

FINANCIAL STATEMENTS

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Directors' Report

for the year ended 31 December 2003

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 2003.

Principal Activities

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

Results

	Group RM'000	Company RM'000
Net profit for the year	106,025	4,170

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 9% less tax totalling RM21,708,000 in respect of the year ended 31 December 2002 on 18 June 2003; and
- (ii) an interim dividend of 4% tax exempt totalling RM13,399,000 in respect of the year ended 31 December 2003 on 23 September 2003.

The final dividend recommended by the Directors in respect of the year ended 31 December 2003 is 10% less tax totalling RM24,120,000.

Directors of the Company

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

Ahmad bin Abdullah
 Dato' Tan Heng Chew
 Tan Eng Soon
 Azman bin Badrillah
 Dato' Ng Mann Cheong
 Dato' Haji Kamaruddin @ Abas bin Nordin
 Seow Thiam Fatt
 Geh Cheng Hooi (retired on 19.5.2003)

DIRECTORS' REPORT

for the year ended 31 December 2003

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 31.12.2003
	At 1.1.2003	Bought	Sold	
Shareholdings in which Directors have direct interest				
Dato' Tan Heng Chew	25,662	4,691,500	-	4,717,162
Tan Eng Soon	2,300,000	328,000	-	2,628,000
Azman bin Badrillah	10,000	-	-	10,000
Dato' Haji Kamaruddin @ Abas bin Nordin	2,992	-	-	2,992
Shareholdings in which Directors have deemed interest				
Dato' Tan Heng Chew	304,266,662	-	-	304,266,662
Tan Eng Soon	304,266,662	-	-	304,266,662

By virtue of their interests in the shares of the Company, Dato' Tan Heng Chew and Tan Eng Soon are also deemed interested in the shares of the subsidiaries to the extent that Tan Chong Motor Holdings Berhad has an interest. Details of their deemed shareholdings in non-wholly owned subsidiaries are shown in Note 28 to the financial statements.

None of the other Directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Benefits

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

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

Issue of Shares and Debentures

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

Options Granted Over Unissued Shares

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

DIRECTORS' REPORT

for the year ended 31 December 2003

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 allowance of doubtful debts and inventories written down as disclosed in Note 18 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

Signed in accordance with a resolution of the Directors:

Ahmad bin Abdullah
Vice-Chairman

Azman bin Badrillah
Director

Kuala Lumpur
8 April 2004

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 56, except for pages 20 and 22 which are expressed in USD, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 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

Kuala Lumpur

8 April 2004

Azman bin Badrillah

Director

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 56, 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 8 April 2004.

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 56, except for pages 20 and 22 which are expressed in USD. 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 2003 and the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

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

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Kuala Lumpur
8 April 2004

Ng Kim Tuck

Partner
Approval Number: 1150/03/06(J/PH)

Balance Sheets

at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property, plant and equipment	2	214,464	203,786	1,052	1,503
Investments in subsidiaries	3	-	-	318,753	310,991
Investments in associates	4	2,609	2,274	-	-
Other investments	5	1,806	1,806	-	-
Development costs	6	4,584	-	-	-
Hire purchase receivables	7	229,747	192,509	-	-
Other receivables	9	-	-	13,251	14,102
Deferred tax assets	16	12,029	10,828	2,354	2,254
		465,239	411,203	335,410	328,850
Current assets					
Inventories	8	487,559	291,596	-	-
Trade and other receivables	9	134,181	135,333	114,882	151,142
Hire purchase receivables	7	90,364	73,978	-	-
Other investments	5	10,559	48,919	-	-
Cash and cash equivalents	10	139,646	120,389	269	635
		862,309	670,215	115,151	151,777
Current liabilities					
Trade and other payables	11	152,429	113,440	3,172	2,626
Borrowings	12	76,679	11,167	-	-
Taxation		11,625	15,872	3,732	3,732
		240,733	140,479	6,904	6,358
Net current assets		621,576	529,736	108,247	145,419
		1,086,815	940,939	443,657	474,269
Financed by:					
Capital and reserves					
Share capital	13	336,000	336,000	336,000	336,000
Reserves	14	636,315	565,397	97,815	128,752
Treasury shares	13	(2,133)	(1,842)	(2,133)	(1,842)
		970,182	899,555	431,682	462,910
Minority shareholders' interests	15	14,558	13,113	-	-
Long term and deferred liabilities					
Other payables	11	-	-	4,433	4,416
Borrowings	12	72,066	-	-	-
Deferred taxation	16	12,253	12,064	-	-
Employee benefits	17	17,756	16,207	7,542	6,943
		102,075	28,271	11,975	11,359
		1,086,815	940,939	443,657	474,269

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2004.

The notes set out on pages 27 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Balance Sheet

at 31 December 2003

(In USD equivalent)	2003 USD'000	2002 USD'000
Property, plant and equipment	56,438	53,628
Investments in associates	687	598
Other investments	475	475
Development costs	1,206	-
Hire purchase receivables	60,460	50,661
Deferred tax assets	3,165	2,849
	122,431	108,211
Current assets		
Inventories	128,305	76,736
Trade and other receivables	35,311	35,614
Hire purchase receivables	23,780	19,468
Other investments	2,779	12,873
Cash and cash equivalents	36,749	31,681
	226,924	176,372
Current liabilities		
Trade and other payables	40,113	29,852
Borrowings	20,179	2,939
Taxation	3,059	4,177
	63,351	36,968
Net current assets	163,573	139,404
	286,004	247,615
Financed by:		
Capital and reserves		
Share capital	88,421	88,421
Reserves	167,451	148,788
Treasury shares	(561)	(485)
	255,311	236,724
Minority shareholders' interests	3,831	3,451
Long term and deferred liabilities		
Borrowings	18,965	-
Deferred taxation	3,224	3,175
Employee benefits	4,673	4,265
	26,862	7,440
	286,004	247,615

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

Figures for both 2003 and 2002 are converted into USD equivalent using the same exchange rate of RM3.80 = USD1.00, which approximates that prevailing on 31.12.2003.

Income Statements

for the year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	18	1,677,517	1,526,933	13,353	30,057
Operating profit	18	148,513	142,156	3,872	24,076
Interest expense		(1,889)	(148)	(122)	(86)
Interest income		3,043	6,350	3,495	4,125
Share of profit of associates		331	716	-	-
Profit before taxation		149,998	149,074	7,245	28,115
Tax					
- Company and subsidiaries		(41,867)	(45,022)	(3,075)	(7,242)
- Associates		(61)	(96)	-	-
	20	(41,928)	(45,118)	(3,075)	(7,242)
Profit after taxation		108,070	103,956	4,170	20,873
Less: Minority interests		(2,045)	(2,115)	-	-
Net profit for the year		106,025	101,841	4,170	20,873
Basic earnings per ordinary share (sen)	21	15.8	15.2		
Dividends per ordinary share (sen)	22	5.6	5.2	5.6	5.2

The notes set out on pages 27 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Income Statement

for the year ended 31 December 2003

(In USD equivalent)	2003 USD'000	2002 USD'000
Revenue	441,452	401,824
Operating profit	39,082	37,410
Interest expense	(497)	(39)
Interest income	801	1,671
Share of profit of associates	87	188
Profit before taxation	39,473	39,230
Tax		
– Company and subsidiaries	(11,018)	(11,848)
– Associates	(16)	(25)
Profit after taxation	28,439	27,357
Less: Minority interests	(538)	(557)
Net profit for the year	27,901	26,800
Basic earnings per ordinary share (US cents)	4.2	4.0
Dividends per ordinary share (US cents)	1.5	1.4

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

Figures for both 2003 and 2002 are converted into USD equivalent using the same exchange rate of RM3.80 = USD1.00, which approximates that prevailing on 31.12.2003.

