



TAN CHONG MOTOR HOLDINGS BERHAD
(12969-P)

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Thirty-Third 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 Friday, 20 May 2005 at 3.00 pm



www.nissan.com.my



REPORT OF THE BOARD OF DIRECTORS

LAPORAN LEMBAGA PENGARAH

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of the Tan Chong Motor Group and of the Company for 2004.

Highlights

New motor vehicle registration for Malaysia in 2004 increased 20% to 487,605 units (Source: Malaysian Automotive Association or MAA) from the previous year. This healthy growth was driven mainly by the introduction of new models by almost every automotive distributor in the country under favorable economic and financing conditions. The inclusion of the vehicle registration statistics of certain distributors previously not reported to MAA had also partly contributed to this double digit growth rate.

I am very pleased to report that the Group had outperformed the market in 2004 with the sale of Nissan vehicles surging 40% to 22,000 units from the previous year. The year witnessed the successful launch of the new Nissan Frontier, a Sports Utility Truck (SUT), that also opened up an entirely new market segment for Nissan in Malaysia. Together with the Nissan X-Trail, the 4x4 Sports Utility Vehicle (SUV) launched in 2003, Nissan's product line-up in the local market had been greatly strengthened. The opening of additional sales and after-sales services outlets throughout the country together with our investment in training and developing our personnel were instrumental in our ability to win over many new customers in these new segments.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Kumpulan dan Syarikat Tan Chong Motor bagi tahun 2004.

Maklumat Penting

Pendaftaran kenderaan bermotor baru di Malaysia pada tahun 2004 meningkat sebanyak 20% kepada 487,605 unit (Sumber: Persatuan Automotif Malaysia atau MAA) berbanding tahun sebelumnya. Pertumbuhan yang sihat ini dipacu terutamanya oleh pengenalan model-model baru yang diambil oleh hampir setiap pengedar automotif negara ini dalam keadaan ekonomi dan kewangan yang memberangsangkan. Penambahan statistik pendaftaran kenderaan daripada pengedar-pengedar tertentu yang tidak dilaporkan sebelum ini kepada MAA juga merupakan satu faktor yang menyumbang kepada kadar pertumbuhan dua angka ini.

Saya dengan sukacitanya melaporkan bahawa Kumpulan ini telah mengatasi prestasi pasaran pada tahun 2004 dengan jualan kenderaan Nissan meningkat sebanyak 40% kepada 22,000 unit berbanding tahun sebelumnya. Tahun yang dilaporkan menyaksikan kejayaan pelancaran Nissan Frontier baru, sebuah Trak Utiliti Sukan (SUT), lantas membuka segmen pasaran baru bagi Nissan di Malaysia. Bersama dengan pelancaran Nissan X-Trail, sebuah Kenderaan 4x4 Utiliti Sukan (SUV) pada tahun 2003, rangkaian produk Nissan di pasaran tempatan telah diperkukuhkan. Pembukaan tambahan pusat jualan dan khidmat lepas jualan di seluruh negara di samping pelaburan kami dalam latihan dan pembangunan kakitangan, telah memainkan peranan penting dalam keupayaan kami memenangi hati ramai pelanggan baru dalam segmen-segmen baru ini.





In a report on the study of customer sales satisfaction in Malaysia which was released in August 2004 by J.D. Power Asia Pacific, Nissan ranked highest in the Sales Satisfaction Index (SSI) in areas of vehicle sales and delivery process. For this effort, we were awarded the 2004 Global Nissan Sales & Service Way Award by Nissan Motor Co Ltd, Japan in recognition of our outstanding performance. I am extremely pleased with the concerted team work and dedication of the sales, service and production staff as well as all those in the supporting functions, in bringing about this remarkable achievement.

During the year, our heavy commercial vehicle line-up was strengthened with the launch of the new and improved models like the PKD211RN which replaced the PKD211RR and CKB45ACT prime mover that more than matches the continental makes in terms of specifications.

Dalam satu laporan mengenai kajian kepuasan jualan pelanggan di Malaysia yang diterbitkan pada bulan Ogos 2004 oleh J.D. Power Asia Pacific, Nissan mendapat tempat tertinggi dalam Indeks Kepuasan Jualan (SSI) dalam proses jualan dan bekalan kenderaan. Hasil pencapaian ini, kami telah dianugerahkan 2004 Global Nissan Sales & Service Way Award oleh Nissan Motor Co Ltd, Jepun dalam pengiktirafan prestasi cemerlang kami. Saya amat berpuas hati dengan kerjasama sepasukan yang ditunjukkan dan dedikasi seluruh tenaga kerja jualan, perkhidmatan dan pengeluaran serta kakitangan yang bertugas dalam fungsi sokongan, dalam membawa pencapaian luar biasa ini.

Pada tahun yang dilaporkan, rangkaian kenderaan perdagangan berat kami telah diperkukuhkan dengan pelancaran model-model yang baru dan dipertingkatkan seperti PKD211RN yang menggantikan penggerak utama PKD211RR dan CKB45ACT yang amat setanding dengan pembuatan kontinental dari segi spesifikasi.

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Sales of Renault Completely Built-Up (CBU) vehicles imported from France also commenced during the year with the establishment of several dedicated sales branches. With preparations for mass production completed end 2004, the locally assembled Kangoo was launched in early 2005.

In line with the higher sales, revenue of the Group registered an increase of 43% to RM2.4 billion. Operating profit before tax however, registered a lower increase of 23% to RM185 million in the face of rising yen cost and higher government duties on certain vehicle models.

Production Capacity Expansion

As part of the Group's continuing effort to improve product quality and efficiency in assembly operations as well as to gear up for the next growth phase, we will be investing about RM150 million over the next 2 years to modernize assembly facilities and to expand production capacity in coping with future production requirements. About RM125 million from this total will be for the construction of a new assembly plant in the district of Serendah, Selangor. This planned expansion, which is in line with one of Nissan's aspirations under its '180 plan' – it being to increase its worldwide sales volume by an additional 1 million – will see the future introduction of an impressive array of new vehicle models.

Review of Results

Nissan passenger and light commercial vehicles

Registration volume of Nissan passenger and light commercial vehicles recorded a 40% jump in 2004 with the successful introduction of the Frontier and the strong sales of the X-Trail, Sentra and C22 Vanette.

Jualan kenderaan Dibina Sepenuhnya (CBU) Renault yang diimport dari Perancis juga telah dimulakan pada tahun yang dilaporkan dengan penubuhan beberapa cawangan jualan khusus. Dengan segala persiapan bagi pengeluaran besar-besaran yang selesai pada penghujung tahun 2004, pemasangan tempatan Kangoo telah dilancarkan pada awal tahun 2005.

Seiringan dengan jualan yang lebih tinggi, hasil Kumpulan mencatatkan peningkatan sebanyak 43% kepada RM2.4 bilion. Keuntungan operasi sebelum cukai walau bagaimanapun mencatatkan peningkatan pada kadar lebih rendah sebanyak 23% kepada RM185 juta memandangkan kadar tukaran yen yang semakin meningkat dan duti lebih tinggi yang dikenakan oleh kerajaan ke atas model kenderaan tertentu.

Perluasan Kapasiti Pengeluaran

Sebagai sebahagian daripada usaha berterusan Kumpulan untuk meningkatkan kualiti produk dan kecekapan dalam operasi pemasangan dan juga untuk bersiap sedia bagi fasa pertumbuhan seterusnya, kami akan melabur kira-kira RM150 juta dalam tempoh 2 tahun akan datang untuk memodenkan kemudahan pemasangan dan meluaskan kapasiti pengeluaran bagi memenuhi keperluan pengeluaran masa depan. Kira-kira RM125 juta daripada jumlah tersebut adalah untuk membina kilang pemasangan baru di daerah Serendah, Selangor. Perluasan yang dirancang ini, sejajar dengan salah satu aspirasi Nissan di bawah 'Pelan 180' – iaitu untuk meningkatkan jumlah jualan seluruh dunia sebanyak 1 juta – bakal menyaksikan pengenalan rangkaian model kenderaan baru yang mengagumkan.

Tinjauan Keputusan

Kenderaan penumpang dan perdagangan ringan Nissan

Jumlah pendaftaran kereta penumpang dan kenderaan perdagangan ringan Nissan mencatatkan peningkatan sebanyak 40% pada tahun 2004 dengan kejayaan pengenalan Frontier dan jualan laris X-Trail, Sentra dan C22 Vanette.



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Since its launch in January 2004, the Frontier – the mightiest SUV – was a top seller in Malaysia in its market niche, chalking up a sale of 4,350 units in its first year of launch. It was voted “Car of the Year” in the twin cab pick-up category in the 2004 New Straits Times-MasterCard Car of the Year Award.

The X-Trail remained very popular, with a sale of 3,450 units or about 66% increase from 2003. This model was voted the “2003/2004 Car of the Year” in the small SUV category by Autocar Asean, a widely read automotive magazine.

Total sales of the Sentra at 6,380 units also exceeded the previous year’s volume by 19%. Unit sales of the C22 Vanette, whilst remaining highly popular, dropped marginally to 5,500 units from 5,900 units sold previously. Sale of the Serena and Cefiro models, however, remained slow during the year.

Additional twelve sales outlets were opened during the year bringing the total to 56 outlets. Brand loyalty amongst Nissan customers was enhanced and after-sales services improved with the presence of an additional 9 service workshops and spare parts centres from the previous year’s total of 26. Existing showrooms and service facilities were also upgraded. With the availability of the 4x4 models in our product range, we were able to meet the demands of tougher road conditions in East Malaysia. Consequently, we further expanded our sales and after-sales service network in Sabah and Sarawak.

Sejak dilancarkan pada bulan Januari 2004, Frontier – SUV yang paling gagah – merupakan kenderaan paling laris di Malaysia dalam pasaran khususnya, dengan mencatatkan jualan sebanyak 4,350 unit kenderaan pada tahun pertama dilancarkan. Ianya telah dipilih sebagai “Kereta Terbaik” dalam kategori pikap ruang kembar dalam Anugerah Kereta Terbaik New Straits Times-MasterCard 2004.

X-Trail yang masih disukai ramai, menghasilkan jualan sebanyak 3,450 unit atau peningkatan kira-kira 66% berbanding tahun 2003. Model ini dipilih sebagai “Kereta Terbaik bagi tahun 2003/2004” dalam kategori SUV kecil oleh Autocar Asean, majalah automotif yang ditatap secara meluasnya.

Sentra yang mencatatkan jumlah jualan 6,380 unit turut mengatasi jumlah tahun sebelumnya sebanyak 19%. Jualan unit C22 Vanette, sementara masih kekal popular, merosot sedikit kepada 5,500 unit daripada 5,900 unit yang dijual tahun sebelumnya. Walau bagaimanapun jualan model Serena dan Cefiro masih kurang memberangsangkan pada tahun yang dilaporkan.

Dua belas pusat jualan tambahan telah dibuka pada tahun semasa, membawa kepada sejumlah 56 pusat jualan kesemuanya. Kesetiaan jenama di kalangan pelanggan Nissan bertambah dan perkhidmatan lepas jualan meningkat dengan pembukaan tambahan 9 bengkel-bengkel servis dan pusat alat ganti daripada sejumlah 26 pada tahun sebelumnya. Bilik pameran dan pusat servis yang sedia ada juga dinaikkan taraf. Dengan adanya model 4x4 dalam rangkaian produk kami, kami telah dapat memenuhi permintaan terhadap keadaan jalan lasak di Malaysia Timur. Untuk tujuan itu, kami telah memperluaskan rangkaian perkhidmatan jualan dan lepas jualan kami di Sabah dan Sarawak.

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The Group invested about RM4.0 million on a portal-based vehicles sales, service and order management system for its automotive operations and services. The technology will provide our employees and business partners with a single point of access to information on pricing, products, order management, customer service and marketing. Eventually it will enable our customers to have access to vehicle and service-related information, making on-line sales and after-sales services appointments, applying for hire purchase credit and motor insurance.

Renault vehicles

Sale of Renault CBU vehicles commenced in 2004 through three dedicated sales branches and seven dealers. About 200 units of CBU Renault vehicles were sold, of which Scenic accounted for 70% of sales, whilst the Kangoo and Espace made up 15% each.



Much effort was devoted to prepare for the local assembly of the Kangoo model, a first in Asia for Renault. Engineering trials were completed in October 2004 and the locally assembled Kangoo was successfully launched in 2005. The Kangoo is a very versatile, multi-purpose and affordable vehicle that has proven to be very popular in Europe, especially in France. It has been accorded a four star rating for front and side impact tests by the European New Car Assessment Programme (Euro NCAP), an organisation which provides motoring consumers with a realistic and independent assessment of the safety performance of some of the most popular cars sold in Europe. Kangoo sales has been very encouraging so far.

Medium and heavy commercial vehicles

Overall market demand for commercial vehicles in 2004 continued to improve on the back of a sustained economic growth. Overall sales volume of our Nissan Diesel truck registered a marginal growth of 5% over 2003, having recorded consistent strong growth over the last several years.

Overall industry volume of the heavy-duty truck segment remained flat during the year with our market share edging up to 29% from 25% achieved in 2003. Nissan Diesel models continued to dominate the rigid cargo truck segment.

Kumpulan telah melabur kira-kira RM4.0 juta dalam sistem pengurusan jualan, servis dan pesanan kenderaan yang berasaskan gerbang untuk operasi dan perkhidmatan automotifnya. Teknologi ini akan menyediakan kepada kakitangan dan rakan perniagaan kami titik capaian tunggal untuk memperolehi maklumat tentang harga, produk-produk, pengurusan pesanan, perkhidmatan pelanggan dan pemasaran. Dengan itu, pelanggan boleh memperolehi maklumat berkaitan kenderaan dan servis, membuat temu janji jualan dan lepas jualan secara talian terus, memohon kredit sewa beli dan insurans motor.

Kenderaan Renault

Jualan kenderaan CBU Renault dimulakan pada tahun 2004 menerusi tiga cawangan jualan khusus dan tujuh pengedar. Kira-kira sebanyak 200 unit kenderaan Renault CBU telah dijual, di mana Scenic merangkumi 70% daripada jualan, sementara Kangoo dan Espace masing-masing menyumbang 15%.



