

# FINANCIAL STATEMENTS

14	Directors' Report	21	Income Statements
17	Statement by Directors	22	Consolidated Income Statement (In USD Equivalent)
17	Statutory Declaration	23	Statements of Changes in Equity
18	Report of the Auditors	24	Cash Flow Statements
19	Balance Sheets	26	Notes to the Financial Statements
20	Consolidated Balance Sheet (In USD Equivalent)		

## Directors' Report

for the year ended 31 December 2002

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 2002.

### 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 25 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	102,960	21,216

### 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 8% less tax totalling RM19,353,600 in respect of the year ended 31 December 2001 on 28 June 2002, and
- (ii) an interim dividend of 4% tax exempt totalling RM13,440,000 in respect of the year ended 31 December 2002 on 18 September 2002.

The final dividend recommended by the Directors in respect of the year ended 31 December 2002 is 9% less tax totalling RM21,716,100.

### 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  
 Geh Cheng Hooi  
 Dato' Ng Mann Cheong  
 Dato' Haji Kamaruddin @ Abas bin Nordin  
 Seow Thiam Fatt (appointed on 3.7.2002)  
 Kenji Naito (resigned on 28.2.2003)  
 Dato' Tan Kim Hor (not re-appointed at the Annual General Meeting on 29.5.2002)

**DIRECTORS' REPORT**

for the year ended 31 December 2002

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 31.12.2002
	At 1.1.2002	Bought	Sold	
Shareholdings in which Directors have direct interest				
Interest in the Company:				
Dato' Tan Heng Chew	25,662	-	-	25,662
Tan Eng Soon	1,400,000	900,000	-	2,300,000
Azman bin Badrillah	10,000	-	-	10,000
Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	-	-	2,992

Shareholdings in which Directors have deemed interest

Interest in the Company:				
Dato' Tan Heng Chew	304,266,662	-	-	304,266,662
Tan Eng Soon	304,266,662	-	-	304,266,662

Dato' Tan Heng Chew and Tan Eng Soon are deemed interested in the shares of the subsidiaries of the Company by virtue of their shareholdings in the Company. Details of their deemed shareholdings in non-wholly owned subsidiaries are shown in Note 25 to the financial statements.

None of the other Directors holding office at 31 December 2002 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**

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.

**DIRECTORS' REPORT**

for the year ended 31 December 2002

**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 provision 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 provision 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.

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 impairment loss on revalued freehold land as disclosed in Note 15 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2002 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

**Seow Thiam Fatt**  
Director

Kuala Lumpur  
18 March 2003

## 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 19 to 50, except for pages 20 and 22 which are expressed in USD, are drawn up in accordance with 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 2002 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

**Seow Thiam Fatt**  
Director

Kuala Lumpur  
18 March 2003

## Statutory Declaration

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

I, Tan Eng Guan, 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 19 to 50, except for pages 20 and 22 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  
Tan Eng Guan (MIA 8834) at Kuala Lumpur in the  
Federal Territory this 18 March 2003.

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 19 to 50. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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 statements 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 2002 and the results of their operations and cash flows for the year ended on that date,
  - (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 25 to the financial statements and we have considered their financial statements and the auditors' report thereon except as mentioned in Note 25 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

Kuala Lumpur

18 March 2003

**Ng Kim Tuck**

Partner

Approval Number: 1150/03/04(J/PH)

## Balance Sheets

at 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Property, plant and equipment</b>	2	<b>203,786</b>	211,056	<b>1,503</b>	1,268
<b>Investments in subsidiaries</b>	3	<b>-</b>	-	<b>310,991</b>	308,317
<b>Investments in associates</b>	4	<b>2,266</b>	2,021	-	-
<b>Other investments</b>	5	<b>1,806</b>	1,807	-	-
<b>Hire purchase receivables</b>	6	<b>192,509</b>	135,241	-	-
		<b>400,367</b>	350,125	<b>312,494</b>	309,585
<b>Current assets</b>					
Inventories	7	<b>291,596</b>	291,881	-	-
Trade and other receivables	8	<b>135,333</b>	109,268	<b>165,244</b>	182,625
Hire purchase receivables	6	<b>73,978</b>	52,477	-	-
Other investments	5	<b>48,919</b>	25,437	-	-
Cash and cash equivalents	9	<b>120,389</b>	164,330	<b>635</b>	975
		<b>670,215</b>	643,393	<b>165,879</b>	183,600
<b>Current liabilities</b>					
Trade and other payables	10	<b>112,117</b>	103,160	<b>6,767</b>	7,089
Borrowings	11	<b>11,167</b>	2,427	-	-
Taxation		<b>15,872</b>	27,811	<b>3,732</b>	4,815
		<b>139,156</b>	133,398	<b>10,499</b>	11,904
<b>Net current assets</b>		<b>531,059</b>	509,995	<b>155,380</b>	171,696
		<b>931,426</b>	860,120	<b>467,874</b>	481,281
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Share capital	12	<b>336,000</b>	336,000	<b>336,000</b>	336,000
Reserves	13	<b>575,318</b>	505,034	<b>131,679</b>	143,257
Treasury shares	12	<b>(1,842)</b>	-	<b>(1,842)</b>	-
		<b>909,476</b>	841,034	<b>465,837</b>	479,257
<b>Minority shareholders' interests</b>	14	<b>13,241</b>	11,126	-	-
<b>Long term and deferred liabilities</b>					
Deferred taxation		<b>555</b>	218	-	-
Retirement benefits		<b>8,154</b>	7,742	<b>2,037</b>	2,024
		<b>8,709</b>	7,960	<b>2,037</b>	2,024
		<b>931,426</b>	860,120	<b>467,874</b>	481,281

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2003.

*The notes set out on pages 26 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.*

## Consolidated Balance Sheet

at 31 December 2002

(In USD equivalent)	2002 USD'000	2001 USD'000
Property, plant and equipment	53,628	55,541
Investments in associates	596	532
Other investments	475	475
Hire purchase receivables	50,661	35,590
	105,360	92,138
<b>Current assets</b>		
Inventories	76,736	76,811
Trade and other receivables	35,614	28,755
Hire purchase receivables	19,468	13,810
Other investments	12,873	6,694
Cash and cash equivalents	31,681	43,244
	176,372	169,314
<b>Current liabilities</b>		
Trade and other payables	29,504	27,147
Borrowings	2,939	639
Taxation	4,177	7,319
	36,620	35,105
<b>Net current assets</b>	139,752	134,209
	245,112	226,347
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	88,421	88,421
Reserves	151,400	132,904
Treasury Shares	(485)	-
	239,336	221,325
<b>Minority shareholders' interests</b>	3,484	2,928
<b>Long term and deferred liabilities</b>		
Deferred taxation	146	57
Retirement benefits	2,146	2,037
	2,292	2,094
	245,112	226,347

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2003.

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

*Figures for both 2002 and 2001 are converted into USD equivalent using the same exchange rate of RM3.80 = USD1.00, which approximates that prevailing on 31.12.2002.*



## Income Statements

for the year ended 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Revenue</b>	15	<b>1,526,933</b>	1,500,585	<b>30,057</b>	35,310
<b>Operating profit</b>	15	<b>142,510</b>	145,674	<b>24,615</b>	27,364
Interest expense		(148)	(129)	(86)	(84)
Interest income		6,350	6,069	4,125	4,417
Share of profit of associates		716	739	-	-
<b>Profit before taxation</b>		<b>149,428</b>	152,353	<b>28,654</b>	31,697
Tax expense	17	(44,353)	(41,383)	(7,438)	(8,303)
<b>Profit after taxation</b>		<b>105,075</b>	110,970	<b>21,216</b>	23,394
Less: Minority interests		(2,115)	(2,211)	-	-
<b>Net profit for the year</b>		<b>102,960</b>	108,759	<b>21,216</b>	23,394
Basic earnings per ordinary share (sen)	18	<b>15.3</b>	16.2		
Dividends per ordinary share (sen)	19	<b>6.5</b>	7.0	<b>6.5</b>	7.0

The notes set out on pages 26 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.