Consolidated Statements of Changes in Equity

for the year ended 31 December 2003

Group	Note	Reserves							Sub-total	Total
		Non-distributable			Distributable					
		Share capital	Treasury shares	Surplus on revaluation of properties	Translation reserve	Goodwill on consolidation	Capitalisation of retained profits	Retained profits		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2002		336,000	-	23	1,366	(118)	100	503,663	505,034	841,034
Prior year adjustments	30	-	-	-	-	-	-	(8,802)	(8,802)	(8,802)
Restated balance		336,000	-	23	1,366	(118)	100	494,861	496,232	832,232
Shares repurchased	13	-	(1,842)	-	-	-	-	-	-	(1,842)
Acquisition of subsidiary		-	-	-	-	(17)	-	-	(17)	(17)
Impairment loss for the year		-	-	-	-	135	-	-	135	135
Net profit for the year		-	-	-	-	-	-	101,841	101,841	101,841
Dividends										
- 2001 final	22	-	-	-	-	-	-	(19,354)	(19,354)	(19,354)
- 2002 interim	22	-	-	-	-	-	-	(13,440)	(13,440)	(13,440)
At 31 December 2002		336,000	(1,842)	23	1,366	-	100	563,908	565,397	899,555

Group	Note	Reserves							Sub-total	Total
		Non-distributable			Distributable					
		Share capital	Treasury shares	Surplus on revaluation of properties	Translation reserve	Goodwill on consolidation	Capitalisation of retained profits	Retained profits		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2003		336,000	(1,842)	23	1,366	100	573,829	575,318	909,476	
Prior year adjustments	30	-	-	-	-	-	(9,921)	(9,921)	(9,921)	
Restated balance		336,000	(1,842)	23	1,366	100	563,908	565,397	899,555	
Shares repurchased	13	-	(291)	-	-	-	-	-	(291)	
Net profit for the year		-	-	-	-	-	106,025	106,025	106,025	
Dividends										
- 2002 final	22	-	-	-	-	-	(21,708)	(21,708)	(21,708)	
- 2003 interim	22	-	-	-	-	-	(13,399)	(13,399)	(13,399)	
At 31 December 2003		336,000	(2,133)	23	1,366	100	634,826	636,315	970,182	

Note 13 Note 13

Statements of Changes in Equity

for the year ended 31 December 2003

Company	Note	Share capital RM'000	Treasury shares RM'000	Distributable	Total RM'000
				Retained profits RM'000	
At 1 January 2002		336,000	-	143,257	479,257
Prior year adjustments	30	-	-	(2,584)	(2,584)
Restated balance		336,000	-	140,673	476,673
Shares repurchased	13	-	(1,842)	-	(1,842)
Net profit for the year		-	-	20,873	20,873
Dividends					
- 2001 final	22	-	-	(19,354)	(19,354)
- 2002 interim	22	-	-	(13,440)	(13,440)
At 31 December 2002		336,000	(1,842)	128,752	462,910
At 1 January 2003		336,000	(1,842)	131,679	465,837
Prior year adjustments	30	-	-	(2,927)	(2,927)
Restated balance		336,000	(1,842)	128,752	462,910
Shares repurchased	13	-	(291)	-	(291)
Net profit for the year		-	-	4,170	4,170
Dividends					
- 2002 final	22	-	-	(21,708)	(21,708)
- 2003 interim	22	-	-	(13,399)	(13,399)
At 31 December 2003		336,000	(2,133)	97,815	431,682
		Note 13	Note 13		

The notes set out on pages 27 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flows from operating activities				
Profit before taxation	149,998	149,074	7,245	28,115
Adjustments for:				
Depreciation and amortisation	14,824	11,559	324	396
Dividend income	(1,882)	(172)	(11,340)	(28,540)
Gain on disposal of property, plant and equipment	(262)	(239)	(70)	-
Goodwill written off	65	-	-	-
Interest expense	1,889	148	122	86
Interest income	(3,043)	(6,350)	(3,495)	(4,125)
Impairment loss on goodwill	-	135	-	-
Impairment loss on revalued freehold land	-	5,201	-	-
Impairment loss on property, plant and equipment	592	-	-	-
Loss on disposal of other current investments	459	-	-	-
Property, plant and equipment written off	21	21	-	-
Retirement benefits charged	1,883	1,728	599	644
Reversal of allowance for diminution in value of investments	-	(1,249)	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	(287)	(2,674)
Share of profit of associates	(331)	(716)	-	-
Operating profit/(loss) before working capital changes	164,213	159,140	(6,902)	(6,098)
(Increase)/Decrease in working capital:				
Inventories	(195,963)	285	-	-
Hire purchase receivables	(53,624)	(78,769)	-	-
Trade and other receivables	1,888	(26,064)	36,260	15,789
Trade and other payables	38,787	9,096	546	(849)
Cash (used in)/generated from operations	(44,699)	63,688	29,904	8,842
Income taxes paid	(47,862)	(56,388)	(3,175)	(8,521)
Interest paid	(1,889)	(148)	(122)	(86)
Interest received	3,043	6,350	-	4,125
Employee benefits paid	(334)	(1,107)	3,495	-
Employee benefits transferred	-	-	-	(96)
Net cash (used in)/generated from operating activities	(91,741)	12,395	30,102	4,264

CASH FLOW STATEMENTS

for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flows from investing activities				
Repayment from subsidiaries	-	-	868	2,123
Subscription to subsidiaries share capital	-	-	(7,475)	-
Acquisition of subsidiary, net of cash acquired (Note 29)	-	156	-	-
Dividends received from other investments	1,882	172	-	-
Dividends received from subsidiaries	-	-	11,340	28,540
Dividends received from associates	-	1,986	-	-
Proceeds from disposal of property, plant and equipment	6,069	607	378	10
Proceeds from disposal of other current investments	41,288	-	-	-
Purchase of property, plant and equipment	(31,850)	(9,879)	(181)	(641)
Purchase of other current investments	(3,387)	(23,482)	-	-
Development costs paid	(4,584)	-	-	-
Net cash generated from/(used in) investing activities	9,418	(30,440)	4,930	30,032
Cash flows from financing activities				
Purchase of own shares	(291)	(1,842)	(291)	(1,842)
Dividends paid to shareholders of the Company	(35,107)	(32,794)	(35,107)	(32,794)
Dividend paid to minority shareholders	(600)	-	-	-
Proceeds from bills payable	80,320	790	-	-
Repayment of bills payable	(28,973)	(762)	-	-
Proceeds from term loans	18,028	10,000	-	-
Repayment of term loans	(3,028)	-	-	-
Proceeds from Cagamas Berhad	72,066	-	-	-
Net cash generated from/(used in) financing activities	102,415	(24,608)	(35,398)	(34,636)
Net increase/(decrease) in cash and cash equivalents	20,092	(42,653)	(366)	(340)
Cash and cash equivalents at beginning of year	119,554	162,207	635	975
Cash and cash equivalents at end of year	139,646	119,554	269	635

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	28,781	27,873	269	635
Deposits	110,865	92,516	-	-
Bank overdrafts	-	(835)	-	-
	139,646	119,554	269	635

The notes set out on pages 27 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

31 December 2003

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 25, Income Taxes; and
- (ii) MASB 29, Employee Benefits.

In addition to the new policies and extended disclosures where required by these new standards, the effects of the change in the above accounting policies are disclosed in Note 30 to these financial statements.

(a) Basis of accounting

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

(b) Basis of consolidation

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

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

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

(c) Associates

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

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

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

(d) Property, plant and equipment

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

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

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

The Directors are of the opinion that the current market values of the revalued properties are no less than their book values as at 31 December 2003.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

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

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

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

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

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

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) Development costs

Amount incurred to develop a Completed-Knock-Down (CKD) model for local production and assembly is capitalised as development costs and will be amortised over the expected economical life span of the model over three years.

(g) Trade and other receivables

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

(h) 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.

(i) 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 statements, cash and cash equivalents are presented net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

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

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

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

An impairment loss in respect of goodwill is not reversed unless the loss was caused by 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 been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Employee benefits**(i) Short term benefits**

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

1. Summary of Significant Accounting Policies (Cont'd)**(l) Employee benefits (Cont'd)****(iii) Defined benefit plans (Cont'd)**

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

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

(m) 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.

(n) Income tax

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

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

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

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

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

1. Summary of Significant Accounting Policies (Cont'd)**(o) Foreign currency (Cont'd)**

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	(2002 : 1USD	RM3.80)
1HKD	RM0.49	(2002 : 1HKD	RM0.49)
1SGD	RM2.22	(2002 : 1SGD	RM2.18)
100Yen	RM3.54	(2002 : 100Yen	RM3.19)

(p) 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.

(q) 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.