Usaha giat telah dilakukan untuk menjayakan usaha memasang model Kangoo di dalam negara, dan ini merupakan kali pertama Renault melakukan usaha sedemikian di Asia. Ujian kejuruteraan telah selesai pada bulan Oktober 2004 dan pemasangan tempatan Kangoo telah berjaya dilancarkan pada tahun 2005. Kangoo ialah sebuah kenderaan serba boleh, serba guna dan termampu yang terbukti disukai ramai di Eropah, khususnya di Perancis. Ianya telah diberikan taraf empat bintang dalam ujian perlanggaran hadapan dan sisi oleh Program Penilaian Kereta Baru Eropah (Euro NCAP), sebuah organisasi yang memberikan penilaian realistik dan bebas kepada pengguna bermotor mengenai prestasi keselamatan beberapa kereta disukai ramai yang dijual di Eropah. Jualan bagi Kangoo setakat ini sungguh menggalakkan.

Kenderaan perdagangan sederhana dan berat

Permintaan pasaran keseluruhan bagi kenderaan perdagangan pada tahun 2004 terus meningkat berasaskan pertumbuhan ekonomi yang bertahan. Jumlah jualan keseluruhan bagi trak Nissan Diesel mencatatkan penambahan marginal sebanyak 5% berbanding tahun 2003, selepas mencatatkan pertumbuhan mantap yang konsisten dalam tempoh beberapa tahun lepas.

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Profitability of the truck distribution business declined marginally due to the strong yen and intense competition. After-sales services and parts sales activities increased in tandem with the higher usage of vehicles during the year.

Financial services

The Group continued to expand aggressively its in-house hire purchase lending business during the year to enhance further returns from its financial resources. The value of hire purchase loans outstanding increased 18% to RM388 million as at end of 2004 from RM330 million the year before, in tandem with the increase in the sales of new motor vehicles. Hire purchase loan interest rates, whilst low, remained stable during the year.

The funding for the hire purchase business comes mainly from internal shareholders' funds and in the recent past, partly from Cagamas Berhad, the National Mortgage Corporation by way of sales of our hire purchase receivables with recourse. During the year the Group embarked on an exercise to set up an asset-backed medium-term notes programme to avail itself the option to tap the Malaysia debt securities market for additional funds to further expand this business. This will entail the sale of certain portion of the hire purchase receivables to a special purpose vehicle which will issue highly rated bond to pay for the purchase. This asset-backed medium-term notes programme is expected to be ready for issuance by May this year.

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

Jumlah jualan keseluruhan industri bagi segmen trak berat kekal rata pada tahun semasa dengan bahagian pasaran kami meningkat sedikit kepada 29% daripada 25% yang dicapai pada tahun 2003. Model-model Nissan Diesel terus menguasai segmen trak kargo tegar.

Keuntungan perniagaan pengedaran trak berkurangan secara marginal disebabkan oleh yen yang kukuh dan persaingan sengit. Perkhidmatan lepas jualan dan aktiviti jualan alat ganti meningkat selaras dengan peningkatan penggunaan kenderaan pada tahun semasa.

Perkhidmatan kewangan

Kumpulan terus giat memperluaskan perniagaan pinjaman sewa beli dalamannya pada tahun semasa untuk meningkatkan pulangan daripada sumber kewangan. Nilai bagi pinjaman sewa beli yang belum dijelaskan meningkat sebanyak 18% kepada RM388 juta pada akhir tahun 2004 berbanding RM330 juta tahun sebelumnya, sejajar dengan peningkatan jualan kenderaan bermotor baru. Kadar faedah pinjaman sewa beli, walaupun rendah, kekal stabil pada tahun semasa.

Pembiayaan bagi perniagaan sewa beli diperolehi terutamanya daripada dana dalaman pemegang saham dan baru-baru ini diperolehi sebahagiannya daripada Cagamas Berhad, iaitu Syarikat Pinjaman Perumahan Kebangsaan menerusi jualan akaun belum terima sewa beli dengan kaedah berbantuan. Pada tahun semasa, Kumpulan memulakan usaha melaksanakan program nota jangka pertengahan berasaskan aset untuk membolehkannya mendapatkan dana tambahan daripada pasaran sekuriti hutang Malaysia bagi memperluaskan perniagaan ini. Program ini akan melibatkan jualan sebahagian tertentu akaun belum terima sewa beli kepada satu entiti tujuan khas yang akan mengeluarkan bon bertaraf tinggi untuk membiayai pembelian tersebut. Program nota jangka pertengahan yang disokong aset ini dijangka siap sedia untuk diterbitkan pada Mei tahun ini.

Walaupun mencatatkan pertumbuhan pinjaman lebih tinggi pada tahun semasa, pinjaman tidak berbayar (NPL) terus berada di bawah 1% kerana Kumpulan terus memberi penekanan kepada pengurusan risiko kredit dengan mengambil langkah-langkah bagi memastikan kualiti aset tidak merosot.



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Dividends

The final dividend of 10% less income tax of 28% in respect of 2003 (2002 – 9% less tax of 28%) totaling RM24.12 million (2002 – RM21.7 million) was paid on 18 June 2004.

An interim dividend of 5% tax exempt (2003 – 4% tax exempt) in respect of 2004 totaling RM16.75 million was declared and paid on 23 September 2004.

The Board recommends a final dividend of 10% less income tax of 28% in respect of 2004 amounting to RM24.12 million. The payment is subject to shareholders' approval at the forthcoming Annual General Meeting.

Current Year Prospects

The economy of Malaysia and that of the region is expected to remain stable and positive in 2005. As such, the overall automotive industry should follow a similar outlook.

At the end of last year, the Ministry of Finance made an announcement with regard to changes in duty structure for motor vehicles but has given the industry the option to use the existing tax rates during the first 6 months of 2005. The announcement also mentioned that "the Government will extend to the local automotive industry similar fiscal incentives that have been provided to other sectors of the economy", on which basis it concluded that "the Government does not expect major price changes in the cars produced or assembled in Malaysia during 2005".

As such, we expect the recent past performance trend of the Group to continue for the first half of 2005. However, the expectation of price increase in motor vehicles, be it due to the higher foreign exchange rates or duty rate adjustments, may spur additional demand. As for the second half of 2005, the scenario should become clear when the type of fiscal incentives envisaged by the Ministry of Finance is revealed to the industry.



Dividen

Dividen akhir sebanyak 10% ditolak cukai pendapatan sebanyak 28% bagi tahun 2003 (2002 – 9% ditolak cukai 28%) berjumlah RM24.12 juta (2002 – RM21.7 juta) telah dibayar pada 18 Jun 2004.

Dividen interim sebanyak 5% bebas cukai (2003 – 4% bebas cukai) bagi tahun 2004 berjumlah RM16.75 juta telah diisytiharkan dan dibayar pada 23 September 2004.

Lembaga Pengarah mencadangkan dividen akhir sebanyak 10% ditolak cukai pendapatan 28% bagi 2004 berjumlah RM24.12 juta bagi tahun 2004. Pembayaran ini tertakluk kepada kelulusan pemegang saham di Mesyuarat Agung Tahunan yang akan datang.

Prospek Tahun Semasa

Ekonomi Malaysia dan negara-negara serantau dijangka kekal stabil dan positif pada tahun 2005. Justeru itu, tinjauan bagi industri automotif secara keseluruhannya juga dijangka sama.

Pada akhir tahun lepas, Kementerian Kewangan telah mengumumkan perubahan struktur duti bagi kenderaan bermotor tetapi memberikan industri pilihan untuk menggunakan kadar cukai yang sedia ada untuk tempoh 6 bulan pertama tahun 2005. Pengumuman ini juga menyebut bahawa "Kerajaan akan memberikan industri automotif tempatan insentif fiskal yang sama seperti yang diberikan kepada sektor ekonomi lain", dan secara asas merumuskan bahawa "Kerajaan tidak meramalkan perubahan harga yang besar dalam pembuatan atau pemasangan kereta-kereta di Malaysia pada tahun 2005."

Dengan itu, kami meramalkan bahawa trend prestasi lepas Kumpulan diteruskan pada setengah tahun pertama 2005. Namun jangkakan peningkatan harga kenderaan bermotor, sama ada kerana kadar tukaran asing lebih tinggi atau pelarasan kadar duti, mungkin meningkatkan lagi permintaan. Pada setengah tahun kedua 2005, senarionya akan menjadi lebih jelas apabila jenis insentif fiskal yang diunjurkan oleh Kementerian Kewangan didedahkan kepada industri.





Our models affected by the new duty structure are the Sentra, X-Trail, Cefiro and Serena. Since the buyers of these models are mainly from the upper income group, we are of the view that the higher duties, when passed on, unless is substantial, may only have some impact on the demand pattern. Our other models like the Vanette, pick-ups, double cab Frontier as well as other light and heavy commercial trucks are, however, not affected by the duty changes.

In January 2005, the Ministry of International Trade and Industry also released a new policy guideline on Approved Permits (AP) for the importation of motor vehicles into the country. Under the new policy, there is no limit on the number of CBU vehicles imported from Asean countries. Hence, the opportunity to bring in Nissan models from other Asean countries is being studied currently.

The additional outlets and stronger sales force for the Nissan business built up over the last few years are expected to bring in higher sales volume for our Nissan business in 2005. The new CKD Renault Kangoo model will also bring in additional revenue for the Group in the current year.

While the automotive business in 2005 is expected to remain bright, profitability will depend on the speed at which cost increase as a result of higher yen and euro exchange rates and CKD and other material cost could be absorbed by the market.

Sales of Nissan Diesel trucks is expected to grow in tandem with the expected growth in demand for the medium duty and heavy commercial vehicles given the positive GDP growth rate for 2005.

Barring any significant unforeseen circumstances, the Group's results for 2005 is expected to remain satisfactory.

Acknowledgement

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

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

Dato' Tan Heng Chew JP, DJMK
Executive Deputy Chairman

Kuala Lumpur
8 April 2005

Report of the Board of Directors

Laporan Lembaga Pengarah

Model-model kami yang mengalami kesan akibat struktur duti baru ini ialah Sentra, X-Trail, Cefiro dan Serena. Oleh kerana pembeli model-model ini terdiri daripada kumpulan berpendapatan tinggi, kami berpendapat bahawa duti yang lebih tinggi, apabila diguna pakai kelak, melainkan sekiranya peningkatan terlalu besar, mungkin hanya memberikan sedikit kesan ke atas corak permintaan. Model kami yang lain seperti Vanette, "pick-ups", "double cab Frontier" serta trak perdagangan ringan dan berat, walau bagaimanapun tidak terjejas akibat perubahan duti.

Pada bulan Januari 2005, Kementerian Perdagangan Antarabangsa dan Industri telah mengeluarkan satu polisi baru garis panduan mengenai Permit Diluluskan (AP) untuk mengimport kenderaan bermotor ke dalam negara. Di bawah polisi baru ini, tiada had dikenakan terhadap bilangan kenderaan CBU yang diimport dari negara-negara Asean. Justeru itu, peluang untuk membawa masuk model Nissan dari negara-negara Asean lain kini sedang diteliti.

Pusat-pusat tambahan dan pasukan jualan lebih kukuh untuk perniagaan Nissan yang dibina sejak beberapa tahun lalu dijangka menghasilkan jumlah jualan lebih tinggi bagi perniagaan Nissan pada tahun 2005. Model baru Renault Kangoo CKD juga akan membawa hasil tambahan kepada Kumpulan pada tahun semasa.

Sementara perniagaan automotif pada tahun 2005 dijangka akan kekal cerah, keuntungan akan bergantung kepada kepastian pasaran dalam menyerap kenaikan kos akibat kadar tukaran yen dan euro yang lebih tinggi dan kos CKD dan lain-lain bahan.

Jualan trak Nissan Diesel dijangka meningkat sejajar dengan pertumbuhan permintaan yang dijangkakan bagi kenderaan perdagangan sederhana dan berat hasil pertumbuhan kadar KDNK yang positif bagi tahun 2005.

Sekiranya tiada kejadian di luar jangkaan yang ketara berlaku, keputusan Kumpulan pada tahun 2005 dijangka kekal memuaskan.

Penghargaan

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada pihak pengurusan dan kakitangan kerana dedikasi dan sumbangan mereka sepanjang masa.

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

Dato' Tan Heng Chew JP, DJMK
Timbalan Pengerusi Eksekutif

Kuala Lumpur
8 April 2005

Profile of the Board of Directors

Ahmad bin Abdullah

Encik Ahmad, 70, a Malaysian, was appointed to the Board on 1 December 1980 and is the Vice-Chairman since 30 March 1994. Encik Ahmad received his law degree with Honours from the University of Hull in the United Kingdom in 1959. He was appointed by the Yang Di-Pertuan Agong to the constitutional post of Secretary of the Malaysian Parliament where he served from 1959 until 1972 during which period he also represented Malaysia on various international bodies. He joined the Tan Chong Group in 1975 as an executive director of a subsidiary involved in marketing. Encik Ahmad is a director of APM Automotive Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Encik Ahmad attended three of the five board meetings held in 2004.

Tan Eng Soon

Mr Tan, 56, a Singaporean and a Malaysian Permanent Resident, was appointed to the Board as the Group Managing Director since 1 February 1989. Mr Tan has a degree in Civil Engineering from the University of New South Wales, Australia and has been involved in the Tan Chong Group's operations since 1971. Mr Tan is a director of APM Automotive Holdings Berhad. He is the brother of Dato' Tan Heng Chew and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Mr Tan does not have any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Mr Tan attended all the five board meetings held in 2004.

Dato' Tan Heng Chew JP, DJMK

Dato' Tan, 58, a Malaysian, was appointed to the Board on 19 October 1985 and is the Executive Deputy Chairman since 1 January 1999. Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong group of companies in 1970 and was instrumental in the establishment of the Autoparts Division in the 1970s and early 1980s. Dato' Tan is the Chairman of APM Automotive Holdings Berhad and Warisan TC Holdings Berhad. He is the brother of Mr Tan Eng Soon and a director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Dato' Tan does not have any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Dato' Tan attended all the five board meetings held in 2004.

Azman bin Badrillah

Encik Azman, 57, a Malaysian, was appointed to the Board on 4 April 1994. He is a Non-Executive Non-Independent Director. Encik Azman graduated with a degree in Economics from the University of Malaya in 1971. He joined Bank of America and had risen to the position of Assistant Vice-President when he left 11 years later. His service with Bank of America included a period spent with the international operations of the Bank. Encik Azman joined Tan Chong Group in 1983 as an executive director of its manufacturing division and was responsible for the overall performance of one of its key product groups until 1999. When the Tan Chong Group undertook a corporate re-structuring, Encik Azman was appointed to the board of APM Automotive Holdings Berhad. He also sits on the board of Eco Resources Berhad. Encik Azman does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Encik Azman attended all the five board meetings held in 2004.