## Consolidated Income Statement

for the year ended 31 December 2002

(In USD equivalent)	2002 USD'000	2001 USD'000
<b>Revenue</b>	<b>401,824</b>	394,891
<b>Operating profit</b>	<b>37,503</b>	38,335
Interest expense	(39)	(34)
Interest income	1,671	1,597
Share of profit of associates	188	194
<b>Profit before taxation</b>	<b>39,323</b>	40,092
Tax expense	(11,672)	(10,890)
<b>Profit after taxation</b>	<b>27,651</b>	29,202
Less : Minority interests	(557)	(582)
<b>Net profit for the year</b>	<b>27,094</b>	28,620
Basic earnings per ordinary share (US cents)	<b>4.0</b>	4.3
Dividends per ordinary shares (US cents)	<b>1.7</b>	1.8

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*Figures for both 2002 and 2001 are converted into USD equivalent using the same exchange rate of RM3.80 = USD1.00, which approximates that prevailing on 31.12.2002.*

## Statements of Changes in Equity

for the year ended 31 December 2002

Group	Note	Reserves								Total
		Non-distributable				Distributable				
		Share capital	Treasury shares	Surplus on revaluation of properties	Translation reserve	Goodwill on consolidation	Capitalisation of retained profits	Retained profits	Sub-total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 1 January 2001</b>		336,000	-	23	1,366	(118)	100	423,934	425,305	761,305
Net profit for the year		-	-	-	-	-	-	108,759	108,759	108,759
Dividends										
- 2000 final	19	-	-	-	-	-	-	(14,515)	(14,515)	(14,515)
- 2001 interim	19	-	-	-	-	-	-	(14,515)	(14,515)	(14,515)
<b>At 31 December 2001/ 1 January 2002</b>		336,000	-	23	1,366	(118)	100	503,663	505,034	841,034
Net profit for the year		-	-	-	-	-	-	102,960	102,960	102,960
Repurchase of shares	12	-	(1,842)	-	-	-	-	-	-	(1,842)
Acquisition of subsidiary		-	-	-	-	(17)	-	-	(17)	(17)
Impairment loss for the year		-	-	-	-	135	-	-	135	135
Dividends										
- 2001 final	19	-	-	-	-	-	-	(19,354)	(19,354)	(19,354)
- 2002 interim	19	-	-	-	-	-	-	(13,440)	(13,440)	(13,440)
<b>At 31 December 2002</b>		<b>336,000</b>	<b>(1,842)</b>	<b>23</b>	<b>1,366</b>	<b>-</b>	<b>100</b>	<b>573,829</b>	<b>575,318</b>	<b>909,476</b>
		Note 12	Note 12							

Company	Note	Share capital	Treasury shares	Distributable Retained profits	Total
		RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2001</b>		336,000	-	148,893	484,893
Net profit for the year		-	-	23,394	23,394
Dividends					
- 2000 final	19	-	-	(14,515)	(14,515)
- 2001 interim	19	-	-	(14,515)	(14,515)
<b>At 31 December 2001/1 January 2002</b>		336,000	-	143,257	479,257
Net profit for the year		-	-	21,216	21,216
Repurchase of shares	12	-	(1,842)	-	(1,842)
Dividends					
- 2001 final	19	-	-	(19,354)	(19,354)
- 2002 interim	19	-	-	(13,440)	(13,440)
<b>At 31 December 2002</b>		<b>336,000</b>	<b>(1,842)</b>	<b>131,679</b>	<b>465,837</b>
		Note 12	Note 12		

The notes set out on pages 26 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.

## Cash Flow Statements

for the year ended 31 December 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	149,428	152,353	28,654	31,697
Adjustments for:				
Depreciation and amortisation	11,559	12,575	396	277
Dividend income	(172)	(172)	(28,540)	(35,012)
Gain on disposal of property, plant and equipment	(239)	(128)	-	(1)
Gain on disposal of investment in unquoted shares	-	(869)	-	-
Interest expense	148	129	86	84
Interest income	(6,350)	(6,069)	(4,125)	(4,417)
Impairment loss on goodwill	135	-	-	-
Impairment loss on revalued freehold land	5,201	-	-	-
Property, plant and equipment written off	21	1,005	-	-
Retirement benefits charged	1,519	888	109	137
Reversal of allowance for diminution in value of investments	(1,249)	(119)	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	(2,674)	(452)
Share of profit of associates	(716)	(739)	-	-
Operating profit/(loss) before working capital changes	159,285	158,854	(6,094)	(7,687)
(Increase)/Decrease in working capital:				
Inventories	285	(12,227)	-	-
Hire purchase receivables	(78,769)	(83,710)	-	-
Trade and other receivables	(26,064)	6,212	17,381	7,239
Trade and other payables	8,951	(12,275)	(322)	535
Cash generated from operations	63,688	56,854	10,965	87
Income taxes paid	(56,388)	(37,917)	(8,521)	(9,820)
Interest paid	(148)	(129)	(86)	(84)
Interest received	6,350	6,069	4,125	4,417
Retirement benefits paid	(1,107)	(125)	-	(1)
Retirement benefits transferred	-	-	(96)	243
<b>Net cash generated from/(used in) operating activities</b>	<b>12,395</b>	<b>24,752</b>	<b>6,387</b>	<b>(5,158)</b>

**CASH FLOW STATEMENTS**

for the year ended 31 December 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary, net of cash acquired (Note 26)	156	-	-	-
Dividends received from other investments	172	172	-	-
Dividends received from subsidiaries	-	-	28,540	35,012
Dividends received from associates	1,986	2,778	-	-
Proceeds from disposal of property, plant and equipment	607	411	10	3
Proceeds from disposal of investment in unquoted shares	-	989	-	-
Proceeds from disposal of other current investments	-	2,626	-	-
Purchase of property, plant and equipment	(9,879)	(10,926)	(641)	(275)
Purchase of other current investments	(23,482)	-	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(30,440)</b>	<b>(3,950)</b>	<b>27,909</b>	<b>34,740</b>
<b>Cash flows from financing activities</b>				
Purchase of own shares	(1,842)	-	(1,842)	-
Dividends paid to shareholders of the Company	(32,794)	(29,030)	(32,794)	(29,030)
Proceeds from bills payable	790	616	-	-
Repayment of bills payable	(762)	(1,444)	-	-
Proceeds from term loan	10,000	-	-	-
<b>Net cash used in financing activities</b>	<b>(24,608)</b>	<b>(29,858)</b>	<b>(34,636)</b>	<b>(29,030)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(42,653)</b>	<b>(9,056)</b>	<b>(340)</b>	<b>552</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>162,207</b>	<b>171,263</b>	<b>975</b>	<b>423</b>
<b>Cash and cash equivalents at end of year</b>	<b>119,554</b>	<b>162,207</b>	<b>635</b>	<b>975</b>

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash and bank balances	27,873	27,116	635	975
Deposits	92,516	137,214	-	-
Bank overdrafts	(835)	(2,123)	-	-
	<b>119,554</b>	<b>162,207</b>	<b>635</b>	<b>975</b>

The notes set out on pages 26 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.

# Notes to the Financial Statements

31 December 2002

## 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 except for the adoption of the following:

- (i) MASB 20, Provisions, Contingent Liabilities and Contingent Assets and MASB 21, Business Combination (see Note 26) which are applied retrospectively. The adoption of MASB 20 and MASB 21 does not have a material impact on the financial statements,
- (ii) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented,
- (iii) MASB 24, Financial Instruments: Disclosure and Presentation which has been adopted prospectively.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with 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 reserve on consolidation 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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2002

**1. Summary of Significant Accounting Policies (Cont'd)****(d) Property, plant and equipment**

Property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation.

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.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

**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:

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

**(e) 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.

Investments in subsidiaries are stated at cost/valuation 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).

Investment in money market funds is 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.

**(f) Trade and other receivables**

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2002

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

**(h) 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. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

**(i) Impairment**

The carrying amount of the Group's assets, other than inventories (refer note 1(g)) 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 a 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 determined, net of depreciation or amortisation, if no impairment loss has 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.



**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2002

**1. Summary of Significant Accounting Policies (Cont'd)****(j) Liabilities**

Borrowings and trade and other payables are stated at cost.

**(k) 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.

**(l) Taxation**

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

**(m) 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	RM3.80	(2001 : 1USD	RM3.80)
1HKD	RM0.49	(2001 : 1HKD	RM0.49)
1SGD	RM2.18	(2001 : 1SGD	RM2.04)
100Yen	RM3.19	(2001 : 100Yen	RM2.88)

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2002

**1. Summary of Significant Accounting Policies (Cont'd)****(n) Derivative financial instruments**

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

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

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.

