

# Profile of the Board of Directors

## Ahmad bin Abdullah

Age 71, a Malaysian, was appointed to the Board on 1 December 1980 and is the Vice-Chairman since 30 March 1994. Encik Ahmad received his law degree with Honours from the University of Hull in the United Kingdom in 1959. He was appointed by the Yang Di-Pertuan Agong to the constitutional post of Secretary of the Malaysian Parliament where he served from 1959 until 1972 during which period he also represented Malaysia on various international bodies. He joined the Tan Chong Group in 1975 as an executive director of a subsidiary involved in marketing. Encik Ahmad is a director of APM Automotive Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Encik Ahmad attended five of the six board meetings held in 2005.

## Dato' Tan Heng Chew JP, DJMK

Age 59, a Malaysian, was appointed to the Board on 19 October 1985 and is the Executive Deputy Chairman since 1 January 1999. Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong group of companies in 1970 and was instrumental in the establishment of the Autoparts Division in the 1970s and early 1980s. Dato' Tan is the Chairman of APM Automotive Holdings Berhad and Warisan TC Holdings Berhad. He is the brother of Mr Tan Eng Soon and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Dato' Tan does not have any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Dato' Tan attended all the six board meetings held in 2005.

## Tan Eng Soon

Age 57, a Singaporean and a Malaysian Permanent Resident, was appointed to the Board as the Group Managing Director since 1 February 1989. Mr Tan has a degree in Civil Engineering from the University of New South Wales, Australia and has been involved in the Tan Chong Group's operations since 1971. Mr. Tan is a director of APM Automotive Holdings Berhad. He is the brother of Dato' Tan Heng Chew and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Mr Tan does not have any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Mr Tan attended all the six board meetings held in 2005.

## Azman bin Badrillah

Age 58, a Malaysian, was appointed to the Board on 4 April 1994. He is a Non-Independent Non-Executive Director. Encik Azman graduated with a degree in Economics from the University of Malaya in 1971. He joined Bank of America and had risen to the position of Assistant Vice-President when he left 11 years later. His service with Bank of America included a period spent with the international operations of the Bank. Encik Azman joined Tan Chong Group in 1983 as an executive director of its manufacturing division and was responsible for the overall performance of one of its key product groups until 1999. When the Tan Chong Group undertook a corporate re-structuring, Encik Azman was appointed to the board of APM Automotive Holdings Berhad. He also sits on the board of Eco Resources Berhad. Encik Azman does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Encik Azman attended all the six board meetings held in 2005.

## Dato' Ng Mann Cheong DSSA, SMP, JP

Age 61, a Malaysian, was appointed to the Board on 31 July 1998 as an Independent Non-Executive Director and is a member of the Audit Committee. Dato' Ng is a Barrister at law (Middle Temple), Advocate and Solicitor, High Court of Malaya and has been admitted to practice in the jurisdictions of Singapore, Victoria and Western Australia. He has been in legal practice for the past 38 years and is a Senior Partner of Syed Alwi, Ng & David Chong. Dato' Ng does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. Dato' Ng attended five of the six board meetings held in 2005.

## Dato' Haji Kamaruddin @ Abas bin Nordin DSSA, KMN

Age 67, a Malaysian, was appointed to the Board on 23 November 2001. He is an Independent Non-Executive Director and a member of the Audit Committee. Dato' Haji Kamaruddin graduated from the University of Canterbury, New Zealand with a Master of Arts degree majoring in Economics in 1966. He joined the civil service upon his graduation and served the Government until he retired in 1993. During his tenure with the civil service he held various senior positions, among them as Director, Industries Divisions in the MITI, Deputy Secretary General, Ministry of Works and Director-General of the Registration Department, Ministry of Home Affairs. Dato' Haji Kamaruddin is a director of APM Automotive Holdings Berhad and Lion Industries Corporation Berhad. Dato' Haji Kamaruddin does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Dato' Haji Kamaruddin attended all the six board meetings held in 2005.

## Seow Thiam Fatt

Age 65, a Malaysian, was appointed to the Board on 3 July 2002. He is an Independent Non-Executive Director and the Chairman of the Audit Committee.

Mr Seow, a Chartered Accountant, was admitted as a member of CPA Australia in 1963, the Institute of Chartered Secretaries and Administrators in 1964 and the Institute of Chartered Accountants in Australia in 1968. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants (MICPA) since 1969. He is the past president of MICPA and also served four years as a government appointed independent Director of the previous Kuala Lumpur Commodities Exchange (KLCE).

He has more than 20 years' professional experience as a practicing accountant in the capacity of a Senior Partner of Larry Seow & Co/Moores & Rowland and a Partner of Arthur Young. He diverted from professional practice in 1994 and thereafter held various senior positions in private and public companies. His work experience includes a two year contract with the Securities Commission of Malaysia as General Manager of the Financial Reporting Surveillance and Compliance Department.

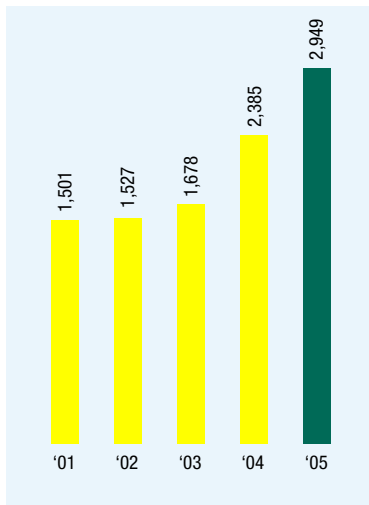
Mr Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad, Affin Merchant Bank Berhad, ING Funds Berhad and a Non-Independent Non-Executive Director of Malaysia Pacific Corporation Berhad. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. Mr Seow attended all the six board meetings held in 2005.

None of the directors had convictions for any offences within the past 10 years.

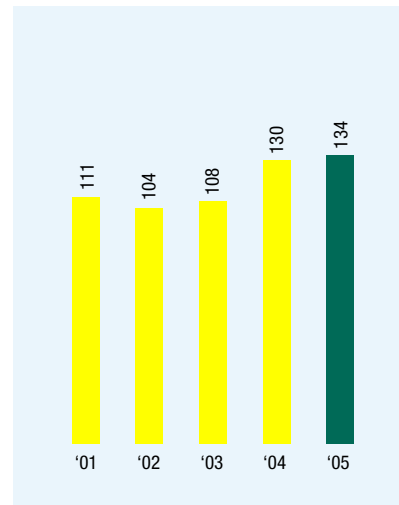


**TAN CHONG MOTOR HOLDINGS BERHAD**  
(12969-P)

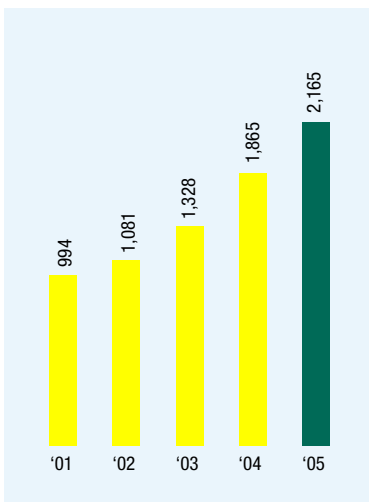
Revenue (RM Million)



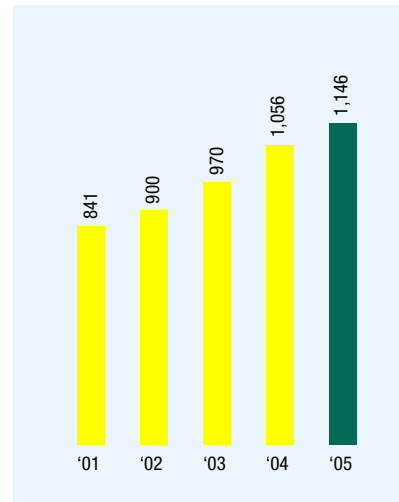
Profit After Tax (RM Million)



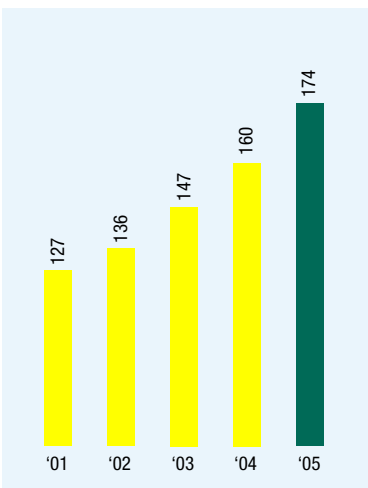
Total Assets (RM Million)



Capital & Reserves (RM Million)



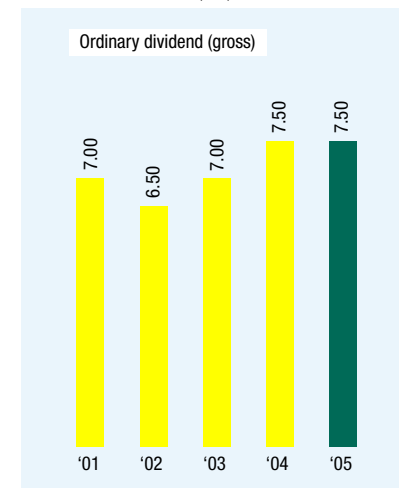
Net Assets Per Share  
(Par Value RM0.50 per share) (sen)



Earnings Per Share  
(Par Value RM0.50 per share) (sen)



Distribution Per Share (sen)



# Statement on Corporate Governance

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

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

## A. DIRECTORS

### (i) The Board

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

There were six (6) Board meetings held in 2005. The Board has a formal schedule of matters reserved for making broad policy decisions, including the approval of annual and interim results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to committees of the Board and management as well as officers of the Group.

Details of attendance by Board members are set out in the Profile of the Board of Directors' on pages 10 and 11.

### (ii) Board Composition

The Board currently has seven (7) members, comprising the Vice-Chairman, Executive Deputy Chairman, Group Managing Director and four (4) other Non-Executive Directors, three (3) of whom are independent directors. During the year, the composition of the Board had complied with the requirement that one-third of the Directors must be independent.

Together, the Directors have wide ranging experience essential for the successful direction of the Group. The profiles of the Board members are set out on pages 10 and 11.

### (iii) Supply of Information

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

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

The Board has approved an agreed procedure for Directors to seek independent professional advice at the Company's expense.

Directors have direct access to the advice and the services of the Company Secretary who is responsible for ensuring that Board procedures are followed.

### (iv) Appointment to the Board

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

**(v) Re-election**

The profiles of the Directors who are due for re-election are set out on pages 10 and 11. All Directors held office throughout the year.

The Company's Articles of Association provide that at every Annual General Meeting of the Company one-third of the Directors shall retire from office and that all Directors shall retire from office once at least in each three years, but shall be eligible for re-election.

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

**(vi) Directors' Training**

All the Directors have attended the mandatory training programmes as prescribed by Bursa Malaysia Securities Berhad. The Directors have also participated, in accordance to the needs of the respective Directors, in some of the seminars organized by the Company during the financial year. For continuous training, the Directors are encouraged to participate in seminars and conferences organised by the relevant regulatory authorities and professional bodies to keep abreast with developments in the market place.

**B. DIRECTORS' REMUNERATION**

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

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

The guidelines on bonuses in respect of 2005 and annual increment for 2006 in respect of executive employees of the Group were recommended for Board's approval by committees whose members included senior heads of operations below the Board level. The quantum of the annual performance bonus was dependent on the operating results of the Group after taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Directors.

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

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

	<b>Fees (RM)</b>	<b>Salaries and Allowance (RM)</b>	<b>Bonus (RM)</b>	<b>Benefits-in- kind (RM)</b>
Executive Directors	–	4,674,367	2,583,069	50,748
Non-Executive Directors	258,000	29,000	–	17,800

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

<b>Range of Remuneration</b>	<b>Executive</b>	<b>Non-Executive</b>
Below RM50,000	–	1
RM50,001 to RM100,000	–	2
RM100,001 to RM150,000	–	1
RM150,001 to RM200,000	1	–
RM200,001 to RM250,000	1	–
RM250,001 to RM300,000	1	–

## **C. RELATIONS WITH SHAREHOLDERS**

### **(i) Dialogue between Companies and Investors**

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

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

### **(ii) Annual General Meeting**

The Annual General Meeting ("AGM") of the Company was held on 20 May 2005 at the Grand Ballroom of Grand Seasons Hotel, Kuala Lumpur. The Notice of Meeting was attached to the Annual Report distributed to shareholders.

The AGM in 2005 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 62% of the issued share capital.

There was a forum for the shareholders to raise questions or issues at the AGM regarding the Company's performance in 2004. The Company advised shareholders attending the AGM of the number of proxies received, how votes were cast in respect of each resolution, the number of abstentions and the number of proxies appointing the Chairman to vote on their behalf.

## **D. ACCOUNTABILITY AND AUDIT**

### **(i) Financial Reporting**

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

The quarterly announcements of results as well as the Report of the Board of Directors in the Annual Report are reviewed by the Audit Committee before Board's approval and release to the shareholders/public.

### **(ii) Internal Control**

The Statement on Internal Control furnished on page 16 provides an overview of the state of internal controls within the Group.

### **(iii) Audit Committee and Auditors**

The Board of Directors has established an Audit Committee. The membership of this Committee, a summary of the terms of reference and the activity report of the Audit Committee are set out on pages 18 and 19.

# Statement on Internal Control

Paragraph 15.27(b) of Bursa Malaysia Listing Requirements requires the Board of Directors of public listed companies to include in their Annual Report a “statement about the state of internal control of the listed issuer as a Group.”

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to outline the nature and scope of internal control of the Group during the year.