Profile of the Board of Directors

Dato' Ng Mann Cheong DSSA, SMP, JP

Dato' Ng, 60, a Malaysian, was appointed to the Board on 31 July 1998 as an Independent Non-Executive Director and is a member of the Audit Committee. Dato' Ng is a Barrister at law (Middle Temple), Advocate and Solicitor, High Court of Malaya and has been admitted to practice in the jurisdictions of Singapore, Victoria and Western Australia. He has been in legal practice for the past 37 years and is a Senior Partner of Syed Alwi, Ng & David Chong. Dato' Ng does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. Dato' Ng attended four of the five board meetings held in 2004.

Dato' Haji Kamaruddin @ Abas bin Nordin DSSA, KMN

Dato' Haji Kamaruddin, 66, a Malaysian, was appointed to the Board on 23 November 2001. He is an Independent Non-Executive Director and a member of the Audit Committee. Dato' Haji Kamaruddin graduated from the University of Canterbury, New Zealand with a Master of Arts degree majoring in Economics in 1966. He joined the civil service upon his graduation and served the Government until he retired in 1993. During his tenure with the civil service he held various senior positions, among them as Director, Industries Divisions in the MITI, Deputy Secretary General, Ministry of Works and Director-General of the Registration Department, Ministry of Home Affairs. Dato' Haji Kamaruddin is a director of APM Automotive Holdings Berhad, Lion Industries Corporation Berhad and Greatpac Holdings Berhad. Dato' Haji Kamaruddin does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself. Dato' Haji Kamaruddin attended all the five board meetings held in 2004.

Seow Thiam Fatt

Mr Seow, 64, a Malaysian, was appointed to the Board on 3 July 2002. He is an Independent Non-Executive Director and the Chairman of the Audit Committee.

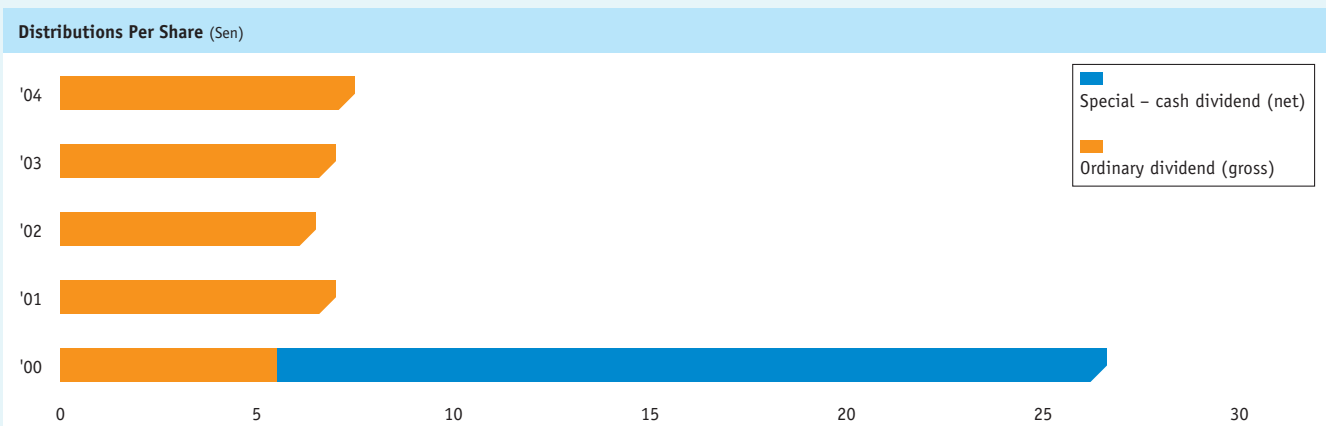
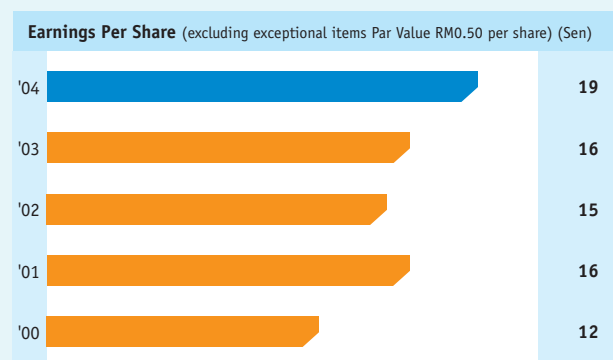
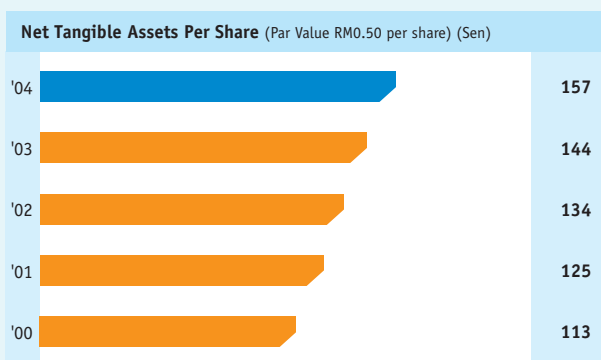
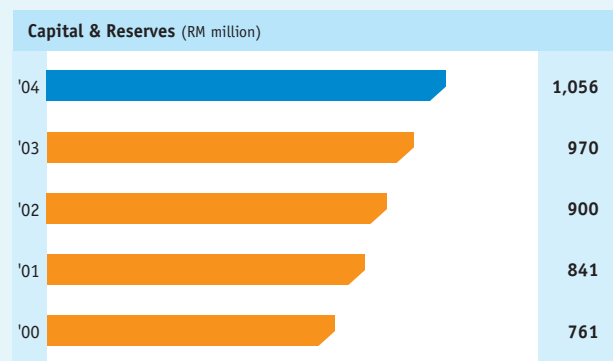
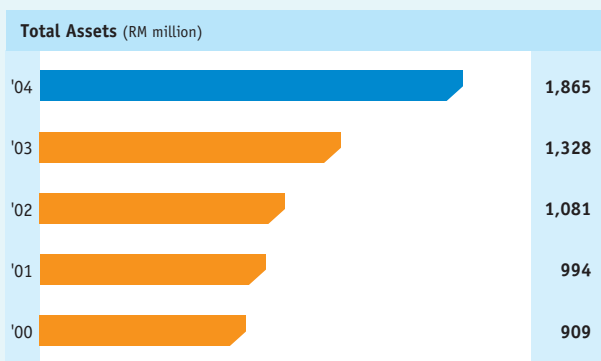
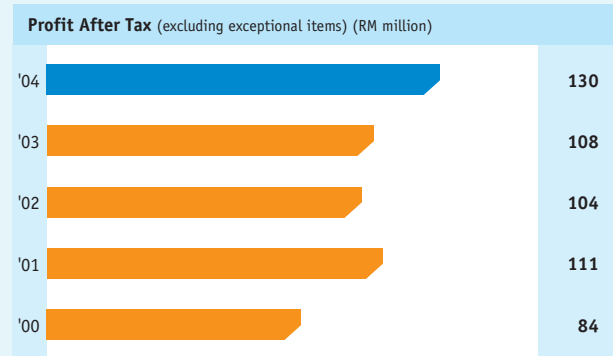
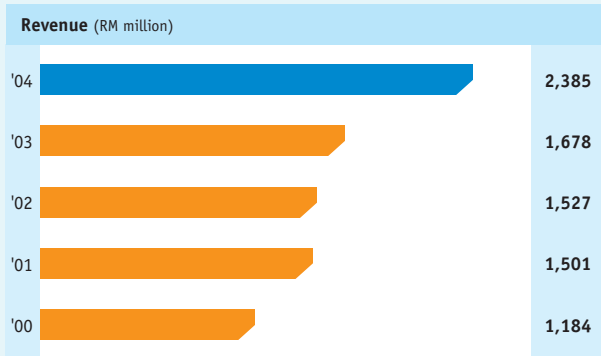
Mr Seow, a Chartered Accountant, was admitted as a member of CPA Australia in 1963, the Institute of Chartered Secretaries and Administrators in 1964 and the Institute of Chartered Accountants in Australia in 1968. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute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

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

Mr Seow is also an Independent Non-Executive Director of Warisan TC Holdings Berhad, Affin Merchant Bank Berhad, ING Funds Berhad and a Non-Independent Non-Executive Director of Malaysia Pacific Corporation Berhad. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. Mr Seow attended all the five board meetings held in 2004.

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

Financial Charts



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Directors' Report

for the year ended 31 December 2004

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 2004.

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 | 126,820 | <u>25,325</u> |

Reserves and Provisions

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

Dividends

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

- (i) a final dividend of 10% less tax totalling RM24,119,000 in respect of the year ended 31 December 2003 on 18 June 2004; and
- (ii) an interim dividend of 5% tax exempt totalling RM16,749,000 in respect of the year ended 31 December 2004 on 23 September 2004.

The final dividend recommended by the Directors in respect of the year ended 31 December 2004 is 10% less tax totalling RM24,119,000.

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

Directors' Report

for the year ended 31 December 2004

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 31.12.2004 |
|---|---------------------------|-----------|------|------------------|
| | At 1.1.2004 | Bought | Sold | |
| Shareholdings in which Directors have direct interest | | | | |
| Dato' Tan Heng Chew | 4,717,162 | 6,342,900 | - | 11,060,062 |
| Tan Eng Soon | 2,628,000 | - | - | 2,628,000 |
| Azman bin Badrillah | 10,000 | 10,000 | - | 20,000 |
| Dato' Haji Kamaruddin @ Abas bin Nordin | 2,992 | - | - | 2,992 |

Shareholdings in which Directors have deemed interest

| | | | | |
|---------------------|-------------|---|---|-------------|
| Dato' Tan Heng Chew | 304,266,662 | - | - | 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 as below:

| | At | Number of ordinary shares | | At |
|------------------------------------|----------|---------------------------|----------|------------|
| | 1.1.2004 | Acquired | Disposed | 31.12.2004 |
| 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 | - |

None of the other Directors holding office at 31 December 2004 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.

Directors' Report

for the year ended 31 December 2004

Issue of Shares and Debentures

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

Options Granted Over Unissued Shares

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

Other Statutory Information

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

- (i) all known bad debts have been written off and adequate 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 2004 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 2005

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 2004 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Ahmad bin Abdullah
Vice-Chairman

Azman bin Badrillah
Director

Kuala Lumpur
8 April 2005

Statutory Declaration

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

I, Tan Eng Guan, being the officer primarily responsible for the financial management of Tan Chong Motor Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 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 2005.

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.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial 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 2004 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.

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

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Ng Kim Tuck

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

Kuala Lumpur
8 April 2005

Balance Sheets

at 31 December 2004

| | Note | Group | | Company | |
|---|------|------------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Property, plant and equipment | 2 | 277,866 | 214,464 | 1,492 | 1,052 |
| Investments in subsidiaries | 3 | - | - | 326,660 | 318,753 |
| Investments in associates | 4 | 7,809 | 2,609 | 4,755 | - |
| Other investments | 5 | 1,806 | 1,806 | - | - |
| Development costs | 6 | 5,909 | 4,584 | - | - |
| Hire purchase receivables | 7 | 289,797 | 229,747 | - | - |
| Other receivables | 9 | - | - | 39,401 | 13,251 |
| Deferred tax assets | 16 | 10,950 | 12,029 | 3,412 | 2,354 |
| | | 594,137 | 465,239 | 375,720 | 335,410 |
| Current assets | | | | | |
| Inventories | 8 | 672,224 | 487,559 | - | - |
| Trade and other receivables | 9 | 207,381 | 134,181 | 64,458 | 114,882 |
| Hire purchase receivables | 7 | 109,589 | 90,364 | - | - |
| Other investments | 5 | 183,951 | 10,559 | - | - |
| Cash and cash equivalents | 10 | 98,075 | 139,646 | 440 | 269 |
| | | 1,271,220 | 862,309 | 64,898 | 115,151 |
| Current liabilities | | | | | |
| Trade and other payables | 11 | 234,948 | 152,429 | 8,055 | 3,172 |
| Borrowings | 12 | 208,296 | 76,679 | - | - |
| Taxation | | 12,674 | 11,625 | 3,732 | 3,732 |
| | | 455,918 | 240,733 | 11,787 | 6,904 |
| Net current assets | | 815,302 | 621,576 | 53,111 | 108,247 |
| | | 1,409,439 | 1,086,815 | 428,831 | 443,657 |
| Financed by: | | | | | |
| Capital and reserves | | | | | |
| Share capital | 13 | 336,000 | 336,000 | 336,000 | 336,000 |
| Reserves | 14 | 722,267 | 636,315 | 82,272 | 97,815 |
| Treasury shares | 13 | (2,133) | (2,133) | (2,133) | (2,133) |
| | | 1,056,134 | 970,182 | 416,139 | 431,682 |
| Minority shareholders' interests | 15 | 16,681 | 14,558 | - | - |
| Long term and deferred liabilities | | | | | |
| Other payables | 11 | - | - | 4,410 | 4,433 |
| Borrowings | 12 | 307,852 | 72,066 | - | - |
| Deferred taxation | 16 | 11,811 | 12,253 | - | - |
| Employee benefits | 17 | 16,961 | 17,756 | 8,282 | 7,542 |
| | | 336,624 | 102,075 | 12,692 | 11,975 |
| | | 1,409,439 | 1,086,815 | 428,831 | 443,657 |

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2005.