**(o) 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 the 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.

**(p) Interest expense**

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

**(q) 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 2002

**2. Property, Plant and Equipment**

	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Furniture, fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
<b>Group</b>									
<b>Cost/Valuation</b>									
Opening balance	65,000	76,741	5,290	92,580	73,634	34,740	13,015	1,803	362,803
Additions	-	-	-	1,969	106	2,807	2,766	2,231	9,879
Disposals	-	-	-	-	(167)	(264)	(1,622)	-	(2,053)
Transfers	-	-	-	1,889	1,237	348	19	(3,493)	-
Written off	-	-	-	-	(193)	(614)	(30)	-	(837)
Impairment loss on revalued freehold land	(5,201)	-	-	-	-	-	-	-	(5,201)
Closing balance	59,799	76,741	5,290	96,438	74,617	37,017	14,148	541	364,591
<b>Representing items at:</b>									
Cost	23,683	15,923	4,652	45,418	74,617	37,017	14,148	541	215,999
Directors' valuation	36,116	60,818	638	51,020	-	-	-	-	148,592
	59,799	76,741	5,290	96,438	74,617	37,017	14,148	541	364,591
<b>Accumulated depreciation</b>									
Opening balance	-	14,072	1,639	42,101	56,029	28,834	9,072	-	151,747
Charge for the year	-	875	158	2,967	3,537	2,271	1,751	-	11,559
Disposals	-	-	-	-	(151)	(195)	(1,339)	-	(1,685)
Written off	-	-	-	-	(193)	(593)	(30)	-	(816)
Closing balance	-	14,947	1,797	45,068	59,222	30,317	9,454	-	160,805
<b>Net book value</b>									
At 31 December 2002	<b>59,799</b>	<b>61,794</b>	<b>3,493</b>	<b>51,370</b>	<b>15,395</b>	<b>6,700</b>	<b>4,694</b>	<b>541</b>	<b>203,786</b>
At 31 December 2001	65,000	62,669	3,651	50,479	17,605	5,906	3,943	1,803	211,056
Depreciation charge for the year ended 31 December 2001	-	874	145	2,864	5,169	2,030	1,493	-	12,575

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

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

<b>Company</b>	<b>Buildings</b>	<b>Furniture, fixtures, fittings and office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening balance	690	484	1,107	2,281
Additions	-	50	591	641
Disposals	-	(38)	-	(38)
Written off	-	(144)	-	(144)
Closing balance	690	352	1,698	2,740
<b>Accumulated depreciation</b>				
Opening balance	110	379	524	1,013
Charge for the year	14	42	340	396
Disposals	-	(28)	-	(28)
Written off	-	(144)	-	(144)
Closing balance	124	249	864	1,237
<b>Net book value</b>				
At 31 December 2002	566	103	834	1,503
At 31 December 2001	580	105	583	1,268
Depreciation charge for the year ended 31 December 2001	14	42	221	277

**Revaluation**

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

The net book value of the revalued properties had they been stated at cost less accumulated depreciation calculated on original cost as required by Malaysian Accounting Standards Board ("MASB") Standard No. 15 on "Property, Plant and Equipment" is not shown as the records are not available since the revaluation was done in 1984.

The potential deferred tax liability relating to the increase in the carrying value of certain land and buildings upon their revaluation in 1984 is not shown as the amount is not material to the Group.

**Titles**

The titles to certain properties with a cost of RM1.94 million (2001 – RM1.94 million) have yet to be issued by the relevant authorities.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**3. Investments in Subsidiaries**

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares		
At cost	<b>135,289</b>	135,289
At Directors' valuation in 1984	<b>179,300</b>	179,300
	<b>314,589</b>	314,589
Less: Impairment loss	<b>(3,598)</b>	(6,272)
	<b>310,991</b>	308,317

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	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	<b>1,750</b>	625
Share of post-acquisition reserve	<b>516</b>	1,396
	<b>2,266</b>	2,021
Represented by:		
Group's share of net assets	<b>2,266</b>	2,021

The associates of the Group, all of which are incorporated in Malaysia, are as follows:

Name of company	Principal activities	Effective ownership interest	
		2002 %	2001 %
Kanzen Energy Ventures Sdn Bhd *	Investment holding	<b>25</b>	25
Structurflex Sdn Bhd	Manufacture of truck side curtains components	<b>50</b>	50
Ragib-TC Security Services Sdn Bhd	Dormant	<b>50</b>	50

\* This investment was reclassified from other long term investments during the year.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**5. Other Investments**

	Group	
	2002	2001
	RM'000	RM'000
<i>Long term</i>		
Unquoted shares	1,806	3,056
Less: Allowance for diminution in value	-	(1,249)
	<u>1,806</u>	<u>1,807</u>
<i>Current</i>		
Investment in money market funds	<u>48,919</u>	<u>25,437</u>

**6. Hire Purchase Receivables**

	Group	
	2002	2001
	RM'000	RM'000
Hire purchase receivables	313,322	223,609
Less: Unearned interest	(44,838)	(34,365)
	<u>268,484</u>	<u>189,244</u>
Less: Allowance for doubtful debts	(1,997)	(1,526)
	<u>266,487</u>	<u>187,718</u>
Less than one year	73,978	52,477
Between one and five years	171,905	116,189
More than five years	20,604	19,052
	<u>266,487</u>	<u>187,718</u>

**7. Inventories**

	Group	
	2002	2001
	RM'000	RM'000
Raw materials	13,945	9,435
Manufactured inventories, trading inventories and assembled motor vehicles	132,469	125,052
Work-in-progress	8,666	9,180
Unassembled vehicle packs	96,853	112,684
Spare parts and others	39,663	35,530
	<u>291,596</u>	<u>291,881</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**7. Inventories (Cont'd)**

	Group	
	2002 RM'000	2001 RM'000
The following inventories are carried at net realisable value:		
Raw materials	1,898	1,459
Manufactured inventories, trading inventories and assembled motor vehicles	4,332	8,015
Unassembled vehicle packs	5,593	14,174
Spare parts and others	4,833	6,641
	<b>16,656</b>	<b>30,289</b>

During the year, there was a reversal of a write down of inventories of RM3,838,912 (2001 – RM5,233,072). The reversal arose from an increase in net realisable value as a result of improving prices for motor vehicles and spare parts during the year.

The reversal in previous year arose from an increase in net realisable value as a result of improving prices for commercial vehicles and spare parts.

**8. Trade and Other Receivables**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	128,446	100,979	-	-
Less: Allowance for doubtful debts	(8,364)	(9,582)	-	-
	<b>120,082</b>	91,397	-	-
Subsidiaries	-	-	166,948	184,456
Less: Allowance for doubtful debts	-	-	(2,207)	(2,207)
	-	-	164,741	182,249
Other receivables, deposits and prepayments	15,251	18,176	503	376
Less: Allowance for doubtful debts	-	(305)	-	-
	<b>15,251</b>	17,871	<b>503</b>	376
	<b>135,333</b>	109,268	<b>165,244</b>	182,625

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**9. Cash and Cash Equivalents**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash and bank balances	27,873	27,116	635	975
Deposits	92,516	137,214	-	-
	<b>120,389</b>	<b>164,330</b>	<b>635</b>	<b>975</b>
Deposits are placed with:				
Licensed banks	27,205	78,942	-	-
Licensed finance companies	16,219	29,387	-	-
Discount houses	49,092	28,885	-	-
	<b>92,516</b>	<b>137,214</b>	<b>-</b>	<b>-</b>

**10. Trade and Other Payables**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	60,876	56,894	-	-
Other payables and accrued expenses	51,241	46,266	2,351	3,202
Subsidiaries	-	-	4,416	3,887
	<b>112,117</b>	<b>103,160</b>	<b>6,767</b>	<b>7,089</b>

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

**11. Borrowings**

	Group	
	2002 RM'000	2001 RM'000
Current		
Bank overdrafts – secured	835	2,123
Bills payable – unsecured	332	304
Term loan – unsecured	10,000	-
	<b>11,167</b>	<b>2,427</b>

The bank overdrafts and bills payable of the Group are subject to interest at 5.00% to 6.90% (2001 – 3.20% to 7.30%) per annum. The bank overdrafts are secured by a negative pledge over the current and future assets of a subsidiary.

The term loan of the Group is subject to a fixed rate of 3.78% and is repayable on 8 October 2003.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**12. Share Capital**

	Group and Company	
	2002 RM'000	2001 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 29 May 2002 approved the Company's plan to purchase its own shares.

During the year, the Company purchased 1,750,000 of its issued shares from the open market. The average price paid for the shares purchased was RM1.0523 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 670,250,000 ordinary shares of RM0.50 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

**13. 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 2002 if paid out as dividends.

**14. Minority Shareholders' Interests**

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

**15. Operating Profit**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue				
Sale of goods	<b>1,455,783</b>	1,442,111	-	-
Services rendered	<b>50,685</b>	43,642	<b>1,517</b>	298
Hire purchase income	<b>20,465</b>	14,832	-	-
Dividend income	-	-	<b>28,540</b>	35,012
	<b>1,526,933</b>	1,500,585	<b>30,057</b>	35,310
Cost of sales				
Sale of goods	<b>(1,213,952)</b>	(1,210,374)	-	-
Services rendered	<b>(24,168)</b>	(19,250)	-	-
	<b>(1,238,120)</b>	(1,229,624)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

