

REPORT OF THE BOARD OF DIRECTORS

LAPORAN LEMBAGA PENGARAH

Overall industry volume of the heavy-duty truck segment increased by about 3% to 2,900 units with our market share edging up to 25% from 23% achieved in 2002. Nissan Diesel models continued to dominate the rigid cargo truck segment. The upgrading of the truck tractor model was completed during the year for launch in 2004.

Profitability of the truck distribution business saw a healthy improvement over the previous year with higher business volume. After-sales services and parts sales activities increased in tandem with the higher usage of vehicles during the year.

Financial Services

The Group continued to expand aggressively its in-house hire-purchase lending business during the year to enhance further returns from its financial resources. The value of hire-purchase loans outstanding increased 24% to RM330 million as at end of 2003 from RM266 million the year before, in tandem with the increase in the sales of new motor vehicles. Hire-purchase loan interest rates, whilst low, remained stable during the year.

While registering higher loans growth for the year, non-performing loans (NPL) continued to be below 1% as the Group continued to place emphasis on credit risks management by taking steps to ensure that asset quality did not deteriorate.

Dividends

The final dividend of 9% less income tax of 28% in respect of 2002 (2001 - 8% less tax of 28%) totaling RM21.71 million (2001 - RM19.35 million) was paid on 18 June 2003.

Disamping menjalankan aktiviti-aktiviti pemasaran dan promosi seperti biasa, Kumpulan telah menyertai Pertunjukan Motor Antarabangsa Kuala Lumpur 2003 yang diadakan dalam bulan September bagi mempamerkan berbagai-bagai model Nissan, Nissan Diesel serta Renault yang ada.

Bilangan bengkel-bengkel perkhidmatan dan pusat-pusat alat-alat ganti telah ditambah di seluruh negara dengan menaikkan taraf ruang pameran dan pusat perkhidmatan yang sediada di bandar-bandar utama, demi untuk memperbaiki perkhidmatan lepas jualan serta meningkatkan kesetiaan kepada jenama Nissan.

Kenderaan Perdagangan Sederhana dan Berat

Permintaan terhadap kenderaan perdagangan dalam tahun 2003 meningkat pada keseluruhannya berbelakangkan pertumbuhan Keluaran Dalam Negara Kasar (KDKN). Segmen trak 5 ke 7 tan, terutamanya, telah menikmati pertumbuhan nyata sebanyak 20%. Selaras dengannya, jualan trak-trak Nissan Diesel dalam lingkungan kapasiti ini, meningkat sebanyak 90%, dengan reputasi sebagai trak berprestasi tinggi yang boleh dipercayai serta rangkaian perkhidmatan selepas jualan yang boleh diharapkan di seluruh negara.

Bahagian pasaran kami telah mencecah 25% berbanding 23% yang dicapai dalam tahun 2002 dengan peningkatan jumlah industri bahagian trak tugas berat sebanyak lebih kurang 3% kepada 2,900 unit pada keseluruhannya. Model Nissan Diesel terus menguasai segmen trak kargo yang tegar. Kenaikan taraf model trak traktor telah siap dalam tahun semasa untuk pelancaran dalam tahun 2004.



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LAPORAN LEMBAGA PENGARAH

An interim dividend of 4% tax exempt in respect of 2003 (2002 - 4% tax exempt) totaling RM13.44 million was declared and paid on 23 September 2003.

The Board recommends a final dividend of 10% less income tax of 28% in respect of 2003 amounting to RM24.12 million. The payment is subject to shareholders' approval at the forthcoming Annual General Meeting.

Current Year Prospects

Despite an external environment marked by uncertainties and the impact of SARS on regional economies in the early part of 2003, the Malaysian economy had remained resilient due to pro-active Government measures and a low interest rate environment that strengthened the growth momentum in the second half of 2003. For 2004, the GDP is estimated to grow between 6% and 6.5% driven by improved domestic as well as regional growth prospects.

The much awaited announcement on the change in duty structure of motor vehicles was made on 31 December 2003. The new duty structure is applicable to certain classes of motor vehicles imported after 1 January 2004. Our models affected by the new duty structure are the Sentra, X-TRAIL, Cefiro and Serena. Since the buyers of these models are mainly from the upper income group, we are of the

Keuntungan perniagaan pengagihan trak menunjukkan peningkatan yang sihat berbanding tahun dahulu atas jumlah perniagaan yang lebih tinggi. Perkhidmatan selepas jualan dan aktiviti-aktiviti jualan alat-alat ganti meningkat selaras dengan peningkatan kegunaan kenderaan dalam tahun semasa.