## **Board Responsibility**

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

## **Risk Management and Control Structure**

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

- (i) Review and approval of annual business plan and budget of all major business units by the Board. These plans set out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
- (ii) Quarterly review of the performance of the Group's business by the Board which also assesses the impact of the changes in business and competitive environment;
- (iii) Active participation by certain members of the Board in the day-to-day running of the major businesses and regular dialogues with the senior management of smaller business units; and
- (iv) Monthly financial reporting by the subsidiaries to the holding Company.

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

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

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

## **Internal and Management Audit Function**

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

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

## **Weaknesses in Internal Controls that Result in Material Losses**

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

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

The Directors considered that during 2005, the Company had complied substantially with the Best Practices in Corporate Governance set out under Part 2 of the Malaysian Code on Corporate Governance, except for the formation of the nomination and remuneration committees as explained in the report on the application of the principles and best practices in corporate governance.

## STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL FINANCIAL STATEMENTS

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

In preparing the financial statements for the year ended 31 December 2005, the Directors have:

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

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

## STATEMENT ON MATERIAL CONTRACTS

Apart from contracts concerning distributorship rights between the Group and Nissan Motor Co Ltd, a major shareholder of the Company as well as between the Group and Renault s.a.s., there were no material contracts entered into by the Company and/or its subsidiaries involving the Directors and major shareholders' interests during the financial year.

## STATEMENT ON REVALUATION POLICY

The revaluation policy on landed properties is set out under Note 2 of the Notes to the financial statements on pages 40 to 42 of the Annual Report.

## UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

In May 2005, the Group realized proceeds of approximately RM160.5 million from sale of hire purchase receivables under an asset-backed medium-term notes programme which shall be used for general working capital requirements of the Group, from time to time as the need arises.

## NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2005 was RM107,914.

## SHARE BUY BACKS

The Company did not buy back any shares in 2005.

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

Details of the shares bought back subsequent to the financial year up to 31 March 2006 and currently held as treasury shares are as follows:-

Month	No. of share bought back and held as treasury shares	Highest price paid per share (RM)	Lowest price paid per share (RM)	Average price paid per share (RM)	Total consideration (RM)
January 2006	168,000	1.450	1.390	1.417	239,852.95
February 2006	10,000	1.510	1.510	1.510	15,212.64
March 2006	163,000	1.530	1.490	1.509	247,805.29
<b>Total</b>	<b>341,000</b>				<b>502,870.88</b>



# Report of the Audit Committee

The Board of Directors of Tan Chong Motor Holdings Berhad is pleased to present the report of the Audit Committee of the Board for the year ended 31 December 2005.

The Audit Committee was established by a resolution of the Board on 1 August 1994.

## COMPOSITION AND MEETINGS

The composition of the Audit Committee and the attendance of its members at the five (5) meetings held in the year are set out below:

Name	Designation	Attendance
Seow Thiam Fatt	Chairman Independent Non-Executive Director	5/5
Dato' Ng Mann Cheong	Independent Non-Executive Director	4/5
Dato' Haji Kamaruddin @ Abas bin Nordin	Independent Non-Executive Director	5/5

## TERMS OF REFERENCE

### Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall be composed of no fewer than three members, a majority of them must be Independent Directors.

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

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

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

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

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

### Authority

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

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

**Functions**

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

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

**Summary of Activities of Audit Committee**

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

- audit strategy and plan with external auditors
- annual audited accounts and principal matters arising from audit with external auditors
- quarterly financial results prior to submission to the Board for consideration
- internal audit reports

**Summary of Internal Audit Activities**

The Chief Internal Auditor reports directly to the Audit Committee.

Activities of internal auditors during the year encompassed the following:

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



# Financial Statements

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# Directors' Report

for the year ended 31 December 2005

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

## Principal Activities

The Company is principally engaged in investment holding and the provision of management services to companies in the Group, whilst the principal activities of the subsidiaries are as stated in Note 28 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Results

	Group RM'000	Company RM'000
Net profit for the year	130,926	36,172

## Reserves and Provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

## Dividends

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

- (i) a final dividend of 10% less tax totalling RM24,119,000 in respect of the year ended 31 December 2004 on 18 June 2005; and
- (ii) an interim dividend of 5% tax exempt totalling RM16,749,000 in respect of the year ended 31 December 2005 on 23 September 2005.

The final dividend recommended by the Directors in respect of the year ended 31 December 2005 is 10% less tax totalling RM24,119,000 based on total number of ordinary shares outstanding at 31 December 2005.

## Directors of the Company

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

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

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

	Number of ordinary shares			At 31.12.2005
	At 1.1.2005	Bought	Sold	
Shareholdings in which Directors have direct interest				
Dato' Tan Heng Chew	11,060,062	2,104,400	—	13,164,462
Tan Eng Soon	2,628,000	328,000	—	2,956,000
Azman bin Badrillah	20,000	—	—	20,000
Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	—	—	2,992
Shareholdings in which Directors have deemed interest				
Dato' Tan Heng Chew	304,266,662	602,200	—	304,868,862
Tan Eng Soon	304,266,662	602,200	—	304,868,862

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

	<b>At 1.1.2005</b>	<b>Bought</b>	<b>Sold</b>	<b>At 31.12.2005</b>
Ordinary shares of RM1.00 each:				
Tan Chong Motor Assemblies Sdn Bhd	700,000	–	–	700,000

None of the other Directors holding office at 31 December 2005 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Group, the Company and of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and rental income receivable and rental expense payable by certain companies in the Group from/to companies in which the Directors have significant financial interests.

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

### Issue of Shares and Debentures

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

### Options Granted Over Unissued Shares

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

### Other Statutory Information

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

- (i) all known bad debts have been written off and adequate allowance made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

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

- (i) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

## Directors' Report

for the year ended 31 December 2005

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for the reversals of inventories written down and allowance of doubtful debts, gain on disposal of other investments and loss on disposal of hire purchase receivable as disclosed in Note 18 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

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

Signed in accordance with a resolution of the Directors:

**Ahmad bin Abdullah**  
Vice-Chairman

**Azman bin Badrillah**  
Director

Kuala Lumpur,  
31 March 2006

# Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 27 to 62, except for pages 28 and 30 which are expressed in USD, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**Ahmad bin Abdullah**  
Vice-Chairman

**Azman bin Badrillah**  
Director

Kuala Lumpur,  
31 March 2006

## Statutory Declaration

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

I, **Lee Lai Teng**, being the officer primarily responsible for the financial management of Tan Chong Motor Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 62, except for pages 28 and 30 which are expressed in USD, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed  
at Kuala Lumpur on 31 March 2006.

Before me:

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



# Report of the Auditors

to the members of Tan Chong Motor Holdings Berhad

We have audited the financial statements set out on pages 27 to 62, except for pages 28 and 30 which are expressed in USD. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 28 to the financial statements and we have considered their financial statements and the auditors' reports thereon except as mentioned in Note 28 to the financial statements.

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

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

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Ng Kim Tuck**  
Partner  
Approval Number: 1150/03/06(J/PH)

Kuala Lumpur,  
31 March 2006

# Balance Sheets

at 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Property, plant and equipment</b>	2	<b>326,236</b>	277,866	<b>2,227</b>	1,492
<b>Investments in subsidiaries</b>	3	<b>–</b>	–	<b>327,727</b>	326,660
<b>Investments in associates</b>	4	<b>15,853</b>	7,809	<b>12,246</b>	4,755
<b>Other investments</b>	5	<b>5,806</b>	1,806	–	–
<b>Development costs</b>	6	<b>4,727</b>	5,909	–	–
<b>Hire purchase receivables</b>	7	<b>195,183</b>	289,797	–	–
<b>Other receivables</b>	9	<b>–</b>	–	<b>28,613</b>	39,401
<b>Deferred tax assets</b>	16	<b>9,110</b>	10,950	<b>3,130</b>	3,412
		<b>556,915</b>	594,137	<b>373,943</b>	375,720
<b>Current assets</b>					
Inventories	8	<b>747,607</b>	672,224	–	–
Trade and other receivables	9	<b>485,883</b>	207,381	<b>57,591</b>	64,458
Hire purchase receivables	7	<b>75,630</b>	109,589	–	–
Other investments	5	<b>56,842</b>	183,951	–	–
Cash and cash equivalents	10	<b>241,926</b>	98,075	<b>1,418</b>	440
		<b>1,607,888</b>	1,271,220	<b>59,009</b>	64,898
<b>Current liabilities</b>					
Trade and other payables	11	<b>189,677</b>	234,948	<b>8,261</b>	8,055
Borrowings	12	<b>472,733</b>	208,296	–	–
Taxation		<b>2,444</b>	12,674	–	3,732
		<b>664,854</b>	455,918	<b>8,261</b>	11,787
<b>Net current assets</b>		<b>943,034</b>	815,302	<b>50,748</b>	53,111
		<b>1,499,949</b>	1,409,439	<b>424,691</b>	428,831
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Share capital	13	<b>336,000</b>	336,000	<b>336,000</b>	336,000
Reserves	14	<b>812,325</b>	722,267	<b>77,576</b>	82,272
Treasury shares	13	<b>(2,133)</b>	(2,133)	<b>(2,133)</b>	(2,133)
		<b>1,146,192</b>	1,056,134	<b>411,443</b>	416,139
<b>Minority shareholders' interests</b>	15	<b>18,567</b>	16,681	–	–
<b>Long term and deferred liabilities</b>					
Other payables	11	<b>–</b>	–	<b>4,920</b>	4,410
Borrowings	12	<b>302,477</b>	307,852	–	–
Deferred liabilities	16	<b>14,793</b>	11,811	–	–
Employee benefits	17	<b>17,920</b>	16,961	<b>8,328</b>	8,282
		<b>335,190</b>	336,624	<b>13,248</b>	12,692
		<b>1,499,949</b>	1,409,439	<b>424,691</b>	428,831

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2006.

The notes set out on pages 35 to 62 form an integral part of, and should be read in conjunction with, these financial statements.

# Consolidated Balance Sheet (For Illustration Purpose Only)

at 31 December 2005

(In USD equivalent)	2005 USD'000	2004 USD'000
<b>Property, plant and equipment</b>	<b>86,766</b>	73,123
<b>Investments in associates</b>	<b>4,216</b>	2,055
<b>Other investments</b>	<b>1,544</b>	475
<b>Development costs</b>	<b>1,257</b>	1,555
<b>Hire purchase receivables</b>	<b>51,910</b>	76,262
<b>Deferred tax assets</b>	<b>2,423</b>	2,882
	<b>148,116</b>	156,352
<b>Current assets</b>		
Inventories	<b>198,832</b>	176,901
Trade and other receivables	<b>129,224</b>	54,574
Hire purchase receivables	<b>20,114</b>	28,839
Other investments	<b>15,118</b>	48,408
Cash and cash equivalents	<b>64,342</b>	25,809
	<b>427,630</b>	334,531
<b>Current liabilities</b>		
Trade and other payables	<b>50,446</b>	61,828
Borrowings	<b>125,727</b>	54,815
Taxation	<b>650</b>	3,335
	<b>176,823</b>	119,978
<b>Net current assets</b>	<b>250,807</b>	214,553
	<b>398,923</b>	370,905
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	<b>89,362</b>	88,421
Reserves	<b>216,044</b>	190,070
Treasury shares	<b>(567)</b>	(561)
	<b>304,839</b>	277,930
<b>Minority shareholders' interests</b>	<b>4,938</b>	4,390
<b>Long term and deferred liabilities</b>		
Borrowings	<b>80,446</b>	81,014
Deferred liabilities	<b>3,934</b>	3,108
Employee benefits	<b>4,766</b>	4,463
	<b>89,146</b>	88,585
	<b>398,923</b>	370,905

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

Figures are converted into USD equivalent using the exchange rate of RM3.76 = USD1.00

(2004 – RM3.80 = USD1.00), being the exchange rate ruling at the balance sheet date.

# Income Statements

for the year ended 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Revenue</b>	18	<b>2,949,253</b>	2,385,217	<b>49,413</b>	39,191
<b>Operating profit</b>	18	<b>207,779</b>	187,486	<b>36,919</b>	29,356
Interest expense		<b>(29,630)</b>	(8,485)	<b>(377)</b>	(126)
Interest income		<b>4,264</b>	2,318	<b>1,790</b>	2,671
Share of profit of associates		<b>943</b>	555	–	–
<b>Profit before taxation</b>		<b>183,356</b>	181,874	<b>38,332</b>	31,901
Tax – Company and subsidiaries		<b>(49,536)</b>	(52,006)	<b>(2,160)</b>	(6,576)
– Associates		<b>(252)</b>	(74)	–	–
	20	<b>(49,788)</b>	(52,080)	<b>(2,160)</b>	(6,576)
<b>Profit after taxation</b>		<b>133,568</b>	129,794	<b>36,172</b>	25,325
Less: Minority interests		<b>(2,642)</b>	(2,974)	–	–
<b>Net profit for the year</b>		<b>130,926</b>	126,820	<b>36,172</b>	25,325
Basic earnings per ordinary share (sen)	21	<b>19.5</b>	18.9		
Dividends per ordinary share (sen) (net)	22	<b>6.1</b>	6.1	<b>6.1</b>	6.1

The notes set out on pages 35 to 62 form an integral part of, and should be read in conjunction with, these financial statements.