## 15. Operating Profit (Cont'd)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Gross profit</b>	<b>288,813</b>	270,961	<b>30,057</b>	35,310
Distribution costs	(84,131)	(73,702)	-	-
Administration expenses	(51,522)	(44,437)	(8,113)	(8,330)
Other operating expenses	(18,998)	(13,890)	(5)	(70)
Other operating income	8,348	6,742	2,676	454
<b>Operating profit</b>	<b>142,510</b>	145,674	<b>24,615</b>	27,364
Operating profit is arrived at after crediting:				
Bad debts recovered	34	-	-	-
Gross dividends from:				
Unquoted subsidiaries	-	-	28,540	35,012
Unquoted investments	172	172	-	-
Gain on disposal of investment in unquoted shares	-	869	-	-
Gain on disposal of property, plant and equipment	239	128	-	1
Gain on foreign exchange – realised	165	1,258	-	-
– unrealised	47	-	-	-
Reversal of inventories written down	3,839	5,233	-	-
Rental income on land and buildings	2,684	2,556	116	178
Reversal of allowance for:				
Diminution in value of investments	1,249	119	-	-
Doubtful debts	349	1,142	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	2,674	452
and after charging:				
Auditors' remuneration				
– current year provision	271	259	33	33
– underprovision in prior year	-	12	-	3
Allowance for doubtful debts	2,060	739	-	65
Bad debts written off	56	10	-	-
Company's Directors				
Remuneration	5,840	6,216	4,618	4,979
Fees	261	114	261	114
Depreciation and amortisation	11,559	12,575	396	277
Impairment loss on goodwill	135	-	-	-
Impairment loss on revalued freehold land	5,201	-	-	-
Inventories written down	162	1,174	-	-
Inventories written off	237	222	-	-
Loss of foreign exchange – unrealised	-	573	-	-
Property, plant and equipment written off	21	1,005	-	-
Provision for retirement benefits	1,519	888	109	137
Rental expense on land and buildings	4,090	3,482	434	430

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM86,042 (2001 – RM77,090) and RM86,042 (2001 – RM77,090) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**16. Employee Information**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Staff costs	<b>78,205</b>	71,574	<b>6,411</b>	6,472

The number of employees of the Group and of the Company (including Directors) at the end of the year was 2,512 (2001 – 2,341) and 21 (2001 – 18) respectively.

**17. Tax Expense**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current tax expense	<b>44,282</b>	43,348	<b>7,942</b>	9,803
Overprovision in prior years	<b>(352)</b>	(1,627)	<b>(504)</b>	(1,500)
	<b>43,930</b>	41,721	<b>7,438</b>	8,303
Deferred tax expense	<b>327</b>	(370)	–	–
Tax expense on share of profit of associates	<b>96</b>	32	–	–
	<b>44,353</b>	41,383	<b>7,438</b>	8,303

Subject to agreement by the Inland Revenue Board, the Group and the Company have potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Unutilised tax losses	<b>7,835</b>	8,555	–	–
Other timing differences	<b>27,349</b>	23,919	<b>2,870</b>	1,957

**18. Earnings per Ordinary Share – Group****Basic earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders of RM102.960 million (2001 – RM108.759 million) and the weighted average number of ordinary shares outstanding during the year of 671.667 million (2001 – 672 million).

**Weighted average number of ordinary shares**

	2002	2001
Issued ordinary shares at beginning of the year	<b>672,000,000</b>	672,000,000
Effect of shares purchased during the year	<b>(332,917)</b>	–
Weighted average number of ordinary shares	<b>671,667,083</b>	672,000,000

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**19. Dividends**

	Group and Company	
	2002 RM'000	2001 RM'000
Ordinary		
Interim paid:		
4% per share tax exempt (2001 – 6% per share less tax)	13,440	14,515
Final proposed:		
9% per share less tax (2001 – 8% per share less tax)	21,716	19,354
	<b>35,156</b>	<b>33,869</b>

***Proposed final dividend***

The proposed final dividend has not been accounted for in the financial statements.

***Dividend per ordinary share***

The calculation of dividend per share is based on the gross dividend for the financial year ended 31 December 2002 of RM43.601 million (2001 – RM47.040 million) and the number of ordinary shares in issue during the year of 672 million (2001 – 672 million) less treasury shares held of 1.750 million (2001 – Nil).

**20. 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 sale 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 services.
Other operations	Property and investment holding activities.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

## 20. Segmental Information (Cont'd)

	Vehicles assembly, distribution and after sale services		Hire purchase financing		Other operations		Eliminations		Consolidated	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Business segments</b>										
Revenue from external customers	1,506,386	1,485,635	20,465	14,832	82	118	-	-	1,526,933	1,500,585
Inter-segment revenue	398	-	-	-	3,017	2,411	(3,415)	(2,411)	-	-
<b>Total revenue</b>	<b>1,506,784</b>	<b>1,485,635</b>	<b>20,465</b>	<b>14,832</b>	<b>3,099</b>	<b>2,529</b>	<b>(3,415)</b>	<b>(2,411)</b>	<b>1,526,933</b>	<b>1,500,585</b>
<b>Segment result</b>	<b>124,184</b>	<b>134,444</b>	<b>19,026</b>	<b>13,446</b>	<b>1,999</b>	<b>1,485</b>	<b>-</b>	<b>-</b>	<b>145,209</b>	<b>149,375</b>
Unallocated expenses									(2,699)	(3,701)
<b>Operating profit</b>									<b>142,510</b>	<b>145,674</b>
Interest income									6,350	6,069
Interest expense									(148)	(129)
Share of profit of associates	716	739	-	-	-	-	-	-	716	739
<b>Profit before taxation</b>									<b>149,428</b>	<b>152,353</b>
Tax expense									(44,353)	(41,383)
Minority interests									(2,115)	(2,211)
<b>Net profit for the year</b>									<b>102,960</b>	<b>108,759</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

## 20. Segmental Information (Cont'd)

	Vehicles assembly, distribution and after sale services		Hire purchase financing		Other operations		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment assets</b>	<b>604,559</b>	584,968	<b>267,373</b>	188,205	<b>52,308</b>	53,054	-	-	<b>924,240</b>	826,227
Investment in associates	<b>2,266</b>	2,021	-	-	-	-	-	-	<b>2,266</b>	2,021
Unallocated assets									<b>144,076</b>	165,270
<b>Total assets</b>									<b>1,070,582</b>	993,518
<b>Segment liabilities</b>	<b>113,490</b>	103,435	<b>275</b>	178	<b>1,784</b>	1,729	-	-	<b>115,549</b>	105,342
Unallocated liabilities									<b>32,316</b>	36,016
<b>Total liabilities</b>									<b>147,865</b>	141,358
Capital expenditure	<b>8,609</b>	8,910	<b>198</b>	161	<b>1,072</b>	1,855			<b>9,879</b>	10,926
Depreciation and amortisation	<b>9,915</b>	11,211	<b>72</b>	33	<b>1,572</b>	1,331			<b>11,559</b>	12,575
Non-cash expenses other than depreciation and amortisation	<b>2,999</b>	1,080	<b>471</b>	345	<b>109</b>	202			<b>3,579</b>	1,627

## 21. Contingent Liabilities – Unsecured

	Group	
	2002 RM'000	2001 RM'000
Compensation claim on breach of contract	<b>46</b>	46

## 22. Commitments

	Group	
	2002 RM'000	2001 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	<b>5,814</b>	1,300
Contracted but not provided for in the financial statements	-	1,617
	<b>5,814</b>	2,917

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**23. Related Parties**

Controlling related party relationships are as follows:

- (i) The subsidiaries are disclosed in Note 25.
- (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 current and past Directors of the Company, namely Dato' Tan Heng Chew, Tan Eng Soon and Dato' Tan Kim Hor are deemed to have substantial financial interests, are as follows:

	Group	
	2002	2001
	RM'000	RM'000
<b>With WTCH Group</b>		
Purchases	3,100	1,634
Sales	(3,216)	(3,732)
Rental expense payable	629	665
Rental income receivable	(408)	(463)
	<hr/>	<hr/>
<b>With APM Group</b>		
Purchases	68,790	77,070
Sales	(1,293)	(455)
Rental income receivable	(925)	(962)
	<hr/>	<hr/>

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 current and past Directors of the Company, namely Dato' Tan Heng Chew, Tan Eng Soon and Dato' Tan Kim Hor are deemed to have substantial financial interests, are as follows:

	Group	
	2002	2001
	RM'000	RM'000
Purchases	105	155
Sales	(2,025)	(3,350)
	<hr/>	<hr/>

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

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

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

	Group	
	2002 RM'000	2001 RM'000
Purchases	385,339	423,448
Sales	(19,187)	(14,439)
Purchase of property, plant and equipment	702	4,274
Technical fees expense payable	2,637	2,486

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 current and past Directors of the Company, namely Dato' Tan Heng Chew, Tan Eng Soon and Dato' Tan Kim Hor by virtue of Section 122A of the Companies Act, 1965.

	Group	
	2002 RM'000	2001 RM'000
Sales	648	1,532

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:

	Company	
	2002 RM'000	2001 RM'000
Subsidiaries		
Gross dividends receivable	(28,540)	(35,012)
Interest income receivable	(4,124)	(4,417)
Management fees receivable	(1,435)	(180)
Rental income receivable	(27)	-
Rental expense payable	422	422
Interest expense payable	86	84
Purchases of property, plant and equipment	591	-



**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2002

**24. Financial Instruments****Financial risk management objectives and policies**

Exposure to credit, interest rate and currencies risk arises in the normal course of the Group 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 risk of the Group. The Treasury Department monitors the interest rate trend and currencies exchange rate movements on an ongoing basis. Arising from the analysis of the market situation and taking into consideration the advice of the Group's key bankers, the Treasury Department determines and varies the risk management objectives and tolerance limits of the Group from time to time.