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 2004

| (In USD equivalent) | 2004 USD'000 | 2003 USD'000 |
|---|-----------------|-----------------|
| Property, plant and equipment | 73,123 | 56,438 |
| Investments in associates | 2,055 | 687 |
| Other investments | 475 | 475 |
| Development costs | 1,555 | 1,206 |
| Hire purchase receivables | 76,262 | 60,460 |
| Deferred tax assets | 2,882 | 3,165 |
| | 156,352 | 122,431 |
| Current assets | | |
| Inventories | 176,901 | 128,305 |
| Trade and other receivables | 54,574 | 35,311 |
| Hire purchase receivables | 28,839 | 23,780 |
| Other investments | 48,408 | 2,779 |
| Cash and cash equivalents | 25,809 | 36,749 |
| | 334,531 | 226,924 |
| Current liabilities | | |
| Trade and other payables | 61,828 | 40,113 |
| Borrowings | 54,815 | 20,179 |
| Taxation | 3,335 | 3,059 |
| | 119,978 | 63,351 |
| Net current assets | 214,553 | 163,573 |
| | 370,905 | 286,004 |
| Financed by: | | |
| Capital and reserves | | |
| Share capital | 88,421 | 88,421 |
| Reserves | 190,070 | 167,451 |
| Treasury shares | (561) | (561) |
| | 277,930 | 255,311 |
| Minority shareholders' interests | 4,390 | 3,831 |
| Long term and deferred liabilities | | |
| Borrowings | 81,014 | 18,965 |
| Deferred taxation | 3,108 | 3,224 |
| Employee benefits | 4,463 | 4,673 |
| | 88,585 | 26,862 |
| | 370,905 | 286,004 |

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

Figures for both 2004 and 2003 are converted into USD equivalent using the same exchange rate of RM3.80 = USD1.00, which approximates that prevailing on 31.12.2004.

Income Statements

for the year ended 31 December 2004

| | Note | Group | | Company | |
|---|------|------------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Revenue | 18 | 2,385,217 | 1,677,517 | 39,191 | 13,353 |
| Operating profit | 18 | 187,486 | 148,513 | 29,356 | 3,872 |
| Interest expense | | (8,485) | (1,889) | (126) | (122) |
| Interest income | | 2,318 | 3,043 | 2,671 | 3,495 |
| Share of profit of associates | | 555 | 331 | - | - |
| Profit before taxation | | 181,874 | 149,998 | 31,901 | 7,245 |
| Tax – Company and subsidiaries | | (52,006) | (41,867) | (6,576) | (3,075) |
| – Associates | | (74) | (61) | - | - |
| | 20 | (52,080) | (41,928) | (6,576) | (3,075) |
| Profit after taxation | | 129,794 | 108,070 | 25,325 | 4,170 |
| Less: Minority interests | | (2,974) | (2,045) | - | - |
| Net profit for the year | | 126,820 | 106,025 | 25,325 | 4,170 |
| Basic earnings per ordinary share (sen) | 21 | 18.9 | 15.8 | | |
| Dividends per ordinary share (sen) | 22 | 6.1 | 5.6 | 6.1 | 5.6 |

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 2004

| (In USD equivalent) | 2004 USD'000 | 2003 USD'000 |
|--|-----------------|-----------------|
| Revenue | 627,689 | 441,452 |
| Operating profit | 49,338 | 39,082 |
| Interest expense | (2,233) | (497) |
| Interest income | 610 | 801 |
| Share of profit of associates | 146 | 87 |
| Profit before taxation | 47,861 | 39,473 |
| Tax | | |
| - Company and subsidiaries | (13,686) | (11,018) |
| - Associates | (19) | (16) |
| Profit after taxation | 34,156 | 28,439 |
| Less: Minority interests | (783) | (538) |
| Net profit for the year | 33,373 | 27,901 |
| Basic earnings per ordinary share (US cents) | 5.0 | 4.2 |
| Dividends per ordinary share (US cents) | 1.6 | 1.5 |

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

Figures for both 2004 and 2003 are converted into USD equivalent using the same exchange rate of RM3.80 = USD1.00, which approximates that prevailing on 31.12.2004.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

| Group | Note | Reserves | | | | | | | Sub-total RM'000 | Total RM'000 |
|----------------------------|------|----------------------------|------------------------------|--|----------------------------------|--|-------------------------------|-------------------------------|---------------------|-----------------|
| | | Share capital RM'000 | Treasury shares RM'000 | Surplus on revaluation of properties RM'000 | Translation reserve RM'000 | Capitalisation of retained profits RM'000 | Retained profits RM'000 | Retained profits RM'000 | | |
| At 1 January 2003 | | 336,000 | (1,842) | 23 | 1,366 | 100 | 573,829 | 575,318 | 909,476 | |
| Prior year adjustments | 31 | - | - | - | - | - | (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 | |

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

Note 13

Note 13

Statement of Changes in Equity

for the year ended 31 December 2004

| Company | Note | Share capital RM'000 | Treasury shares RM'000 | Distributable | Total RM'000 |
|----------------------------|------|----------------------------|------------------------------|-------------------------------|-----------------|
| | | | | Retained profits RM'000 | |
| At 1 January 2003 | | 336,000 | (1,842) | 131,679 | 465,837 |
| Prior year adjustments | 31 | - | - | (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 |
| At 1 January 2004 | | 336,000 | (2,133) | 97,815 | 431,682 |
| Net profit for the year | | - | - | 25,325 | 25,325 |
| Dividends | | | | | |
| - 2003 final | 22 | - | - | (24,119) | (24,119) |
| - 2004 interim | 22 | - | - | (16,749) | (16,749) |
| At 31 December 2004 | | 336,000 | (2,133) | 82,272 | 416,139 |
| | | 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 2004

| | Group | | Company | |
|---|------------------|-----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 181,874 | 149,998 | 31,901 | 7,245 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 21,200 | 14,824 | 369 | 324 |
| Dividend income | (1,353) | (1,882) | (36,629) | (11,340) |
| Gain on disposal of property, plant and equipment | (358) | (262) | (147) | (70) |
| Goodwill written off | - | 65 | - | - |
| Interest expense | 8,485 | 1,889 | 126 | 122 |
| Interest income | (2,318) | (3,043) | (2,671) | (3,495) |
| Impairment loss on property, plant and equipment | - | 592 | - | - |
| Loss on disposal of other current investments | - | 459 | - | - |
| Property, plant and equipment written off | 639 | 21 | - | - |
| Retirement benefits charged | 3,452 | 1,883 | 732 | 599 |
| Reversal of impairment loss on investment in subsidiaries | - | - | (406) | (287) |
| Surplus from voluntary liquidation of subsidiary | (248) | - | - | - |
| Share of profit of associates | (555) | (331) | - | - |
| Operating profit/(loss) before working capital changes | 210,818 | 164,213 | (6,725) | (6,902) |
| (Increase)/Decrease in working capital: | | | | |
| Inventories | (184,665) | (195,963) | - | - |
| Hire purchase receivables | (79,275) | (53,624) | - | - |
| Trade and other receivables | (72,345) | 1,888 | 50,424 | 36,260 |
| Trade and other payables | 82,519 | 38,787 | 4,883 | 546 |
| Cash (used in)/generated from operations | (42,948) | (44,699) | 48,582 | 29,904 |
| Income taxes paid | (51,192) | (47,862) | (7,634) | (3,175) |
| Interest paid | (8,485) | (1,889) | (126) | (122) |
| Interest received | 2,318 | 3,043 | 2,671 | 3,495 |
| Employee benefits paid | (4,247) | (334) | (4) | - |
| Employee benefits transferred | - | - | 12 | - |
| Net cash (used in)/generated from operating activities | (104,554) | (91,741) | 43,501 | 30,102 |
| Cash flows from investing activities | | | | |
| (Advance to)/Repayment from subsidiaries | - | - | (26,174) | 868 |
| Acquisition of associate company | (4,755) | - | (4,755) | - |
| Subscription to subsidiaries share capital | - | - | (7,500) | (7,475) |
| Dividends received from other investments | 1,353 | 1,882 | - | - |
| Dividends received from subsidiaries | - | - | 36,629 | 11,340 |
| Dividends received from associates | 50 | - | - | - |
| Proceeds from disposal of property, plant and equipment | 2,577 | 6,069 | 271 | 378 |
| Proceeds from disposal of other current investments | - | 41,288 | - | - |
| Purchase of property, plant and equipment | (87,460) | (31,850) | (933) | (181) |
| Purchase of other current investments | (173,392) | (3,387) | - | - |
| Development costs paid | (1,325) | (4,584) | - | - |
| Net cash (used in)/generated from investing activities | (262,952) | 9,418 | (2,462) | 4,930 |

Cash Flow Statements

for the year ended 31 December 2004

| | Group | | Company | |
|---|-----------------|----------------|-----------------|-----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Cash flows from financing activities | | | | |
| Purchase of own shares | - | (291) | - | (291) |
| Dividends paid to shareholders of the Company | (40,868) | (35,107) | (40,868) | (35,107) |
| Dividend paid to minority shareholders | (600) | (600) | - | - |
| Proceeds from bills payable | 298,515 | 80,320 | - | - |
| Repayment of bills payable | (156,898) | (28,973) | - | - |
| Proceeds from term loans | 230,000 | 18,028 | - | - |
| Repayment of term loans | (10,000) | (3,028) | - | - |
| Proceeds from Cagamas Berhad | 25,070 | 72,066 | - | - |
| Repayment of Cagamas Berhad | (19,284) | - | - | - |
| Net cash generated from/(used in) financing activities | 325,935 | 102,415 | (40,868) | (35,398) |
| Net (decrease)/increase in cash and cash equivalents | (41,571) | 20,092 | 171 | (366) |
| Cash and cash equivalents at beginning of year | 139,646 | 119,554 | 269 | 635 |
| Cash and cash equivalents at end of year | 98,075 | 139,646 | 440 | 269 |

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

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Cash and bank balances | 57,856 | 28,781 | 440 | 269 |
| Deposits | 40,219 | 110,865 | - | - |
| | 98,075 | 139,646 | 440 | 269 |

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 2004

1. Summary of significant accounting policies

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

(a) Basis of accounting

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

(b) Basis of consolidation

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

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

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

(c) Associates

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

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

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

(d) Property, plant and equipment

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

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

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

The Directors are of the opinion that the current market values of the revalued properties are no less than their book values as at 31 December 2004.

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 2004

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% |
| Renovation | 12.5% – 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.

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

(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 upon commencement of commercial production, over the expected economical life span of the model of 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.

Notes to the Financial Statements

31 December 2004

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

(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.

(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.

Notes to the Financial Statements

31 December 2004

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

(l) Employee benefits (Cont'd)

(iii) Defined benefit plans (Cont'd)

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

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

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

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

(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.

Notes to the Financial Statements

31 December 2004

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

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 | (2003 : 1USD | RM3.80) |
| 1HKD | RM0.49 | (2003 : 1HKD | RM0.49) |
| 1SGD | RM2.31 | (2003 : 1SGD | RM2.22) |
| 100Yen | RM3.68 | (2003 : 100Yen | RM3.54) |
| 100THB | RM9.60 | (2003 : 100THB | RM9.30) |

(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.

Notes to the Financial Statements

31 December 2004

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

(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.

2. Property, Plant and Equipment

| Group | Opening balance RM'000 | Additions RM'000 | Disposals RM'000 | Transfers RM'000 | Written off RM'000 | Closing balance RM'000 |
|---|------------------------------|---------------------|---------------------|---------------------|--------------------------|------------------------------|
| Cost/Valuation | | | | | | |
| Freehold land | 59,799 | 29,682 | - | - | - | 89,481 |
| Long term leasehold land | 77,621 | 2,765 | - | - | - | 80,386 |
| Short term leasehold land | 5,394 | 218 | - | - | - | 5,612 |
| Buildings | 97,146 | 8,602 | (372) | - | - | 105,376 |
| Plant, machinery and equipment | 80,277 | 747 | (431) | 3,173 | (1,208) | 82,558 |
| Furniture, fixtures, fittings and office equipment | 41,245 | 6,884 | (294) | 1,172 | (2,231) | 46,776 |
| Motor vehicles | 23,938 | 14,855 | (3,316) | 708 | (25) | 36,160 |
| Work-in-progress | 385 | 18,665 | - | (5,053) | - | 13,997 |
| Renovation | 302 | 5,042 | - | - | - | 5,344 |
| | 386,107 | 87,460 | (4,413) | - | (3,464) | 465,690 |

| | Cost RM'000 | Directors's valuation RM'000 | Total RM'000 |
|--|----------------|------------------------------------|-----------------|
| Freehold land | 53,365 | 36,116 | 89,481 |
| Long term leasehold land | 19,538 | 60,848 | 80,386 |
| Short term leasehold land | 4,974 | 638 | 5,612 |
| Buildings | 54,356 | 51,020 | 105,376 |
| Plant, machinery and equipment | 82,558 | - | 82,558 |
| Furniture, fixtures, fittings and office equipment | 46,776 | - | 46,776 |
| Motor vehicles | 36,160 | - | 36,160 |
| Work-in-progress | 13,997 | - | 13,997 |
| Renovation | 5,344 | - | 5,344 |
| | 317,068 | 148,622 | 465,690 |

Notes to the Financial Statements

31 December 2004

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

| Group | Opening balance RM'000 | Charge for the year RM'000 | Disposals RM'000 | Written off RM'000 | Closing balance RM'000 |
|---|------------------------------|----------------------------------|---------------------|--------------------------|------------------------------|
| <i>Accumulated depreciation</i> | | | | | |
| Long term leasehold land | 15,837 | 890 | - | - | 16,727 |
| Short term leasehold land | 1,954 | 142 | - | - | 2,096 |
| Buildings | 48,126 | 3,243 | (45) | - | 51,324 |
| Plant, machinery and equipment | 62,683 | 5,979 | (45) | (603) | 68,014 |
| Furniture, fixtures, fittings and office equipment | 32,881 | 3,860 | (98) | (2,207) | 34,436 |
| Motor vehicles | 10,102 | 6,294 | (2,006) | (15) | 14,375 |
| Renovation | 60 | 792 | - | - | 852 |
| | 171,643 | 21,200 | (2,194) | (2,825) | 187,824 |

| | Net book value | | Depreciation charge for the year ended |
|--|------------------|------------------|--|
| | At 31.12.2004 | At 31.12.2003 | 31.12.2003 |
| | RM'000 | RM'000 | RM'000 |
| Freehold land | 89,481 | 59,799 | - |
| Long term leasehold land | 63,659 | 61,784 | 890 |
| Short term leasehold land | 3,516 | 3,440 | 157 |
| Buildings | 54,052 | 49,020 | 3,058 |
| Plant, machinery and equipment | 14,544 | 17,594 | 3,993 |
| Furniture, fixtures, fittings and office equipment | 12,340 | 8,364 | 2,806 |
| Motor vehicles | 21,785 | 13,836 | 3,860 |
| Work-in-progress | 13,997 | 385 | - |
| Renovation | 4,492 | 242 | 60 |
| | 277,866 | 214,464 | 14,824 |

| Company | Opening balance RM'000 | Additions RM'000 | Disposals RM'000 | Closing balance RM'000 |
|--|------------------------------|---------------------|---------------------|------------------------------|
| <i>Cost</i> | | | | |
| Buildings | 690 | - | - | 690 |
| Furniture, fixtures, fittings and office equipment | 378 | 21 | (24) | 375 |
| Motor vehicles | 1,082 | 912 | (548) | 1,446 |
| | 2,150 | 933 | (572) | 2,511 |

Notes to the Financial Statements

31 December 2004

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

| Company | Opening balance RM'000 | Charge for the year RM'000 | Disposals RM'000 | Closing balance RM'000 |
|--|------------------------------|----------------------------------|---------------------|------------------------------|
| <i>Accumulated depreciation</i> | | | | |
| Buildings | 138 | 14 | - | 152 |
| Furniture, fixtures, fittings and office equipment | 289 | 31 | (11) | 309 |
| Motor vehicles | 671 | 324 | (437) | 558 |
| | <u>1,098</u> | <u>369</u> | <u>(448)</u> | <u>1,019</u> |

| | Net book value | | Depreciation charge for the year ended |
|--|------------------|------------------|--|
| | At 31.12.2004 | At 31.12.2003 | 31.12.2003 |
| | RM'000 | RM'000 | RM'000 |
| Buildings | 538 | 552 | 14 |
| Furniture, fixtures, fittings and office equipment | 66 | 89 | 40 |
| Motor vehicles | 888 | 411 | 270 |
| | <u>1,492</u> | <u>1,052</u> | <u>324</u> |

Revaluation

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

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

| | Group | |
|---------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Freehold land | 21,019 | 21,019 |
| Long term leasehold land | 20,290 | 14,786 |
| Short term leasehold land | 224 | 234 |
| Buildings | 9,516 | 15,805 |
| | <u>51,049</u> | <u>51,844</u> |

Titles

The titles to certain properties with a cost of RM16.87 million (2003 - RM1.94 million) have yet to be issued by the relevant authorities.