# Consolidated Income Statement (For Illustration Purpose Only)

for the year ended 31 December 2005

(In USD equivalent)	2005 USD'000	2004 USD'000
<b>Revenue</b>	<b>784,376</b>	627,689
<b>Operating profit</b>	<b>55,260</b>	49,338
Interest expense	<b>(7,880)</b>	(2,233)
Interest income	<b>1,134</b>	610
Share of profit of associates	<b>251</b>	146
<b>Profit before taxation</b>	<b>48,765</b>	47,861
Tax – Company and subsidiaries	<b>(13,174)</b>	(13,686)
– Associates	<b>(67)</b>	(19)
	<b>(13,241)</b>	(13,705)
<b>Profit after taxation</b>	<b>35,524</b>	34,156
Less: Minority interests	<b>(703)</b>	(783)
<b>Net profit for the year</b>	<b>34,821</b>	33,373
Basic earnings per ordinary share (US cents)	<b>5.2</b>	5.0
Dividends per ordinary share (US cents)	<b>1.6</b>	1.6

*The information presented on this page does not form part of the audited financial statements of the Group.  
Figures are converted into USD equivalent using the exchange rate of RM3.76 = USD1.00  
(2004 – RM3.80 = USD1.00), being the exchange rate ruling at the balance sheet date.*

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

Group	Note	Reserves							Sub-total RM'000	Total RM'000
		Share capital RM'000	Treasury shares RM'000	Non-distributable		Distributable				
				Surplus on revaluation of properties RM'000	Translation reserve RM'000	Capitalisation of retained profits RM'000	Retained profits RM'000			
<b>At 1 January 2004</b>		336,000	(2,133)	23	1,366	100	634,826	636,315	970,182	
Net profit for the year		-	-	-	-	-	126,820	126,820	126,820	
Realisation of translation reserve		-	-	-	(1,366)	-	1,366	-	-	
Dividends										
- 2003 final	22	-	-	-	-	-	(24,119)	(24,119)	(24,119)	
- 2004 interim	22	-	-	-	-	-	(16,749)	(16,749)	(16,749)	
<b>At 31 December 2004</b>		<b>336,000</b>	<b>(2,133)</b>	<b>23</b>	<b>-</b>	<b>100</b>	<b>722,144</b>	<b>722,267</b>	<b>1,056,134</b>	
<b>At 1 January 2005</b>		<b>336,000</b>	<b>(2,133)</b>	<b>23</b>	<b>-</b>	<b>100</b>	<b>722,144</b>	<b>722,267</b>	<b>1,056,134</b>	
Net profit for the year		-	-	-	-	-	130,926	130,926	130,926	
Dividends										
- 2004 final	22	-	-	-	-	-	(24,119)	(24,119)	(24,119)	
- 2005 interim	22	-	-	-	-	-	(16,749)	(16,749)	(16,749)	
<b>At 31 December 2005</b>		<b>336,000</b>	<b>(2,133)</b>	<b>23</b>	<b>-</b>	<b>100</b>	<b>812,202</b>	<b>812,325</b>	<b>1,146,192</b>	

Note 13

Note 13

# Statement of Changes in Equity

for the year ended 31 December 2005

Company	Note	Share capital RM'000	Treasury shares RM'000	Distributable	Total RM'000
				Retained profits RM'000	
<b>At 1 January 2004</b>		336,000	(2,133)	97,815	431,682
Net profit for the year		–	–	25,325	25,325
Dividends					
– 2003 final	22	–	–	(24,119)	(24,119)
– 2004 interim	22	–	–	(16,749)	(16,749)
<b>At 31 December 2004</b>		336,000	(2,133)	82,272	416,139
<b>At 1 January 2005</b>		336,000	(2,133)	82,272	416,139
Net profit for the year		–	–	36,172	36,172
Dividends					
– 2004 final	22	–	–	(24,119)	(24,119)
– 2005 interim	22	–	–	(16,749)	(16,749)
<b>At 31 December 2005</b>		<b>336,000</b>	<b>(2,133)</b>	<b>77,576</b>	<b>411,443</b>
		Note 13	Note 13		

The notes set out on pages 35 to 62 form an integral part of, and should be read in conjunction with, these financial statements.

# Cash Flow Statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	<b>183,356</b>	181,874	<b>38,332</b>	31,901
Adjustments for:				
Amortisation of development cost	<b>1,182</b>	—	—	—
Depreciation and amortisation	<b>24,417</b>	21,200	<b>562</b>	369
Dividend income	<b>(5,652)</b>	(1,353)	<b>(46,776)</b>	(36,629)
Gain on disposal of property, plant and equipment	<b>(1,238)</b>	(358)	<b>(40)</b>	(147)
Goodwill written off	<b>2,911</b>	—	—	—
Interest expense	<b>29,630</b>	8,485	<b>377</b>	126
Interest income	<b>(4,264)</b>	(2,318)	<b>(1,790)</b>	(2,671)
Gain on disposal of other investments	<b>(5,734)</b>	—	—	—
Loss on dilution of investment in associate	<b>138</b>	—	—	—
Loss on disposal of hire purchase receivables	<b>3,768</b>	—	—	—
Property, plant and equipment written off	<b>17</b>	639	—	—
Retirement benefits charged	<b>1,314</b>	3,452	<b>96</b>	732
Reversal of impairment loss on investment in subsidiaries	—	—	<b>(67)</b>	(406)
Gain from voluntary liquidation of subsidiary	—	(248)	—	—
Share of profit of associates	<b>(943)</b>	(555)	—	—
Operating profit/(loss) before working capital changes	<b>228,902</b>	210,818	<b>(9,306)</b>	(6,725)
(Increase)/Decrease in working capital:				
Inventories	<b>(75,383)</b>	(184,665)	—	—
Hire purchase receivables	<b>(35,654)</b>	(79,275)	—	—
Trade and other receivables	<b>(273,188)</b>	(72,345)	<b>6,867</b>	50,424
Trade and other payables	<b>(45,278)</b>	82,519	<b>206</b>	4,883
Cash (used in)/generated from operations	<b>(200,601)</b>	(42,948)	<b>(2,233)</b>	48,582
Income taxes paid	<b>(63,375)</b>	(51,192)	<b>(7,778)</b>	(7,634)
Income taxes refund	<b>2,244</b>	—	<b>2,168</b>	—
Interest paid	<b>(29,630)</b>	(8,485)	<b>(377)</b>	(126)
Interest received	<b>4,264</b>	2,318	<b>1,790</b>	2,671
Employee benefits paid	<b>(355)</b>	(4,247)	<b>(57)</b>	(4)
Employee benefits transferred	—	—	<b>7</b>	12
<b>Net cash (used in)/generated from operating activities</b>	<b>(287,453)</b>	(104,554)	<b>(6,480)</b>	43,501



# Cash Flow Statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from investing activities</b>				
Repayment from/(Advance to) subsidiaries	–	–	<b>11,298</b>	(26,174)
Acquisition of shares in associate company	<b>(7,491)</b>	(4,755)	<b>(7,491)</b>	(4,755)
Acquisition of subsidiary, net of cash acquired (Note 29)	<b>(7,600)</b>	–	–	–
Subscription to subsidiaries share capital	–	–	<b>(1,000)</b>	(7,500)
Dividends received from other investments	<b>5,652</b>	1,353	–	–
Dividends received from subsidiaries	–	–	<b>46,776</b>	36,629
Dividends received from associates	–	50	–	–
Proceeds from disposal of property, plant and equipment	<b>6,378</b>	2,577	<b>142</b>	271
Proceeds from disposal of other investments	<b>190,267</b>	–	–	–
Proceeds from disposal of hire purchase receivables	<b>160,459</b>	–	–	–
Purchase of property, plant and equipment	<b>(72,375)</b>	(87,460)	<b>(1,399)</b>	(933)
Purchase of other investments	<b>(61,424)</b>	(173,392)	–	–
Development costs paid	–	(1,325)	–	–
<b>Net cash generated from/(used in) investing activities</b>	<b>213,866</b>	(262,952)	<b>48,326</b>	(2,462)
<b>Cash flows from financing activities</b>				
Dividends paid to shareholders of the Company	<b>(40,868)</b>	(40,868)	<b>(40,868)</b>	(40,868)
Dividend paid to minority shareholders	<b>(756)</b>	(600)	–	–
Proceeds from bills payable	<b>773,830</b>	298,515	–	–
Repayment of bills payable	<b>(575,672)</b>	(156,898)	–	–
Proceeds from term loans	<b>110,000</b>	230,000	–	–
Repayment of term loans	<b>(25,500)</b>	(10,000)	–	–
Proceeds from Cagamas Berhad	–	25,070	–	–
Repayment of Cagamas Berhad	<b>(23,596)</b>	(19,284)	–	–
<b>Net cash generated from/(used in) financing activities</b>	<b>217,438</b>	325,935	<b>(40,868)</b>	(40,868)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>143,851</b>	(41,571)	<b>978</b>	171
<b>Cash and cash equivalents at beginning of year</b>	<b>98,075</b>	139,646	<b>440</b>	269
<b>Cash and cash equivalents at end of year</b>	<b>241,926</b>	98,075	<b>1,418</b>	440

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances	<b>60,900</b>	57,856	<b>1,418</b>	440
Deposits	<b>181,026</b>	40,219	–	–
	<b>241,926</b>	98,075	<b>1,418</b>	440

The notes set out on pages 35 to 62 form an integral part of, and should be read in conjunction with, these financial statements.

## 1. Summary of Significant Accounting Policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis, except as disclosed in the notes to the financial statements, and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

### (c) Associates

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

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

### (d) Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. Freehold land is stated at cost/valuation less impairment loss.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1984 was carried out primarily for the purpose of issuing bonus shares then in the Company and was not intended to effect a change in the accounting policy to one of revaluation of properties.

In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") on the adoption of International Accounting Standard ("IAS") No.16 (Revised) on "Property, Plant and Equipment", the valuations of these properties have not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

The Directors are of the opinion that the current market values of the revalued properties are no less than their book values as at 31 December 2005.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

## 1. Summary of Significant Accounting Policies (Cont'd)

### (d) Property, plant and equipment (Cont'd)

#### **Depreciation**

Freehold land and work-in-progress are not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases which range from 34 to 999 years while buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates except for one of the subsidiaries where its plant, machinery and equipment are depreciated over the shorter of the model useful life or sales volume generated:

Plant, machinery and equipment	10% – 25%
Furniture, fixtures, fittings and office equipment	10% – 20%
Motor vehicles	20%
Renovation	12.5% – 20%

### (e) Intangible asset

#### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is written off in the income statement.

### (f) Investments

Long term investments, other than in subsidiaries and associates, are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investments in subsidiaries are stated at cost/valuation in the Company, less impairment loss where applicable. The valuation was determined by the Directors based on the values of the underlying net tangible assets, after the revaluation of the properties of the subsidiaries, and was carried out primarily for the purpose as explained in Note 1(d).

Long term investments in associates are stated at cost in the Company, less impairment loss where applicable.

Long term investments in assets-backed notes are stated at cost less allowance for diminution in value when such diminution in value is other than temporary.

Investment in money market funds are stated at cost.

Investment in quoted unit trusts is stated at the lower of cost and market value.

### (g) Financial asset

The Group shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset if control is retained but the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

Financial asset is de-recognised from the Group's financial statements when the contractual rights to the cash flows from the financial asset expire or are transferred to another party, and the transfer qualifies for derecognition. Transfer that qualifies for derecognition are either transfers of the contractual rights to receive the cash flows of the financial asset; or the Group retains the contractual rights to receive the cash flows but assumes a contractual obligation to pay the cash flows to one or more recipients without material delay and the Group has no obligation to pay any amounts to the eventual recipients unless it collects equivalent amounts from the original asset. The Group is also prohibited from selling or pledging the original asset.

### (h) Development costs

Expenditure capitalised as development costs in respect of a Completely-Knock-Down (CKD) model will be amortised upon commencement of commercial production, over the expected economical life span of the model of five years.

**1. Summary of Significant Accounting Policies (Cont'd)****(i) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(j) Inventories**

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

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

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

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

**(k) Cash and cash equivalents**

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

**(l) Impairment**

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

**(m) Liabilities**

Borrowings and trade and other payables are stated at cost.

## 1. Summary of Significant Accounting Policies (Cont'd)

### (n) Employee benefits

#### (i) Short term benefits

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

#### (ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

#### (iii) Defined benefit plans

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

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

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

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

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

### (o) Share capital

Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

### (p) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**1. Summary of Significant Accounting Policies (Cont'd)****(q) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

**(ii) Financial statements of foreign operations**

The Group's foreign operations are not considered an integral part of the Group's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

1USD	RM3.76	(2004 : 1USD	RM3.80)
1HKD	RM0.48	(2004 : 1HKD	RM0.49)
1SGD	RM2.26	(2004 : 1SGD	RM2.31)
100Yen	RM3.19	(2004 : 100Yen	RM3.68)
100THB	RM8.97	(2004 : 100THB	RM9.60)

**(r) Derivative financial instruments**

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

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

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement.

**(s) Revenue****(i) Goods sold and services rendered**

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when significant risks and rewards of ownership have been transferred to the buyer.

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

**(ii) Hire purchase revenue**

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

**(iii) Dividend income**

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

**(t) Interest expense**

All interest and other costs incurred in connection with borrowings are expensed as incurred.