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 purpose and also does not use any derivatives for speculative purposes.

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

**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 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; and in addition, in respect of derivatives of the Group, amounted to RM26,457,000 (2001 - RM48,139,000).

**Interest rate risk**

The Group does not have significant borrowings apart from a RM10 million 1 year-fixed rate term loan. The Group provides hire purchase loans at fixed rate for tenures of up to 7 years. These loans are currently funded by internal resources. The Group may consider entering into borrowings of matching tenures in order to lock-in its interest cost at the appropriate time in the future.

**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. The unrecognised gain or loss associated with anticipated future transactions is a gain of RM1,443,000 (2001 - loss of RM1,621,000).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**24. Financial Instruments (Cont'd)***Effective interest rates and repricing analysis*

	2002			2001		
	Effective interest rate	Total	Within 1 year	Effective interest rate	Total	Within 1 year
	%	RM'000	RM'000	%	RM'000	RM'000
<b>Group</b>						
<b>Financial assets</b>						
Money market funds	2.71	28,919	28,919	2.93	25,437	25,437
Short term deposits	3.70	92,516	92,516	3.81	137,214	137,214
<b>Financial liabilities</b>						
Secured overdrafts	6.90	835	835	7.30	2,123	2,123
Unsecured bills payable	5.00	332	332	3.35	304	304
Unsecured fixed rate term loan	3.78	10,000	10,000	-	-	-
<b>Company</b>						
<b>Financial assets</b>						
Amount due from certain subsidiaries	3.02	139,625	139,625	3.00	154,647	154,647
<b>Financial liability</b>						
Amount due to a subsidiary	3.02	3,171	3,171	2.85	2,986	2,986

**Fair values***Recognised financial instruments*

The aggregate fair values of the financial assets carried on the balance sheet as at 31 December are represented in the following table.

	2002		2001	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<b>Financial assets</b>				
Money market funds	48,919	49,206	25,437	25,437

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2002

**24. Financial Instruments (Cont'd)**

The fair values of the financial instruments 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 fair value due to the relatively short term nature of these financial instruments.

For the investment in unquoted shares where there is no 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. These investments are carried at their original cost less allowance for diminution in value of RM1,805,700 (2001 – RM1,806,700) in the balance sheet. At year end, the Group's proportionate share of the net tangible assets based on the management financial statements of the unquoted companies were RM4,057,315 (2001 – RM4,598,572).

**Company**

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

***Unrecognised financial instruments***

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

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

	Contracted amount RM'000	Within 1 year RM'000	Fair value RM'000
<b>Group</b>			
<b>2002</b>			
Forward foreign exchange contracts	<b>26,457</b>	<b>26,457</b>	<b>27,900</b>
<b>2001</b>			
Forward foreign exchange contracts	<b>48,139</b>	<b>48,139</b>	<b>46,518</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

**25. 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	
		2002 %	2001 %
<b>Incorporated in Malaysia:</b>			
Autokita Sdn Bhd	Insurance agency	100	100
Auto Blend Sdn Bhd	Blending of battery water and brake fluid	100	100
Auto Components Manufacturers Sdn Bhd	Property holding	100	100
Auto Infiniti Sdn Bhd	Distribution of auto accessories	100	100
Ceranamas Sdn Bhd	Property and investment holding	100	100
Cyberguard Vehicle Security Technologies Sdn Bhd	Trading and marketing of car alarms	100	100
Edaran Tan Chong Motor Sdn Bhd	Distribution of motor vehicles	100	100
Hikmat Asli Sdn Bhd	Property holding	100	100
Pemasaran Alat Ganti Sdn Bhd	Distribution of automotive spare parts	100	100
Perwiramas Sdn Bhd	Investment holding	100	100
Rustcare Sdn Bhd	Rust proofing	100	100
Sungei Bintang Sdn Bhd	Property holding	100	100
Tan Chong & Sons Motor Company Sdn Bhd	Distribution of motor vehicles and hire purchase financing	100	100
Tan Chong Agency Sdn Bhd	Insurance agency and property holding	100	100
Tan Chong Ekspres Auto Servis Sdn Bhd	Automotive workshop services	100	100
Tan Chong Industrial Equipment (Sabah) Sdn Bhd	Distribution of commercial vehicles, heavy equipment and machineries	100	100
Tan Chong Industrial Equipment Sdn Bhd	Distribution of commercial vehicles	100	100
Tan Chong Motor Assemblies Sdn Bhd	Assembly of motor vehicles and trading of parts	70	70
Tan Chong Trading (Malaysia) Sdn Bhd	Distribution of automotive parts and accessories	100	100
Tanahku Holdings Sdn Bhd	Property holding	100	100
TC Auto Tooling Sdn Bhd	Fabrication of jigs and engineering services	100	100
TC Motors (Sarawak) Sdn Bhd	Distribution of commercial vehicles, heavy equipment and machineries	100	100
TCCL Sdn Bhd	Insurance agency	100	100

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

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

Name	Principal activities	Effective ownership interest	
		2002 %	2001 %
TCM Stamping Products Sdn Bhd	Manufacture of automotive press metal parts	100	100
Truckquip Sdn Bhd	Distribution of automotive spare parts and construction of vehicle bodies	100	100
TC Hartanah Sdn Bhd	Property holding	100	100
Vincus Holdings Sdn Bhd	Investment holding	100	100
West Anchorage Sdn Bhd	Investment holding	100	100
Autoscope Sdn Bhd	Ceased operation	100	50
Auto Research and Development Sdn Bhd	Dormant	100	100
Auto Trucks & Components Sdn Bhd	Dormant	100	100
Fujiyama Car Cooler Sdn Bhd	Dormant	100	100
Motor Image Enterprises Sdn Bhd	Dormant	100	100
Perusahaan Komponen Kendaraan Sdn Bhd	Dormant	100	100
TC Capital Sdn Bhd	Dormant	100	100
TC Euro Cars Sdn Bhd (Formerly known as TC Vehicle Projects Sdn Bhd)	Dormant	100	100
<b>Incorporated in the British Virgin Islands:</b>			
* Nissan TCM Pty Ltd	Investment holding	75	75
<b>Incorporated in Vietnam:</b>			
** Nissan TCM Vietnam Co Ltd	Dormant	56	56

\* Company not required to be audited and consolidated using management financial statements.

\*\* Company not audited by KPMG and consolidated using management financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

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

The Company's shareholdings in non-wholly owned subsidiaries are as follows:

	At 1.1.2002	Acquired	Sold	At 31.12.2002
Ordinary shares of RM1.00 each: Tan Chong Motor Assemblies Sdn Bhd	700,000	-	-	700,000
Ordinary shares of USD1.00 each: Nissan TCM Pty Ltd	941,250	-	-	941,250
Paid-up capital in USD Nissan TCM Vietnam Co Ltd	369,554	-	-	369,554

**26. Acquisition of Subsidiary**

On 16 September 2002, the Group acquired the remaining 50% of the ordinary shares in Autoscope Sdn Bhd for a consideration of RM164,463 satisfied by cash. The acquisition was accounted for using the acquisition method of accounting. For the three months ended 31 December 2002, the results of this subsidiary was not considered material to the consolidated results for the year.

***Effect of acquisition***

The acquisition had the following effect on the Group's assets and liabilities as at 31 December 2002.

	2002 RM'000
Non current assets	
Property, plant and equipment	1
Current assets	161
Current liabilities	(10)
Deferred liability	(5)
Net assets	147
Goodwill on acquisition	17
Consideration paid, satisfied in cash	164
Cash acquired	(320)
Net cash inflow	<u>(156)</u>

## Corporate Governance Disclosures

### STATEMENT ON CORPORATE GOVERNANCE

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

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

#### Application of principles

#### **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 thirteen (13) Board meetings held in 2002. The Board has a formal schedule of matters reserved for making broad policy decisions, including the approval of annual and interim results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to committees of the Board and management as well as officers of the Group.

##### **(ii) Board Composition**

At the end of 2002, the Board had nine (9) members, comprising the Vice-Chairman, Executive Deputy Chairman, Managing Director and six (6) other Non-Executive Directors, four (4) 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 on-going Directors would be more effective by drawing on the wealth of experience of all Directors, and as such, a nomination committee is currently not required. Consequently, the role of appointing new directors and the assessment of existing directors is performed by the Board as a whole when necessary and appropriate. In 2002, the Board considered and appointed an additional independent director, Mr Seow Thiam Fatt, whose profile is set out on page 11.

