TCMH;
- (ii) The sale of a piece of property held under H.S.(M) 6587 and known as Lot 600, Mukim and District of Kelang, Port Kelang and known as Lot 600 Batu 4½, Jalan Raja Lumu, Kawasan Perusahaan Pandamaran, 42000 Klang by Tung Pao Sdn. Bhd. to APM Auto Mechanism Sdn. Bhd. for a disposal consideration of RM27,800,000. The profit arising from the disposal based on the net book value of the property as at 31 July 1999 amounted to RM10,525,000 and is tax exempted under Schedule 2, paragraph 17 sub-paragraph (1)(b) of the Real Property Gains Tax Act, 1976 (Act 169);

- (iii) Listing expenses incurred and estimated at RM956,000. The listing expenses will be amortised over a period of three (3) years from the year of listing on the Main Board of the KLSE; and
- (iv) Capitalisation of stamp duty of approximately RM280,000 for the demerger exercise.

The net tangible assets cover per share is calculated as follows:-

	<b>Proforma Group RM'000</b>
Net tangible assets per statement of assets and liabilities of proforma Non-Motor Division as at 31 December 1998	99,280
Adjusted for the effect of:-	
(i) Dividend payment	(33,000)
(ii) Gain on disposal of property	10,525
(iii) Listing expenses	(956)
(iv) Stamp duty	(280)
Adjusted net tangible assets	<u>75,569</u>
Number of proposed issued and paid-up ordinary shares of RM1 .00 each	<u>67,200</u>
Net tangible assets cover per ordinary share of RM 1 .00 each (RM)	<u>1.12</u>

## 9. Accounts

No audited accounts have been made up in respect of any period subsequent to 31 December 1998.

Yours faithfully

**KPMG**  
**Public Accountants**

**Jimmy Leow Min Fong**  
**Partner**



**DIRECTORS' REPORT**

*(Prepared for inclusion in this Circular)*

**Registered Office:-**

62-68 Jalan Ipoh  
51200 Kuala Lumpur

29 September 1999

Dear shareholders

On behalf of the Board of Tan Chong Motor Holdings Berhad ("TCMH"), I report after due inquiry, that during the period from 31 December 1998, being the date to which the last audited accounts of APM Automotive Holdings Berhad ("APM") and the proposed subsidiaries of APM (collectively, "Autoparts Subsidiaries") and Warisan TC Holdings Berhad ("WTCH") and the proposed subsidiaries of WTCH (collectively, "Non-Motor Subsidiaries"), to 27 September 1999 (being the date not earlier than fourteen days before the issue of this Circular):-

- (a) the business of the Autoparts Subsidiaries and Non-Motor Subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the date of the last audited accounts which have affected adversely the trading or the value of the assets of the Autoparts Subsidiaries and Non-Motor Subsidiaries;
- (c) the current assets of the Autoparts Subsidiaries and Non-Motor Subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Autoparts Subsidiaries and Non-Motor Subsidiaries; and
- (e) save and except for dealings in the ordinary course of business, there have been no changes in the published reserves since 31 December 1998 or any unusual factors affecting the financial position of the Autoparts Subsidiaries and Non-Motor Subsidiaries.

Yours faithfully

On behalf of the Board of Directors

Geh Cheng Hooi  
Director

**FURTHER INFORMATION****1. Responsibility Statement**

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

**2. Consents**

CIMB and Messrs. KPMG have given and have not subsequently withdrawn their written consent to the inclusion in this Circular of their names and letters and all references thereto in the form and context in which they appear.

**3. Material Contracts**

Save as disclosed below, neither TCMH nor its subsidiaries and the proposed associated companies of APM have entered into any material contracts (other than contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Circular:-