Notes to the Financial Statements

31 December 2004

3. Investments in Subsidiaries

| | Company | |
|---------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Unquoted shares | | |
| At cost | 150,265 | 142,764 |
| At Directors' valuation in 1984 | 179,300 | 179,300 |
| | 329,565 | 322,064 |
| Less: Impairment loss | (2,905) | (3,311) |
| | 326,660 | 318,753 |

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

4. Investments in Associates

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Unquoted shares, at cost | 6,505 | 1,750 | 4,755 | - |
| Share of post-acquisition reserve | 1,304 | 859 | - | - |
| | 7,809 | 2,609 | 4,755 | - |
| Represented by: | | | | |
| Group's share of net assets | 7,809 | 2,609 | | |

The associates of the Group are as follows:

| Name of company | Principal activities | Effective ownership interest | |
|--------------------------------|---|------------------------------|-----------|
| | | 2004 % | 2003 % |
| Kanzen Energy Ventures Sdn Bhd | Investment holding | 25 | 25 |
| Structurflex Sdn Bhd | Manufacture of truck side curtains components | 50 | 50 |
| TC Capital (Thailand) Pte Ltd | Hire purchase financing | 50 | - |

Notes to the Financial Statements

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5. Other Investments

| | Group | |
|----------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Long term | | |
| Unquoted shares | <u>1,806</u> | <u>1,806</u> |
| Short term | | |
| Investment in money market funds | 2,591 | 10,559 |
| Quoted unit trusts | <u>181,360</u> | <u>-</u> |
| | <u>183,951</u> | <u>10,559</u> |

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

6. Development Costs

| | Group | |
|-----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Cost | | |
| Opening balance | 4,584 | - |
| Additions | 1,325 | 4,584 |
| Closing balance | <u>5,909</u> | <u>4,584</u> |

7. Hire Purchase Receivables

| | Group | |
|------------------------------------|-----------------|-----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Hire purchase receivables | 458,617 | 370,298 |
| Less: Unearned interest | <u>(56,899)</u> | <u>(48,144)</u> |
| | 401,718 | 322,154 |
| Less: Allowance for doubtful debts | <u>(2,332)</u> | <u>(2,043)</u> |
| | <u>399,386</u> | <u>320,111</u> |
| Less than one year | 109,589 | 90,364 |
| Between one and five years | 252,945 | 202,296 |
| More than five years | 36,852 | 27,451 |
| | <u>399,386</u> | <u>320,111</u> |

Notes to the Financial Statements

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8. Inventories

| | Group | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Raw materials | 17,577 | 10,281 |
| Manufactured inventories, trading inventories and assembled motor vehicles | 341,785 | 248,264 |
| Work-in-progress | 13,929 | 14,015 |
| Unassembled vehicle packs | 248,457 | 180,263 |
| Spare parts and others | 50,476 | 34,736 |
| | 672,224 | 487,559 |

The following inventories are carried at net realisable value:

| | | |
|--|---------------|---------------|
| Raw materials | 2,957 | 2,860 |
| Manufactured inventories, trading inventories and assembled motor vehicles | 42,565 | 1,457 |
| Unassembled vehicle packs | 11,216 | 12,645 |
| Spare parts and others | 662 | 700 |
| | 57,400 | 17,662 |

During the year, there was a reversal of a write down of inventories of RM816,000 (2003 – RM2,594,000). 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.

9. Trade and Other Receivables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Short term | | | | |
| Trade receivables | 194,918 | 123,067 | - | - |
| Less: Allowance for doubtful debts | (18,629) | (13,693) | - | - |
| | 176,289 | 109,374 | - | - |
| Other receivables, deposits and prepayments | 30,237 | 24,071 | 693 | 308 |
| Tax recoverable | 855 | 736 | - | - |
| Subsidiaries | - | - | 63,765 | 114,574 |
| | 207,381 | 134,181 | 64,458 | 114,882 |
| Long term | | | | |
| Subsidiaries | - | - | 41,630 | 15,458 |
| Less: Allowance for doubtful debts | - | - | (2,229) | (2,207) |
| | - | - | 39,401 | 13,251 |

During the year, doubtful debts written off against allowance for doubtful debts made previously in the Group amounted to RM318,079 (2003 – RM13,000).

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.

Notes to the Financial Statements

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10. Cash and Cash Equivalents

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Cash and bank balances | 57,856 | 28,781 | 440 | 269 |
| Deposits | 40,219 | 110,865 | - | - |
| | 98,075 | 139,646 | 440 | 269 |
| Deposits are placed with: | | | | |
| Licensed banks | 22,278 | 7,959 | - | - |
| Licensed finance companies | 17,941 | 31,783 | - | - |
| Discount houses | - | 71,123 | - | - |
| | 40,219 | 110,865 | - | - |

11. Trade and Other Payables

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| <i>Short term</i> | | | | |
| Trade payables | 119,459 | 94,314 | - | - |
| Other payables and accrued expenses | 115,489 | 58,115 | 6,752 | 3,157 |
| Subsidiaries | - | - | 1,303 | 15 |
| | 234,948 | 152,429 | 8,055 | 3,172 |
| <i>Long term</i> | | | | |
| Subsidiaries | - | - | 4,410 | 4,433 |

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

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

Notes to the Financial Statements

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12. Borrowings

| | Group | |
|------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| <i>Short term</i> | | |
| Bills payable – unsecured | 193,296 | 51,679 |
| Term loans – unsecured | 15,000 | 25,000 |
| | <u>208,296</u> | <u>76,679</u> |
| <i>Long term</i> | | |
| Amount due to Cagamas Berhad | 77,852 | 72,066 |
| Term loan – unsecured | 230,000 | - |
| | <u>307,852</u> | <u>72,066</u> |

The bills payable of the Group are subject to interest at 1.82% to 3.25% (2003 – 1.60% to 1.80%) per annum.

The short-term unsecured term loans of the Group are subject to fixed rates of 3.75% (2003 – 3.75% to 3.78%) per annum and are repayable on 31 March 2005.

The long-term unsecured term loans of the Group are subject to fixed rates of 3.50% to 7.80% (2003 – Nil) per annum and are repayable on 12 March 2009, 21 November 2009 and 21 December 2012 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.

13. Share Capital

| | Group and Company | |
|--------------------------------|-------------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Ordinary shares of RM0.50 each | | |
| Authorised | <u>500,000</u> | 500,000 |
| Issued and fully paid | <u>336,000</u> | 336,000 |

The shareholders of the Company via a resolution passed in the Extraordinary General Meeting held on 29 May 2003 approved the Company's plan to purchase its own shares.

During the financial year, the Company purchased Nil (2003 – 278,000) of its issued shares from the open market. The average price paid for the shares purchased was RMNil (2003 – RM1.0468) 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 (2003 – 669,972,000) ordinary shares of RM0.50 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

Notes to the Financial Statements

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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 2004 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 | |
|--------------------------|-----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Deferred tax assets | 10,950 | 12,029 | 3,412 | 2,354 |
| Deferred tax liabilities | (11,811) | (12,253) | - | - |

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 relate to the same taxation authority.

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

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Property, plant and equipment | | | | |
| - capital allowances | (1,905) | (624) | (32) | (52) |
| - revaluation | (9,989) | (10,302) | - | - |
| Provisions | 10,743 | 9,973 | 3,120 | 2,131 |
| Other items | (106) | 341 | - | - |
| Unabsorbed capital allowances | 333 | 275 | 324 | 275 |
| Unutilised tax losses | 63 | 113 | - | - |
| | (861) | (224) | 3,412 | 2,354 |

No deferred tax has been recognised for the following items:

| | Group | |
|----------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Property, plant and equipment | | |
| - capital allowances | (38) | - |
| Provisions | 5 | - |
| Unabsorbed capital allowances | 1,461 | 812 |
| Unutilised tax losses | 14,000 | 6,989 |
| Deductible temporary differences | 289 | 19 |
| | 15,717 | 7,820 |

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

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17. Employee Benefits

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Recognised liability for defined benefit obligations | 16,961 | 17,756 | 8,282 | 7,542 |

The Group and the Company make contributions to a defined benefit plans that provide pension benefits for employees upon retirement and also provide for any constructive obligation that arise from past practice. 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 | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Net liability at 1 January | 17,756 | 16,207 | 7,542 | 6,943 |
| Benefits paid | (4,247) | (334) | (4) | - |
| Expense recognised in the income statement | 3,452 | 1,883 | 732 | 599 |
| Benefits transferred | - | - | 12 | - |
| Net liability at 31 December | 16,961 | 17,756 | 8,282 | 7,542 |

Expense recognised in the income statements

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Current service cost | 1,997 | 737 | 285 | 113 |
| Interest on obligation | 1,071 | 1,146 | 447 | 486 |
| Under provision in prior year | 384 | - | - | - |
| | 3,452 | 1,883 | 732 | 599 |

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

| | Group | | Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Distribution expenses | 8 | 85 | - | - |
| Administration expenses | 3,444 | 1,798 | 732 | 599 |
| | 3,452 | 1,883 | 732 | 599 |

Liability for defined benefit obligations

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

| | 2004 | 2003 |
|-------------------------|------------|------|
| | % | % |
| 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

| | Group | | Company | |
|--------------------------|--------------------|--------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Revenue | | | | |
| Sale of goods | 2,285,097 | 1,595,294 | - | - |
| Services rendered | 75,416 | 59,243 | 2,562 | 2,013 |
| Hire purchase income | 24,704 | 22,980 | - | - |
| Dividend income | - | - | 36,629 | 11,340 |
| | 2,385,217 | 1,677,517 | 39,191 | 13,353 |
| Cost of sales | | | | |
| Sale of goods | (1,935,470) | (1,334,134) | - | - |
| Services rendered | (35,728) | (29,133) | - | - |
| | (1,971,198) | (1,363,267) | - | - |
| Gross profit | 414,019 | 314,250 | 39,191 | 13,353 |
| Distribution costs | (143,685) | (100,790) | - | - |
| Administration expenses | (73,700) | (55,306) | (10,360) | (9,845) |
| Other operating expenses | (19,660) | (17,109) | (28) | (5) |
| Other operating income | 10,512 | 7,468 | 553 | 369 |
| Operating profit | 187,486 | 148,513 | 29,356 | 3,872 |

Operating profit is arrived at after crediting:

| | | | | |
|---|-------|-------|--------|--------|
| Bad debts recovered | - | 21 | - | - |
| Dividend income from: | | | | |
| Unquoted subsidiaries | - | - | 36,629 | 11,340 |
| Unquoted investments | 1,353 | 1,882 | - | - |
| Associates | 36 | - | - | - |
| Finance lease interest income | 151 | - | - | - |
| Gain on disposal of property, plant and equipment | 358 | 262 | 147 | 70 |
| Gain on foreign exchange - realised | 124 | 75 | - | - |
| - unrealised | 329 | 115 | - | - |
| Inventories written back | 4 | - | - | - |
| Reversal of inventories written down | 816 | 2,594 | - | - |
| Rental income on land and buildings | 2,411 | 2,512 | 134 | 134 |
| Reversal of allowance for doubtful debts | 246 | 675 | - | - |
| Reversal of impairment loss on investment in subsidiaries | 406 | - | 406 | 287 |
| Hire of plant and machinery | - | 47 | - | - |

Notes to the Financial Statements

31 December 2004

18. Operating Profit (Cont'd)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| and after charging: | | | | |
| Auditors' remuneration | | | | |
| - current year | 286 | 290 | 35 | 40 |
| - under/(over) provision in prior year | (12) | 28 | (6) | 5 |
| Allowance for doubtful debts | 5,789 | 5,365 | 21 | - |
| Bad debts written off | 13 | 4 | - | - |
| Company's Directors | | | | |
| Remuneration | 6,527 | 5,691 | 4,868 | 4,395 |
| Fees | 228 | 251 | 228 | 251 |
| Depreciation and amortisation | 21,200 | 14,824 | 369 | 324 |
| Goodwill written off | - | 65 | - | - |
| Impairment loss on property, plant and equipment | - | 592 | - | - |
| Inventories written down | 6,840 | 2,682 | - | - |
| Inventories written off | 537 | 1,656 | - | - |
| Loss on foreign exchange - realised | 227 | - | - | - |
| Property, plant and equipment written off | 639 | 21 | - | - |
| Retirement benefits charged | 3,452 | 1,883 | 732 | 599 |
| Rental expense on land and buildings | 6,889 | 3,979 | 407 | 416 |
| Loss on disposal of other current investments | - | 459 | - | - |
| Technical assistance fee | 2,190 | - | - | - |
| Warranty claim | 171 | - | - | - |

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM65,481 (2003 - RM80,316) and RM65,481 (2003 - RM80,316) respectively.