##### **(v) Re-election**

The profile of the Directors who are due for election and re-election are set out on page 10 and 11. All Directors held office throughout the year except for Seow Thiam Fatt who was appointed on 3 July 2002.

The Company's articles of association provide that at every annual general meeting of the Company one-third of the Directors shall retire from office and that all Directors shall retire from office once at least in each three years, but shall be eligible for re-election. The Managing Director, who has a pre-existing 5-year service contract expiring in 2003, is not subject to retirement by rotation under the previous articles of association.

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.

## CORPORATE GOVERNANCE DISCLOSURES

### 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 the 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 2002 and annual increment for 2003 in respect of executive employees of the Group were recommended for Board's approval by committees whose members included senior heads of operations below the Board level. The quantum of the annual performance bonus was dependent on the operating results of the Group after taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Directors.

The remuneration of each of the Non-Executive Directors is determined by the Board as a whole within the limits set by the articles of association of the Company. The Non-Executive Directors do not participate in the discussion on their remuneration.

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

	Fees (RM'000)	Salaries and allowances (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)
Executive Directors	-	3,889	1,951	86
Non-Executive Directors	261	-	-	-

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

Range of Remuneration	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 to RM100,000	-	3
RM100,001 to RM200,000	1	-
RM200,001 to RM300,000	1	-
RM300,001 to RM400,000	1	-
RM400,001 to RM500,000	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 5 meetings of such nature.

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



## CORPORATE GOVERNANCE DISCLOSURES

### (ii) **The AGM**

The Annual General Meeting (“AGM”) of the Company was held on Wednesday, 29 May 2002 at the Grand Ballroom, Grand Seasons Hotel, Kuala Lumpur. The Notice of Meeting was attached to the Annual Report distributed to shareholders.

The AGM in 2002 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 64% 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 2001. 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 chairman’s statement 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 54 of the annual report provides an overview of the state of internal control 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 its terms of reference and activity report are set out on pages 56 to 57.

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

The Directors considered that during 2002, the Company had complied substantially with the Best Practices in Corporate Governance set out under Part 2 of the Code, except for the formation of the nomination and remuneration committees as explained in the report on the application of the principles and best practices in corporate governance.

### **STATEMENT ON DIRECTORS’ RESPONSIBILITY**

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 2002, the Directors have:

- (i) adopted the appropriate accounting policies which are consistently applied,
- (ii) made judgements and estimates that are reasonable and prudent,
- (iii) ensure 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.

## CORPORATE GOVERNANCE DISCLOSURES

### STATEMENT ON INTERNAL CONTROL

Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange Listing Requirements requires the Board of Directors of public listed companies to include in its 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) Regular review of the performance of business units 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,
- (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 with clear reporting lines and appropriate limits of authority for different processes, decisions or commitments. 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, with clearly laid down authority limits, have been established to manage and control its businesses. Matters beyond the limits of authority are referred to the main Board for approval.

Following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies (“the Internal Control Guidance”), the Board has taken a further step to enhance the risk management structure of the Group. During the year, the Group acquired an enterprise-wide risk management software and engaged the services of an external risk management consultant to implement a structured risk management and reporting framework. A risk awareness workshop was held for all operational managers to reinforce the concept of risk management in their respective areas of responsibilities. The Group is currently in the process of documenting the risk profiles of its key business units to confirm that adequate actions have been taken to address all significant risks and control issues.

#### 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 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.

**OTHER DISCLOSURES****STATEMENT ON MATERIAL CONTRACTS**

Apart from contracts concerning distributorship rights between the Group and Nissan Motor Co Ltd, a major shareholder of the Company, there are no other material contracts involving the Directors and major shareholders.

**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 31 to 32 of the annual report.

**NON-AUDIT FEES**

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2002 was RM95,000.

**SHARE-BUY BACKS**

Details of the shares bought back and held as treasury shares in 2002 are as follows:

Month	No. of shares bought back and held as treasury shares	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM'000
September	350,000	1.06	1.03	1.0432	366,739.06
October	545,000	1.04	1.03	1.0387	568,593.75
November	105,000	1.07	1.06	1.0652	112,342.29
December	750,000	1.06	1.03	1.0538	793,844.05
<b>Total</b>	<b>1,750,000</b>				<b>RM1,841,519.15</b>

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

## Report of the Audit Committee

The Board of Directors is pleased to present the report of the Audit Committee of the Board for the year ended 31 December 2002.

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 7 meetings held in the year are set out below:

Name	Designation	Attendance
Geh Cheng Hooi	Chairman Independent Non-Executive Director	4 out of 7 meetings
Dato' Ng Mann Cheong	Independent Non-Executive Director	7 out of 7 meetings
Dato' Haji Kamaruddin @ Abas bin Nordin	Independent Non-Executive Director	7 out of 7 meetings
Seow Thiam Fatt (appointed on 3 July 2002)	Independent Non-Executive Director	4 out of 4 meetings

### Terms of reference

#### Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall composed of no fewer than three members, a majority of whom 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 result in a breach in the Listing Requirements of Kuala Lumpur Stock Exchange, 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 (if any)
5. be able to obtain independent professional or other advice
6. convene meetings with external auditors, excluding the attendance of the executive members.

## REPORT OF THE AUDIT COMMITTEE

### 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 functions 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,
    - (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,
4. any other function as may be required by the Board from time to time.

### Summary of activities of Audit Committee

During the year, the Audit Committee reviewed the following:

- annual audited accounts with external auditors
- quarterly results and tax expense of the Company and the Group
- reasonableness of provision for doubtful debts and inventories
- quarterly financial results
- actions taken to enhance the risk management structure of the Group

### Summary of internal audit activities

The Chief Internal Auditor reports directly to the Audit Committee. Various reviews and audits were conducted during the year which included the following:

- replacement parts business
- automotive parts purchase
- compliance with listing requirements and accounting standards
- credit risks exposures
- related party transactions
- followed-up on past recommendations of internal and external auditors

During the year, internal audit also assisted the Group in the implementation of Enterprise-wide Risks Management framework.

## Shareholders' Statistics

As at 31 March 2003

### 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

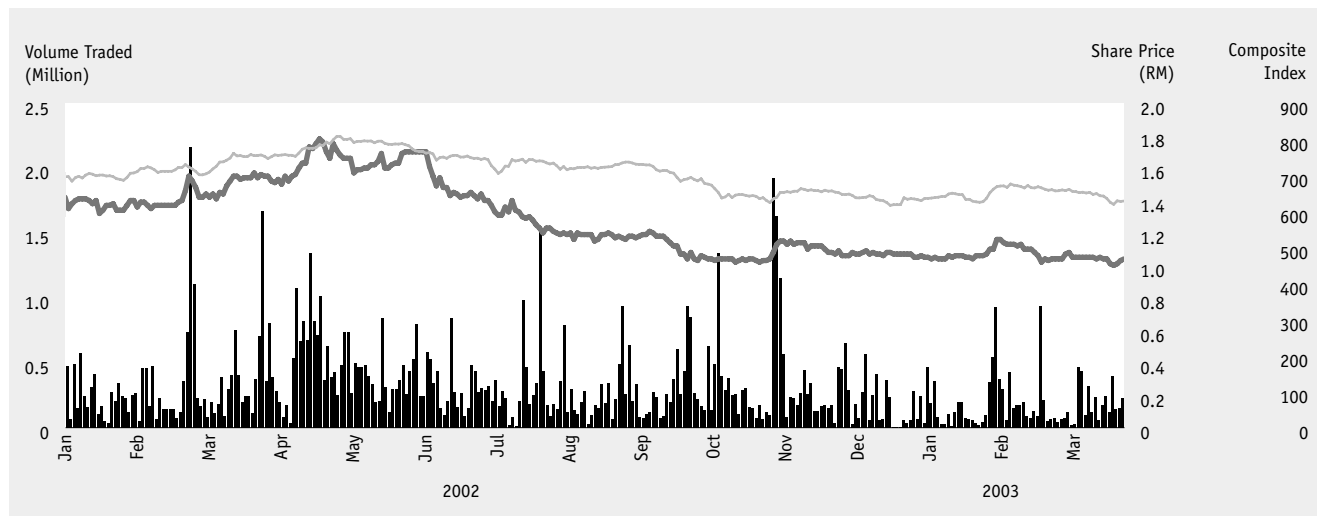
Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 – 999	316	1.3707	131,657	0.0196
1,000 – 10,000	19,877	86.2193	65,442,312	9.7384
10,001 – 100,000	2,571	11.1521	72,967,272	10.8582
100,001 – 33,599,999	287	1.2449	218,858,773	32.5683
33,600,000 and above	3	0.0130	312,599,986	46.5179
<b>Sub-Total</b>	<b>23,054</b>	<b>100.0000</b>	<b>670,000,000</b>	<b>99.7024</b>
Treasury shares			2,000,000	0.2976
<b>Total</b>			<b>672,000,000</b>	<b>100.0000</b>

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

Name	No. of Shares Held	%
1. Tan Chong Consolidated Sdn Bhd*	304,266,662	45.41
2. Nissan Motor Co Ltd	37,333,324	5.57

\* Dato' Tan Heng Chew, Tan Eng Soon, Dato' Tan Kim Hor, Dr Tan Ban Leong, Tan Beng Keong, Tan Boon Pun, Tan Chee Keong, Tan Hoe Pin, Dr Tan Kang Leong and Tan Kheng Leong are deemed interested in the shares held by Tan Chong Consolidated Sdn Bhd by virtue of Section 6A of the Companies Act, 1965, and consequently, are substantial shareholders of Tan Chong Motor Holdings Berhad.