- (i) An agreement dated 30 September 1997 between Jianyin City Power Supply Co., TCMH, Jianyin Trust and Investment Co., Jianyin Qing Yang Investment Company Limited, Jiangsu Kunpeng Group Corporation and Advance Pacific Holdings Limited (“Advance Pacific”), pursuant to which, inter alia, TCMH has agreed to sell and Advance Pacific has agreed to buy the entire shareholding of TCMH in Jianyin Chengchang-Kunpeng Auto Fittings Co. Ltd. for a cash consideration of USD2,600,000. This divestment has been completed as part of the demerger exercise of the Foreign Division to TCIL;
- (ii) On 16 December 1997, Tan Chong & Sons Motor Co. Sdn. Bhd. entered into a Sale and Purchase Agreement with Jiann Lih Optical Co. (M) Sdn. Bhd. (“Jiann”) for the purchase of a piece of land known as H.S. (M) 11038 No. P.T. 17246 Mukim Kapar and District of Klang together with a building bearing postal address Lot 7834 Sg. Rasa, Jalan Batu Tiga Lama, 41300 Klang (“Property”) free from encumbrances and with vacant possession except for the tenancy agreement entered between Jiann and Cellular Communications Network (M) Sdn. Bhd. for the consideration sum of RM4.9 million;
- (iii) An agreement dated 27 April 1998 between TCMH and TCIL pursuant to which, inter alia, the Company agreed to dispose of the companies comprising its Foreign Division to TCIL pursuant to the Foreign Scheme and distribute the 2,016,000,000 shares/RTA of HKD0.50 each in TCIL to the shareholders of the Company;
- (iv) On 7 May 1998 TC Motors (Sarawak) Sdn. Bhd. (“TCMS”) entered into a Sale and Purchase Agreement with a third party for the disposal of the entire equity interest comprising 4,000,000 ordinary shares of RMI .00 each fully paid-up, representing 38.46% of the total issued paid-up share capital of Sarwaja Timur Sdn. Bhd. for a total cash consideration of RM 1.00;

- (v) An agreement dated 28 May 1998 between Jiangyin Qing Yang Soft Seat Co. ("Jiangyin") and TCMH pursuant to which, inter alia, Jiangyin agreed to sell and TCMH agreed to buy the entire shareholding of Jiangyin in Wuxi Chengchang Seats Manufacturing Co. Ltd. for a cash consideration of **USD400,000**. This investment has been subsequently disposed of pursuant to the demerger exercise of the Foreign Division to TCIL;
- (vi) A deed of non-competition undertaking dated 29 May 1998 between the Company and TCIL wherein the Company undertook, inter alia, not to carry on or be engaged, concerned or interested, whether directly or indirectly, whether as partner, agent or as the majority shareholder of a company in the businesses of dealing with motor vehicles, components of motor vehicles and any other products that may compete, whether directly or indirectly, with any business carried on by any member of the TCIL group, in all cases in Hong Kong, the People's Republic of China, Singapore and Brunei ("Restricted Activities").  
  
The deed of non-competition is subject to the exception that there is no restriction on TCMH being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activities ("Subject Company") provided that (i) the relevant Restricted Activities of the Subject Company account for less than 15% of its consolidated turnover or consolidated assets as shown in its latest audited accounts; or (ii) the aggregate number of shares or other securities held by TCMH do not exceed 15% of the issued share capital of the Subject Company from time to time;
- (vii) A technical support agreement dated 1 June 1998 between TCIL and Autoparts Manufacturers Co. Sdn. Bhd. ("APMC") pursuant to which APMC has agreed to provide technical support to TCIL's joint ventures in the People's Republic of China;
- (viii) On 3 August 1998, Auto Parts Holdings Sdn. Bhd. ("**APH**") entered into an agreement with SIDA Pty. Ltd. and David Graham Meese for the participation in the joint venture company, Radiators Australia (2000) Pty. Ltd. to assemble and distribute automotive radiators in Australia with a total investment of **AUD700,000**. **APH's** equity interest in the joint venture company is 70%;
- (ix) Pursuant to a joint venture agreement dated 15 June 1999 between Chalmers Suspensions International Inc. ("Chalmers") and APH, APH agreed to subscribe for 500,000 ordinary shares of **RM1.00** each in a joint venture company known as APM Chalmers Suspensions Sdn. Bhd. ("**APMCS**"). In a Technical Assistance Agreement between Chalmers and APMCS dated 15 June 1999, Chalmers granted APMCS the right to use the Chalmers trade name within the Territory as defined in the said agreement;
- (x) An agreement between 1359104 Ontario Inc. ("Ontario") and APH dated 20 July 1999 for the creation of two (2) joint venture companies, namely APM Holdings Inc. and APM Components America Inc. which are owned on an equal basis by APH and Ontario to distribute certain furniture components in North America;

#### 4. Material Litigation

Save as disclosed below, neither TCMH nor its subsidiaries and the proposed associated companies of APM are engaged in any material litigation, either as plaintiff or defendant, and the Directors are not aware of any proceedings, pending or threatened, against TCMH or its subsidiaries and the proposed associated companies of APM or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of TCMH or its subsidiaries and the proposed associated companies of APM:-

- (i) Claim by APMC against Ho Wah Genting Coach Manufacturers Sdn. Bhd. ("HWGCM") for the sum of **RM930,386** at the prescribed interest rate on the said sum until full payment vide a letter of demand dated 25 May 1999. However, HWGCM has on 20 May 1999 obtained an extension to the restraining order under section 176(10) of the Companies Act, 1965 vide Kuala Lumpur High Court Originating Summons No. **D4-24-388-98** until 23 August 1999.