**(u) Interest income**

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

# Notes to the Financial Statements

31 December 2005

## 2. Property, Plant and Equipment

Group	Opening balance RM'000	Acquisition of subsidiary RM'000	Additions RM'000	Disposals RM'000	Transfers RM'000	Written off RM'000	Closing balance RM'000
<b>Cost/Valuation</b>							
Freehold land	89,481	–	1,258	–	–	–	90,739
Long term leasehold land	80,386	5,569	1,781	–	–	–	87,736
Short term leasehold land	5,612	–	–	–	–	–	5,612
Buildings	105,376	–	4,848	–	792	–	111,016
Plant, machinery and equipment	82,558	–	5,599	–	8,522	(17)	96,662
Furniture, fixtures, fittings and office equipment	46,776	–	8,019	(295)	1,655	(526)	55,629
Motor vehicles	36,160	–	20,041	(9,438)	1,000	–	47,763
Work-in-progress	13,997	–	23,808	–	(11,969)	–	25,836
Renovation	5,344	–	7,021	–	–	–	12,365
	465,690	5,569	72,375	(9,733)	–	(543)	533,358

	Cost RM'000	Directors' valuation RM'000	Total RM'000
Freehold land	54,623	36,116	90,739
Long term leasehold land	26,888	60,848	87,736
Short term leasehold land	4,974	638	5,612
Buildings	59,996	51,020	111,016
Plant, machinery and equipment	96,662	–	96,662
Furniture, fixtures, fittings and office equipment	55,629	–	55,629
Motor vehicles	47,763	–	47,763
Work-in-progress	25,836	–	25,836
Renovation	12,365	–	12,365
	384,736	148,622	533,358

	Opening balance RM'000	Charge for the year RM'000	Disposals RM'000	Written off RM'000	Closing balance RM'000
<b>Accumulated depreciation</b>					
Long term leasehold land	16,727	889	–	–	17,616
Short term leasehold land	2,096	143	–	–	2,239
Buildings	51,324	3,404	–	–	54,728
Plant, machinery and equipment	68,014	5,119	–	(16)	73,117
Furniture, fixtures, fittings and office equipment	34,436	5,272	(120)	(510)	39,078
Motor vehicles	14,375	7,665	(4,473)	–	17,567
Renovation	852	1,925	–	–	2,777
	187,824	24,417	(4,593)	(526)	207,122

## 2. Property, Plant and Equipment (Cont'd)

Group	Net book value		Depreciation
	At	At	charge for the
	31.12.2005	31.12.2004	year ended
	RM'000	RM'000	31.12.2004
			RM'000
Freehold land	90,739	89,481	–
Long term leasehold land	70,120	63,659	890
Short term leasehold land	3,373	3,516	142
Buildings	56,288	54,052	3,243
Plant, machinery and equipment	23,545	14,544	5,979
Furniture, fixtures, fittings and office equipment	16,551	12,340	3,860
Motor vehicles	30,196	21,785	6,294
Work-in-progress	25,836	13,997	–
Renovation	9,588	4,492	792
	326,236	277,866	21,200

Company	Opening balance	Additions	Disposals	Closing balance
	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>				
Buildings	690	–	–	690
Furniture, fixtures, fittings and office equipment	375	94	–	469
Motor vehicles	1,446	1,305	(285)	2,466
	2,511	1,399	(285)	3,625

	Opening balance	Charge for the year	Disposals	Closing balance
	RM'000	RM'000	RM'000	RM'000
<b>Accumulated depreciation</b>				
Buildings	152	14	–	166
Furniture, fixtures, fittings and office equipment	309	41	–	350
Motor vehicles	558	507	(183)	882
	1,019	562	(183)	1,398

	Net book value		Depreciation
	At	At	charge for the
	31.12.2005	31.12.2004	year ended
	RM'000	RM'000	31.12.2004
			RM'000
Buildings	524	538	14
Furniture, fixtures, fittings and office equipment	119	66	31
Motor vehicles	1,584	888	324
	2,227	1,492	369



# Notes to the Financial Statements

31 December 2005

## 2. Property, Plant and Equipment (Cont'd)

### Revaluation

Certain land and buildings are stated at Directors' valuation based on professional valuations on the existing use basis conducted in 1984.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would have been as follows:

	Group	
	2005 RM'000	2004 RM'000
Freehold land	21,019	21,019
Long term leasehold land	19,996	20,290
Short term leasehold land	214	224
Buildings	8,925	9,516
	<b>50,154</b>	51,049

### Titles

The titles to certain properties with a cost of RM4.17 million (2004 - RM16.87 million) have yet to be issued by the relevant authorities.

## 3. Investments in Subsidiaries

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares		
At cost	151,265	150,265
At Directors' valuation in 1984	179,300	179,300
	<b>330,565</b>	329,565
Less: Impairment loss	<b>(2,838)</b>	(2,905)
	<b>327,727</b>	326,660

Investments in certain subsidiaries are stated at Directors' valuation conducted in 1984 based on the net tangible assets value of the subsidiaries after the revaluation of their properties and was carried out primarily for the purpose as explained in Note 1 (d).

## 4. Investments in Associates

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	13,996	6,505	12,246	4,755
Share of post-acquisition reserve	1,857	1,304	-	-
	<b>15,853</b>	7,809	<b>12,246</b>	4,755
Represented by:				
Group's share of net assets	<b>15,853</b>	7,809		

**4. Investments in Associates (Cont'd)**

The associates of the Group are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Kanzen Energy Ventures Sdn Bhd	Investment holding	Malaysia	25	25
Structurflex Sdn Bhd	Manufacture of truck side curtains components	Malaysia	50	50
TC Capital (Thailand) Co Ltd	Hire purchase financing	Thailand	45.45	50

**5. Other Investments**

	Group	
	2005 RM'000	2004 RM'000
<b>Long term</b>		
Unquoted shares	1,806	1,806
Asset-backed notes	4,000	—
	<b>5,806</b>	<b>1,806</b>
<b>Short term</b>		
Investment in money market funds	6,842	2,591
Quoted unit trusts	50,000	181,360
	<b>56,842</b>	<b>183,951</b>

The asset-backed notes comprise Class B Notes and Class C Notes of RM2 million each which were issued by a special purpose vehicle ("SPV") established for the Group's securitisation exercise during the year. The securitisation exercise was fully completed in May 2005 with the issuance of the first series of RM164 million nominal value medium term asset-backed notes ("Notes") by the SPV. The proceeds from the issuance of the Notes were used by the SPV for the acquisition of hire purchase receivables from a subsidiary. RM160 million of Class A Notes were issued to investors in the debt capital markets while Class B Notes and Class C Notes of RM2 million each were subscribed by the same subsidiary.

**6. Development Costs**

	Group	
	2005 RM'000	2004 RM'000
<b>Cost</b>		
Opening balance at 1 January	5,909	4,584
Additions	—	1,325
	<b>5,909</b>	<b>5,909</b>
<b>Less:</b>		
Amortisation charge for the year	1,182	—
Closing balance at 31 December	<b>4,727</b>	<b>5,909</b>

# Notes to the Financial Statements

31 December 2005

## 7. Hire Purchase Receivables

	Group	
	2005 RM'000	2004 RM'000
Hire purchase receivables	308,800	458,617
Less: Unearned interest	(35,488)	(56,899)
	<b>273,312</b>	401,718
Less: Allowance for doubtful debts	(2,499)	(2,332)
	<b>270,813</b>	399,386
<hr/>		
Less than one year	75,630	109,589
Between one and five years	171,459	252,945
More than five years	23,724	36,852
	<b>270,813</b>	339,386

## 8. Inventories

	Group	
	2005 RM'000	2004 RM'000
Raw materials	29,421	17,577
Unassembled vehicle packs	344,571	248,457
Work-in-progress	19,698	13,929
Manufactured inventories and trading inventories	92,398	64,440
Used vehicles	28,963	34,065
New vehicles	183,115	243,280
Spare parts and others	49,441	50,476
	<b>747,607</b>	672,224

The following inventories are carried at net realisable value:

Raw materials	1,208	2,957
Unassembled vehicle packs	2,512	11,216
Manufactured inventories and trading inventories	142	378
Used vehicles	26,362	30,278
New vehicles	3,059	11,909
Spare parts and others	733	662
	<b>34,016</b>	57,400

During the year, there was a reversal of a write down of inventories of RM4,505,000 (2004 – RM816,000). The reversal arose from an increase in net realisable value as a result of improving prices for motor vehicles during the year.

**9. Trade and Other Receivables**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Short term</b>				
Trade receivables	<b>193,278</b>	194,918	–	–
Less: Allowance for doubtful debts	<b>(6,294)</b>	(18,629)	–	–
	<b>186,984</b>	176,289	–	–
Other receivables, deposits and prepayments	<b>292,730</b>	30,237	<b>510</b>	693
Tax recoverable	<b>6,169</b>	855	–	–
Subsidiaries	–	–	<b>57,081</b>	63,765
	<b>485,883</b>	207,381	<b>57,591</b>	64,458
<b>Long term</b>				
Subsidiaries	–	–	<b>30,842</b>	41,630
Less: Allowance for doubtful debts	–	–	<b>(2,229)</b>	(2,229)
	–	–	<b>28,613</b>	39,401

During the year, doubtful debts written off against allowance for doubtful debts made previously in the Group amounted to RM3,525,752 (2004 – RM318,079).

The short term amounts due from subsidiaries are in respect of advances that are unsecured, interest free and receivable on demand.

The long term amounts due from subsidiaries are in respect of advances that are unsecured, interest free and have no fixed terms of repayment except for amounts due from certain subsidiaries which are subject to interest at negotiated rates.

Included in other receivables, deposits and prepayments of the Group at 31 December 2005 are trade prepayments amounting to RM244,502,000 for shipment of goods mainly arriving by the first quarter of 2006.

**10. Cash and Cash Equivalents**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances	<b>60,900</b>	57,856	<b>1,418</b>	440
Deposits	<b>181,026</b>	40,219	–	–
	<b>241,926</b>	98,075	<b>1,418</b>	440
Deposits are placed with:				
Licensed banks	<b>151,135</b>	22,278	–	–
Licensed finance companies	<b>8,791</b>	17,941	–	–
Discount houses	<b>21,100</b>	–	–	–
	<b>181,026</b>	40,219	–	–

# Notes to the Financial Statements

31 December 2005

## 11. Trade and Other Payables

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Short term</b>				
Trade payables	108,056	119,459	–	–
Other payables and accrued expenses	81,621	115,489	4,842	6,752
Subsidiaries	–	–	3,419	1,303
	<b>189,677</b>	234,948	<b>8,261</b>	8,055
<b>Long term</b>				
Subsidiaries	–	–	4,920	4,410

The short term amounts due to subsidiaries are in respect of advances that are unsecured, interest free and repayable on demand.

The long term amounts due to subsidiaries are in respect of advances that are unsecured, interest free and have no fixed terms of repayment except for the amount due to a subsidiary which is subject to interest at negotiated rates.

## 12. Borrowings

	Group	
	2005 RM'000	2004 RM'000
<b>Short term</b>		
Amount due to Cagamas Berhad	33,279	–
Bills payable – unsecured	391,454	193,296
Term loans – unsecured	48,000	15,000
	<b>472,733</b>	208,296
<b>Long term</b>		
Amount due to Cagamas Berhad	20,977	77,852
Term loans – unsecured	281,500	230,000
	<b>302,477</b>	307,852

The bills payable of the Group are subject to interest at 2.97% to 4.70% (2004 – 1.82% to 3.25%) per annum.

The short term unsecured term loans of the Group are subject to interest at 3.30% to 4.20% (2004 – 3.75%) per annum.

The long term unsecured term loans of the Group are subject to fixed rates of 4.00% to 6.50% (2004 – 3.50% to 7.80%) per annum and are repayable from 14 May 2007 to 21 December 2012.

The Group, via an intermediary financial institution, sold a portion of its hire purchase receivables to Cagamas Berhad with recourse to the Group. Under this arrangement, the Group undertakes to administer the hire purchase loans on behalf of Cagamas Berhad over a 60 months period and to buy back any loans which are regarded as defective. Amount due to Cagamas Berhad represents the outstanding balance, before financial charges, repayable to Cagamas Berhad and is subject to interest at 3.95% to 4.95% per annum.

**13. Share Capital**

	Group and Company	
	2005 RM'000	2004 RM'000
Ordinary shares of RM0.50 each		
Authorised	<b>500,000</b>	500,000
Issued and fully paid	<b>336,000</b>	336,000

The shareholders of the Company via a resolution passed in the Extraordinary General Meeting held on 20 May 2005 approved the Company's plan to purchase its own shares.

At 31 December 2005, the number of outstanding shares in issue after deducting treasury shares held is 669,972,000 (2004 – 669,972,000) ordinary shares of RM0.50 each. Treasury shares have no rights to vote, dividends and participation in other distribution.

**14. Reserves**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 December 2005 if paid out as dividends.

**15. Minority Shareholders' Interests**

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

**16. Deferred Tax**

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax assets	<b>9,110</b>	10,950	<b>3,130</b>	3,412
Deferred tax liabilities	<b>(14,793)</b>	(11,811)	–	–

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

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment				
– capital allowances	<b>(3,925)</b>	(1,905)	<b>(42)</b>	(32)
– revaluation	<b>(10,570)</b>	(9,989)	–	–
Provisions	<b>8,078</b>	10,743	<b>2,735</b>	3,120
Other items	<b>288</b>	(106)	–	–
Unabsorbed capital allowances	<b>446</b>	333	<b>437</b>	324
Unutilised tax losses	–	63	–	–
	<b>(5,683)</b>	(861)	<b>3,130</b>	3,412

# Notes to the Financial Statements

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## 16. Deferred Tax (Cont'd)

No deferred tax has been recognised for the following items:

	Group	
	2005 RM'000	2004 RM'000
Property, plant and equipment		
– capital allowances	(21)	(38)
Provisions	–	5
Unabsorbed capital allowances	2,313	1,461
Unutilised tax losses	16,313	14,000
Deductible temporary differences	19	289
	<b>18,624</b>	15,717

The unabsorbed capital allowances, unutilised tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 17. Employee Benefits

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Recognised liability for defined benefit obligations	17,920	16,961	8,328	8,282

Under the Group's and Company's defined benefit scheme, eligible employees are entitled to retirement benefits of 16.0% to 17.0% of total basic salary earned less the Employees' Provident Fund ("EPF") contribution for each completed year of service upon the retirement age of 55 as well as retirement benefits of a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 55.