### DAILY SHARE PRICES & VOLUME TRADED ON KLSE



Volume Traded  
(number of shares traded for the day)

Share Price  
(closing price for the day)

KLSE Composite Index  
(closing index for the day)

## SHAREHOLDERS' STATISTICS

As at 31 March 2003

## THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Tan Chong Consolidated Sdn Bhd	230,266,662	34.3682
2. Mayban Nominees (Tempatan) Sdn Bhd <i>Tan Chong Consolidated Sdn Bhd (N14011984860)</i>	45,000,000	6.7164
3. Cartaban Nominees (Asing) Sdn Bhd <i>Daiwa Securities SMBC Co Ltd for Nissan Motor Co Ltd</i>	37,333,324	5.5721
4. Employees Provident Fund Board	21,452,000	3.2018
5. Cimsec Nominees (Tempatan) Sdn Bhd <i>Allied Investments Limited for Tan Chong Consolidated Sdn Bhd</i>	20,000,000	2.9851
6. Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund 2R26 for Bernstein Emerging Markets Value Portfolio</i>	10,757,000	1.6055
7. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)</i>	9,000,000	1.3433
8. Cartaban Nominees (Asing) Sdn Bhd <i>Bank Of Tokyo Mitsubishi New York for United Nations Joint Staff Pension Fund</i>	7,931,000	1.1837
9. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>UBS AG Singapore for Pacific Investment Fund</i>	7,556,000	1.1278
10. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for The State Teachers Retirement System Of Ohio (Sanford Emerg)</i>	6,099,000	0.9103
11. Key Development Sdn Berhad	4,740,000	0.7075
12. Citicorp Nominees (Asing) Sdn Bhd <i>TNTC for Sanford C Bernstein &amp; Co Delaware Business Trust</i>	4,077,000	0.6085
13. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Boronia Corporation</i>	3,690,000	0.5507
14. HSBC Nominees (Asing) Sdn Bhd <i>Meespierson SG for Sommerset Assets Limited</i>	3,288,993	0.4909
15. Chinchoo Investment Sdn Berhad	3,171,000	0.4733
16. Tan Kim Hor	3,074,834	0.4589
17. AM Nominees (Tempatan) Sdn Bhd <i>Pertubuhan Keselamatan Sosial</i>	2,923,000	0.4363
18. Bank Simpanan Nasional	2,873,000	0.4288
19. AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	2,781,000	0.4151
20. Citicorp Nominees (Asing) Sdn Bhd <i>MLPFS for Hang Chooi Seng</i>	2,551,000	0.3807
21. HSBC Nominees (Asing) Sdn Bhd <i>JPMCB for The Malaysia Fund Incorporated</i>	1,896,000	0.2830
22. AM Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (A/C 2)</i>	1,852,000	0.2764
23. Universal Trustee (Malaysia) Berhad <i>BHLB Pacific Emerging Companies Growth Fund</i>	1,764,000	0.2633
24. HSBC Nominees (Asing) Sdn Bhd <i>DZ Bank Intl for Uni Em Fernost Treuhandkonto, Luxembourg</i>	1,741,000	0.2599
25. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Eng Hwa (01429941366A)</i>	1,700,000	0.2537
26. HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lung Ma Investments Pte Ltd (Sin 9047-5)</i>	1,626,000	0.2427
27. Citicorp Nominees (Asing) Sdn Bhd <i>CBHK PBGHK for Guardian Limited</i>	1,550,000	0.2313
28. Shoptra Jaya (M) Sdn Bhd	1,490,000	0.2224
29. Citicorp Nominees (Asing) Sdn Bhd <i>TNTC for Sanford C Bernstein Group Trust (Emgrt)</i>	1,490,000	0.2224
30. Cartaban Nominees (Asing) Sdn Bhd <i>State Street Luxembourg Fund M59E for ACM Bernstein Value Investments-Emerging Markets Value Portfolio</i>	1,490,000	0.2224
<b>TOTAL</b>	<b>445,163,813</b>	<b>66.4424</b>

## Group Properties

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	31.94	27
		74,776	53,254	Leasehold 20.04.2068	2.95	24
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	0.03	
PT7702 Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard	133,064		Freehold	5.91	
Lot 4185 Jalan Segambut 51200 Kuala Lumpur	Office & factory	147,066	85,900	Freehold	7.57	10
Lot 43097 Mukim of Batu Off Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse	339,448	39,305	Leasehold 27.01.2074	9.86	5
327, 3 <sup>3</sup> / <sub>4</sub> Miles Jalan Segambut 51200 Kuala Lumpur	Pre-delivery inspection centre	114,189	25,480	Leasehold 04.07.2065	3.44	36
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	



## GROUP PROPERTIES

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
582, 3 <sup>1</sup> / <sub>2</sub> Miles, Jalan Ipoh 51200 Kuala Lumpur	Office, vehicle storage bay & showroom	39,541	12,389	Freehold	2.11	23
62 – 68 Jalan Ipoh 51200 Kuala Lumpur	Showroom & office	7,533	28,707	Freehold	6.35	47
21 Jalan Ipoh Kecil 50350 Kuala Lumpur	Head office building	7,571	27,302	Freehold	2.51	17
Lot 1388 Jalan Seri Amar 50350 Kuala Lumpur	Levelled commercial land for rental	22,185		Freehold	7.50	
Lot UG01, Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur	Showroom & office	4,827	4,827	Freehold	1.74	19
Lot UG04 – 06 Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur	Showroom & office	602	602	Freehold	0.39	19
LG045 Sungei Wang Plaza Jalan Bukit Bintang 55100 Kuala Lumpur	Retail lot for rental	621	621	Freehold	0.45	23
8C-3-2 Sri Murni Condominium 8 Lorong Kota 4 Bukit Ledang 50480 Kuala Lumpur	Apartment for rental	1,938	1,938	Freehold	0.57	9
Plot 28, Sec 52, Jalan Pudu 55100 Kuala Lumpur	Showroom & office	1,600	4,880	Leasehold 23.03.2075	0.45	18
Plot 29, Sec 52, Jalan Pudu 55100 Kuala Lumpur	Office & upper floors for rental	1,600	4,880	Leasehold 23.03.2075	0.46	18
34 Jalan SibU 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	3,600	2,850	Leasehold 25.12.2078	0.18	21

## GROUP PROPERTIES

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
35 Jalan Sibu 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	3,600	2,850	Leasehold 25.12.2078	0.23	21
36 Jalan Sibu 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	5,632	2,850	Leasehold 25.12.2078	0.28	21
Lot 3 Jalan Perusahaan Satu Batu Caves, 68100 Selangor	Factory, warehouse & offices Showroom & sales office	416,949	141,820 3,776	Leasehold 05.09.2074	16.44 0.16	20
142 Jalan SBC 3 Taman Sri Batu Caves 68100 Batu Caves, Selangor	Shoplot for rental	2,512	6,094	Freehold	1.55	4
117 – 119 Jalan SS15/5 47500 Subang Jaya	Showroom & offices for rental	3,520	9,988	Freehold	0.80	22
Lot 7834 Sungai Rasa Jalan Batu Tiga Lama 41300 Klang, Selangor	Showroom, sales offices, Workshop & spare parts centre	63,389	71,300	Freehold	6.77	12
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	0.74	20
PT 10451 Mukim Serendah Daerah Hulu Selangor	Industrial land for rental	2,178,002		Leasehold 24.04.2095	8.57	
63, 63A & 63B Jalan Tun Perak 75300 Melaka	Showroom, office, store and workshop	18,252	12,531	Leasehold 02.07.2052	1.51	36
36 Jalan IMJ 5 Taman Industry Malim Jaya 75050 Melaka	Shoplot for rental	9,587	3,240	Leasehold 18.11.2095	0.41	8
260 Jalan Tun Dr Ismail 70200 Seremban Negeri Sembilan	Showroom & office	19,376	11,000	Freehold	1.92	18