APMC's solicitors are in the midst of preparing the writ of summons after setting aside the restraining order on 9 August 1999 which was obtained by HWGCM under section 176 of the Companies Act, 1965;

- (ii) Claim by APM-Coachair Sdn. Bhd. ("APM-Coachair") against HWGCM for the sum of **RM737,818** at the prescribed interest rate on the said sum until full payment vide a letter of demand dated 25 May 1999. However, HWGCM has on 20 May 1999 obtained an extension to the restraining order under section 176(10) of the Companies Act, 1965 vide Kuala Lumpur High Court Originating Summons No. **D4-24-388-98** until 23 August 1999.

APM-Coachair's solicitors are in the midst of preparing the writ of summons after setting aside the restraining order on 9 August 1999 which was obtained by HWGCM under section 176 of the Companies Act, 1965;

- (iii) Claim by Hikmat Asli Sdn. Bhd. against two (2) individuals for theft of sand from a piece of property located at Lot 10451, Mukim Serendah District of Hulu Selangor. The estimated cost of sand is about RM 1.9 million;

- (iv) Claim by Pemasaran Alat Ganti Sdn. Bhd. against Cheong Weng Soon & How Geok Leng (trading as YTM Air-conditioning Supplier) at the Muar Sessions Court (Summons No. 52-54-99) for goods sold and delivered for the sum of **RM41,226.71**. The summons against Cheong Weng Soon & How Geok Leng have been extracted from the Muar Sessions Court and the next mention date has been fixed by the Court for parties to appear on 4 November 1999;

- (v) Claim by Tan Chong & Sons Motor Co. Sdn. Bhd. ("TCSMC") against Tang Sie Kiong & Anor. at the Sibu High Court Suit No. 3 of 1994 for the sum of **RM103,358.32** in respect of losses suffered through actions of former employees of TCSMC. The matter has been fixed for trial on 19 October 1999;

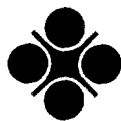
- (vi) Claims for sums owed on overdue accounts and costs by Comit Communications Technologies (M) Sdn. Bhd. ("Comit"), a subsidiary of TCMH against the following debtors:-
  - (a) Kinciti Link Sdn. Bhd. for the sum of **RM26,871** with interest at 12% **per annum** and costs of RM894 as at 31 March 1998 vide Kuala Lumpur Sessions Court no. 2-52-16200-98. Judgment in default of appearance against the debtor has been obtained on 13 November 1998. Solicitors for Comit are waiting for instructions whether to proceed with the winding-up of the debtor;
  - (b) Bright Symbol (M) Sdn. Bhd. for **RM400,419** and Richard Chen Kim Leng as guarantor for Bright Symbol (M) Sdn. Bhd. for **RM300,000** as at 30 April 1998 with interest at 12% per annum vide Kuala Lumpur High Court writ of Summons No. **D5-22-941-99**. Summary judgment has been granted against the debtor on 17 August 1999. Solicitors for Comit are waiting for instructions on whether to proceed with the winding-up of the debtor and bankruptcy proceedings against the Guarantor; and
  - (c) Magcom Communications Sdn. Bhd. and **Heah Choon Neng** for **RM119,800** with interest at 12% per annum and costs of **RM1,824** as at 7 September 1998 vide Kuala Lumpur Sessions Court no. g-52-5841-99. Judgment in default of appearance against the debtor has been obtained on 26 July 1999. Solicitors for Comit are waiting for instructions whether to proceed with the winding-up of the debtor and bankruptcy proceedings against the Guarantor; and
- (vii) Claim by **Teck Guan Trading (Sabah) Sdn. Bhd.**, Suit No. K1420 of 1985, **against:-**
  - (a) TCSMC and Auto Dunia Sdn. Bhd., for damages for inducing Nissan Motor Co. Limited to breach the sole distributorship agreement;
  - (b) TCSMC for liquidated damages of **RM2,970,327** for breach of agreement to procure the best obtainable rate and overcharging the plaintiff for marine insurance premium, port charges and local delivery charges; and
  - (c) TCSMC for damages for their unlawful termination of the sole distributorship. TCSMC's defence is that the plaintiffs claim is statute barred under the Limitation Ordinance [Cap]. 72 Laws of Sabah.