Perkhidmatan Kewangan

Kumpulan terus mengembangkan perniagaan pinjaman sewa beli dalam secara agresif dalam tahun semasa untuk meningkatkan pulangan daripada sumber kewangannya. Selaras dengan peningkatan jualan kenderaan bermotor baru, nilai pinjaman sewa beli yang belum dijelaskan meningkat 24% kepada RM330 juta pada akhir 2003 berbanding RM266 juta dalam tahun sebelumnya. Faedah pinjaman sewa beli, walaupun rendah, tetap stabil dalam tahun semasa.

Tumpuan terhadap pengurusan risiko kredit yang diteruskan oleh Kumpulan dengan mengambil langkah-langkah yang perlu untuk menjamin kualiti asset telah mengekalkan tahap pinjaman tak dibayar di bawah 1%, walaupun peningkatan pinjaman yang lebih tinggi telah dicatatkan pada tahun semasa.

Dividen

Dividen akhir sebanyak 9% ditolak cukai pendapatan sebanyak 28% bagi tahun 2002 (2001 - 8% ditolak cukai 28%) sejumlah RM21.71 juta (2001 - RM19.35 juta) telah dibayar pada 18 Jun 2003.

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view that the higher duties, when passed on, will only have a small impact on the demand pattern. Our other models like Nissan Vanette, pick-ups, double cab Frontier as well as other light and heavy trucks are, however, not affected by the duty changes.

The introduction of the Frontier in early 2004 will allow us to participate in a market segment that Nissan has not been represented previously. This model, together with the X-TRAIL and the face-lift Sentra will contribute to a sizable volume growth in 2004. With three new branches, our Renault CBU vehicle business will help to increase further the Group's revenue.

While the automotive business in 2004 is expected to remain bright, profitability will depend on the speed at which cost increase as a result of higher yen and euro exchange rates could be absorbed by the market.

Dividen pertengahan sebanyak of 4% bebas cukai bagi tahun 2003 (2002 - 4% bebas cukai) sejumlah RM13.44 juta diisytiharkan dan dibayar pada 23 September 2003.

Pihak Lembaga Pengarah telah mencadangkan dividen akhir sebanyak 10% ditolak cukai pendapatan sebanyak 28% bagi tahun 2003 sejumlah RM24.12 juta. Pembayarannya adalah tertakluk kepada kelulusan para pemegang saham pada Mesyuarat Agung Tahunan yang akan datang.

Prospek Tahun Semasa

Ekonomi Malaysia kekal kukuh dengan langkah-langkah pro-aktif yang diambil oleh Kerajaan serta kadar faedah rendah yang mengukuhkan momentum pertumbuhan pada akhir tahun 2003, meskipun terdapat kesangsian dalam persekitaran luaran serta kesan SARS terhadap ekonomi serantau pada awal tahun 2003. Pada tahun 2004 KDNK dianggarkan akan meningkat di antara 6% dan 6.5% dengan dorongan prospek pertumbuhan dalam negara dan serantau yang baik.

Pengumuman berkenaan penukaran struktur duti kenderaan bermotor yang ditunggu-tunggu telah dibuat pada 31 Disember 2003. Beberapa kelas kenderaan bermotor yang diimpot selepas 1 Januari 2004 yang akan terlibat dengan struktur duti baru ini. Di antara model-model kami yang terlibat dengan struktur duti yang baru ini ialah Sentra, X-TRAIL, Cefiro dan Serena. Kami berpendapat bahawa duti yang lebih tinggi ini, apabila dipindahkan, hanya akan memberi kesan yang kecil terhadap corak permintaan kerana pembeli-pembeli model tersebut kebanyakannya adalah dari golongan berpendapatan tinggi. Model-model kami yang lain seperti Nissan Vanette, "pick-ups", "double cab Frontier" serta trak-trak ringan dan berat yang lain, tidak terlibat dengan penukaran duti ini.

Pengenalan Frontier pada awal 2004 membolehkan kami menyertai bahagian pasaran yang belum pernah diwakili oleh Nissan sebelumnya. Model ini, bersama-sama dengan X-TRAIL dan Sentra berwajah baru akan menyumbang kepada pertambahan jumlah yang besar dalam tahun 2004. Dengan kehadiran tiga buah cawangan baru, perniagaan kenderaan CBU Renault kami akan menyumbang terhadap peningkatan hasil Kumpulan yang lebih besar.



Sale of Nissan Diesel trucks is expected to grow in tandem with the expected growth in demand for the medium duty and heavy commercial vehicles given the higher GDP growth rate for 2004.

Barring any significant unforeseen circumstances, the Group's results for 2004 is expected to remain satisfactory.

Acknowledgement

On behalf of the Board, I wish to extend our appreciation to the management and staff for their dedication and contribution as always.