### *Movements in the net liability recognised in the balance sheets*

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net liability at 1 January	16,961	17,756	8,282	7,542
Benefits paid	(355)	(4,247)	(57)	(4)
Expense recognised in the income statements	1,314	3,452	96	732
Benefits transferred	–	–	7	12
Net liability at 31 December	17,920	16,961	8,328	8,282

### *Expense recognised in the income statements*

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current service cost	694	1,997	49	285
Interest on obligation	620	1,071	47	447
Under provision in prior year	–	384	–	–
	<b>1,314</b>	3,452	<b>96</b>	732

**17. Employee Benefits (Cont'd)**

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Distribution expenses	12	8	–	–
Administration expenses	1,302	3,444	96	732
	<b>1,314</b>	<b>3,452</b>	<b>96</b>	<b>732</b>

**Liability for defined benefit obligations**

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

	2005 %	2004 %
Discount rate	7.0	7.0
Future salary increases	6.5	6.5

**18. Operating Profit**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Revenue</b>				
Sale of goods	2,823,855	2,285,097	–	–
Services rendered	104,751	75,416	2,637	2,562
Hire purchase income	20,647	24,704	–	–
Dividend income	–	–	46,776	36,629
	<b>2,949,253</b>	<b>2,385,217</b>	<b>49,413</b>	<b>39,191</b>
<b>Cost of sales</b>				
Sale of goods	(2,431,474)	(1,935,470)	–	–
Services rendered	(49,959)	(35,728)	–	–
	<b>(2,481,433)</b>	<b>(1,971,198)</b>	<b>–</b>	<b>–</b>
<b>Gross profit</b>	<b>467,820</b>	<b>414,019</b>	<b>49,413</b>	<b>39,191</b>
Distribution costs	(181,548)	(143,685)	–	–
Administration expenses	(86,579)	(73,700)	(12,592)	(10,360)
Other operating expenses	(21,411)	(19,660)	(9)	(28)
Other operating income	29,497	10,512	107	553
<b>Operating profit</b>	<b>207,779</b>	<b>187,486</b>	<b>36,919</b>	<b>29,356</b>



# Notes to the Financial Statements

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## 18. Operating Profit (Cont'd)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating profit is arrived at after crediting:				
Bad debts recovered	123	–	–	–
Dividend income from:				
Unquoted subsidiaries	–	–	46,776	36,629
Other investments	5,652	1,353	–	–
Associates	–	36	–	–
Finance lease interest income	114	151	–	–
Gain on disposal of property, plant and equipment	1,238	358	40	147
Gain on foreign exchange – realised	1,272	124	–	–
– unrealised	–	329	–	–
Gain on disposal of other investments	5,734	–	–	–
Gain from voluntary liquidation of subsidiary	–	248	–	–
Inventories written back	–	4	–	–
Reversal of inventories written down	4,505	816	–	–
Rental income on land and buildings	2,386	2,411	129	134
Reversal of allowance for doubtful debts	8,642	–	–	–
Reversal of impairment loss on investment in subsidiaries	–	–	67	406
and after charging:				
Auditors' remuneration				
– current year	285	286	35	35
– over provision in prior year	(1)	(12)	–	(6)
Allowance for doubtful debts	–	5,543	–	21
Amortisation of development cost	1,182	–	–	–
Bad debts written off	72	13	–	–
Company's Directors				
Remuneration	7,286	6,527	5,357	4,868
Fees	258	228	258	228
Depreciation and amortisation	24,417	21,200	562	369
Goodwill written off	2,911	–	–	–
Inventories written down	153	6,840	–	–
Inventories written off	2,165	537	–	–
Loss on foreign exchange – realised	550	227	–	–
Loss on disposal of hire purchase receivables (Note 30)	3,768	–	–	–
Loss on dilution of investment in associate	138	–	–	–
Property, plant and equipment written off	17	639	–	–
Retirement benefits charged	1,314	3,452	96	732
Rental expense on land and buildings	10,541	6,889	413	407
Warranty claim	101	171	–	–

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM68,548 (2004 – RM65,481) and RM68,548 (2004 – RM65,481) respectively.

**19. Employee Information**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Salary and other costs	114,844	93,364	8,707	7,660
Contribution to EPF	13,349	11,166	800	613
	<b>128,193</b>	104,530	<b>9,507</b>	8,273

The number of employees of the Group and of the Company (including Directors) at the end of the year was 4,231 (2004 – 3,545) and 38 (2004 – 25) respectively.

**20. Tax Expense**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense				
Malaysian – Current	52,643	55,657	7,778	7,634
Over provision in prior years	(7,056)	(4,285)	(5,900)	–
	<b>45,587</b>	51,372	<b>1,878</b>	7,634
Deferred tax expense				
Origination and reversal of temporary differences	3,782	421	282	(224)
Under/(Over) provision in prior years	167	213	–	(834)
Tax expense on share of profit of associates	252	74	–	–
	<b>49,788</b>	52,080	<b>2,160</b>	6,576
<b>Reconciliation of effective tax expense</b>				
Profit before taxation	<b>183,356</b>	181,874	<b>38,332</b>	31,901
Income tax using statutory tax rate	51,339	50,925	10,733	8,932
Effect of tax at 20% on chargeable income of individual company below RM500,000 (2004– RM500,000)	(519)	(488)	–	–
Double deduction	(199)	(188)	–	–
Non-deductible expenses	4,889	5,602	416	284
Non-taxable income	(160)	(113)	(19)	(113)
Tax exempt income	(1,667)	(274)	(5,319)	(2,622)
Tax incentives	(732)	(248)	–	–
Unrecognised deferred tax asset	929	805	–	–
Other items	2,797	131	2,249	929
	<b>56,677</b>	56,152	<b>8,060</b>	7,410
Over provision in prior years	(6,889)	(4,072)	(5,900)	(834)
	<b>49,788</b>	52,080	<b>2,160</b>	6,576

# Notes to the Financial Statements

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## 21. Earnings Per Ordinary Share – Group

### Basic earnings per share

The calculation of basic earnings per ordinary share is based on the net profit attributable to shareholders of RM130.926 million (2004 – RM126.820 million) and the weighted average number of ordinary shares outstanding during the year of 669.972 million (2004 – 669.972 million).

### Weighted average number of ordinary shares

	2005	2004
Ordinary shares in issue	<b>672,000,000</b>	672,000,000
Less: Treasury shares	<b>(2,028,000)</b>	(2,028,000)
Weighted average number of ordinary shares	<b>669,972,000</b>	669,972,000

## 22. Dividends

	Group and Company	
	2005	2004
	RM'000	RM'000
Ordinary		
Final paid:		
2004 – 10% per share less tax		
(2003 – 10% per share less tax)	<b>24,119</b>	24,119
Interim paid:		
5% per share tax exempt		
(2004 – 5% per share tax exempt)	<b>16,749</b>	16,749
	<b>40,868</b>	40,868

### Proposed final dividend

The proposed final dividend for the year ended 31 December 2005 of 10% less tax totalling RM24,119,000 based on total number of ordinary shares outstanding at 31 December 2005 has not been accounted for in the financial statements.

### Dividend per ordinary share

The calculation of dividend per ordinary share is based on the net dividend for the financial year ended 31 December 2005 of RM40.868 million (2004 – RM40.868 million) and the number of ordinary shares in issue during the year of 672 million (2004 – 672 million) less treasury shares held of 2.028 million (2004 – 2.028 million).

## 23. Segmental Information

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

### Business segments

The Group comprises the following main business segments:

Vehicles assembly, distribution and after sales services	– Assembly and distribution of passenger and commercial vehicles, automotive workshop services, distribution of automotive spare parts and insurance agency.
Hire purchase financing	– Provision of hire purchase financing.
Other operations	– Property and investment holding activities.

**23. Segmental Information (Cont'd)**

Business segments	Vehicles assembly, distribution and after sales services		Hire purchase financing		Other operations		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	<b>2,928,507</b>	2,360,428	<b>20,647</b>	24,704	<b>99</b>	85	-	-	<b>2,949,253</b>	2,385,217
Inter-segment revenue	<b>1,618</b>	912	<b>99</b>	-	<b>3,375</b>	3,322	<b>(5,092)</b>	(4,234)	-	-
<b>Total revenue</b>	<b>2,930,125</b>	2,361,340	<b>20,746</b>	24,704	<b>3,474</b>	3,407	<b>(5,092)</b>	(4,234)	<b>2,949,253</b>	2,385,217
<b>Segment result</b>	<b>196,954</b>	167,768	<b>14,579</b>	22,448	<b>1,934</b>	2,343	-	-	<b>213,467</b>	192,559
Unallocated expenses									<b>(5,688)</b>	(5,113)
<b>Operating profit</b>									<b>207,779</b>	187,486
Interest income									<b>4,264</b>	2,318
Interest expense									<b>(29,630)</b>	(8,485)
Share of profit of associates	<b>943</b>	555	-	-	-	-	-	-	<b>943</b>	555
<b>Profit before taxation</b>									<b>183,356</b>	181,874
Tax expense									<b>(49,788)</b>	(52,080)
Minority interests									<b>(2,642)</b>	(2,974)
<b>Net profit for the year</b>									<b>130,926</b>	126,820
<b>Segment assets</b>	<b>1,556,547</b>	1,168,194	<b>272,184</b>	400,292	<b>58,918</b>	51,317	-	-	<b>1,887,649</b>	1,619,803
Investment in associates	<b>15,853</b>	7,809	-	-	-	-	-	-	<b>15,853</b>	7,809
Unallocated assets									<b>261,301</b>	237,745
<b>Total assets</b>									<b>2,164,803</b>	1,865,357
<b>Segment liabilities</b>	<b>163,162</b>	235,982	<b>31,087</b>	15,774	<b>180</b>	120	-	-	<b>194,429</b>	251,876
Unallocated liabilities									<b>805,615</b>	540,666
<b>Total liabilities</b>									<b>1,000,044</b>	792,542
Capital expenditure	<b>67,620</b>	86,475	<b>144</b>	53	<b>4,611</b>	932	-	-	<b>72,375</b>	87,460
Depreciation and amortisation	<b>23,510</b>	19,617	<b>70</b>	49	<b>2,019</b>	1,534	-	-	<b>25,599</b>	21,200
Non-cash expenses other than depreciation and amortisation	<b>1,705</b>	8,220	<b>602</b>	289	<b>97</b>	732	-	-	<b>2,404</b>	9,241

**24. Contingent Liabilities**

On 11 July 2003, two third-parties filed a claim against the Company and its wholly owned subsidiary, TC Euro Cars Sdn Bhd for general damages in the sum of RM150,000,000. The plaintiffs also claimed costs and any other relief to be awarded by the High Court for conspiracy to injure in relation to a specific project investment as alleged in the Statement of Claim. On 16 January 2004, the High Court struck out the above mentioned suit. The plaintiffs have filed an appeal to the Judge in Chambers and the same was allowed by the Judge with costs in the cause on 20 May 2004.

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

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## 25. Commitments

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	<b>22,630</b>	2,300	–	–
Authorised and contracted for	<b>147,373</b>	19,189	–	–
Joint venture investment				
Authorised and contracted for	<b>1,151</b>	–	–	–
	<b>171,154</b>	21,489	–	–

## 26. Related Parties

Controlling related party relationships are as follows:

- (i) The subsidiaries as disclosed in Note 28.
- (ii) The substantial shareholder of the Company, Tan Chong Consolidated Sdn Bhd.

### Transactions with related parties

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

	Group	
	2005 RM'000	2004 RM'000
<b>With WTCH Group</b>		
Purchases	<b>9,652</b>	5,574
Sales	<b>(7,628)</b>	(11,357)
Rental expense payable	<b>788</b>	726
Rental income receivable	<b>(166)</b>	(265)
<b>With APM Group</b>		
Purchases	<b>129,339</b>	107,334
Sales	<b>(686)</b>	(614)
Rental income receivable	<b>(951)</b>	(951)
Rental expense payable	<b>372</b>	–

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

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

	Group	
	2005 RM'000	2004 RM'000
Purchases	<b>194</b>	152
Sales	<b>(2,599)</b>	(1,478)

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

**26. Related Parties (Cont'd)**

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

	<b>Group</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Purchases	<b>1,050,934</b>	882,559
Sales	<b>(14,780)</b>	(15,197)
Technical fees payable	<b>4,178</b>	3,741

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

- (iv) Significant transactions with Auto Dunia Sdn Bhd:

- (a) a company in which certain Directors of the Company, namely Ahmad bin Abdullah and Azman bin Badrillah have substantial financial interests; and
- (b) a company connected to certain Directors of the Company, namely Dato' Tan Heng Chew and Tan Eng Soon by virtue of Section 122A of the Companies Act, 1965.

	<b>Group</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Sales	<b>10,388</b>	3,431

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

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

	<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Subsidiaries		
Dividend income receivable	<b>(46,776)</b>	(36,629)
Interest income receivable	<b>(1,790)</b>	(2,671)
Management fees receivable	<b>(2,538)</b>	(2,478)
Rental income receivable	<b>(54)</b>	(54)
Rental expense payable	<b>393</b>	393
Interest expense payable	<b>179</b>	126
Purchase of property, plant and equipment	<b>1,305</b>	912

## 27. Financial Instruments

### Financial risk management objectives and policies

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

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

The Group's and the Company's accounting policies in relation to derivative financial instruments are set out in note 1(r).

### Credit risk

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

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

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

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

### Interest rate risk

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

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

On the other hand, the Group provides hire purchase loans at fixed rates for tenures of up to 7 years. These loans are funded by internal and external resources. To minimise the impact of interest rate volatility, the Group has taken up fixed rate borrowings from Cagamas Berhad as disclosed in Note 12 to partially hedge against adverse movement in its cost of funds from external sources.