## **5. Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of TCMH at 62-68, Jalan Ipoh, 51200 Kuala Lumpur, during normal business hours for the period from the date of this Circular up to and including the date of the EGM:-

- (i) Memorandum and Articles of Association of the Company;
- (ii) Letters of consent referred to in section 2 of this appendix;
- (iii) Memoranda and Articles of Association of APM and its proposed subsidiaries and associated companies;
- (iv) Memoranda and Articles of Association of WTCH and its proposed subsidiaries;
- (v) Material contracts referred to in section 3 of this appendix;
- (vi) The writs of summons referred to in section 4 of this appendix;
- (vii) Audited accounts of TCMH for the five (5) years ended 31 December 1998 and unaudited results for the six (6) months ended 30 June 1999;

- (viii) Audited accounts of APM and its proposed subsidiaries and associated companies for the five (5) years ended 31 December 1998 or such shorter period since the date of their incorporation;
- (ix) Audited accounts of WTCH and its proposed subsidiaries for the five (5) years ended 31 December 1998 or such shorter period since the date of their incorporation;
- (x) Proforma consolidated balance sheets of the TCMH as at 31 December 1998 and the Reporting Accountants' letter thereon;
- (xi) Proforma consolidated balance sheet of the APM as at 31 December 1998 and the Reporting Accountants' letter thereon;
- (xii) Proforma consolidated balance sheet of the WTCH as at 31 December 1998 and the Reporting Accountants' letter thereon;
- (xiii) Proforma consolidated profit forecast of APM for the year ending 31 December 1999 and the Reporting Accountants' letter thereon;
- (xiv) Proforma consolidated profit forecast of WTCH for the year ending 31 December 1999 and the Reporting Accountants' letter thereon;
- (xv) The Accountants' Report on APM as set out in Appendix IX;
- (xvi) The Accountants' Report on WTCH as set out in Appendix X; and
- (xiv) The Directors' Report as set out in Appendix XI.



## **TAN CHONG MOTOR HOLDINGS BERHAD**

(Company No. 12969-P)

(Incorporated in Malaysia under the Companies Act, 1965)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Tan Chong Motor Holdings Berhad ("TCMH" or "Company") will be held at 11:00 a.m. on 14 October 1999 at 3<sup>rd</sup> Floor, 21 Jalan Ipoh Kecil, 50350 Kuala Lumpur for the purpose of considering, and if thought fit, passing the following resolutions:-

#### **ORDINARY RESOLUTION 1**

#### **PROPOSED REORGANISATION OF THE AUTOPARTS DIVISION OF TAN CHONG MOTOR HOLDINGS BERHAD UNDER APM AUTOMOTIVE HOLDINGS BERHAD ("APM") AND THE DEMERGER AND SUBSEQUENT LISTING OF APM ON THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE**