(r) Interest expense

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

(s) 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 2003

2. Property, Plant and Equipment

Group	Opening balance RM'000	Acquisition		Disposals RM'000	Transfers RM'000	Written off RM'000	Impairment loss RM'000	Closing balance RM'000
		of subsidiary RM'000	Additions RM'000					
Cost/Valuation								
Freehold land	59,799	-	-	-	-	-	-	59,799
Long term leasehold land	76,741	-	880	-	-	-	-	77,621
Short term leasehold land	5,290	-	104	-	-	-	-	5,394
Buildings	96,438	-	1,010	-	-	-	-	97,448
Plant, machinery and equipment	74,617	-	5,198	(11)	1,606	(541)	(592)	80,277
Furniture, fixtures, fittings and office equipment	37,017	-	4,058	(98)	422	(154)	-	41,245
Motor vehicles	14,148	75	18,618	(8,686)	110	(327)	-	23,938
Work-in-progress	541	-	1,982	-	(2,138)	-	-	385
	364,591	75	31,850	(8,795)	-	(1,022)	(592)	386,107

	Cost RM'000	Directors' valuation RM'000	Total RM'000
Freehold land	23,683	36,116	59,799
Long term leasehold land	16,773	60,848	77,621
Short term leasehold land	4,756	638	5,394
Buildings	46,428	51,020	97,448
Plant, machinery and equipment	80,277	-	80,277
Furniture, fixtures, fittings and office equipment	41,245	-	41,245
Motor vehicles	23,938	-	23,938
Work-in-progress	385	-	385
	237,485	148,622	386,107

	Opening balance RM'000	Acquisition		Disposals RM'000	Written off RM'000	Closing balance RM'000
		of subsidiary RM'000	Charge for the year RM'000			
Accumulated depreciation						
Long term leasehold land	14,947	-	890	-	-	15,837
Short term leasehold land	1,797	-	157	-	-	1,954
Buildings	45,068	-	3,118	-	-	48,186
Plant, machinery and equipment	59,222	-	3,993	(11)	(521)	62,683
Furniture, fixtures, fittings and office equipment	30,317	-	2,806	(89)	(153)	32,881
Motor vehicles	9,454	3	3,860	(2,888)	(327)	10,102
	160,805	3	14,824	(2,988)	(1,001)	171,643

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

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

Group	Net Book Value		Depreciation
	At	At	charge for the
	31.12.2003	31.12.2002	year ended
	RM'000	RM'000	31.12.2002
			RM'000
Freehold land	59,799	59,799	-
Long term leasehold land	61,784	61,794	875
Short term leasehold land	3,440	3,493	158
Buildings	49,262	51,370	2,967
Plant, machinery and equipment	17,594	15,395	3,537
Furniture, fixtures, fittings and office equipment	8,364	6,700	2,271
Motor vehicles	13,836	4,694	1,751
Work-in-progress	385	541	-
	214,464	203,786	11,559

Company	Opening			Closing
	balance	Additions	Disposals	balance
	RM'000	RM'000	RM'000	RM'000
Cost				
Buildings	690	-	-	690
Furniture, fixtures, fittings and office equipment	352	26	-	378
Motor vehicles	1,698	155	(771)	1,082
	2,740	181	(771)	2,150

	Opening	Charge for	Disposals	Closing
	balance	the year		balance
	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation				
Buildings	124	14	-	138
Furniture, fixtures, fittings and office equipment	249	40	-	289
Motor vehicles	864	270	(463)	671
	1,237	324	(463)	1,098

	Net Book Value		Depreciation
	At	At	charge for the
	31.12.2003	31.12.2002	year ended
	RM'000	RM'000	31.12.2002
			RM'000
Buildings	552	566	14
Furniture, fixtures, fittings and office equipment	89	103	42
Motor vehicles	411	834	340
	1,052	1,503	396

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

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

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

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

	Group	
	2003 RM'000	2002 RM'000
Freehold land	21,019	17,590
Long term leasehold land	14,786	17,674
Short term leasehold land	234	245
Buildings	15,805	16,360
	51,844	51,869

Titles

The titles to certain properties with a cost of RM1.94 million (2002 – RM1.94 million) have yet to be issued by the relevant authorities.

3. Investments in Subsidiaries

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares		
At cost	142,764	135,289
At Directors' valuation in 1984	179,300	179,300
	322,064	314,589
Less: Impairment loss	(3,311)	(3,598)
	318,753	310,991

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	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	1,750	1,750
Share of post-acquisition reserve	859	524
	2,609	2,274
Represented by:		
Group's share of net assets	2,609	2,274

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

4. Investments in Associates (Cont'd)

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

Name of company	Principal activities	Effective ownership interest	
		2003 %	2002 %
Kanzen Energy Ventures Sdn Bhd	Investment holding	25	25
Structurflex Sdn Bhd	Manufacture of truck side curtains components	50	50
Ragib-TC Security Services Sdn Bhd *	Dormant	100	50

* This company became a subsidiary during the year (refer Note 28).

5. Other Investments

	Group	
	2003 RM'000	2002 RM'000
Long term		
Unquoted shares	1,806	1,806
Short term		
Investment in money market funds	10,559	48,919

The market value of current investments is shown in Note 27.

6. Development Costs

	Group 2003 RM'000
Cost	
Opening balance	-
Additions	4,584
Closing balance	4,584

7. Hire Purchase Receivables

	Group	
	2003 RM'000	2002 RM'000
Hire purchase receivables	370,298	313,322
Less: Unearned interest	(48,144)	(44,838)
	322,154	268,484
Less: Allowance for doubtful debts	(2,043)	(1,997)
	320,111	266,487

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

7. Hire Purchase Receivables (Cont'd)

	Group	
	2003 RM'000	2002 RM'000
Less than one year	90,364	73,978
Between one and five years	202,296	171,905
More than five years	27,451	20,604
	320,111	266,487

8. Inventories

	Group	
	2003 RM'000	2002 RM'000
Raw materials	10,281	13,945
Manufactured inventories, trading inventories and assembled motor vehicles	248,264	132,469
Work-in-progress	14,015	8,666
Unassembled vehicle packs	180,263	96,853
Spare parts and others	34,736	39,663
	487,559	291,596

The following inventories are carried at net realisable value:

Raw materials	2,860	1,898
Manufactured inventories, trading inventories and assembled motor vehicles	1,457	4,332
Unassembled vehicle packs	12,645	5,593
Spare parts and others	700	4,833
	17,662	16,656

During the year, there was a reversal of a write down of inventories of RM2,594,000 (2002 - RM3,839,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

9. Trade and Other Receivables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<i>Short term</i>				
Trade receivables	123,067	129,165	-	-
Less: Allowance for doubtful debts	(13,693)	(9,083)	-	-
	109,374	120,082	-	-
Other receivables, deposits and prepayments	24,071	15,251	308	503
Tax recoverable	736	-	-	-
Subsidiaries	-	-	114,574	150,639
	134,181	135,333	114,882	151,142
<i>Long term</i>				
Subsidiaries	-	-	15,458	16,309
Less: Allowance for doubtful debts	-	-	(2,207)	(2,207)
	-	-	13,251	14,102

During the year, doubtful debts written off against allowance for doubtful debts made previously in the Group amounted to RM13,000 (2002 – Nil).

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

The long term amounts due from subsidiaries are in respect of advances that are unsecured, interest free and are not receivable within the next twelve months except for amounts due from certain subsidiaries which are subject to interest at negotiated rates.

10. Cash and Cash Equivalents

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	28,781	27,873	269	635
Deposits	110,865	92,516	-	-
	139,646	120,389	269	635
Deposits are placed with:				
Licensed banks	7,959	27,205	-	-
Licensed finance companies	31,783	16,219	-	-
Discount houses	71,123	49,092	-	-
	110,865	92,516	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

11. Trade and Other Payables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Short term				
Trade payables	94,314	60,876	-	-
Other payables and accrued expenses	58,115	52,564	3,157	2,626
Subsidiary	-	-	15	-
	152,429	113,440	3,172	2,626
Long term				
Subsidiaries	-	-	4,433	4,416

The short term amount due to subsidiary is in respect of advances that is unsecured, interest free and is repayable on demand.

The long term amounts due to subsidiaries are in respect of advances that are unsecured, interest free and are not repayable within the next twelve months except for the amount due to a subsidiary which is subject to interest at negotiated rates.

12. Borrowings

	Group	
	2003 RM'000	2002 RM'000
Short term		
Bank overdrafts – secured	-	835
Bills payable – unsecured	51,679	332
Term loans – unsecured	25,000	10,000
	76,679	11,167
Long term		
Amount due to Cagamas Berhad	72,066	-

The bank overdrafts and bills payable of the Group are subject to interest at Nil (2002 – 5.00% to 6.90%) and 1.60% to 1.80% (2002 – 5%) per annum respectively. The bank overdrafts are secured by a negative pledge over the current and future assets of a subsidiary.

The term loans of the Group are subject to fixed rates of 3.75% to 3.78% (2002 – 3.78%) per annum and are repayable on 7 October 2004 and 31 March 2005, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

13. Share Capital

	Group and Company	
	2003 RM'000	2002 RM'000
Ordinary shares of RM0.50 each		
Authorised	500,000	500,000
Issued and fully paid	336,000	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 financial year, the Company purchased 278,000 (2002 – 1,750,000) of its issued shares from the open market. The average price paid for the shares purchased was RM 1.0468 (2002 – 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 669,972,000 (2002 – 670,250,000) ordinary shares of RM0.50 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

14. Reserves

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 December 2003 if paid out as dividends.