19. Employee Information

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Salary and other costs | 93,364 | 75,405 | 7,660 | 7,304 |
| Contribution to EPF | 11,166 | 9,019 | 613 | 599 |
| | 104,530 | 84,424 | 8,273 | 7,903 |

The number of employees of the Group and of the Company (including Directors) at the end of the year was 3,545 (2003 - 2,762) and 25 (2003 - 27) respectively.

Notes to the Financial Statements

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20. Tax Expense

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Current tax expense | 55,657 | 45,470 | 7,634 | 3,175 |
| Over provision in prior years | (4,285) | (2,591) | - | - |
| | 51,372 | 42,879 | 7,634 | 3,175 |
| Deferred tax expense/(income) | 421 | (1,012) | (224) | (100) |
| Under/(Over) provision in prior years | 213 | - | (834) | - |
| Tax expense on share of profit of associates | 74 | 61 | - | - |
| | 52,080 | 41,928 | 6,576 | 3,075 |
| Reconciliation of effective tax rate | | | | |
| Profit before taxation | 181,874 | 149,998 | 31,901 | 7,245 |
| Income tax using statutory tax rate | 50,925 | 41,999 | 8,932 | 2,029 |
| Effect of tax at 20% on chargeable income below RM500,000 (2003 - RM100,000) | (488) | (86) | - | - |
| Double deduction | (188) | - | - | - |
| Non-deductible expenses | 5,602 | 3,049 | 284 | 320 |
| Non-taxable income | (113) | (81) | (113) | (81) |
| Tax exempt income | (274) | (433) | (2,622) | - |
| Tax incentives | (248) | (861) | - | - |
| Unrecognised deferred tax asset | 805 | - | - | - |
| Other items | 131 | 932 | 929 | 807 |
| | 56,152 | 44,519 | 7,410 | 3,075 |
| Over provision in prior years | (4,072) | (2,591) | (834) | - |
| | 52,080 | 41,928 | 6,576 | 3,075 |

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 RM126.820 million (2003 - RM106.025 million) and the weighted average number of ordinary shares outstanding during the year of 669.972 million (2003 - 670.002 million).

Weighted average number of ordinary shares

| | 2004 | 2003 |
|--|--------------------|--------------------|
| Issued of ordinary shares | 672,000,000 | 672,000,000 |
| Less: Treasury shares | (2,028,000) | (1,750,000) |
| | 669,972,000 | 670,250,000 |
| Effect of shares purchased during the year | - | (247,417) |
| Weighted average number of ordinary shares | 669,972,000 | 670,002,583 |

Notes to the Financial Statements

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22. Dividends

| | Group and Company | |
|---|-------------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Ordinary | | |
| Final paid: | | |
| 2003 – 10% per share less tax (2002 – 9% per share less tax) | 24,119 | 21,708 |
| Interim paid: | | |
| 5% per share tax exempt (2003 – 4% per share tax exempt) | 16,749 | 13,399 |
| | 40,868 | 35,107 |

Proposed final dividend

The proposed final dividend of 10% less tax totaling RM24,119,000 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 2004 of RM40.868 million (2003 – RM37.519 million) and the number of ordinary shares in issue during the year of 670 million (2003 – 670 million) less treasury shares held of 2.028 million (2003 – 2.028 million).

23. Segmental Information

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

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

Business segments

The Group comprises the following main business segments:

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

Notes to the Financial Statements

31 December 2004

23. Segmental Information (Cont'd)

| | Vehicles assembly, distribution and after sale services | | Hire purchase financing | | Other operations | | Eliminations | | Consolidated | |
|--|--|------------------|-------------------------------|----------------|---------------------|----------------|----------------|----------------|------------------|------------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Business segments | | | | | | | | | | |
| Revenue from external customers | 2,360,428 | 1,654,457 | 24,704 | 22,978 | 85 | 82 | - | - | 2,385,217 | 1,677,517 |
| Inter-segment revenue | 912 | - | - | - | 3,322 | 3,313 | (4,234) | (3,313) | - | - |
| Total revenue | 2,361,340 | 1,654,457 | 24,704 | 22,978 | 3,407 | 3,395 | (4,234) | (3,313) | 2,385,217 | 1,677,517 |
| Segment result | 167,768 | 129,449 | 22,488 | 21,375 | 2,343 | 1,784 | - | - | 192,599 | 152,608 |
| Unallocated expenses | | | | | | | | | (5,113) | (4,095) |
| Operating profit | | | | | | | | | 187,486 | 148,513 |
| Interest income | | | | | | | | | 2,318 | 3,043 |
| Interest expense | | | | | | | | | (8,485) | (1,889) |
| Share of profit of associates | 555 | 331 | - | - | - | - | - | - | 555 | 331 |
| Profit before taxation | | | | | | | | | 181,874 | 149,998 |
| Tax expense | | | | | | | | | (52,080) | (41,928) |
| Minority interests | | | | | | | | | (2,974) | (2,045) |
| Net profit for the year | | | | | | | | | 126,820 | 106,025 |
| Segment assets | 1,168,194 | 815,782 | 400,292 | 320,945 | 51,317 | 52,503 | - | - | 1,619,803 | 1,189,230 |
| Investment in associates | 7,809 | 2,609 | - | - | - | - | - | - | 7,809 | 2,609 |
| Unallocated assets | | | | | | | | | 237,745 | 135,709 |
| Total assets | | | | | | | | | 1,865,357 | 1,327,548 |
| Segment liabilities | 235,982 | 133,890 | 15,774 | 25,501 | 120 | 99 | - | - | 251,876 | 159,490 |
| Unallocated liabilities | | | | | | | | | 540,666 | 183,318 |
| Total liabilities | | | | | | | | | 792,542 | 342,808 |
| Capital expenditure | 86,475 | 30,232 | 53 | 41 | 932 | 1,577 | - | - | 87,460 | 31,850 |
| Depreciation and amortisation | 19,617 | 13,244 | 49 | 81 | 1,534 | 1,499 | - | - | 21,200 | 14,824 |
| Non-cash expenses other than depreciation and amortisation | 8,220 | 6,600 | 289 | 47 | 732 | 601 | - | - | 9,241 | 7,248 |

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24. Contingent Liabilities – Unsecured

| | Group | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Compensation claim on breach of contract | 46 | 46 |

On 11 July 2004, 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.

On 20 May 2004, the plaintiffs have filed an appeal to the Judge of Chamber and is pending hearing.

25. Commitments

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Capital commitments: | | | | |
| Property, plant and equipment | | | | |
| Authorised but not contracted for | 2,300 | 19,010 | - | - |
| Authorised and contracted for | 19,189 | 14,859 | - | - |
| Joint venture investment | | | | |
| Authorised and contracted for | - | 11,250 | - | 11,250 |
| Development costs | | | | |
| Authorised and contracted for | - | 4,964 | - | - |
| | 21,489 | 50,083 | - | 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.

Notes to the Financial Statements

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26. Related Parties (Cont'd)

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 | |
|--------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| With WTCH Group | | |
| Purchases | 5,574 | 4,770 |
| Sales | (11,357) | (6,157) |
| Rental expense payable | 726 | 691 |
| Rental income receivable | (265) | (391) |
| With APM Group | | |
| Purchases | 107,334 | 83,850 |
| Sales | (614) | - |
| Rental income receivable | 951 | 981 |

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 | |
|-----------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Purchases | 152 | 169 |
| Sales | (1,478) | (2,193) |

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 Group, who is a substantial shareholder of the Company, and its subsidiaries and associates, are as follows:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Purchases | 882,559 | 578,349 |
| Sales | (15,197) | (16,877) |
| Technical fees expense payable | 3,741 | 2,814 |

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

Notes to the Financial Statements

31 December 2004

26. Related Parties (Cont'd)

(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 | |
|-------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Sales | <u>3,431</u> | <u>1,863</u> |

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

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

| | Company | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Subsidiaries | | |
| Dividend income receivable | (36,629) | (11,340) |
| Interest income receivable | (2,671) | (3,495) |
| Management fees receivable | (2,478) | (1,931) |
| Rental income receivable | (54) | (54) |
| Rental expense payable | 393 | 404 |
| Interest expense payable | 126 | 122 |
| Purchases of property, plant and equipment | <u>912</u> | <u>154</u> |

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).

Notes to the Financial Statements

31 December 2004

27. Financial Instruments (Cont'd)

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 parts 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 parts 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 RM68,658,000 (2003 – RM50,213,000).

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 and certain commercial bank which are fixed with tenure ranging from 60 to 96 months.

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

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

Foreign currency risk

The Group and the Company incur foreign currency risk mainly on purchases that are denominated in Japanese Yen. The Group monitors its exchange exposure regularly and undertakes selective hedging whenever deemed necessary. The unrecognised gain or loss associated with anticipated future transactions is a gain of RM1,602,000 (2003 - gain of RM940,000).

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.

Notes to the Financial Statements

31 December 2004

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

| Group | Effective interest rate % | 2004 | | Within 1 year RM'000 | Effective interest rate % | 2003 | | |
|-------------------------|------------------------------------|-----------------|--|----------------------------|------------------------------------|-----------------|----------------------------|---------|
| | | Total RM'000 | | | | Total RM'000 | Within 1 year RM'000 | |
| Financial assets | | | | | | | | |
| Money market funds | 4.21 | 2,591 | | 2,591 | 2.67 | 10,559 | | 10,559 |
| Short term deposits | 3.02 | 40,219 | | 40,219 | 3.34 | 110,865 | | 110,865 |

| | Effective interest rate % | 2004 | | | Effective interest rate % | 2003 | | |
|--|------------------------------------|-----------------|----------------------------|--------------------------|------------------------------------|-----------------|----------------------------|--------------------------|
| | | 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 |
| Financial liabilities | | | | | | | | |
| Unsecured bills payable | 2.26 | 193,296 | 193,296 | – | 0.74 | 51,679 | 51,679 | – |
| Unsecured fixed rate short term loans | 3.75 | 15,000 | 15,000 | – | 3.76 | 25,000 | 25,000 | – |
| Amount due to Cagamas Berhad | 4.43 | 77,852 | 23,596 | 54,256 | 4.63 | 72,066 | 16,927 | 55,139 |
| Unsecured fixed rate long term loan | 5.67 | 230,000 | – | 230,000 | – | – | – | – |

Company**Financial assets**

| | | | | | | | | |
|---|------|--------|---|--------|------|---------|---|---------|
| Amount due from certain subsidiaries | 2.84 | 94,755 | – | 94,755 | 2.88 | 119,104 | – | 119,104 |
|---|------|--------|---|--------|------|---------|---|---------|

Financial liabilities

| | | | | | | | | |
|---------------------------------------|------|-------|---|-------|------|-------|---|-------|
| Amount due to certain subsidiaries | 2.84 | 5,597 | – | 5,597 | 2.88 | 4,433 | – | 4,433 |
|---------------------------------------|------|-------|---|-------|------|-------|---|-------|

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 2004

27. Financial Instruments (Cont'd)

| Group | 2004 | | 2003 | |
|------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| Financial assets | | | | |
| Money market funds | 2,591 | 2,591 | 10,559 | 10,559 |
| Quoted unit trusts | 181,360 | 182,462 | - | - |
| | 183,951 | 185,053 | 10,559 | 10,559 |
| Financial liabilities | | | | |
| Amount due to Cagamas Berhad | 77,852 | 88,009 | 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 (2003 – 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 2004 was RM4,709,000 (2002 – RM4,012,000).

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 | 2004 | 2003 |
|------------------------------------|---------------|--------|
| | RM'000 | RM'000 |
| Forward foreign exchange contracts | | |
| – contractual value | 68,658 | 50,213 |
| – unrealised gains | 1,602 | 940 |
| Fair value | 70,260 | 51,153 |

Notes to the Financial Statements

31 December 2004

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 | |
|--|--|------------------------------|-----------|
| | | 2004 % | 2003 % |
| Incorporated in Malaysia: | | | |
| Autokita Sdn Bhd | Insurance agency | 100 | 100 |
| Auto Blend Sdn Bhd | Sale of battery water and brake fluid | 100 | 100 |
| Auto Components Manufacturers Sdn Bhd | Property holding | 100 | 100 |
| Auto Infiniti Sdn Bhd | Sale of motor vehicles accessories | 100 | 100 |
| Bijak Security Services Sdn Bhd | Provision of security services | 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 | Trading of motor vehicles | 100 | 100 |
| E-Garage Auto Services Sdn Bhd | Automobile workshop services and trading of car grooming products | 100 | 100 |
| Hikmat Asli Sdn Bhd | Property holding | 100 | 100 |
| Pemasaran Alat Ganti Sdn Bhd | Marketing of auto parts | 100 | 100 |
| Perwiramas Sdn Bhd | Investment holding | 100 | 100 |
| Rustcare Sdn Bhd | Rust proofing | 100 | 100 |
| Sungei Bintang Sdn Bhd | Property holding | 100 | 100 |
| Tan Chong & Sons Motor Company Sdn Bhd | Assembly and sale of motor vehicles and hire purchase financing | 100 | 100 |
| Tan Chong Agency Sdn Bhd | Insurance agency and property holding | 100 | 100 |
| Tan Chong Ekspres Auto Servis Sdn Bhd | Automobile workshop services | 100 | 100 |
| Tan Chong Industrial Equipment (Sabah) Sdn Bhd | Distribution of commercial vehicles, heavy equipment and machineries | 100 | 100 |
| Tan Chong Industrial Equipment Sdn Bhd | Distribution of commercial vehicles and spare parts | 100 | 100 |

Notes to the Financial Statements

31 December 2004

28. Subsidiaries (Cont'd)

| Name | Principal activities | Effective ownership interest | |
|---|---|------------------------------|-----------|
| | | 2004 % | 2003 % |
| Incorporated in Malaysia: (Cont'd) | | | |
| Tan Chong Motor Assemblies Sdn Bhd | Assembly of motor vehicles, engines and trading of parts | 70 | 70 |
| Tan Chong Trading (Malaysia) Sdn Bhd | Distribution of automotive accessories and property/investment holding | 100 | 100 |
| Tanahku Holdings Sdn Bhd | Property holding | 100 | 100 |
| TC Auto Tooling Sdn Bhd | Production of car alarm system and fabrication of jigs | 100 | 100 |
| TC Euro Cars Sdn Bhd | Distribution of motor vehicles and provision of after sales services | 100 | 100 |
| TC Motors (Sarawak) Sdn Bhd | Marketing of commercial vehicles, heavy equipment and machineries | 100 | 100 |
| TCCL Sdn Bhd | Insurance agency | 100 | 100 |
| TCM Stamping Products Sdn Bhd | Manufacture and sale of fuel tanks and press metal parts | 100 | 100 |
| Truckquip Sdn Bhd | Distribution of automotive spare parts and construction of vehicle bodies | 100 | 100 |
| 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 |
| Fujjyama 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 | 100 |

Notes to the Financial Statements

31 December 2004

28. Subsidiaries (Cont'd)

| Name | Principal activities | Effective ownership interest | |
|--|----------------------|------------------------------|-----------|
| | | 2004 % | 2003 % |
| Incorporated in Malaysia: (Cont'd) | | | |
| Edaran Tan Chong Motor (Sabah) Sdn Bhd | Dormant | 100 | - |
| Edaran Tan Chong Motor (Sarawak) Sdn Bhd | Dormant | 100 | - |
| Edaran Tan Chong Motor (Selatan) Sdn Bhd | Dormant | 100 | - |
| Edaran Tan Chong Motor (Tengah) Sdn Bhd | Dormant | 100 | - |
| Edaran Tan Chong Motor (Utara) Sdn Bhd | Dormant | 100 | - |
| Incorporated in the British Virgin Islands: | | | |
| * Nissan TCM Pty Ltd (Liquidated) | Dormant | - | 75 |
| Incorporated in Vietnam: | | | |
| ** Nissan TCM Vietnam Co Ltd | Dormant | - | 56 |

* Company not required to be audited and consolidated using management financial statements up to-date of its voluntary liquidation (refer to Note 30).