"THAT:-

1. the scheme relating to the reorganisation and demerger of the autoparts subsidiaries and associated companies of the Company and the regrouping of the said autoparts subsidiaries and associated companies under APM as the new holding company more particularly set out in the Circular to Shareholders dated 29 September 1999 ("Proposed Autoparts Scheme") attached to the notice of this Extraordinary General Meeting with any modifications thereof or amendments thereto or additions thereto or conditions as may be required by any relevant authorities be and is hereby approved;
2. for the purpose of giving effect to the Proposed Autoparts Scheme, a net dividend payment in the aggregate amount of RMI 14,516,000 or approximately 34.08% per ordinary share of RM0.50 each in TCMH be and is hereby approved to be made to the persons who are registered or deemed to be registered as holders of the ordinary shares in the capital of the Company ("the shareholders") as at the close of business on a date to be determined and announced later by the Directors ("Books Closure Date") to be wholly satisfied by the renunciation by the Company to such shareholders of the rights to allotment ("RTA") of 100,800,000 ordinary shares of RM1.00 each in APM on the basis of 150 ordinary shares of RM 1.00 each in APM for every 1,000 TCMH ordinary shares of RM0.50 each held or deemed to be held as at the Books Closure Date;
3. approval and authority be and is hereby given to the Directors to dispose of or enter into any arrangement to dispose of the RTA of 100,799,999 ordinary shares of RM1.00 each in APM which are not distributed to and renounced in favour of the shareholders by way of special dividend as referred to in paragraph 2 above and the issued and paid-up ordinary share of RM 1.00 in APM which together would comprise 50% of the enlarged share capital of APM (collectively, "TCMH APM Shares" and individually, "TCMH APM Share") to Bumiputera investors approved or to be approved by the Ministry of International Trade and Industry ("Bumiputera Investors") and the shareholders of Tan Chong Consolidated Sdn. Bhd. ("TCC") and/or a corporation which is a wholly-owned subsidiary of TCC and/or such other person(s) approved by the independent directors of TCMH ("Controlling Shareholders") at the price of RMI .74 per TCMH APM Share such that the Controlling Shareholders will acquire 20% of the equity interest in APM comprising 40,320,000 ordinary shares of RM1.00 each in APM and the Bumiputera Investors will acquire 30% of the equity interest in APM comprising 60,480,000 ordinary shares of RM1.00 each in APM ("Bumiputera APM Shares") AND THAT the Directors shall dispose of the balance of any such Bumiputera APM Shares held by the Company to Bumiputera Investors subsequent to the listing of APM on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") within a period of one (1) year from the date of listing of APM on the Main Board of the KLSE or such other longer period as may be approved by the relevant authorities;

4. approval be and is hereby given for the Company to seek the listing of and quotation for the entire issued and paid-up share capital of APM of **RM201,600,000** comprising **201,600,000** ordinary shares of **RM1.00** each on the Main Board of the KLSE;
5. approval be and is hereby given to the Directors to distribute the cash consideration to be received by the Company from time to time pursuant to the disposals of the shares in APM or RTA relating thereto to the Controlling Shareholders and Bumiputera Investors referred to above up to an amount of **RM175,392,000** on a pro rata basis of an aggregate of **RM0.261** for every one (1) ordinary share held or deemed to be held in the Company by way of special dividend(s) to the persons who are registered or deemed to be registered as holders of the ordinary shares in the capital of the Company as at the close of business on the date or dates to be determined and announced from time to time by the Directors;

AND THAT the Directors be and are hereby authorised and empowered to complete and to do all such acts and things as the Directors may consider necessary or expedient to give effect to the Proposed Autoparts Scheme or any matters arising therefrom or in connection therewith, with such modifications, variations and/or amendments thereto (if any) as may be required by any relevant authorities.”

## **ORDINARY RESOLUTION 2**

### **PROPOSED REORGANISATION OF THE NON-MOTOR DIVISION OF TAN CHONG MOTOR HOLDINGS BERHAD UNDER WARISAN TC HOLDINGS BERHAD (“WTCH”) AND THE DEMERGER AND SUBSEQUENT LISTING OF WTCH ON THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE**

“THAT:-

1. the scheme relating to the reorganisation and demerger of the non-motor subsidiaries of the Company and the regrouping of the said non-motor subsidiaries under WTCH as the new holding company more particularly set out in the Circular to Shareholders dated 29 September 1999 (“Proposed Non-Motor Scheme”) attached to the notice of this Extraordinary General Meeting with any modifications thereof or amendments thereto or additions thereto or conditions as may be required by any relevant authorities be and is hereby approved;
2. for the purpose of giving effect to the Proposed Non-Motor Scheme, a net dividend payment in the aggregate amount of **RM38,402,500** or approximately 11.43% per ordinary share of **RM0.50** each in TCMH be and is hereby approved to be made to the persons who are registered or deemed to be registered as holders of the ordinary shares in the capital of the Company (“the shareholders”) as at the close of business on a date to be determined and announced later by the Directors (“Books Closure Date”) to be wholly satisfied by the renunciation by the Company to such shareholders of the rights to allotment (“RTA”) of **33,600,000** ordinary shares of **RM1.00** each in WTCH on the basis of 50 ordinary shares of **RM1.00** each in WTCH for every 1,000 TCMH ordinary shares of **RM0.50** each held or deemed to be held as at the Books Closure Date;