In closing, I would also like to thank all our valued customers, suppliers, bankers and other business associates as well as our shareholders for their continuing support.

Keuntungan akan bergantung kepada kepantasan pasaran dalam menyerap kenaikan kos akibat kadar tukaran yen dan euro yang lebih tinggi walaupun perniagaan kenderaan bermotor dijangka akan kekal cerah dalam tahun 2004.

Jualan trak Nissan Diesel dijangka bertambah selaras dengan pertambahan permintaan terhadap kenderaan tugas sederhana dan berat dengan kadar KDNK yang tinggi bagi tahun 2004.

Sekiranya tiada kejadian diluar jangkaan yang ketara, keputusan Kumpulan bagi tahun 2004 dijangka kekal memuaskan.

Penghargaan

Bagi pihak Lembaga Pengarah, saya ingin merakamkan rasa penghargaan kami kepada pihak pengurusan serta kakitangan di atas dedikasi serta sumbangan mereka disepanjang masa.

Sebagai penutup, saya juga ingin mengucapkan terima kasih kepada semua pelanggan yang dihargai, pembekal, jurubank dan sekutu perniagaan yang lain serta para pemegang saham kami di atas sokongan mereka yang berterusan.

Dato' Tan Heng Chew JP, DJMK

Executive Deputy Chairman / *Timbalan Pengerusi Eksekutif*

Kuala Lumpur
8 April 2004

Profile of the Board of Directors

Ahmad bin Abdullah

Encik Ahmad, 69, a Malaysian, was appointed to the Board on 1 December 1980 and is the Vice-Chairman since 30 March 1994. Encik Ahmad received his law degree from the University of Hull in the United Kingdom in 1959. He was appointed by the Yang Di-Pertuan Agong to the constitutional post of Secretary of the Malaysian Parliament where he served from 1959 until 1972 during which period he also represented Malaysia on various international bodies. He joined the Tan Chong Group in 1975 as an executive director of a subsidiary involved in marketing. Encik Ahmad is a director of APM Automotive Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Encik Ahmad attended all the eight board meetings held in 2003.

Tan Eng Soon

Mr Tan, 55, a Singaporean and a Malaysian Permanent Resident, was appointed to the Board as the Group Managing Director since 1 February 1989. Mr Tan has a degree in Civil Engineering from the University of New South Wales, Australia and has been involved in the Tan Chong Group's operations since 1971. Mr Tan is a director of APM Automotive Holdings Berhad. He is the brother of Dato' Tan Heng Chew and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Mr Tan does not have any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Mr Tan attended six of the eight board meetings held in 2003.

Dato' Tan Heng Chew JP, DJMK

Dato' Tan 57, a Malaysian, was appointed to the Board on 19 October 1985 and is the Executive Deputy Chairman since 1 January 1999. Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong group of companies in 1970 and was instrumental in the establishment of the Autoparts Division in the 1970s and early 1980s. Dato' Tan is the Chairman of APM Automotive Holdings Berhad and Warisan TC Holdings Berhad. He is the brother of Mr Tan Eng Soon and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Dato' Tan does not have any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Dato' Tan attended seven of the eight board meetings held in 2003.

Azman bin Badrillah

Encik Azman, 56, a Malaysian, was appointed to the Board on 4 April 1994. He is a Non-Executive Non-Independent Director. Encik Azman graduated with a degree in Economics from the University of Malaya in 1971. He joined Bank of America and had risen to the position of Assistant Vice-President when he left 11 years later. His service with Bank of America included a period spent with the international operations of the Bank. Encik Azman joined Tan Chong Group in 1983 as an executive director of its manufacturing division and was responsible for the overall performance of one of its key product groups until 1999. When the Tan Chong Group undertook a corporate restructuring, Encik Azman was appointed to the board of APM Automotive Holdings Berhad. He also sits on the board of Eco Resources Berhad. Encik Azman does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Encik Azman attended seven of the eight board meetings held in 2003.

PROFILE OF THE BOARD OF DIRECTORS

Dato' Ng Mann Cheong DSSA, SMP, JP

Dato' Ng, 59, a Malaysian, was appointed to the Board on 31 July 1998 as an Independent Non-Executive Director and is a member of the Audit Committee. Dato' Ng is a Barrister at law (Middle Temple), Advocate and Solicitor, High Court of Malaya and has been admitted to practise in the jurisdictions of Singapore, Victoria and Western Australia. He has been in legal practice for the past 34 years and is a Senior Partner of Syed Alwi, Ng & David Chong. Dato' Ng does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. Dato' Ng attended seven of the eight board meetings held in 2003.