15. Minority Shareholders' Interests

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

16. Deferred Tax

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax assets	12,029	10,828	2,406	2,278
Deferred tax liabilities	(12,253)	(12,064)	(52)	(24)

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

16. Deferred Tax (Cont'd)

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property, plant and equipment				
- capital allowances	(624)	(242)	(52)	(24)
- revaluation	(10,302)	(10,705)	-	-
Provisions	9,973	8,836	2,131	2,021
Other items	341	351	-	-
Unabsorbed capital allowances	275	257	275	257
Unutilised tax losses	113	267	-	-
	(224)	(1,236)	2,354	2,254
Deferred tax assets				
Provisions	9,973	8,836	2,131	2,021
Unabsorbed capital allowances	275	257	275	257
Unutilised tax losses	113	267	-	-
Other items	341	351	-	-
	10,702	9,711	2,406	2,278
Deferred tax liabilities				
Property, plant and equipment				
- capital allowances	(624)	(242)	(52)	(24)
- revaluation	(10,302)	(10,705)	-	-
	(10,926)	(10,947)	(52)	(24)

No deferred tax has been recognised for the following items:

	Group	
	2003 RM'000	2002 RM'000
Unabsorbed capital allowances	812	812
Unutilised tax losses	6,989	6,928
Deductible temporary differences	19	19
	7,820	7,759

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

17. Employee Benefits

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Recognised liability for defined benefit obligations	17,756	16,207	7,542	6,943

The Group and the Company make contributions to two defined benefit plans that provide pension benefits for employees upon retirement. Under the schemes, eligible employees are entitled to retirement benefits of 16.0% to 17.0% of total basic salary earned less the respective subsidiaries' EPF contribution for each completed year of service upon the retirement age of 55 as well as retirement benefits of a factor of the last drawn monthly salary for each completed year of service upon the retirement age of 55.

Movements in the net liability recognised in the balance sheets

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net liability at 1 January	16,207	15,586	6,943	6,395
Benefits paid	(334)	(1,107)	-	-
Expense recognised in the income statement	1,883	1,728	599	644
Benefits transferred	-	-	-	(96)
Net liability at 31 December	17,756	16,207	7,542	6,943

Expense recognised in the income statements

Current service cost	737	676	113	100
Interest on obligation	1,146	1,052	486	544
	1,883	1,728	599	644

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

Distribution expenses	85	68	-	-
Administration expenses	1,798	1,660	599	644
	1,883	1,728	599	644

Liability for defined benefit obligations

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

	2003 %	2002 %
Discount rate	7.0	7.0
Future salary increases	6.5	6.5

NOTES TO THE FINANCIAL STATEMENTS

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18. Operating Profit (Cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
and after charging:				
Auditors' remuneration				
- current year	290	271	40	33
- underprovision in prior year	28	-	5	-
Allowance for doubtful debts	5,365	2,060	-	-
Bad debts written off	4	56	-	-
Company's Directors				
Remuneration	5,691	5,840	4,395	4,618
Fees	251	261	251	261
Depreciation and amortisation	14,824	11,559	324	396
Goodwill written off	65	-	-	-
Impairment loss on goodwill	-	135	-	-
Impairment loss on revalued freehold land	-	5,201	-	-
Impairment loss on property, plant and equipment	592	-	-	-
Inventories written down	2,682	162	-	-
Inventories written off	1,656	237	-	-
Property, plant and equipment written off	21	21	-	-
Retirement benefits charged	1,883	1,728	599	644
Rental expense on land and buildings	3,979	4,090	416	434
Loss on disposal of other current investments	459	-	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM80,316 (2002 - RM86,042) and RM80,316 (2002 - RM86,042) respectively.

19. Employee Information

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs	84,424	73,718	7,903	6,978

The number of employees of the Group and of the Company (including Directors) at the end of the year was 2,762 (2002 - 2,512) and 27 (2002 - 21) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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20. Tax Expense

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current tax expense	45,470	44,282	3,175	7,942
Overprovision in prior years	(2,591)	(352)	-	(504)
	42,879	43,930	3,175	7,438
Deferred tax expense	(1,012)	1,092	(100)	(196)
Tax expense on share of profit of associates	61	96	-	-
	41,928	45,118	3,075	7,242
Reconciliation of effective tax rate				
Profit before taxation	149,998	149,074	7,245	28,115
Income tax using statutory tax rate	41,999	41,741	2,029	7,872
Effect of tax at 20% on chargeable income below RM100,000	(86)	-	-	-
Non-deductible expenses	3,049	4,211	320	310
Non-taxable income	(81)	(749)	(81)	(749)
Tax exempt income	(433)	(3)	-	-
Tax incentives	(861)	(166)	-	-
Effect of tax losses recognised	-	(7)	-	-
Other items	932	443	807	313
	44,519	45,470	3,075	7,746
Overprovision in prior years	(2,591)	(352)	-	(504)
	41,928	45,118	3,075	7,242

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

The calculation of basic earnings per ordinary share is based on the net profit attributable to shareholders of RM106.025 million (2002 – RM101.841 million) and the weighted average number of ordinary shares outstanding during the year of 670.002 million (2002 – 671.667 million).

Weighted average number of ordinary shares

	2003	2002
Issued ordinary shares at beginning of the year	670,250,000	672,000,000
Effect of shares purchased during the year	(247,417)	(332,917)
Weighted average number of ordinary shares	670,002,583	671,667,083

NOTES TO THE FINANCIAL STATEMENTS

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22. Dividends

	Group and Company	
	2003 RM'000	2002 RM'000
Ordinary		
Interim paid:		
4% per share tax exempt (2002 – 4% per share tax exempt)	13,399	13,440
Final proposed:		
10% per share less tax (2002 – 9% per share less tax)	24,120	21,716
	37,519	35,156

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 ordinary share is based on the net dividend for the financial year ended 31 December 2003 of RM37.519 million (2002 – RM35.156 million) and the number of ordinary shares in issue during the year of 670 million (2002 – 672 million) less treasury shares held of 2.028 million (2002 – 1.750 million).

23. Segmental Information

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

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

Business segments

The Group comprises the following main business segments:

Vehicles assembly, distribution and after 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

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23. Segmental Information (Cont'd)

	Vehicles assembly, distribution and after sale services		Hire purchase financing		Other operations		Eliminations		Consolidated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Business segments										
Revenue from external customers	1,654,457	1,506,386	22,978	20,465	82	82	-	-	1,677,517	1,526,933
Inter-segment revenue	-	398	-	-	3,313	3,017	(3,313)	(3,415)	-	-
Total revenue	1,654,457	1,506,784	22,978	20,465	3,395	3,099	(3,313)	(3,415)	1,677,517	1,526,933
Segment result	129,449	124,369	21,375	19,026	1,784	1,999	-	-	152,608	145,394
Unallocated expenses									(4,095)	(3,238)
Operating profit									148,513	142,156
Interest income									3,043	6,350
Interest expense									(1,889)	(148)
Share of profit of associates	331	716	-	-	-	-	-	-	331	716
Profit before taxation									149,998	149,074
Tax expense									(41,928)	(45,118)
Minority interests									(2,045)	(2,115)
Net profit for the year									106,025	101,841
Segment assets	815,782	604,559	320,945	267,373	52,503	52,308	-	-	1,189,230	924,240
Investment in associates	2,609	2,274	-	-	-	-	-	-	2,609	2,274
Unallocated assets									135,709	154,904
Total assets									1,327,548	1,081,418
Segment liabilities	133,890	117,685	25,501	275	99	1,784	-	-	159,490	119,744
Unallocated liabilities									183,318	49,006
Total liabilities									342,808	168,750
Capital expenditure	30,232	8,609	41	198	1,577	1,072			31,850	9,879
Depreciation and amortisation	13,244	9,915	81	72	1,499	1,572			14,824	11,559
Non-cash expenses other than depreciation and amortisation	6,600	2,769	47	471	601	548			7,248	3,788

NOTES TO THE FINANCIAL STATEMENTS

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24. Contingent Liabilities – Unsecured

	Group	
	2003 RM'000	2002 RM'000
Compensation claim on breach of contract	46	46

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

25. Commitments

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	19,010	5,814	-	-
Authorised and contracted for	14,859	-	-	-
Joint venture investment				
Authorised and contracted for	11,250	-	11,250	-
Development costs				
Authorised and contracted for	4,964	-	-	-
	50,083	5,814	11,250	-

26. Related Parties

Controlling related party relationships are as follows:

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

Transactions with related parties

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

	Group	
	2003 RM'000	2002 RM'000
With WTCH Group		
Purchases	4,770	3,100
Sales	(6,157)	(3,216)
Rental expense payable	691	629
Rental income receivable	(391)	(408)

NOTES TO THE FINANCIAL STATEMENTS

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26. Related Parties (Cont'd)