3. approval and authority be and is hereby given to the Directors to dispose or enter into any arrangement to dispose of the RTA of **33,599,999** ordinary shares of **RM1.00** each in WTCH which are not distributed to and renounced in favour of the shareholders by way of special dividend as referred to in paragraph 2 above and the issued and paid-up ordinary share of **RM1.00** in WTCH which together would comprise 50% of the enlarged share capital of WTCH (collectively, "TCMH WTCH Shares" and individually, "TCMH WTCH Share") to Bumiputera investors approved or to be approved by the Ministry of International Trade and Industry ("Bumiputera Investors") and the shareholders of Tan Chong Consolidated Sdn. Bhd. ("**TCC**") and/or a corporation which is a wholly-owned subsidiary of TCC and/or such other person(s) approved by the independent directors of TCMH ("Controlling Shareholders") at the price of RM1.82 per TCMH WTCH Share such that the Controlling Shareholders will acquire 20% of the equity interest in WTCH comprising **13,440,000** ordinary shares of **RM1.00** each in WTCH and the Bumiputera Investors will acquire 30% of the equity interest in WTCH comprising **20,160,000** ordinary shares of **RM1.00** each in WTCH ("Bumiputera WTCH Shares") AND THAT the Directors shall dispose of the balance of any such Bumiputera WTCH Shares held by the Company to Bumiputera Investors subsequent to the listing of WTCH on the Main Board of the Kuala Lumpur Stock Exchange ("**KLSE**") within a period of one (1) year from the date of listing of WTCH on the Main Board of the KLSE or such other longer period as may be approved by the relevant authorities;
4. approval be and is hereby given for the Company to seek the listing of and quotation for the entire issued and paid-up share capital of WTCH of **RM67,200,000** comprising **67,200,000** ordinary shares of **RM 1.00** each on the Main Board of the KLSE;
5. approval be and is hereby given to the Directors to distribute the cash consideration to be received by the Company from time to time pursuant to the disposals of the shares in WTCH or RTA relating thereto to the Controlling Shareholders and Bumiputera Investors referred to above up to an amount of **RM61,152,000** on a pro rata basis of an aggregate of **RM0.091** for every one (1) ordinary share held or deemed to be held in the Company by way of special dividend(s) to the persons who are registered or deemed to be registered as holders of the ordinary shares in the capital of the Company as at the close of business on the date or dates to be determined and announced **from** time to time by the Directors;

AND THAT the Directors be and are hereby authorised and empowered to complete and to do all such acts and things as the Directors may consider necessary or expedient to give effect to the Proposed Non-Motor Scheme or any matters arising therefrom or in connection therewith, with such modifications, variations and/or amendments thereto (if any) as may be required by any relevant authorities."

By Order of the Board

Tan Eng Guan  
Company Secretary

29 September 1999  
Kuala Lumpur

**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. In the case of a corporation, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.*
2. *To be valid, the form of proxy must be deposited at the Registered Office of the Company at 62-68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for the meeting,*



# TAN CHONG MOTOR HOLDINGS BERHAD

(Company No. 12969-P)

(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

Number of shares held	
-----------------------	--

I/We .....  
(FULL NAME IN CAPITAL LETTERS)

of .....  
(FULL ADDRESS)

being a member of Tan Chong Motor Holdings Bcrhad hereby appoint .....  
(FULL NAME IN CAPITAL LETTERS)

Of .....  
(FULL ADDRESS)

or failing him/her, .....  
(FULL NAME IN CAPITAL LETTERS)

of .....  
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at 11:00 a.m. on 14 October 1999 at 3<sup>rd</sup> Floor, 2 I Jalan Ipoh Kecil, 50350 Kuala Lumpur and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

ORDINARY RESOLUTION 1	FOR	AGAINST
Proposed Reorganisation of the Autoparts Division of Tan Chong Motor Holdings Bcrhad under APM Automotive Holdings Bcrhad ("APM") and the Demerger and Subsequent Listing of APM on the Main Board of the Kuala Lumpur Stock Exchange		
ORDINARY RESOLUTION 2		
Proposed Reorganisation of the Non-Motor Division of Tan Chong Motor Holdings Berhad under Warisan TC Holdings Bcrhad ("WTCH") and the Demerger and Subsequent Listing of WTCH on the Main Board of the Kuala Lumpur Stock Exchange		

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

Signed this ..... day of ....., 1999

.....  
Signature or Common Seal

**Notes:-**

- 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. In the case of a corporation, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.*
- To be valid, the form of proxy must be deposited at the Registered Office of the Company at 62-68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for the meeting.*