### Foreign currency risk

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

### Liquidity risk

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

## 27. Financial Instruments (Cont'd)

*Effective interest rates and repricing analysis*

	2005				2004			
	Effective interest rate %	Total RM'000	Within 1 year RM'000	> 5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	> 5 years RM'000
<b>Financial assets</b>								
Money market funds	2.01	6,842	6,842	–	4.21	2,591	2,591	–
Short term deposits	2.89	181,026	181,026	–	3.02	40,219	40,219	–
Asset-backed notes	8.69	4,000	–	4,000	–	–	–	–

	2005				2004			
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000
<b>Financial liabilities</b>								
Unsecured bills payable	3.42	391,454	391,454	–	2.26	193,296	193,296	–
Unsecured fixed rate short term loans	4.04	48,000	48,000	–	3.75	15,000	15,000	–
Amount due to Cagamas Berhad	5.74	54,256	24,730	29,526	4.43	77,852	23,596	54,256
Unsecured fixed rate long term loans	5.98	281,500	–	281,500	5.67	230,000	–	230,000

**Company****Financial assets**

Amount due from certain subsidiaries	3.15	60,897	–	60,897	2.84	94,755	–	94,755
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**Financial liabilities**

Amount due to certain subsidiaries	3.15	7,412	–	7,412	2.84	5,597	–	5,597
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**Fair values***Recognised financial instruments*

The aggregate fair values of money market funds and amount due to Cagamas Berhad carried on the balance sheet at 31 December are represented in the following table.

	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>				
<b>Financial assets</b>				
Money market funds	6,842	6,842	2,591	2,591
Quoted unit trusts	50,000	50,905	181,360	182,462
	<b>56,842</b>	<b>57,747</b>	<b>183,951</b>	<b>185,053</b>



# Notes to the Financial Statements

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## 27. Financial Instruments (Cont'd)

	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial liabilities</b>				
Amount due to Cagamas Berhad	54,256	53,409	77,852	88,009
Fixed rate term loans	329,500	313,834	245,000	242,668
	<b>383,756</b>	<b>367,243</b>	322,852	330,677

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

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

For the investment in asset-backed notes where there is no available quoted market price, a reasonable estimate of fair value could not be made as it is not practicable within the constraints of timeliness or cost. This investment is carried at its original cost of RM4,000,000 (2004 – Nil) in the balance sheet.

For the investment in unquoted shares where there is also no available quoted market price, a reasonable estimate of fair value could not be made as it is not practicable within the constraints of timeliness or cost. This investment is carried at its original cost of RM1,806,000 (2004 – RM1,806,000) in the balance sheet. At year end, the Group's proportionate share of the net tangible assets based on the audited financial statements of the unquoted company at 31 December 2005 was RM5,186,000 (2004 – RM4,709,000).

### Company

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

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

### Unrecognised financial instruments

The contracted carrying amount and fair value of financial instruments not recognised in the balance sheet at 31 December are:

	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>				
Forward foreign exchange contracts/options to purchase foreign currencies	630,029	599,295	305,542	320,214

**28. Subsidiaries**

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

Name	Principal activities	Effective ownership interest	
		2005 %	2004 %
<b>Incorporated in Malaysia:</b>			
Auto Components Manufacturers Sdn Bhd	Property holding	100	100
Auto Infiniti Sdn Bhd	Trading of car air-conditioners	100	100
Auto Research and Development Sdn Bhd	Research and development	100	100
Autokita Sdn Bhd	Insurance agency	100	100
Bijak Security Services Sdn Bhd	Provision of security services	100	100
Ceranamas Sdn Bhd	Property and investment holding	100	100
* Constant Knight (M) Sdn Bhd	Property holding	100	—
Cyberguard Vehicle Security Technologies Sdn Bhd	Trading and marketing of car alarms	100	100
Edaran Tan Chong Motor Sdn Bhd	Trading and marketing of motor vehicles	100	100
E-Garage Auto Services Sdn Bhd	Automobile workshop services and trading of car grooming products	100	100
Hikmat Asli Sdn Bhd	Property holding	100	100
Pemasaran Alat Ganti Sdn Bhd	Marketing of auto parts	100	100
Perwiramas Sdn Bhd	Investment holding	100	100
*** Premium Commerce Berhad	Special purpose entity for asset-backed securitisation	—	—
Rustcare Sdn Bhd	Rust proofing	100	100
Sungei Bintang Sdn Bhd	Property holding	100	100
Tan Chong & Sons Motor Company Sdn Bhd	Assembly and sale of motor vehicles and hire purchase financing	100	100
Tan Chong Agency Sdn Bhd	Insurance agency and property holding	100	100
Tan Chong Ekspres Auto Servis Sdn Bhd	Automobile workshop services	100	100
Tan Chong Industrial Equipment (Sabah) Sdn Bhd	Distribution of commercial vehicles, heavy equipment and machineries	100	100
Tan Chong Industrial Equipment Sdn Bhd	Distribution of commercial vehicles and spare parts	100	100
Tan Chong Motor Assemblies Sdn Bhd	Assembly of motor vehicles and engines and trading of parts	70	70
Tan Chong Trading (Malaysia) Sdn Bhd	Distribution of automotive accessories and property/investment holding	100	100
Tanahku Holdings Sdn Bhd	Property holding	100	100

# Notes to the Financial Statements

31 December 2005

## 28. Subsidiaries (Cont'd)

Name	Principal activities	Effective ownership interest	
		2005 %	2004 %
<b>Incorporated in Malaysia: (Cont'd)</b>			
TC Auto Tooling Sdn Bhd	Production of car alarm system and fabrication of jigs	100	100
TC Capital Resources Sdn Bhd	Business on financing by way of hire-purchase, leasing and money lending	100	100
TC Euro Cars Sdn Bhd	Distribution of motor vehicles and provision of after sales services	100	100
TC Hartanah Sdn Bhd	Property holding	100	100
TC Motors (Sarawak) Sdn Bhd	Marketing of commercial vehicles, heavy equipment and machineries	100	100
TCCL Sdn Bhd	Insurance agency	100	100
TCM Stamping Products Sdn Bhd	Manufacture and sale of fuel tanks and press metal parts	100	100
Truckquip Sdn Bhd	Distribution of automotive spare parts and construction of vehicle bodies	100	100
Vincus Holdings Sdn Bhd	Investment holding	100	100
West Anchorage Sdn Bhd	Investment holding	100	100
Auto Blend Sdn Bhd	Dormant	100	100
Auto Trucks & Components Sdn Bhd	Dormant	100	100
Edaran Tan Chong Motor (Sabah) Sdn Bhd	Dormant	100	100
Edaran Tan Chong Motor (Sarawak) Sdn Bhd	Dormant	100	100
Edaran Tan Chong Motor (Selatan) Sdn Bhd	Dormant	100	100
Edaran Tan Chong Motor (Tengah) Sdn Bhd	Dormant	100	100
Edaran Tan Chong Motor (Utara) Sdn Bhd	Dormant	100	100
Fujiyama Car Cooler Sdn Bhd	Dormant	100	100
Motor Image Enterprises Sdn Bhd	Dormant	100	100
Ragib-TC Security Services Sdn Bhd	Dormant	100	100
TC Capital Sdn Bhd	Dormant	100	100
* TC Manufacturing Company (Sabah) Sdn Bhd	Dormant	100	—

**28. Subsidiaries (Cont'd)**

Name	Principal activities	Effective ownership interest	
		2005 %	2004 %
<b>Incorporated in Labuan:</b>			
* TC Express Auto Services and Spare Parts (Labuan) Pty Ltd	Investment holding	100	—
* TCIE (Labuan) Pty Ltd	Investment holding	100	—
* ETCM (Labuan) Pty Ltd	Dormant	100	—
<b>Incorporated in Cambodia:</b>			
** TC Express Auto Services and Spare Parts (Cambodia) Pty Ltd	Automobile after sales services and spare parts business	100	—

\* Company audited by another firm of accountants.

\*\* Company not audited by KPMG and consolidated using unaudited management financial statements. The financial statements of this subsidiary is not material to the Group.

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

**29. Acquisition of Subsidiary**

During the year, the Group acquired all the shares in Constant Knight (M) Sdn Bhd for a consideration of RM7,600,000, satisfied by cash.

The acquisition of subsidiary was accounted for using the acquisition method of accounting.

The fair values of assets and liabilities assumed in the acquisition of Constant Knight (M) Sdn Bhd and the cash flow effects are as follows:

	<b>Acquisition 2005 RM'000</b>
Non current assets	
Property, plant and equipment	5,569
Current liabilities	(3)
Long term liabilities	(877)
Net assets	4,689
Goodwill on acquisition	2,911
Purchase consideration	7,600
Consideration satisfied in cash	(7,600)
Cash acquired	—
Net cash outflow	(7,600)

# Notes to the Financial Statements

31 December 2005

## 29. Acquisition of Subsidiary (Cont'd)

### Effect of acquisition

The acquisition of subsidiary had the following effect on the Group's operating results for the year ended 31 December 2005 and on the Group's assets and liabilities at 31 December 2005:

	<b>From date of acquisition to 31.12.2005 RM'000</b>
Income statement:	
Revenue	-
Operating costs	<b>(4,475)</b>
Loss before taxation	<b>(4,475)</b>
Tax expense	-
Decrease in the Group's net profit at the end of financial year	<b>(4,475)</b>
	<b>2005 RM'000</b>
Balance sheet:	
Property, plant and equipment	<b>7,350</b>
Current liabilities	<b>(1)</b>
Long term liabilities	<b>(877)</b>
Increase in the Group's net assets	<b>6,472</b>

## 30. Significant Event During the Financial Year

On 21 June 2004, the Group announced its intention to undertake a securitisation exercise, involving the sales of hire purchase receivables in one of its subsidiaries to a special purpose vehicle ("SPV") and a related programme for the proposed issuance of up to RM600 million nominal value asset-backed medium term notes by the SPV.

On 20 May 2005, the securitisation exercise was completed with the issuance of the first series of RM164 million nominal value medium term asset-backed notes ("Notes") by Premier Commerce Berhad ("PCB"), a deemed subsidiary and SPV established for the Group's securitisation exercise, comprising RM160 million Class A notes, RM2 million Class B Notes and RM2 million Class C notes. The proceeds from the issuance of the Notes were used by the SPV for the acquisition of hire purchase receivables of RM165.7 million from the Group for a purchase consideration of RM160.5 million. Class A notes were issued to investors in the debt capital market while Class B and Class C notes were subscribed by the Group as disclosed in Note 5 to the financial statements.

## 31. Event Subsequent to the Balance Sheet Date

Subsequent to the year end, the Company purchased 341,000 of its issued shares from the open market. The average price paid for the shares purchased was approximately RM1.46 per ordinary share. The repurchase transactions were financed by internal funds. The repurchased shares are held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held is 669,631,000 ordinary shares of RM0.50 each. Treasury shares have no rights to vote, dividends and participation in other distribution.

# Group Properties

as at 31 December 2005

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
249 Jalan Segambut 51200 Kuala Lumpur	Assembly plant, offices, workshop & vehicle storage yard	806,749	596,335	Leasehold 14.01.2073	28.24	30
		74,776	53,254	Leasehold 20.04.2068	3.44	27
Lot 10230 Mukim of Batu Jalan Segambut 51200 Kuala Lumpur	Vacant land	14,514		Freehold	0.55	
Lot 49970 Mukim of Batu Jalan Segambut 51200 Kuala Lumpur	Vacant land	4,520		Freehold	0.17	
Lot 49972 Mukim of Batu Jalan Segambut 51200 Kuala Lumpur	Vacant land	17,180		Freehold	0.65	
Lot 49393 Jalan Segambut 51200 Kuala Lumpur	Vacant land	2,886		Leasehold 20.04.2068	0.02	
PT7702 Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard	133,064		Freehold	5.81	
Lot 4185 Jalan Segambut 51200 Kuala Lumpur	Office & factory	147,066	85,900	Freehold	7.95	13
Lot 43097 Mukim of Batu Off Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse	339,448	39,305	Leasehold 27.01.2074	12.14	8
327, 3 ¾ Miles Jalan Segambut 51200 Kuala Lumpur	Pre-delivery inspection centre	114,189	25,480	Leasehold 04.07.2065	3.26	39
Lot 1249 Jalan Segambut 52000 Kuala Lumpur	Vehicle storage yard	111,646		Freehold	4.14	
Lot 1474 Jalan Segambut 52000 Kuala Lumpur	Vehicle storage yard	89,659		Freehold	3.10	
Lot 1475 Jalan Segambut 52000 Kuala Lumpur	Vehicle storage yard	116,959		Freehold	3.83	
582, 3 ½ Miles, Jalan Ipoh 51200 Kuala Lumpur	Office, vehicle storage bay & showroom	39,541	12,389	Freehold	2.08	26
62 – 68 Jalan Ipoh 51200 Kuala Lumpur	Showroom & office	7,533	28,707	Freehold	6.16	50
21 Jalan Ipoh Kecil 50350 Kuala Lumpur	Head office building	7,571	27,302	Freehold	2.49	20