	Group	
	2003 RM'000	2002 RM'000
<i>With APM Group</i>		
Purchases	83,850	68,790
Sales	-	(1,293)
Rental income receivable	981	(925)

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

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

	Group	
	2003 RM'000	2002 RM'000
Purchases	169	105
Sales	(2,193)	(2,025)

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

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

	Group	
	2003 RM'000	2002 RM'000
Purchases	578,349	385,339
Sales	(16,877)	(19,187)
Purchase of property, plant and equipment	-	702
Technical fees expense payable	2,814	2,637

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

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

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

	Group	
	2003 RM'000	2002 RM'000
Sales	1,863	648

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

NOTES TO THE FINANCIAL STATEMENTS

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26. Related Parties (Cont'd)

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

	Company	
	2003 RM'000	2002 RM'000
Subsidiaries		
Dividend income receivable	(11,340)	(28,540)
Interest income receivable	(3,495)	(4,124)
Management fees receivable	(1,931)	(1,435)
Rental income receivable	(54)	(27)
Rental expense payable	404	422
Interest expense payable	122	86
Purchases of property, plant and equipment	154	591

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

Exposure to credit, interest rate and currencies risks arise in the normal course of the Group's and the Company's business. Credit risk in relation to the Group's core business activities are managed by the respective operating units. The Group has a centralised Treasury Department that manages the interest and currencies risks of the Group. The Treasury Department monitors the interest rate trend and currencies exchange rate movements on an ongoing basis. 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 purposes and also does not use any derivatives for speculative purposes.

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

Credit risk

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

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

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

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset; and in addition, in respect of derivatives of the Group, amounted to RM50,213,000 (2002 - RM26,457,000).

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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27. Financial Instruments (Cont'd)**Interest rate risk (Cont'd)**

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

Foreign currency risk

The Group and the Company incur foreign currency risk mainly on purchases that are denominated in Japanese Yen. The Group monitors its exchange exposure regularly and undertakes selective hedging whenever deemed necessary. The unrecognised gain or loss associated with anticipated future transactions is a gain of RM940,000 (2002 – gain of RM1,443,000).

Liquidity risk

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

Effective interest rates and repricing analysis

Group	Effective interest rate %	2003		Effective interest rate %	2002	
		Total RM'000	Within 1 year RM'000		Total RM'000	Within 1 year RM'000
Financial assets						
Money market funds	2.67	10,559	10,559	2.71	28,919	28,919
Short term deposits	3.34	110,865	110,865	3.70	92,516	92,516

Financial liabilities	Effective interest rate %	2003			Effective interest rate %	2002		
		Total RM'000	Within 1 year RM'000	1 - 5 years RM'000		Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
Secured overdrafts	–	–	–	–	6.90	835	835	–
Unsecured bills payable	0.74	51,679	51,679	–	5.00	332	332	–
Unsecured fixed rate term loans	3.76	25,000	25,000	–	3.78	10,000	10,000	–
Amount due to Cagamas Berhad	4.63	72,066	16,927	55,139	–	–	–	–

Company**Financial assets**

Amount due from certain subsidiaries	2.88	119,104	–	119,104	3.02	139,625	–	139,625
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Financial liabilities

Amount due to certain subsidiaries	2.88	4,433	–	4,433	3.02	3,171	–	3,171
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Fair values*Recognised financial instruments*

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

27. Financial Instruments (Cont'd)

Group	2003 Carrying amount RM'000	2003 Fair value RM'000	2002 Carrying amount RM'000	2002 Fair value RM'000
Financial assets				
Money market funds	10,559	10,559	48,919	49,206
Financial liabilities				
Amount due to Cagamas Berhad	72,066	68,028	-	-

The fair values of money market funds and amount due to Cagamas Berhad listed above have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date. In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate 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. This investment is carried at its original cost of RM1,806,000 (2002 – RM1,806,000) in the balance sheet. At year end, the Group's proportionate share of the net tangible assets based on the audited financial statements of the unquoted company at 31 December 2002 was RM4,012,000 (2002 – RM4,057,000).

Company

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

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

Unrecognised financial instruments

The 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:

Group	2003 RM'000	2002 RM'000
Forward foreign exchange contracts		
- contractual value	50,213	26,457
- unrealised gains	940	1,443
Fair value	51,153	27,900

NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

27. Financial Instruments (Cont'd)

	2003 Contacted amount RM'000	2003 Within 1 year RM'000	2002 Contacted amount RM'000	2002 Within 1 year RM'000
Forward foreign exchange contracts	50,213	50,213	26,457	26,457

28. Subsidiaries

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

Name	Principal activities	Effective ownership interest	
		2003 %	2002 %
Incorporated in Malaysia:			
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
E-Garage Auto Services Sdn Bhd (Formerly known as Perusahaan Komponen Kenderaan Sdn Bhd)	Distribution of car grooming products	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 and spare parts	100	100
Tan Chong Motor Assemblies Sdn Bhd	Assembly of motor vehicles and trading of parts	70	70

NOTES TO THE FINANCIAL STATEMENTS

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28. Subsidiaries (Cont'd)

Name	Principal activities	Effective ownership interest	
		2003 %	2002 %
Incorporated in Malaysia: (Cont'd)			
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 Euro Cars Sdn Bhd	Distribution of motor vehicles and provision of after sales 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
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
Auto Research and Development Sdn Bhd	Dormant	100	100
Auto Trucks & Components Sdn Bhd	Dormant	100	100
Bijak Security Services Sdn Bhd (Formerly known as Autoscope Sdn Bhd)	Dormant	100	100
Fujiyama Car Cooler Sdn Bhd	Dormant	100	100
Motor Image Enterprises Sdn Bhd	Dormant	100	100
TC Capital Sdn Bhd	Dormant	100	100
*** Ragib-TC Security Services Sdn Bhd	Dormant	100	50
Incorporated in the British Virgin Islands:			
* Nissan TCM Pty Ltd	Investment holding	75	75
Incorporated in Vietnam:			
** 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.

*** This company was previously an associate (refer Note 4).

NOTES TO THE FINANCIAL STATEMENTS

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28. Subsidiaries (Cont'd)

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

	At 1.1.2003	Acquired	Sold	At 31.12.2003
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

29. Acquisition of Subsidiary

On 16 September 2002, the Group acquired the remaining 50% equity interest 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 that year.

On 5 March 2003, the Group acquired the remaining 50% equity interest in Ragib-TC Security Services Sdn Bhd for a consideration of RM1 satisfied by cash. The acquisition was accounted for using the acquisition method of accounting.

Effect of acquisition

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

	2003 RM'000	2002 RM'000
Property, plant and equipment	72	1
Current assets	-	161
Current liabilities	(137)	(10)
Deferred liability	-	(5)
Net (liabilities)/assets	(65)	147
Goodwill on acquisition	65	17
Consideration paid, satisfied in cash	-	164
Cash acquired	-	(320)
Net cash inflow	-	(156)

NOTES TO THE FINANCIAL STATEMENTS

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30. Changes in Accounting Policies and Prior Year Adjustments*Changes in accounting policies*

In the current financial year, the Group and the Company adopted two new MASB Standards; MASB 25 on Income Taxes and MASB 29 on Employee Benefits which have been adopted retrospectively. Comparative figures have been adjusted to reflect the change in these accounting policies.

- (i) The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).
- (ii) The adoption of MASB 29 resulted in the Group and the Company making provision for obligations in respect of short term employee benefits in the form of accumulated compensated absences. These obligations were not provided for prior to the adoption of MASB 29. In addition, the adoption of MASB 29 resulted in the Group and the Company using the Projected Unit Credit Method to calculate the obligation under the defined benefit plans.

This change in accounting policies, applied retrospectively, has the following impact on the results:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Effects on retained profits:				
At 1 January, as previously stated	573,829	503,663	131,679	143,257
Effect of adopting MASB 25	(790)	(25)	2,254	2,058
Effect of adopting MASB 29	(9,131)	(8,777)	(5,181)	(4,642)
At 1 January, as restated	563,908	494,861	128,752	140,673

Prior year adjustments

The change in accounting policies due to the adoption of MASB 25 and MASB 29 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 January 2003 as disclosed in Note 31 and the statement of changes in equity respectively.