** Company not audited by KPMG and consolidated using management financial statements up to-date of the voluntary liquidation of Nissan TCM Pty Ltd.

29. Acquisition of Subsidiary

On 5 March 2003, the Group acquired the remaining 50% equity interest in Ragib-TC Security Services Sdn Bhd for a consideration of RM1.00 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 |
|---------------------------------------|----------------|
| Property, plant and equipment | 72 |
| Current assets | - |
| Current liabilities | (137) |
| Deferred liability | - |
| Net (liabilities)/assets | (65) |
| Goodwill on acquisition | 65 |
| Consideration paid, satisfied in cash | - |
| Cash acquired | - |
| Net cash inflow | - |

Notes to the Financial Statements

31 December 2004

30. Voluntary Liquidation of Subsidiary

On 7 December 2004, Nissan TCM Pty Ltd ("NTP"), a 75% held subsidiary which was incorporated in the British Virgin Island, was voluntarily liquidated.

NTP was an investment holding company formed in 1996 with Nissan Motor Co Ltd and Marubeni Corporation of Japan, each having 12.5% shareholding, to participate in a joint venture company with Danang Automobile Mechanical Factory for the purpose of investing in a motor vehicle assembly plant in the Socialist Republic of Vietnam. The Vietnamese government had on 30 August 2001 terminated the investment license granted to the joint venture company.

31. Changes in Accounting Policies and Prior Year Adjustments

Changes in accounting policies

In the last 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 had been adjusted to reflect the change in these accounting policies.

- (i) The adoption of MASB 25 had 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, had the following impact on the results:

| | Group | Company |
|-------------------------------------|----------------|----------------|
| | 2003 | 2003 |
| | RM'000 | RM'000 |
| Effects on retained profits: | | |
| At 1 January, as previously stated | 573,829 | 131,679 |
| Effect of adopting MASB 25 | (790) | 2,254 |
| Effect of adopting MASB 29 | (9,131) | (5,181) |
| At 1 January, as restated | <u>563,908</u> | <u>128,752</u> |

Prior year adjustments

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

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 five (5) Board meetings held in 2004. The Board has a formal schedule of matters reserved for making broad policy decisions, including the approval of annual and interim results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to committees of the Board and management as well as officers of the Group.

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

(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 Directors would be more effective, if performed by the Board as a whole by drawing on the wealth of experience of all Directors, and as such, a nomination committee is currently not required.

Corporate Governance Disclosures

(v) Re-election

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

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

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

(vi) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). They also are continually attending education programmes and seminars to keep abreast with developments in the market place, such as seminars accredited under Bursa Malaysia Securities Berhad's Continuing Education Programme.

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 2004 and annual increment for 2005 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 fixed by the shareholders of the Company at an amount not exceeding, in aggregate, RM300,000. 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 | - | 4,260 | 2,235 | 48 |
| Non-Executive Directors | 228 | 32 | - | 17 |

Corporate Governance Disclosures

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 | - | 1 |
| RM50,001 to RM100,000 | - | 2 |
| RM100,001 to RM150,000 | - | 1 |
| RM150,001 to RM200,000 | 1 | - |
| RM200,001 to RM250,000 | 1 | - |
| RM250,001 to RM300,000 | 1 | - |

C Relations with Shareholders

(i) Dialogue between Companies and Investors

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

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

(ii) Annual General Meeting

The Annual General Meeting ("AGM") of the Company was held on Wednesday, 19 May 2004 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 2004 was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 48.4% 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 2003. 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 61 provides an overview of the state of internal controls within the Group.

(iii) Audit Committee and Auditors

The Board of Directors has established an Audit Committee. The membership of this Committee, a summary of the terms of reference and the activity report of the Audit Committee are set out on pages 63 and 64.

Corporate Governance Disclosures

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

The Directors considered that during 2004, 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 2004, the Directors have:

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

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

Corporate Governance Disclosures

STATEMENT ON INTERNAL CONTROL

Paragraph 15.27(b) of Bursa Malaysia 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) Quarterly review of the performance of the Group’s business by the Board which also assesses the impact of the changes in business and competitive environment;
- (iii) Active participation by certain members of the Board in the day-to-day running of the major businesses and regular dialogues with the senior management of smaller business units; and
- (iv) Monthly financial reporting by the subsidiaries to the holding Company.

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

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

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

Internal and Management Audit Function

The Group has in place an 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.

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.

Other 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 2004 was RM203,000.

SHARE-BUY BACKS

The Company did not buy back any shares in 2004.

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 2004.

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 seven (7) meetings held in the year are set out below:

| Name | Designation | Attendance |
|---|--|----------------|
| Seow Thiam Fatt | Chairman Independent Non-Executive Director | All 7 meetings |
| Dato' Ng Mann Cheong | Independent Non-Executive Director | All 7 meetings |
| Dato' Haji Kamaruddin @ Abas bin Nordin | Independent Non-Executive Director | All 7 meetings |

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 Bursa Malaysia Securities Berhad, the vacancy must be filled within three months.

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

Authority

The Audit Committee is authorised 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.

Shareholders' Statistics

as at 31 March 2005

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 | 112 | 0.6594 | 2,377 | 0.0004 |
| 100 - 999 | 4,870 | 28.6707 | 4,766,800 | 0.7093 |
| 1,000 - 10,000 | 9,857 | 58.0301 | 42,746,945 | 6.3612 |
| 10,001 - 100,000 | 1,882 | 11.0797 | 55,305,726 | 8.2300 |
| 100,001 - 33,599,999 | 262 | 1.5424 | 254,550,166 | 37.8794 |
| 33,600,000 and above | 3 | 0.0177 | 312,599,986 | 46.5179 |
| Sub-Total | 16,986 | 100.0000 | 669,972,000 | 99.6982 |
| Treasury shares | | | 2,028,000 | 0.3018 |
| Total | | | 672,000,000 | 100.0000 |

Directors' Shareholding

(as per Register of Directors' Shareholding)

| Name | Direct | | Indirect | |
|--|--------------------|------|--------------------|--------|
| | No. of Shares Held | % | No. of Shares Held | % |
| 1. Dato' Tan Heng Chew | 12,017,062 | 1.79 | 304,266,662 | 45.41* |
| 2. Tan Eng Soon | 2,628,000 | 0.39 | 304,266,662 | 45.41* |
| 3. Azman bin Badrillah | 20,000 | 0.00 | - | - |
| 4. Dato' Haji Kamaruddin @ Abas bin Nordin | 2,992 | 0.00 | - | - |

* Deemed interest by virtue of interest in Tan Chong Consolidated Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Substantial Shareholders

(as per Register of Substantial Shareholders)

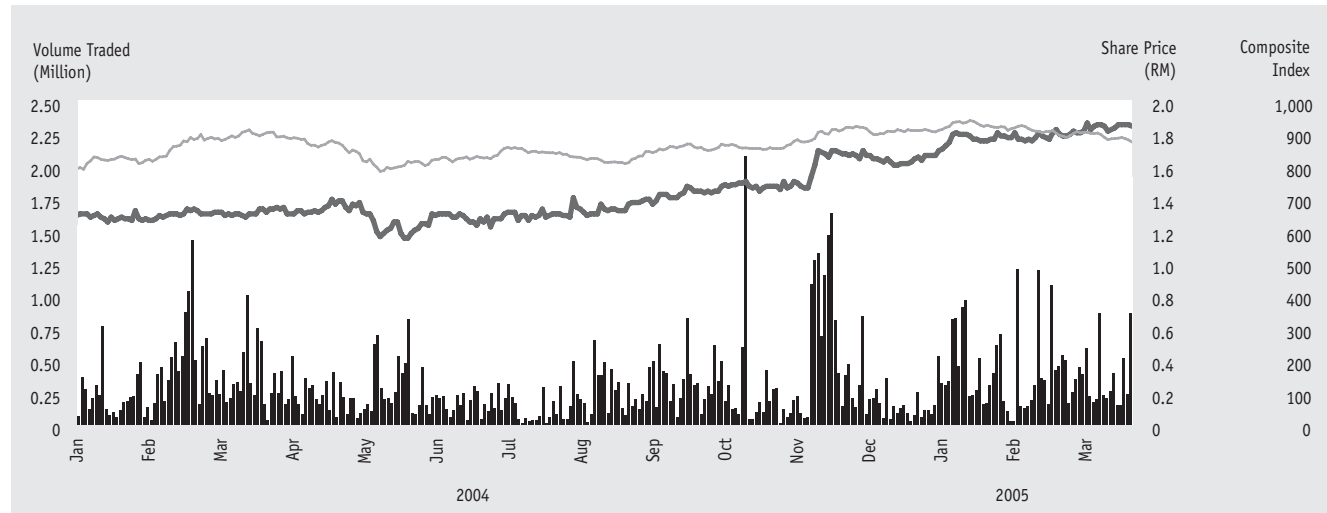
| Name | No. of Shares Held | % |
|------------------------------------|--------------------|-------|
| 1. Tan Chong Consolidated Sdn Bhd* | 304,266,662 | 45.41 |
| 2. Nissan Motor Co Ltd | 37,333,324 | 5.57 |

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

Shareholders' Statistics

as at 31 March 2005

Daily Share Prices & Volume Traded on Bursa Malaysia Securities Berhad



Volume Traded
(number of shares traded for the day)

Share Price
(closing price for the day)

BMSB Composite Index
(closing index for the day)

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 | 26,704,000 | 3.9858 |
| 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 Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Tan Heng Chew (Margin-MM1063)</i> | 7,699,600 | 1.1492 |
| 9 HSBC Nominees (Asing) Sdn Bhd <i>TNTC for Sanford C Bernstein & Co Delaware Business Trust</i> | 7,585,000 | 1.1321 |
| 10 Citicorp Nominee (Asing) Sdn Bhd <i>UBS AG Singapore for Pacific Investment Fund</i> | 7,496,000 | 1.1189 |

Shareholders' Statistics

as at 31 March 2005

| Name | No. of Shares Held | % |
|---|--------------------|--------------|
| 11 HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for The State Teachers Retirement System Of Ohio (Sanford Emerg)</i> | 6,099,000 | 0.9103 |
| 12 HSBC Nominees (Asing) Sdn Bhd <i>HSBC-FS for Value Partners "A" Fund</i> | 5,322,800 | 0.7945 |
| 13 Key Development Sdn Berhad | 4,740,000 | 0.7075 |
| 14 HSBC Nominees (Asing) Sdn Bhd <i>HSBC TUB KGAA for SPB Investment Company Ltd</i> | 4,370,700 | 0.6524 |
| 15 Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Heng Chew (E-KLC)</i> | 3,983,800 | 0.5946 |
| 16 Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund SW8N for California Public Employees Retirement System</i> | 3,699,500 | 0.5522 |
| 17 HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Boronia Corporation</i> | 3,690,000 | 0.5508 |
| 18 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 |
| 19 Citicorp Nominees (Asing) Sdn Bhd <i>Goldman Sachs International</i> | 3,300,500 | 0.4926 |
| 20 HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Prudential Equity Income Fund (4801)</i> | 3,179,000 | 0.4745 |
| 21 Chinchoo Investment Sdn Berhad | 3,171,000 | 0.4733 |
| 22 Tan Kim Hor | 3,074,834 | 0.4589 |
| 23 HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Guardis Investments Group Limited</i> | 3,050,000 | 0.4552 |
| 24 AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i> | 3,000,000 | 0.4478 |
| 25 Citicorp Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i> | 2,759,100 | 0.4118 |
| 26 HSBC Nominees (Asing) Sdn Bhd <i>HSBC-FS for Schroder Asian Growth Fund</i> | 2,701,900 | 0.4033 |
| 27 HLB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lung Ma Investments Pte Ltd (Sin 9047-5)</i> | 2,628,000 | 0.3923 |
| 28 Citicorp Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad (INV-IL Par)</i> | 2,609,300 | 0.3895 |
| 29 Citicorp Nominees (Asing) Sdn Bhd <i>MLPFS for Hang Chooi Seng</i> | 2,551,000 | 0.3808 |
| 30 HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Summerhouse Mutual Fund Limited</i> | 2,455,000 | 0.3664 |
| TOTAL | 471,569,520 | 70.39 |