## Group Properties

as at 31 December 2005

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
56 Jalan Ipoh 51200 Kuala Lumpur	Office	1,823	3,080	Freehold	1.07	50
58 Jalan Ipoh 51200 Kuala Lumpur	Office	1,791		Freehold	1.37	50
60 Jalan Ipoh 51200 Kuala Lumpur	Office	1,853	3,155	Freehold	1.02	50
70 Jalan Ipoh 51200 Kuala Lumpur	Showroom & office	1,999	3,250	Freehold	1.20	50
72 Jalan Ipoh 51200 Kuala Lumpur	Showroom & office	1,999	3,250	Freehold	1.20	50
Lot 1388 Jalan Seri Amar 50350 Kuala Lumpur	Levelled commercial land for rental	22,185		Freehold	7.48	
Lot UG01 Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur	Showroom & office	4,827	4,827	Freehold	1.57	22
Lot UG04 – 06 Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur	Showroom & office	602	602	Freehold	0.35	22
LG045 Sungei Wang Plaza Jalan Bukit Bintang 55100 Kuala Lumpur	Retail lot for rental	621	621	Freehold	0.41	26
8C-3-2 Sri Murni Condominium 8 Lorong Kota 4 Bukit Ledang 50480 Kuala Lumpur	Apartment for rental	1,938	1,938	Freehold	0.52	12
Plot 28, Sec 52, Jalan Pudu 55100 Kuala Lumpur	Shophouse for rental	1,600	4,880	Leasehold 23.03.2075	0.41	21
Plot 29, Sec 52, Jalan Pudu 55100 Kuala Lumpur	Office & upper floors for rental	1,600	4,880	Leasehold 23.03.2075	0.42	21
34 Jalan Sibu 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	3,600	2,850	Leasehold 25.12.2078	0.17	24
35 Jalan Sibu 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	3,600	2,850	Leasehold 25.12.2078	0.20	24

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
36 Jalan Sibu 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	5,632	2,850	Leasehold 25.12.2078	0.26	24
Lot 3 Jalan Perusahaan Satu 68100 Batu Caves, Selangor	Factory, warehouse & offices	416,949	141,820	Leasehold 05.09.2074	14.35	
	Showroom & sales office		3,776		0.17	3
142 Jalan SBC 3 Taman Sri Batu Caves 68100 Batu Caves, Selangor	Shoplot for rental	2,512	6,094	Freehold	1.52	7
117 & 119 Jalan SS15/5 47500 Subang Jaya	Showroom & offices for rental	3,520	9,988	Freehold	0.76	25
2 Jalan Bandar Tiga Pusat Bandar Puchong 47100 Selangor	Showroom & office	3,612	10,832	Freehold	2.81	9
4 Jalan Bandar Tiga Pusat Bandar Puchong 47100 Selangor	Showroom & office	1,650	4,948	Freehold	1.29	9
41-G, 41-1 to 41-4, Jln 205 The Highway Centre 46050 Petaling Jaya	Shoplot for rental	6,652	6,652	Leasehold 24.10.2067	1.25	15
Lot 7834 Sungai Rasa Jalan Batu Tiga Lama 41300 Klang, Selangor	Showroom, sales office, workshop & spare parts centre	63,389	71,300	Freehold	6.59	15
53 & 55 Jalan Satu Kawasan 16 Off Jalan Batu Tiga (Berkeley Town Centre) 41150 Klang, Selangor	Showroom & offices for rental	4,508	13,486	Freehold	0.67	23
39 Jalan Pelukis U1/46 Sek U1, Temasya Industrial Park 40150 Shah Alam, Selangor	Vacant land	60,064		Freehold	7.42	
PT 10451 Mukim Serendah Daerah Hulu Selangor	Vacant land	2,178,002		Leasehold 24.04.2095	8.29	
Lot 45 Bandar Serendah Daerah Hulu Selangor	Industrial land for development	2,042,963		Leasehold 22.03.2094	7.35	
63, 63A & 63B Jalan Tun Perak 75300 Melaka	Showroom, service & spare parts centre	18,252	17,351	Leasehold 02.07.2052	2.16	2
36 Jalan IMJ 5 Taman Industry Malim Jaya 75050 Melaka	Shoplot for rental	9,587	3,240	Leasehold 18.11.2095	0.61	11



## Group Properties

as at 31 December 2005

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
260 Jalan Tun Dr Ismail 70200 Seremban Negeri Sembilan	Showroom & office	19,376	11,000	Freehold	1.89	21
Lot 151 Jalan Lombong Emas 6 Seremban Light Industrial Park 70200 Seremban Negeri Sembilan	Workshop & spare parts store	33,121	14,640	Leasehold 06.04.2090	1.16	9
Lot 1599 Bandar Penggaram Jalan Zabedah 83000 Batu Pahat, Johor	Showroom, service & spare parts centre	53,933	20,055	Freehold	1.40	0.5
Lot 690 & 691 14 & 15 Jalan Tuanku Mokhtar Ismail 86000 Kluang, Johor	Shoplots for rental	1,680	3,210	Leasehold 11.02.2052	0.36	49
		1,680	3,210	Leasehold 02.02.2052		49
Lot 7348 27 Jalan Tun Abd Razak Susur 2, 80100 Johor Baru Johor	Showroom, office & offices for rental	18,295	12,527	Freehold	2.40	12
Plot 157 Jalan Angkasa Mas 6 Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor	Office & workshop	87,120	18,203	Leasehold 25.10.2053	1.56	10
PTD 166367 Mukim Plentong Johor Bahru, Johor	Vacant land	93,832		Freehold	9.41	
A7348 Jalan Berserah 25300 Kuantan, Pahang	Showroom, office, warehouse and workshop	44,420	31,738	Freehold	5.65	22
10B Kayangan Apartment 69000 Genting Highlands Pahang	Apartment for rental	3,250	3,250	Freehold	0.27	25
Lot 31036 & 31037 Jalan Kuala Kangsar 30010 Ipoh, Perak	Showroom, service & spare parts centre	40,292	27,800	Leasehold 24.09.2894	1.13	20
Plot 70 Kinta Jaya Light Industrial Park 30250 Ipoh, Perak	Office & workshop	4,887	2,100	Leasehold 01.03.2095	0.23	9
Lot 30502 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak	Workshop for rental	6,806	6,806	Freehold	0.34	33

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
204 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak	Shoplot for rental	1,740	2,792	Freehold	0.36	30
Lot 5688 Parit Buntar Industrial Park 34200 Perak	Levelled industrial land for rental	174,240		Leasehold 28.11.2044	0.26	
478 – 481 Taman Kota Jaya Jalan Kampong Dew 34700 Simpang, Taiping, Perak	Showroom, service & spare parts centre	9,092	14,457	Leasehold 16.11.2065	0.67	25
119 Jalan Changkat Jong 36000 Teluk Intan, Perak	Showroom	2,979	2,740	Freehold	0.18	26
Lot 2224 Jalan Changkat Jong 36000 Teluk Intan, Perak	Vacant land	26,299		Freehold	0.49	
39 Jalan Durian Taman Kampar Jaya 31900 Kampar, Perak	Shoplot for rental	3,088	4,639	Leasehold 23.11.2060	0.15	22
41 Jalan Durian Taman Kampar Jaya 31900 Kampar, Perak	Shoplot for rental	1,600	4,639	Leasehold 23.11.2060	0.13	22
Plot 12 & 13 Slim Indah 35800 Slim River, Perak	Shoplots for rental	5,821	5,821	Leasehold 20.03.2082	0.19	22
23 Weld Quay/ 274 Victoria Street 10300 Pulau Pinang	Showroom & office for rental	17,967	53,951	Freehold	6.59	33
127 Jalan Petani 10150 Pulau Pinang	Spare parts store & workshop	10,883	7,316	Freehold	0.87	19
1461 Jalan Besar, Sg Jawi 13700 Seberang Prai Selatan Pulau Pinang	Shoplot for rental	3,850	6,016	Freehold	0.20	19
996 Jalan Baru 13700 Seberang Prai Pulau Pinang	Showroom, workshop & spare parts centre	74,949	27,224	Freehold	3.79	21
196 Bkl G Jalan Sultan Azlan Shah 11900 Sg Tiram Pulau Pinang	Showroom, service & spare parts centre	104,639	52,640	Freehold	13.23	12
267 Jalan Baru 01000 Kangar, Perlis	Showroom	2,987	4,855	Leasehold 07.02.2083	0.29	21

# Group Properties

as at 31 December 2005

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
1 Jalan Tunggal 01000 Kangar, Perlis	Workshop	2,126	4,780	Leasehold 07.02.2083	0.23	21
27, 29 & 30D Seberang Jalan Putra Mergong 05150 Alor Setar, Kedah	Showroom, office & workshop for rental	7,408	6,775	Freehold	0.89	35
96J Jalan Seberang Putra 05150 Alor Setar, Kedah	Showroom, service & spare parts centre	24,383	19,558	Leasehold 09.04.2031	0.70	1
2838 Jalan Temenggong 15000 Kota Baru, Kelantan	Showroom, service & spare parts centre	14,749	11,142	Freehold	1.73	2
Plot 3 TL207528934 Jalan Tun Mustapha 87015 Labuan, Sabah	Showroom, office, workshop & warehouse	129,240	9,392	Leasehold 31.12.2042	1.93	8
5 <sup>3</sup> / <sub>4</sub> Miles (CL015333936) Jalan Tuaran, Inanam 88300 Kota Kinabalu, Sabah	Office & workshop	20,790	6,977	Leasehold 31.08.2026	0.97	12
5 <sup>1</sup> / <sub>2</sub> Miles (CL015328695) Jalan Tuaran, Inanam 88300 Kota Kinabalu, Sabah	Showroom, office, workshop & spare parts centre	99,490	22,000	Leasehold 31.12.2025	2.12	23
Lot 242 Jalan Abell 93100 Kuching, Sarawak	Showroom, service & spare parts centre	14,500	16,697	Leasehold 31.12.2024	0.57	28
Lot 9378, 2 <sup>1</sup> / <sub>2</sub> Miles Jalan Pending/Jalan Sg Priok 93450 Kuching, Sarawak	Vacant land	68,972		Leasehold 21.10.2796	2.76	
Lot 869 Section 66 Jalan Kemajuan Pending Industrial Estate 93450 Kuching, Sarawak	Showroom, office, workshop, store & vehicle storage yard	32,668	2,491	Leasehold 31.12.2034	0.49	10
Lot 1933, Blok 3, MCLD Jalan Piasau Utara 1 Piasau Industrial Estate 98000 Miri, Sarawak	Showroom, office & store	4,899	1,650	Leasehold 08.12.2052	0.34	8

# Shareholders' Statistics

as at 31 March 2006

## SHARE CAPITAL

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

## ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 – 99	117	0.7418	2,603	0.0004
100 – 999	4,558	28.8975	4,451,722	0.6624
1,001 – 10,000	9,147	57.9915	39,364,865	5.8579
10,001 – 100,000	1,697	10.7589	49,372,758	7.3471
100,001 – 33,599,999	251	1.5913	263,839,066	39.2618
33,600,000 and above	3	0.0190	312,599,986	46.5179
<b>Sub-Total</b>	<b>15,773</b>	<b>100.0000</b>	<b>669,631,000</b>	<b>99.6475</b>
Treasury shares			2,369,000	0.3525
<b>Total</b>			<b>672,000,000</b>	<b>100.0000</b>

## DIRECTORS' SHAREHOLDINGS (as per Register of Directors' Shareholdings)

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
1. Dato' Tan Heng Chew	13,164,462	1.97	305,578,462	45.63 <sup>(1)</sup>
2. Tan Eng Soon	2,956,000	0.44	305,578,462	45.63 <sup>(1)</sup>
3. Azman bin Badrillah	20,000	— <sup>(2)</sup>	—	—
4. Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	— <sup>(2)</sup>	—	—

### Notes:

- (1) Deemed interest by virtue of interest in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.  
 (2) Less than 0.01%.

## SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
1. Tan Chong Consolidated Sdn Bhd	304,266,662	45.44	—	—
2. Nissan Motor Co Ltd	37,333,324	5.58	—	—
3. AllianceBernstein L.P.	34,104,200	5.09	—	—
4. Dato' Tan Heng Chew	13,164,462	1.97	305,578,462	45.63 <sup>(1)</sup>
5. Tan Eng Soon	2,956,000	0.44	305,578,462	45.63 <sup>(1)</sup>
6. Dato' Tan Kim Hor	1,074,834	0.16	304,266,662	45.44 <sup>(2)</sup>
7. Dato' Tan Boon Pun	20,427	— <sup>(5)</sup>	304,266,942	45.44 <sup>(3)</sup>
8. Dr. Tan Ban Leong	260,400	0.04	304,266,662	45.44 <sup>(2)</sup>
9. Dr. Tan Kang Leong	10,000	— <sup>(5)</sup>	304,266,662	45.44 <sup>(2)</sup>
10. Tan Beng Keong	—	—	304,266,662	45.44 <sup>(2)</sup>
11. Tan Chee Keong	29,000	— <sup>(5)</sup>	304,266,662	45.44 <sup>(2)</sup>
12. Tan Hoe Pin	10,000	— <sup>(5)</sup>	304,266,662	45.44 <sup>(2)</sup>
13. Tan Kheng Leong	—	—	304,266,662	45.44 <sup>(2)</sup>
14. AXA Financial, Inc	—	—	34,104,200	5.09 <sup>(4)</sup>

### Notes:

- (1) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Wealthmark Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.  
 (2) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.  
 (3) Deemed interest by virtue of interests in Tan Chong Consolidated Sdn Bhd and Progroup Nominees Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.  
 (4) Deemed interest by virtue of interest in AllianceBernstein L.P. pursuant to Section 6A of the Companies Act, 1965.  
 (5) Less than 0.01%