NOTES TO THE FINANCIAL STATEMENTS

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31. Comparative Figures

The following comparative figures have been restated to reflect the change in accounting policies as explained in Note 30 and a reclassification made during the year.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet				
Long term assets				
Investments in associates	2,274	2,266	-	-
Other receivables	-	-	14,102	-
Deferred tax assets	10,828	-	2,254	-
Current assets				
Trade and other receivables	-	-	151,142	165,244
Minority shareholders' interest	(13,113)	(13,241)	-	-
Long term liabilities				
Other payables	-	-	(4,416)	-
Deferred taxation	(12,064)	(555)	-	-
Employee benefits	(16,207)	(8,154)	(6,943)	(2,037)
Current liabilities				
Trade and other payables	(113,440)	(112,117)	(2,626)	(6,767)
Income statement				
Administration expenses	(51,876)	(51,522)	(8,652)	(8,113)
Tax expense	(45,118)	(44,353)	(7,242)	(7,438)
Net profit for the year	101,841	102,960	20,873	21,216
Statement of changes in equity				
Retained profits at 1 January 2002	494,861	503,663	140,673	143,257
Retained profits at 31 December 2002	563,908	573,829	128,752	131,679
Cash flow statement				
Profit before taxation	149,074	149,428	28,115	28,654
Retirement benefits charged	1,728	1,519	644	109
Cash flows from operating activities				
Trade and other receivables	-	-	15,789	17,381
Trade and other payables	9,096	8,951	(849)	(322)
Cash flows from financing activities				
Repayment from subsidiaries	-	-	2,123	-

Corporate Governance Disclosures

STATEMENT ON CORPORATE GOVERNANCE

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 eight (8) Board meetings held in 2003. The Board has a formal schedule of matters reserved for making broad policy decisions, including the approval of annual and interim results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to committees of the Board and management as well as officers of the Group.

(ii) Board Composition

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

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

(iii) Supply of Information

Board members are provided with an agenda and summary board papers in advance of each scheduled Board and Committee meeting. For Board meetings these documents may include a report on current trading and business issues, a period financial report and proposal papers from the management.

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

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

(iv) Appointment to the Board

The Board is of the view that proposals for new appointments and the assessment of the contributions of 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.

(iv) Re-election

The profile of the Directors who are due for re-election are set out on page 10. All Directors held office throughout the year.

The Company’s articles of association provide that at every annual general meeting of the Company one-third of the Directors shall retire from office and that all Directors shall retire from office once at least in each three years, but shall be eligible for re-election.

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

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 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 2003 and annual increment for 2004 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. The Non-Executive Directors do not participate in discussions on their remuneration.

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

	Fees (RM'000)	Salaries and Allowances (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)
Executive Directors	-	3,816	1,843	72
Non-Executive Directors	251	32	-	8

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
RM150,001 to RM200,000	1	-
RM250,001 to RM300,000	1	-
RM350,001 to RM400,000	1	-

C Relations with Shareholders

(i) Dialogue between Companies and Investors

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

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

CORPORATE GOVERNANCE DISCLOSURES

(ii) Annual General Meeting

The Annual General Meeting (“AGM”) of the Company was held on Monday, 19 May 2003 at the Grand Ballroom of Grand Seasons Hotel, Kuala Lumpur. The Notice of Meeting was attached to the Annual Report distributed to shareholders.

The AGM in 2003 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 58.3% 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 2002. The Company advised shareholders attending the AGM of the number of proxies received, how votes were cast in respect of each resolution, the number of abstentions and the number of proxies appointing the Chairman to vote on their behalf.

D Accountability and Audit

(i) Financial Reporting

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

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

(ii) Internal Control

The Statement on Internal Control furnished on page 60 provides an overview of the state of internal controls within the Group.

(iii) Audit Committee and Auditors

The Board of Directors has established an Audit Committee. The membership of this Committee, a summary of the terms of reference and the activity report of the Audit Committee is set out on pages 62 and 63.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

The Directors considered that during 2003, 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 FOR PREPARING THE ANNUAL FINANCIAL STATEMENTS

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

In preparing the financial statements for the year ended 31 December 2003, the Directors have:

- (i) adopted the appropriate accounting policies, which are consistently applied,
- (ii) made judgments 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 Malaysia Securities Exchange Berhad 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; and
- (iv) Monthly financial reporting by the subsidiaries to the holding Company.

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

The internal controls of the Group are further supported by an established organization structure 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 has completed the documentation of 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 Results 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.

CORPORATE GOVERNANCE DISCLOSURES**STATEMENT ON MATERIAL CONTRACTS**

Apart from contracts concerning distributorship rights between the Group, Nissan Motor Co Ltd, a major shareholder of the Company and Renault s.a.s, 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 32 to 34 of the Annual Report.

NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2003 was RM203,000.

SHARE-BUY BACKS

Details of shares bought back and held as treasury shares in 2003 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
January	51,000	1.05	1.04	1.0538	53,745.14
February	199,000	1.03	1.03	1.0394	206,845.70
July	28,000	1.10	1.10	1.1081	31,028.12
Total	278,000				291,618.96

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

Report of the Audit Committee

The Board of Directors of Tan Chong Motor Holdings Berhad is pleased to present the report of the Audit Committee of the Board for the year ended 31 December 2003.

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

Composition and Meetings

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

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

Mr Seow Thiam Fatt was appointed Chairman on 14 August 2003 replacing Mr Geh Cheng Hooi who retired from the Board on 19 May 2003.

Terms of Reference

Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall be composed of no fewer than three members, a majority of 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 Malaysia Securities Exchange Berhad, the vacancy must be filled within three months.

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

Authority

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

1. investigate any matter within its terms of reference
2. have the resources which are required to perform its duties
3. have full and unrestricted access to any information pertaining to the Company or the Group
4. have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity (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 function and that it has the necessary authority to carry out its work,
 - c) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function,
 - d) the quarterly results and year end financial statements, prior to approval by the Board of Directors, focusing on
 - i) changes in or implementation of major accounting policy changes,
 - ii) significant and unusual events, and
 - iii) compliance with accounting standards and other legal requirements,
 - e) any related party transactions and conflict of interest situation that may arise within the Company and Group including any transaction, procedure or course of conduct that raises questions of management integrity,
 - f) any letter of resignation from external auditors,
 - g) whether there is any reason to believe that external auditors are not suitable for re-appointment,
2. recommend the nomination of person or persons as external auditors,
3. approve any appointment or termination of senior staff members of the internal audit function and review any appraisal or assessment of the performance of its members, and
4. any other function as may be required by the Board from time to time.

Summary of Activities of Audit Committee

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

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

Summary of Internal Audit Activities

The Chief Internal Auditor reports directly to the Audit Committee.

Activities of internal auditors during the year encompassed the following:

- related party transactions
- compliance with listing requirements and accounting standards
- review risks and controls associated with new vehicle dealership, used vehicle sales, replacement parts businesses and others.

Internal auditors also followed-up on past audit recommendations and the implementation of Enterprise-wide Risks Management framework.

Shareholders' Statistics

As at 31 March 2004

SHARE CAPITAL

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

ANALYSIS BY SIZE OF HOLDINGS

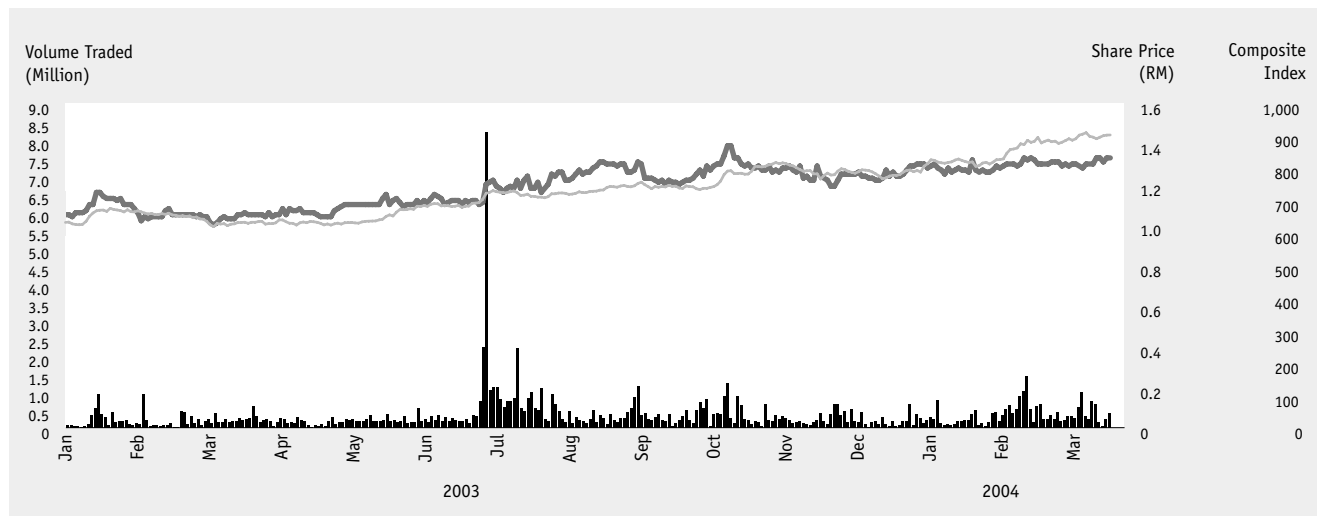
Size of Holdings	No. of Holders	%	No. of Shares Held	%
1 – 99	98	0.4847	1,721	0.0003
100 – 999	5,625	27.8190	5,532,922	0.8234
1,000 – 10,000	11,938	59.0406	52,023,663	7.7416
10,001 – 100,000	2,290	11.3254	66,553,100	9.9037
100,001 – 33,599,999	266	1.3155	233,260,608	34.7113
33,600,000 and above	3	0.0148	312,599,986	46.5179
Sub-Total	20,220	100.0000	669,972,000	99.6982
Treasury shares			2,028,000	0.3018
Total			672,000,000	100.0000