## GROUP PROPERTIES

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
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	1.23	6
Lot 1599 Bandar Penggaram Jalan Zabedah 83000 Batu Pahat, Johor	Commercial land for rental	53,933		Freehold	1.40	
Lot 690 & 691 14 & 15 Jalan Tuanku Mokhtar Ismail 86000 Kluang, Johor	Shoplots for rental	1,680	3,210	Leasehold 11.02.2052	0.39	46
		1,680	3,210	Leasehold 02.02.2052		46
Lot 7348 27 Jalan Tun Abd Razak Susur 2, 80100 Johor Baru Johor	Showroom, office & offices for rental	18,295	12,527	Freehold	2.54	9
Plot 157 Jalan Angkasa Mas 6 Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor	Office & workshop	87,120	18,203	Leasehold 25.10.2053	1.45	7
A7348 Jalan Berserah 25300 Kuantan, Pahang	Showroom, office, warehouse and workshop	44,420	31,738	Freehold	5.86	19
10B Kayangan Apartment 69000 Genting Highlands Pahang	Apartment for rental	3,250	3,250	Freehold	0.30	22
Lot 31036 & 31037 Jalan Kuala Kangsar 30010 Ipoh, Perak	Showroom, office, workshop & spare parts store	40,292	27,800	Leasehold 24.09.2894	1.22	17
Plot 70 Kinta Jaya Light Industrial Park 30250 Ipoh, Perak	Office & workshop	4,887	2,100	Leasehold 01.03.2095	0.25	6
Lot 30502 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak	Workshop for rental	6,806	6,806	Freehold	0.35	30

## GROUP PROPERTIES

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	27
Lot 5688 Parit Buntar Industrial Park 34200 Perak	Levelled industrial land for rental	174,240		Leasehold 28.11.2044	0.29	
478 – 481 Taman Kota Jaya Jalan Kampong Dew 34700 Simpang, Taiping, Perak	Shoplots for rental	9,092	14,457	Leasehold 16.11.2065	0.72	22
119 Jalan Changkat Jong 36000 Teluk Intan, Perak	Shoplot for rental	2,979	2,740	Freehold	0.19	23
Lot 2224 Jalan Changkat Jong 36000 Teluk Intan, Perak	Levelled industrial land for rental	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	0.17	19
41 Jalan Durian Taman Kampar Jaya 31900 Kampar, Perak	Shoplot for rental	1,600	4,639	Leasehold 23.11.2060	0.14	19
Plot 12 & 13 Slim Indah 35800 Slim River, Perak	Shoplots for rental	5,821	5,821	Leasehold 20.03.2082	0.21	19
Plot 25 & 26 Juru Industrial Park Juru Seberang Prai Tengah 14000 Pulau Pinang	Showroom & office	5,125	3,300	Freehold	0.33	5
23 Weld Quay/ 274 Victoria Street 10300 Pulau Pinang	Showroom & office for rental	17,967	53,951	Freehold	6.42	30
127 Jalan Petani 10150 Pulau Pinang	Spare parts store & workshop	10,883	7,316	Freehold	0.89	16
1461 Jalan Besar, Sg Jawi 13700 Seberang Prai Selatan Pulau Pinang	Shoplot for rental	3,850	6,016	Freehold	0.22	16

## GROUP PROPERTIES

Location	Description	Land Area (sq feet)	Built-up Area (sq feet)	Tenure/ Expiry Date	Net Book Value (RM million)	Age of Building (years)
996 Jalan Baru 13700 Seberang Prai Pulau Pinang	Showroom, workshop & spare parts centre	74,949	27,224	Freehold	3.96	18
267 Jalan Baru 01000 Kangar, Perlis	Shoplot for rental	2,987	4,855	Leasehold 07.02.2083	0.25	18
1 Jalan Tunggal 01000 Kangar, Perlis	Shoplot for rental	2,126	4,780	Leasehold 07.02.2083	0.31	18
27, 29 & 30D Seberang Jalan Putra Mergong 05150 Alor Setar, Kedah	Showroom, office & workshop for rental	7,408	6,775	Freehold	0.92	32
96J Jalan Seberang Putra 05150 Alor Setar, Kedah	Office, warehouse, showroom & workshop	24,383	14,680	Leasehold 09.04.2031	0.79	12
2838 Jalan Temenggong 15000 Kota Baru, Kelantan	Building for rental	14,749	11,800	Freehold	1.25	36
Plot 3 TL207528934 Jalan Tun Mustapha 87015 Labuan, Sabah	Showroom, office, workshop & warehouse	129,240	9,392	Leasehold 31.12.2042	2.09	5
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	1.11	9
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	2.54	20
Lot 242 Jalan Abell 93100 Kuching, Sarawak	Showroom, office & workshop	14,500	16,697	Leasehold 31.12.2024	0.66	25
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	0.53	7
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	0.36	5

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-First 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 Monday, 19 May 2003 at 10:30 am to transact the following businesses:

### Ordinary Business

- |   |                     |
|---|---------------------|
| 1. To receive and consider the Financial Statements for the year ended 31 December 2002 together with the Reports of the Directors and Auditors thereto.                      | <b>Resolution 1</b> |
| 2. To declare a final dividend of 9% less income tax for the year ended 31 December 2002.   | <b>Resolution 2</b> |
| 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   | <b>Resolution 3</b> |
| (ii) Dato' Ng Mann Cheong   | <b>Resolution 4</b> |
| 4. To re-elect Seow Thiam Fatt, who is eligible and has offered himself for election, in accordance with Article 80 of the Company's Articles of Association.                 | <b>Resolution 5</b> |
| 5. To re-appoint the Auditors and authorise the Directors to fix their remuneration.  | <b>Resolution 6</b> |

### Special Business:

6. To consider and if thought fit, 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, the Articles of Association of the Company and approvals and requirements of the relevant governmental/regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 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 the 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 7**

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

By Order of the Board

**TAN ENG GUAN**

Company Secretary

Kuala Lumpur  
25 April 2003

## NOTICE OF ANNUAL GENERAL MEETING

### 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.
5. Explanatory Statement on Special Business in relation to Resolution 7

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 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.

## Statement Accompanying Notice of Annual General Meeting

### **DIRECTORS STANDING FOR RE-ELECTION AT THE THIRTY-FIRST ANNUAL GENERAL MEETING**

Directors standing for re-election pursuant to Article 101 are Azman bin Badrillah and Dato' Ng Mann Cheong. The Director standing for re-election pursuant to Article 80 is Seow Thiam Fatt.

The details of the above Directors are set out in the section entitled Profiles of the Board of Directors on pages 10 to 11. Other than Azman bin Badrillah who holds 10,000 shares, none of the other Directors hold shares in the Company as at 31 March 2003. None of the Directors have any beneficial interest in the shares of the subsidiaries as at 31 March 2003.

### **DETAILS OF ATTENDANCE OF THE DIRECTORS AT BOARD MEETINGS**

There were a total of thirteen board meetings held during the financial year ended 31 December 2002 and the details of the attendance of the Directors who are standing for re-election are set out in the section entitled Profiles of the Board of Directors on pages 10 to 11.

### **DATE, TIME AND PLACE OF THE THIRTY-FIRST ANNUAL GENERAL MEETING**

Date : Monday, 19 May 2003

Time : 10:30 am

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

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## Form of Proxy

I/We <sup>(1)</sup> (Name and NRIC No/Company No) \_\_\_\_\_

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

being a member of TAN CHONG MOTOR HOLDINGS BERHAD, hereby appoint (Name and NRIC No of Proxy/Proxies <sup>(2)</sup>/Corporate Representative <sup>(3)</sup>) \_\_\_\_\_

or failing him (Name and NRIC No) \_\_\_\_\_

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

or failing the abovenamed proxy/proxies/corporate representative, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Thirty-First Annual General Meeting of the Company to be held at the Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, Malaysia on Monday, 19 May 2003 at 10:30 am, and at any adjournment thereof, as indicated below:

		For	Against
Resolution 1	Receive Financial Statements and Reports		
Resolution 2	Declare Final Dividend		
Resolution 3	Re-elect Azman bin Badrillah		
Resolution 4	Re-elect Dato' Ng Mann Cheong		
Resolution 5	Re-elect Seow Thiam Fatt		
Resolution 6	Re-appoint Auditors		
Resolution 7	Grant of authority pursuant to Section 132D of the Companies Act, 1965		

(If you wish to instruct your proxy how to vote, insert a "3" or "5" in the appropriate box. Subject to any voting instructions so given, the proxy will vote, or may abstain from voting, on any resolution as the proxy may think fit.)

*If the member is an individual:*

CDS Account No: \_\_\_\_\_

No. of shares held: \_\_\_\_\_

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

\_\_\_\_\_  
Signature

*If the member is a corporation:*

The Common Seal of \_\_\_\_\_

was hereunto affixed in accordance with its  
Articles of Association in the presence of



CDS Account No: \_\_\_\_\_

No. of shares held: \_\_\_\_\_

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director/Secretary

**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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Affix stamp here
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The Company Secretary  
**TAN CHONG MOTOR HOLDINGS BERHAD**  
62 – 68 Jalan Ipoh  
51200 Kuala Lumpur  
Malaysia

Second fold

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