Dato' Haji Kamaruddin @ Abas bin Nordin DSSA, KMN

Dato' Haji Kamaruddin, 65, a Malaysian, was appointed to the Board on 23 November 2001. He is an Independent Non-Executive Director and a member of the Audit Committee. Dato' Haji Kamaruddin graduated from the University of Canterbury, New Zealand with a Master of Arts degree majoring in Economics in 1966. He joined the civil service upon his graduation and served the Government until he retired in 1993. During his tenure with the civil service he held various senior positions, among them as Director, Industries Divisions in the MITI, Deputy Secretary General, Ministry of Works and Director-General of the Registration Department, Ministry of Home Affairs. Dato' Haji Kamaruddin is a director of APM Automotive Holdings Berhad, Lion Industries Corporation Berhad and Greatpac Holdings Berhad. Dato' Haji Kamaruddin does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Dato' Haji Kamaruddin attended all the eight board meetings held in 2003.

Seow Thiam Fatt

Mr Seow, 63, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 3 July 2002 and is the Chairman of the Audit Committee.

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

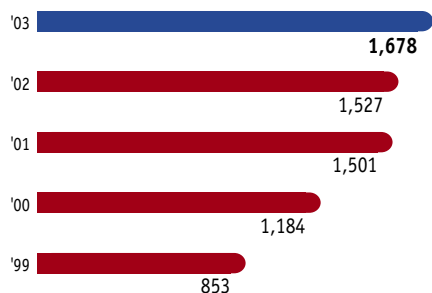
He has more than 20 years' professional experience as a practising accountant in the capacity of a Senior Partner of Larry Seow & Co/Moores & Rowland and a Partner of Arthur Young. He diverted from professional practice in 1994 and was previously on the Board of several private and public companies.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

Mr Seow is also an Independent and Non-Executive Director of Warisan TC Holdings Berhad, Affin Merchant Bank Berhad and ING Funds Berhad. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. Mr Seow attended seven of the eight board meetings held in 2003.

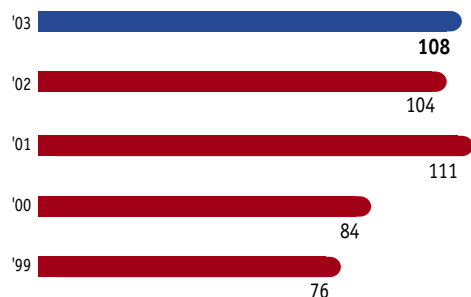
None of the directors had convictions for any offences within the past 10 years.

Financial Charts

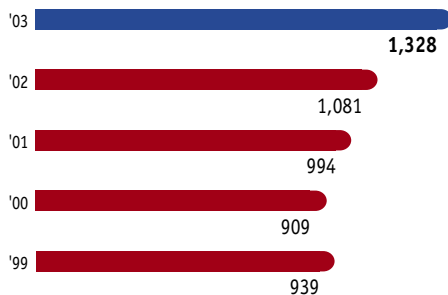
Revenue (RM Million)



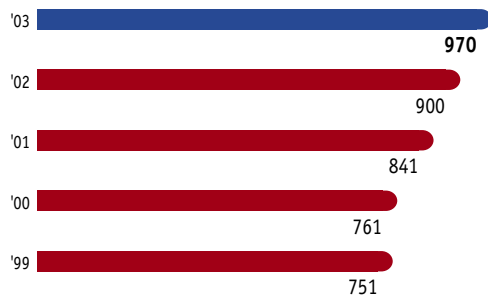
Profit After Tax (excluding exceptional items) (RM Million)



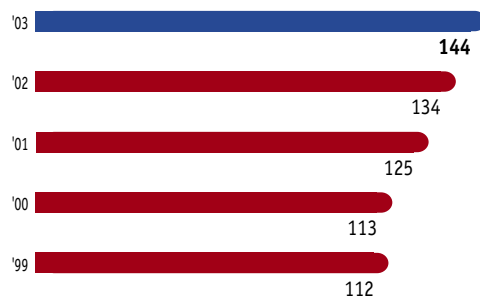
Total Assets (RM Million)



Capital & Reserves (RM Million)

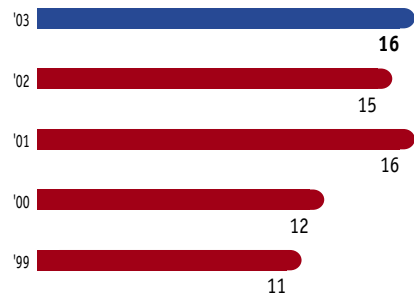


Net Tangible Assets Per Share
(Par Value RM0.50 per share) (Sen)



Earnings Per Share

(excluding exceptional items Par Value RM0.50 per share) (Sen)



Distributions Per Share (Sen)