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
3. Employees Provident Fund Board	34,725,400	5.18

* 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 MSEB



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 2004

THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Tan Chong Consolidated Sdn Bhd	230,266,662	34.3696
2. Mayban Nominees (Tempatan) Sdn Bhd <i>Tan Chong Consolidated Sdn Bhd (N14011984860)</i>	45,000,000	6.7167
3. Cartaban Nominees (Asing) Sdn Bhd <i>Daiwa Securities SMBC Co Ltd for Nissan Motor Co Ltd</i>	37,333,324	5.5724
4. Employees Provident Fund Board	27,215,700	4.0622
5. Cimsec Nominees (Tempatan) Sdn Bhd <i>Allied Investments Limited for Tan Chong Consolidated Sdn Bhd</i>	20,000,000	2.9852
6. Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund 2R26 for Emerging Markets Value Portfolio (SC Bernstein FD)</i>	10,757,000	1.6056
7. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Chong Consolidated Sdn Bhd (014011528927)</i>	9,000,000	1.3433
8. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>UBS AG Singapore for Pacific Investment Fund</i>	7,556,000	1.1278
9. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for The State Teachers Retirement System Of Ohio (Sanford Emerg)</i>	6,099,000	0.9103
10. Cimsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew (MM1063)</i>	5,950,000	0.8881
11. HSBC Nominees (Asing) Sdn Bhd <i>Bob HK for Value Partners "A" Fund</i>	5,247,600	0.7833
12. Key Development Sdn Berhad	4,740,000	0.7075
13. HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Sanford C. Bernstein & Co Delaware Business Trust</i>	4,077,000	0.6085
14. HSBC Nominees (Asing) Sdn Bhd <i>HSBC TUB KGAA for SPB Investment Company Ltd</i>	3,836,800	0.5727
15. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Boronia Corporation</i>	3,690,000	0.5508
16. Cartaban Nominees (Asing) Sdn Bhd <i>State Street Luxembourg Fund M59E for ACM Bernstein Value Investments-Emerging Markets Value Portfolio</i>	3,342,500	0.4989
17. AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	3,211,000	0.4793
18. Chinchoo Investment Sdn Berhad	3,171,000	0.4733
19. Tan Kim Hor	3,074,834	0.4589
20. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Guardis Investments Group Limited</i>	3,050,000	0.4552
21. AM Nominees (Tempatan) Sdn Bhd <i>Pertubuhan Keselamatan Sosial</i>	2,923,000	0.4363
22. Citicorp Nominees (Asing) Sdn Bhd <i>MLPFS for Hang Chooi Seng</i>	2,551,000	0.3808
23. Citicorp Nominees (Asing) Sdn Bhd <i>PSL for Summerhouse Mutual Fund Limited</i>	2,455,000	0.3664
24. Citicorp Nominees (Asing) Sdn Bhd <i>Goldman Sachs International</i>	2,439,900	0.3642
25. Cartaban Nominees (Asing) Sdn Bhd <i>Investors Bank and Trust Company for Ishares, Inc</i>	2,251,200	0.3360
26. HSBC Nominees (Asing) Sdn Bhd <i>TNTC for State of New Mexico State Investment Council</i>	1,905,600	0.2844
27. HSBC Nominees (Asing) Sdn Bhd <i>JPMCB for The Malaysia Fund Incorporated</i>	1,896,000	0.2830
28. AM Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (A/C 2)</i>	1,852,000	0.2764
29. HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lung Ma Investments Pte Ltd (Sin 9047-5)</i>	1,728,000	0.2579
30. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Eng Hwa (01429941366A)</i>	1,700,000	0.2537
TOTAL	458,320,120	68.41

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	30.53	28
		74,776	53,254	Leasehold 20.04.2068	2.82	25
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	5.88	
Lot 4185 Jalan Segambut 51200 Kuala Lumpur	Office & factory	147,066	85,900	Freehold	7.42	11
Lot 43097 Mukim of Batu Off Jalan Segambut 51200 Kuala Lumpur	Vehicle storage yard & warehouse	339,448	39,305	Leasehold 27.01.2074	9.90	6
327, 3 ³ / ₄ Miles Jalan Segambut 51200 Kuala Lumpur	Pre-delivery inspection centre	114,189	25,480	Leasehold 04.07.2065	3.38	37
Lot 1249 Jalan Segambut 52000 Kuala Lumpur	Vehicle storage yard	111,646		Freehold	4.14	
Lot 1474 Jalan Segambut 52000 Kuala Lumpur	Vehicle storage yard	89,659		Freehold	3.10	
Lot 1475 Jalan Segambut 52000 Kuala Lumpur	Vehicle storage yard	116,959		Freehold	3.83	
582, 3 ¹ / ₂ Miles, Jalan Ipoh 51200 Kuala Lumpur	Office, vehicle storage bay & showroom	39,541	12,389	Freehold	2.10	24

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)
62 - 68 Jalan Ipoh 51200 Kuala Lumpur	Showroom & office	7,533	28,707	Freehold	6.28	48
21 Jalan Ipoh Kecil 50350 Kuala Lumpur	Head office building	7,571	27,302	Freehold	2.46	18
Lot 1388 Jalan Seri Amar 50350 Kuala Lumpur	Levelled commercial land for rental	22,185		Freehold	7.49	
Lot UG01 Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur	Showroom & office	4,827	4,827	Freehold	1.69	20
Lot UG04 - 06 Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur	Showroom & office	602	602	Freehold	0.38	20
LG045 Sungei Wang Plaza Jalan Bukit Bintang 55100 Kuala Lumpur	Retail lot for rental	621	621	Freehold	0.44	24
8C-3-2 Sri Murni Condominium 8 Lorong Kota 4 Bukit Ledang 50480 Kuala Lumpur	Apartment for rental	1,938	1,938	Freehold	0.55	10
Plot 28, Sec 52, Jalan Pudu 55100 Kuala Lumpur	Showroom & office	1,600	4,880	Leasehold 23.03.2075	0.44	19
Plot 29, Sec 52, Jalan Pudu 55100 Kuala Lumpur	Office & upper floors for rental	1,600	4,880	Leasehold 23.03.2075	0.44	19
34 Jalan Siby 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	3,600	2,850	Leasehold 25.12.2078	0.18	22
35 Jalan Siby 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	3,600	2,850	Leasehold 25.12.2078	0.22	22
36 Jalan Siby 17 Taman Wahyu 68100 Kuala Lumpur	Office, warehouse & industrial building for rental	5,632	2,850	Leasehold 25.12.2078	0.28	22

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 3 Jalan Perusahaan Satu Batu Caves 68100 Selangor	Factory, warehouse & offices/Showroom & sales office	416,949	141,820 3,776	Leasehold 05.09.2074	15.71 0.34	21
142 Jalan SBC 3 Taman Sri Batu Caves 68100 Batu Caves, Selangor	Shoplot for rental	2,512	6,094	Freehold	1.54	5
117 - 119 Jalan SS15/5 47500 Subang Jaya	Showroom & offices for rental	3,520	9,988	Freehold	0.78	23
41-G, 41-1 to 41-4, Jln 205 The Highway Centre 46050 Petaling Jaya	Shoplot for rental	6,652	6,652	Leasehold 24.10.2067	1.30	13
Lot 7834 Sungai Rasa Jalan Batu Tiga Lama 41300 Klang, Selangor	Showroom, sales offices, workshop & spare parts centre	63,389	71,300	Freehold	6.71	13
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	0.72	21
PT 10451 Mukim Serendah Daerah Hulu Selangor	Industrial land for rental	2,178,002		Leasehold 24.04.2095	8.47	
63, 63A & 63B Jalan Tun Perak 75300 Melaka	Showroom, office, store and workshop	18,252	12,531	Leasehold 02.07.2052	1.48	37
36 Jalan IMJ 5 Taman Industry Malim Jaya 75050 Melaka	Shoplot for rental	9,587	3,240	Leasehold 18.11.2095	0.40	9
260 Jalan Tun Dr Ismail 70200 Seremban Negeri Sembilan	Showroom & office	19,376	11,000	Freehold	1.90	19
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	1.21	7