# Shareholders' Statistics

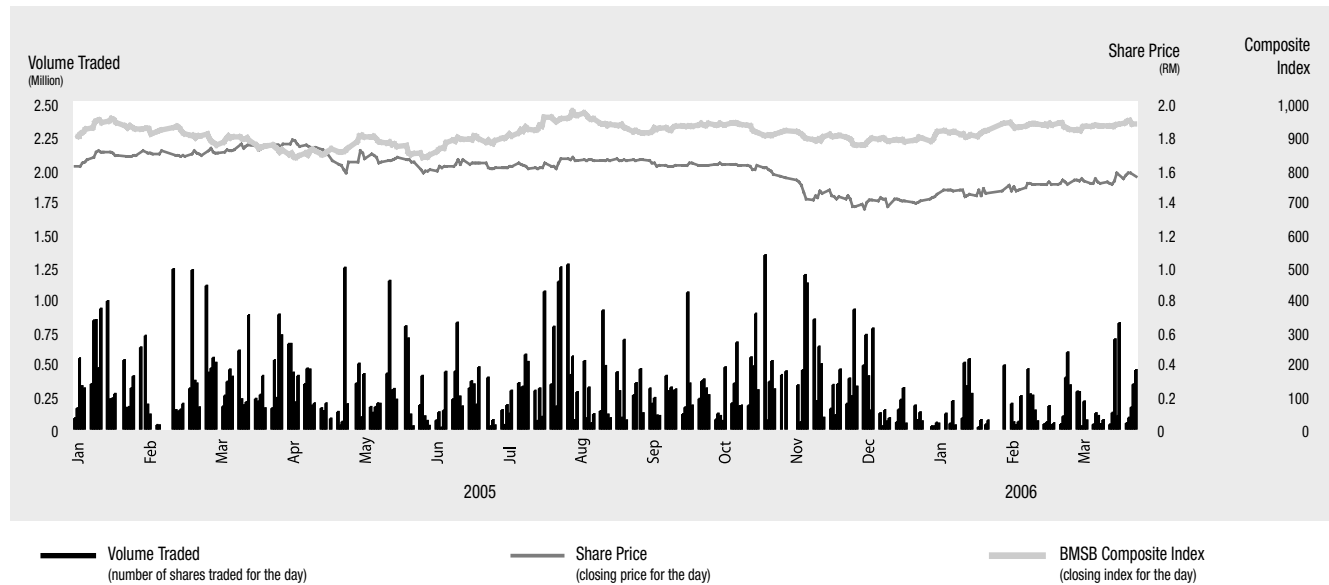
as at 31 March 2006

## THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Tan Chong Consolidated Sdn Bhd	230,266,662	34.3871
2. Mayban Nominees (Tempatan) Sdn Bhd <i>Tan Chong Consolidated Sdn Bhd (N14011984860)</i>	45,000,000	6.7201
3. Cartaban Nominees (Asing) Sdn Bhd <i>Exempt An for Daiwa Securities SMBC Co Ltd (Clients)</i>	37,333,324	5.5752
4. Employees Provident Fund Board	24,760,800	3.6977
5. Cimsec Nominees (Tempatan) Sdn Bhd <i>Allied Investments Limited for Tan Chong Consolidated Sdn Bhd</i>	20,000,000	2.9867
6. HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Sanford C Bernstein &amp; Co Delaware Business Trust</i>	9,949,400	1.4858
7. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)</i>	9,000,000	1.3440
8. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Tan Heng Chew (Margin-MM1063)</i>	7,953,100	1.1877
9. Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund SW8N for California Public Employees Retirement System</i>	6,890,800	1.0290
10. Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund 2R26 for Emerging Markets Portfolio (SC Bernstein FD)</i>	6,322,700	0.9442
11. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for The State Teachers Retirement System Of Ohio (Sanford Emerg)</i>	6,099,000	0.9108
12. Key Development Sdn Berhad	4,740,000	0.7079
13. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew (E-KLC)</i>	4,501,100	0.6722
14. Citigroup Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad (INV-IL Par)</i>	4,471,200	0.6677
15. HSBC Nominees (Asing) Sdn Bhd <i>HSBC TUB KGAA for SPB Investment Company Ltd</i>	4,370,700	0.6527
16. Universal Trustee (Malaysia) Berhad <i>SBB Emerging Companies Growth Fund</i>	4,225,200	0.6310
17. Cartaban Nominees (Asing) Sdn Bhd <i>State Street Luxembourg Fund M59E for ACM Bernstein Value Investments-Emerging Markets Value Portfolio</i>	4,126,500	0.6162
18. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An for Merrill Lynch Pierce Fenner &amp; Smith Incorporated (Foreign)</i>	3,833,000	0.5724
19. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Boronia Corporation</i>	3,690,000	0.5510
20. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Guardis Investments Group Limited</i>	3,600,000	0.5376

Name	No. of Shares Held	%
21. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	3,485,700	0.5205
22. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Prudential Equity Income Fund (4801)</i>	3,446,500	0.5147
23. Gan Teng Siew Realty Sdn Berhad	3,380,900	0.5049
24. Chinchoo Investment Sdn Berhad	3,171,000	0.4735
25. HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lung Ma Investments Pte Ltd (Sin 9047-5)</i>	2,956,000	0.4414
26. AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	2,950,000	0.4405
27. Cimsec Nominees (Asing) Sdn Bhd <i>Exempt An for CIMB-GK Securities Pte Ltd (Retail Clients)</i>	2,792,480	0.4170
28. HSBC Nominees (Asing) Sdn Bhd <i>HSBC-FS for Schroder Asian Growth Fund</i>	2,701,900	0.4035
29. Cartaban Nominees (Asing) Sdn Bhd <i>Investors Bank and Trust Company for Ishares, Inc.</i>	2,667,600	0.3984
30. HSBC Nominees (Asing) Sdn Bhd <i>Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)</i>	2,509,000	0.3747
<b>TOTAL</b>	<b>471,194,566</b>	<b>70.3663</b>

## DAILY SHARE PRICES &amp; VOLUME TRADED ON BURSA MALAYSIA SECURITIES BERHAD



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting of TAN CHONG MOTOR HOLDINGS BERHAD will be held at the Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, Malaysia on Thursday, 18 May 2006 at 3:00 p.m. to transact the following businesses:

## Ordinary Business

1. To receive and consider the Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and Auditors thereto. **Resolution 1**
2. To declare a final dividend of 10% less income tax for the financial year ended 31 December 2005. **Resolution 2**
3. To re-elect the following Directors who are eligible and have offered themselves for re-election, in accordance with Article 101 of the Company's Articles of Association:
  - i. Azman bin Badrillah **Resolution 3**
  - ii. Dato' Ng Mann Cheong **Resolution 4**
  - iii. Seow Thiam Fatt **Resolution 5**
4. To re-appoint Ahmad bin Abdullah as Director pursuant to Section 129(6) of the Companies Act, 1965. **Resolution 6**
5. To re-appoint KPMG as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

## Special Business

6. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

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

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

**Resolution 8**
7. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised, to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through BMSB upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares purchased pursuant to this Resolution does not exceed 64,831,000 shares or ten per centum (10%) of the issued and paid-up share capital of the Company of 672,000,000 shares less 2,369,000 shares already purchased and held as treasury shares as at 31 March 2006.

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

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

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

- (i) at the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) at the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

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

**Resolution 9**

- 8. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

**PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH NISSAN MOTOR CO LTD GROUP**

“THAT, subject to the Companies Act, 1965 (“Act”), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“TCMH Group”) to enter into all arrangements and/or transactions with Nissan Motor Co Ltd Group involving the interests of the major shareholder or persons connected with the major shareholder of the TCMH Group (“Related Parties”) including those as set out in Paragraph 3.2.1 of the Circular to Shareholders dated 26 April 2006 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the “Shareholders’ Mandate”).

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

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

**Resolution 10**



9. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS WITH RENAULT S.A.S. GROUP**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Renault s.a.s. Group involving the interests of the major shareholder or persons connected with the major shareholder of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.2 of the Circular to Shareholders dated 26 April 2006 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

**Resolution 11**

10. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.3.1 of the Circular to Shareholders dated 26 April 2006 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

**Resolution 12**

11. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with APM Automotive Holdings Berhad Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.3.2 of the Circular to Shareholders dated 26 April 2006 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

**Resolution 13**

12. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Tan Chong International Limited Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.3.3 of the Circular to Shareholders dated 26 April 2006 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

**Resolution 14**

13. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Auto Dunia Sdn Bhd involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.4 of the Circular to Shareholders dated 26 April 2006 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

**Resolution 15**

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

By order of the Board

YAP BEE LEE  
Company Secretary

Kuala Lumpur  
26 April 2006

**NOTES:**

1. A member entitled to vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote for him. A proxy need not be a member of the Company, and, where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. 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.
3. An authorised nominee may appoint one proxy in respect of each securities account the authorised nominee holds in the Company standing to the credit of such securities account. Each appointment of proxy shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
4. The form of proxy must be deposited at the Registered Office of the Company, 62 - 68 Jalan Ipoh, 51200 Kuala Lumpur, Malaysia, not less than forty-eight hours before the time appointed for the meeting.

**EXPLANATORY NOTES ON SPECIAL BUSINESS:**

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

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

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors of the Company be empowered, as proposed in Resolution 8, to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being, for such purpose. This authority, unless revoked or varied at a general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

**2. Proposed Share Buy-Back**

The proposed Resolution 9, if passed, will empower the Directors of the Company to purchase up to 64,831,000 ordinary shares of RM0.50 each in the Company representing an amount not exceeding 10% of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 26 April 2006, despatched together with the Company's 2005 Annual Report.

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

The proposed resolutions 10, 11, 12, 13, 14 and 15, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on resolutions 10, 11, 12, 13, 14 and 15 are set out in the Circular to Shareholders dated 26 April 2006, despatched together with the Company's 2005 Annual Report.

# Statement Accompanying Notice of Annual General Meeting

## **Directors Standing for Re-election at the Thirty-Fourth Annual General Meeting**

The Directors standing for re-election pursuant to Article 101 of the Company's Articles of Association are Azman bin Badrillah, Dato' Ng Mann Cheong and Seow Thiam Fatt. Details of these Directors are set out in the section entitled "Profiles of the Board of Directors" on pages 10 to 11 of the Annual Report. As at 31 March 2006, Azman bin Badrillah had a direct interest in 20,000 shares in the Company whereas Dato' Ng Mann Cheong and Seow Thiam Fatt did not have any shares in the Company.

## **Director Standing for Re-Appointment at the Thirty-Fourth Annual General Meeting**

Ahmad bin Abdullah is standing for re-appointment as director pursuant to Section 129(6) of the Companies Act, 1965. His particulars are set out in the section entitled "Profiles of the Board of Directors" on page 10 of the Annual Report. As at 31 March 2006, Ahmad bin Abdullah did not have any shares in the Company.

## **Details of Attendance of the Directors at Board Meetings**

There were a total of six (6) board meetings held during the financial year ended 31 December 2005 and the details of the attendance of the Directors who are standing for re-election and re-appointment are set out in the section entitled "Profiles of the Board of Directors" on pages 10 to 11 of the Annual Report.

## **Date, Time and Place of the Thirty-Fourth Annual General Meeting**

Date : Thursday, 18 May 2006

Time : 3:00 p.m.

Place : Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, Malaysia

# Notice of Dividend Entitlement and Book Closure

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Thirty-Fourth Annual General Meeting of Tan Chong Motor Holdings Berhad, a final dividend of 10% less income tax will be paid on 23 June 2006 to shareholders whose names appear in the Register of Members on book closure date on 26 May 2006. The entitlement date shall be 25 May 2006.

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

- (1) shares transferred into the depositor's securities account before 4:00 p.m. on 25 May 2006 in respect of ordinary transfers;
- (2) shares deposited into the depositor's securities account before 12:30 p.m. on 23 May 2006 in respect of shares exempted from mandatory deposit;  
and
- (3) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

By order of the Board

YAP BEE LEE  
Company Secretary

Kuala Lumpur  
26 April 2006

CDS account no. of authorised nominee

I/We \_\_\_\_\_  
(name of shareholder as per NRIC, in capital letters)

IC No./ID No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)

of \_\_\_\_\_ (full address)

being a member(s) of TAN CHONG MOTOR HOLDINGS BERHAD, hereby appoint \_\_\_\_\_

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

or failing him/her \_\_\_\_\_ (name of proxy as per NRIC, in capital letters)

IC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) or failing him/her

the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at the Grand Ballroom, Grand Seasons Hotel, No. 72, Jalan Pahang, 53000 Kuala Lumpur, Malaysia, on Thursday, 18 May 2006 at 3:00 p.m., and at any adjournment thereof, as indicated below:

		For	Against
Resolution 1	Financial Statements and Reports of the Directors and Auditors		
Resolution 2	Final Dividend		
Resolution 3	Re-election of Azman bin Badrillah as Director		
Resolution 4	Re-election of Dato' Ng Mann Cheong as Director		
Resolution 5	Re-election of Seow Thiam Fatt as Director		
Resolution 6	Re-appointment of Ahmad bin Abdullah as Director		
Resolution 7	Re-appointment of KPMG as Auditors		
Resolution 8	Proposed Grant of Authority pursuant to Section 132D of the Companies Act, 1965		
Resolution 9	Proposed Renewal of Authority for the Company to purchase its own ordinary shares		
Resolution 10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Nissan Motor Co Ltd Group		
Resolution 11	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Renault s.a.s. Group		
Resolution 12	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad Group		
Resolution 13	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad Group		
Resolution 14	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited Group		
Resolution 15	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd		

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

\_\_\_\_\_  
Signature/Common Seal

Number of shares held: \_\_\_\_\_

Date: \_\_\_\_\_

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

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

**Notes:**

- (1) An authorised nominee may appoint one proxy in respect of each securities account the authorised nominee holds in the Company standing to the credit of such securities account. Each appointment of proxy shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
- (2) A member entitled to vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote for him. A proxy need not be a member of the Company, and, where there are two proxies, the number of shares to be represented by each proxy must be stated.
- (3) 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.

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

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fold here

Affix  
Stamp  
here

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

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fold here