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 1599 Bandar Penggaram Jalan Zabeledah 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	0.38	47
		1,680	3,210	Leasehold 02.02.2052		47
Lot 7348 27 Jalan Tun Abd Razak Susur 2, 80100 Johor Bahru Johor	Showroom, office & offices for rental	18,295	12,527	Freehold	2.50	10
Plot 157 Jalan Angkasa Mas 6 Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor	Office & workshop	87,120	18,203	Leasehold 25.10.2053	1.40	8
A7348 Jalan Berserah 25300 Kuantan, Pahang	Showroom, office, warehouse and workshop	44,420	31,738	Freehold	5.79	20
10B Kayangan Apartment 69000 Genting Highlands Pahang	Apartment for rental	3,250	3,250	Freehold	0.29	23
Lot 31036 & 31037 Jalan Kuala Kangsar 30010 Ipoh, Perak	Showroom, office, workshop & spare parts store	40,292	27,800	Leasehold 24.09.2894	1.19	18
Plot 70 Kinta Jaya Light Industrial Park 30250 Ipoh, Perak	Office & workshop	4,887	2,100	Leasehold 01.03.2095	0.24	7
Lot 30502 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak	Workshop for rental	6,806	6,806	Freehold	0.35	31
204 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak	Shoplot for rental	1,740	2,792	Freehold	0.35	28

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 5688 Parit Buntar Industrial Park 34200 Perak	Levelled industrial land for rental	174,240		Leasehold 28.11.2044	0.28	
478 - 481 Taman Kota Jaya Jalan Kampong Dew 34700 Simpang, Taiping, Perak	Shoplots for rental	9,092	14,457	Leasehold 16.11.2065	0.70	23
119 Jalan Changkat Jong 36000 Teluk Intan, Perak	Shoplot for rental	2,979	2,740	Freehold	0.19	24
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	0.16	20
41 Jalan Durian Taman Kampar Jaya 31900 Kampar, Perak	Shoplot for rental	1,600	4,639	Leasehold 23.11.2060	0.13	20
Plot 12 & 13 Slim Indah 35800 Slim River, Perak	Shoplots for rental	5,821	5,821	Leasehold 20.03.2082	0.20	20
Plot 25 & 26 Juru Industrial Park Juru Seberang Prai Tengah 14000 Pulau Pinang	Showroom & office	5,125	3,300	Freehold	0.33	6
23 Weld Quay/ 274 Victoria Street 10300 Pulau Pinang	Showroom & office for rental	17,967	53,951	Freehold	6.33	31
127 Jalan Petani 10150 Pulau Pinang	Spare parts store & workshop	10,883	7,316	Freehold	0.88	17
1461 Jalan Besar, Sg Jawi 13700 Seberang Prai Selatan Pulau Pinang	Shoplot for rental	3,850	6,016	Freehold	0.21	17
996 Jalan Baru 13700 Seberang Prai Pulau Pinang	Showroom, workshop & spare parts centre	74,949	27,224	Freehold	3.90	19

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)
267 Jalan Baru 01000 Kangar, Perlis	Shoplot for rental	2,987	4,855	Leasehold 07.02.2083	0.24	19
1 Jalan Tunggal 01000 Kangar, Perlis	Shoplot for rental	2,126	4,780	Leasehold 07.02.2083	0.30	19
27, 29 & 30D Seberang Jalan Putra Mergong 05150 Alor Setar, Kedah	Showroom, office & workshop for rental	7,408	6,775	Freehold	0.91	33
96J Jalan Seberang Putra 05150 Alor Setar, Kedah	Office, warehouse, showroom & workshop	24,383	14,680	Leasehold 09.04.2031	0.75	13
2838 Jalan Temenggong 15000 Kota Baru, Kelantan	Building for rental	14,749	11,800	Freehold	1.24	37
Plot 3 TL207528934 Jalan Tun Mustapha 87015 Labuan, Sabah	Showroom, office, workshop & warehouse	129,240	9,392	Leasehold 31.12.2042	2.03	6
5 ³ / ₄ Miles (CL015333936) Jalan Tuaran, Inanam 88300 Kota Kinabalu, Sabah	Office & workshop	20,790	6,977	Leasehold 31.08.2026	1.06	10
5 ¹ / ₂ Miles (CL015328695) Jalan Tuaran, Inanam 88300 Kota Kinabalu Sabah	Showroom, office workshop & spare parts centre	99,490	22,000	Leasehold 31.12.2025	2.33	21
Lot 242 Jalan Abell 93100 Kuching, Sarawak	Showroom, office & workshop	14,500	16,697	Leasehold 31.12.2024	0.63	26
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	0.52	8
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	6

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Second 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 Wednesday, 19 May 2004 at 2:30 pm to transact the following businesses:

Ordinary Business

1. To receive and consider the Financial Statements for the year ended 31 December 2003 together with the Reports of the Directors and Auditors thereto. **Resolution 1**
2. To declare a final dividend of 10% less income tax for the financial year ended 31 December 2003. **Resolution 2**
3. To re-elect the following Directors who are eligible and have offered themselves for re-election, in accordance with Article 101 of the Company's Articles of Association:
 - (i) Tan Eng Soon **Resolution 3**
 - (ii) Ahmad bin Abdullah **Resolution 4**
4. To re-appoint the Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

Special Business

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

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

“**THAT**, subject always to the Companies Act, 1965, 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 6**
6. 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
27 April 2004

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 6

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-Second Annual General Meeting**

The Directors standing for re-election pursuant to Article 101 are Tan Eng Soon and Ahmad bin Abdullah. Details of these Directors are set out in the section entitled "Profiles of the Board of Directors" on page 10 of the Annual Report. As at 31 March 2004, their shareholdings are as follows:

	Direct Interest	Deemed Interest
Tan Eng Soon	2,628,000	304,266,662
Ahmad bin Abdullah	-	-

Details of Attendance of the Directors at Board Meetings

There were a total of eight (8) board meetings held during the financial year ended 31 December 2003 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 page 10 of the Annual Report.

Date, Time and Place of the Thirty-Second Annual General Meeting

Date : Wednesday, 19 May 2004

Time : 2:30 pm

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

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Form of Proxy

I/We ⁽¹⁾ (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 ⁽²⁾/Corporate Representative ⁽³⁾) _____

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-Second Annual General Meeting of the Company to be held at the Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, Malaysia on Wednesday, 19 May 2004 at 2:30 pm, and at any adjournment thereof, as indicated below:

		For	Against
Resolution 1	Financial Statements and Reports of the Directors and Auditors		
Resolution 2	Final Dividend		
Resolution 3	Re-elect Tan Eng Soon		
Resolution 4	Re-elect Ahmad bin Abdullah		
Resolution 5	Re-appoint Auditors		
Resolution 6	Proposed Grant of authority pursuant to Section 132D of the Companies Act, 1965		

(If you wish to instruct your proxy how to vote, insert a "✓" or "x" 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: _____

Signature

Date: _____

If the member is a corporation:

The Common Seal of _____

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



Director

Director/Secretary

CDS Account No: _____

No. of shares held: _____

Date: _____

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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First fold

Affix stamp here

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

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Second fold

Corporate Information

Directors

Ahmad bin Abdullah
Vice-Chairman

Dato' Tan Heng Chew JP, DJMK
Executive Deputy Chairman

Tan Eng Soon
Group Managing Director

Azman bin Badrillah

Dato' Ng Mann Cheong DSSA, SMP, JP

Dato' Haji Kamaruddin @ Abas bin Nordin DSSA, KMN

Seow Thiam Fatt

Audit Committee

Seow Thiam Fatt
Chairman
(Independent Non-Executive Director)

Dato' Ng Mann Cheong DSSA, SMP, JP
(Independent Non-Executive Director)

Dato' Haji Kamaruddin @ Abas bin Nordin DSSA, KMN
(Independent Non-Executive Director)

Company Secretary

Tan Eng Guan

Registered Office

62 - 68 Jalan Ipoh
51200 Kuala Lumpur
Telephone : (03) 4047 8888
Facsimile : (03) 4047 8636
E-mail : tcmh@tanchong.com.my

Registrars

Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Telephone : (03) 4041 2188
Facsimile : (03) 4043 9233

Auditors

KPMG

Listing

Malaysia Securities Exchange Berhad
(Listed on the Main Board since 1974)

Business Divisions

Assembly

- Motor Vehicles

Sales and Distribution

- Passenger Cars
- Light Commercial Vehicles
- Trucks
- Buses

After-Sales Services

- Spare Parts
- Workshop

Financial Products and Services

- Hire Purchase
- Insurance

Property

- Management and Investment