Group Properties

as at 31 December 2004

| 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 | 29.12 | 29 |
| | | 74,776 | 53,254 | Leasehold 20.04.2068 | 2.68 | 26 |
| Lot 10230 Mukim of Batu Jalan Segambut 51200 Kuala Lumpur | Vacant land | 14,514 | | Freehold | 0.55 | |
| Lot 49970 Mukim of Batu Jalan Segambut 51200 Kuala Lumpur | Vacant land | 4,520 | | Freehold | 0.17 | |
| Lot 49972 Mukim of Batu Jalan Segambut 51200 Kuala Lumpur | Vacant land | 17,180 | | Freehold | 0.65 | |
| Lot 49393 Jalan Segambut 51200 Kuala Lumpur | Vacant land | 2,886 | | Leasehold 20.04.2068 | 0.02 | |
| PT7702 Jalan Segambut 51200 Kuala Lumpur | Vehicle storage yard | 133,064 | | Freehold | 5.85 | |
| Lot 4185 Jalan Segambut 51200 Kuala Lumpur | Office & factory | 147,066 | 85,900 | Freehold | 7.27 | 12 |
| Lot 43097 Mukim of Batu Off Jalan Segambut 51200 Kuala Lumpur | Vehicle storage yard & warehouse | 339,448 | 39,305 | Leasehold 27.01.2074 | 9.70 | 7 |
| 327, 3 ³ / ₄ Miles Jalan Segambut 51200 Kuala Lumpur | Pre-delivery inspection centre | 114,189 | 25,480 | Leasehold 04.07.2065 | 3.32 | 38 |
| 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 | 2.09 | 25 |
| 62 – 68 Jalan Ipoh 51200 Kuala Lumpur | Showroom & office | 7,533 | 28,707 | Freehold | 6.21 | 49 |
| 21 Jalan Ipoh Kecil 50350 Kuala Lumpur | Head office building | 7,571 | 27,302 | Freehold | 2.41 | 19 |

Group Properties

as at 31 December 2004

| Location | Description | Land Area (sq feet) | Built-up Area (sq feet) | Tenure/ Expiry Date | Net Book Value (RM million) | Age of Building (years) |
|---|---|------------------------|-------------------------------|-------------------------|-----------------------------------|-------------------------------|
| 56 Jalan Ipoh 51200 Kuala Lumpur | Office | 1,823 | 3,080 | Freehold | 0.92 | 49 |
| 60 Jalan Ipoh 51200 Kuala Lumpur | Office | 1,853 | 3,155 | Freehold | 0.92 | 49 |
| 70 Jalan Ipoh 51200 Kuala Lumpur | Showroom & office | 1,999 | 3,250 | Freehold | 0.97 | 49 |
| 72 Jalan Ipoh 51200 Kuala Lumpur | Showroom & office | 1,999 | 3,250 | Freehold | 0.97 | 49 |
| 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 | 1.63 | 21 |
| Lot UG04 – 06 Kompleks Wilayah 2 Jalan Munshi Abdullah 50100 Kuala Lumpur | Showroom & office | 602 | 602 | Freehold | 0.37 | 21 |
| LG045 Sungei Wang Plaza Jalan Bukit Bintang 55100 Kuala Lumpur | Retail lot for rental | 621 | 621 | Freehold | 0.42 | 25 |
| 8C-3-2 Sri Murni Condominium 8 Lorong Kota 4 Bukit Ledang 50480 Kuala Lumpur | Apartment for rental | 1,938 | 1,938 | Freehold | 0.54 | 11 |
| Plot 28, Sec 52, Jalan Pudu 55100 Kuala Lumpur | Shophouse for rental | 1,600 | 4,880 | Leasehold 23.03.2075 | 0.42 | 20 |
| Plot 29, Sec 52, Jalan Pudu 55100 Kuala Lumpur | Office & upper floors for rental | 1,600 | 4,880 | Leasehold 23.03.2075 | 0.43 | 20 |
| 34 Jalan SibU 17 Taman Wahyu 68100 Kuala Lumpur | Office, warehouse & industrial building for rental | 3,600 | 2,850 | Leasehold 25.12.2078 | 0.17 | 23 |
| 35 Jalan SibU 17 Taman Wahyu 68100 Kuala Lumpur | Office, warehouse & industrial building for rental | 3,600 | 2,850 | Leasehold 25.12.2078 | 0.21 | 23 |
| 36 Jalan SibU 17 Taman Wahyu 68100 Kuala Lumpur | Office, warehouse & industrial building for rental | 5,632 | 2,850 | Leasehold 25.12.2078 | 0.27 | 23 |

Group Properties

as at 31 December 2004

| 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 68100 Batu Caves, Selangor | Factory, warehouse & offices | 416,949 | 141,820 | Leasehold 05.09.2074 | 14.99 | 22 |
| | Showroom & sales office | | 3,776 | | 0.26 | 2 |
| 142 Jalan SBC 3 Taman Sri Batu Caves 68100 Batu Caves, Selangor | Shoplot for rental | 2,512 | 6,094 | Freehold | 1.53 | 6 |
| 117 – 119 Jalan SS15/5 47500 Subang Jaya | Showroom & offices for rental | 3,520 | 9,988 | Freehold | 0.77 | 24 |
| 2 Jalan Bandar Tiga Pusat Bandar Puchong 47100 Selangor | Showroom & office | 3,612 | 10,832 | Freehold | 2.89 | 8 |
| 4 Jalan Bandar Tiga Pusat Bandar Puchong 47100 Selangor | Showroom & office | 1,650 | 4,948 | Freehold | 1.32 | 8 |
| 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 | 1.28 | 14 |
| Lot 7834 Sungai Rasa Jalan Batu Tiga Lama 41300 Klang, Selangor | Showroom, sales office, workshop & spare parts centre | 63,389 | 71,300 | Freehold | 6.65 | 14 |
| 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 | 0.69 | 22 |
| 39 Jalan Pelukis U1/46 Sek U1, Temasya Industrial Park 40150 Shah Alam, Selangor | Vacant land | 60,064 | | Freehold | 7.42 | |
| PT 10451 Mukim Serendah Daerah Hulu Selangor | Vacant land | 2,178,002 | | Leasehold 24.04.2095 | 8.38 | |
| 63, 63A & 63B Jalan Tun Perak 75300 Melaka | Showroom, service & spare parts centre | 18,252 | 17,351 | Leasehold 02.07.2052 | 2.97 | 1 |
| 36 Jalan IMJ 5 Taman Industry Malim Jaya 75050 Melaka | Shoplot for rental | 9,587 | 3,240 | Leasehold 18.11.2095 | 0.40 | 10 |
| 260 Jalan Tun Dr Ismail 70200 Seremban Negeri Sembilan | Showroom & office | 19,376 | 11,000 | Freehold | 1.90 | 20 |

Group Properties

as at 31 December 2004

| Location | Description | Land Area (sq feet) | Built-up Area (sq feet) | Tenure/ Expiry Date | Net Book Value (RM million) | Age of Building (years) |
|--|---|------------------------|-------------------------------|-------------------------|-----------------------------------|-------------------------------|
| Lot 151 Jalan Lombong Emas 6 Seremban Light Industrial Park 70200 Seremban Negeri Sembilan | Workshop & spare parts store | 33,121 | 14,640 | Leasehold 06.04.2090 | 1.18 | 8 |
| Lot 1599 Bandar Penggaram Jalan Zabedah 83000 Batu Pahat, Johor | Commercial land for rental | 53,933 | | Freehold | 1.40 | |
| Lot 690 & 691 14 & 15 Jalan Tuanku Mokhtar Ismail 86000 Kluang, Johor | Shoplots for rental | 1,680 | 3,210 | Leasehold 11.02.2052 | 0.38 | 48 |
| | | 1,680 | 3,210 | Leasehold 02.02.2052 | | 48 |
| Lot 7348 27 Jalan Tun Abd Razak Susur 2, 80100 Johor Baru Johor | Showroom, office & offices for rental | 18,295 | 12,527 | Freehold | 2.45 | 11 |
| Plot 157 Jalan Angkasa Mas 6 Kawasan Perindustrian Tebrau II 81100 Johor Bahru, Johor | Office & workshop | 87,120 | 18,203 | Leasehold 25.10.2083 | 1.63 | 9 |
| PTD 166367 Mukim Plentong Johor Bahru, Johor | Vacant land | 93,832 | | Freehold | 9.37 | |
| A7348 Jalan Berserah 25300 Kuantan, Pahang | Showroom, office, warehouse and workshop | 44,420 | 31,738 | Freehold | 5.72 | 21 |
| 10B Kayangan Apartment 69000 Genting Highlands Pahang | Apartment for rental | 3,250 | 3,250 | Freehold | 0.28 | 24 |
| Lot 31036 & 31037 Jalan Kuala Kangsar 30010 Ipoh, Perak | Showroom, service & spare parts centre | 40,292 | 27,800 | Leasehold 24.09.2894 | 1.17 | 19 |
| Plot 70 Kinta Jaya Light Industrial Park 30250 Ipoh, Perak | Office & workshop | 4,887 | 2,100 | Leasehold 01.03.2095 | 0.24 | 8 |
| Lot 30502 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak | Workshop for rental | 6,806 | 6,806 | Freehold | 0.35 | 32 |
| 204 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak | Shoplot for rental | 1,740 | 2,792 | Freehold | 0.35 | 29 |

Group Properties

as at 31 December 2004

| 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 | 0.27 | |
| 478 – 481 Taman Kota Jaya Jalan Kampong Dew 34700 Simpang, Taiping, Perak | Showroom, service & spare parts centre | 9,092 | 14,457 | Leasehold 16.11.2065 | 0.69 | 24 |
| 119 Jalan Changkat Jong 36000 Teluk Intan, Perak | Showroom | 2,979 | 2,740 | Freehold | 0.19 | 25 |
| Lot 2224 Jalan Changkat Jong 36000 Teluk Intan, Perak | Vacant land | 26,299 | | Freehold | 0.49 | |
| 39 Jalan Durian Taman Kampar Jaya 31900 Kampar, Perak | Shoplot for rental | 3,088 | 4,639 | Leasehold 23.11.2060 | 0.16 | 21 |
| 41 Jalan Durian Taman Kampar Jaya 31900 Kampar, Perak | Shoplot for rental | 1,600 | 4,639 | Leasehold 23.11.2060 | 0.13 | 21 |
| Plot 12 & 13 Slim Indah 35800 Slim River, Perak | Shoplots for rental | 5,821 | 5,821 | Leasehold 20.03.2082 | 0.19 | 21 |
| 23 Weld Quay/ 274 Victoria Street 10300 Pulau Pinang | Showroom & office for rental | 17,967 | 53,951 | Freehold | 6.91 | 32 |
| 127 Jalan Petani 10150 Pulau Pinang | Spare parts store & workshop | 10,883 | 7,316 | Freehold | 0.87 | 18 |
| 1461 Jalan Besar, Sg Jawi 13700 Seberang Prai Selatan Pulau Pinang | Shoplot for rental | 3,850 | 6,016 | Freehold | 0.20 | 18 |
| 996 Jalan Baru 13700 Seberang Prai Pulau Pinang | Showroom, workshop & spare parts centre | 74,949 | 27,224 | Freehold | 3.85 | 20 |
| 196 Block G Jalan Sultan Azlan Shah 11900 Sg Tiram Pulau Pinang | Showroom, service & spare parts centre | 104,639 | 52,640 | Freehold | 13.32 | 11 |
| 267 Jalan Baru 01000 Kangar, Perlis | Showroom | 2,987 | 4,855 | Leasehold 07.02.2083 | 0.24 | 20 |

Group Properties

as at 31 December 2004

| Location | Description | Land Area (sq feet) | Built-up Area (sq feet) | Tenure/ Expiry Date | Net Book Value (RM million) | Age of Building (years) |
|---|---|------------------------|-------------------------------|-------------------------|-----------------------------------|-------------------------------|
| 1 Jalan Tunggal 01000 Kangar, Perlis | Workshop | 2,126 | 4,780 | Leasehold 07.02.2083 | 0.29 | 20 |
| 27, 29 & 30D Seberang Jalan Putra Mergong 05150 Alor Setar, Kedah | Showroom, office & workshop for rental | 7,408 | 6,775 | Freehold | 0.90 | 34 |
| 96J Jalan Seberang Putra 05150 Alor Setar, Kedah | Office, warehouse, showroom & workshop | 24,383 | 14,680 | Leasehold 09.04.2031 | 0.73 | 14 |
| 2838 Jalan Temenggong 15000 Kota Baru, Kelantan | Showroom, service & spare parts centre | 14,749 | 11,142 | Freehold | 2.48 | 1 |
| Plot 3 TL207528934 Jalan Tun Mustapha 87015 Labuan, Sabah | Showroom, office, workshop & warehouse | 129,240 | 9,392 | Leasehold 31.12.2042 | 1.99 | 7 |
| 5 ³ / ₄ Miles (CL015333936) Jalan Tuaran, Inanam 88300 Kota Kinabalu, Sabah | Office & workshop | 20,790 | 6,977 | Leasehold 31.08.2026 | 1.02 | 11 |
| 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 | 2.23 | 22 |
| Lot 242 Jalan Abell 93100 Kuching, Sarawak | Showroom, service & spare parts centre | 14,500 | 16,697 | Leasehold 31.12.2024 | 0.60 | 27 |
| Lot 9378, 2 ¹ / ₂ Miles Jalan Pending/Jalan Sg Priok 93450 Kuching, Sarawak | Vacant land | 68,972 | | Leasehold 21.10.2796 | 2.76 | |
| Lot 869 Section 66 Jalan Kemajuan Pending Industrial Estate 93450 Kuching, Sarawak | Showroom, office, workshop, store & vehicle storage yard | 32,668 | 2,491 | Leasehold 31.12.2034 | 0.50 | 9 |
| 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 | 0.35 | 7 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Third 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 Friday, 20 May 2005 at 3.00 pm to transact the following businesses:

Ordinary Business

- | | |
|---|---------------------|
| 1. To receive and consider the Financial Statements for the year ended 31 December 2004 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 2004. | 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) Dato' Tan Heng Chew | Resolution 3 |
| (ii) Dato' Haji Kamaruddin @ Abas bin Nordin | Resolution 4 |
| 4. To re-appoint Ahmad bin Abdullah as Director pursuant to Section 129 (6) of the Companies Act, 1965. | Resolution 5 |
| 5. To re-appoint the Auditors and to authorise the Directors to fix their remuneration. | Resolution 6 |

Special Business:

- | | |
|--|---------------------|
| 6. To consider and if thought fit, to pass the following resolution as an ordinary resolution: PROPOSED GRANT OF AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the 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 this Resolution does not exceed 10% of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." | Resolution 7 |
| 7. To consider and if thought fit, to pass the following resolution as an ordinary resolution: PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES "THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised, to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through BMSB upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares purchased pursuant to this Resolution does not exceed 65,172,000 shares or ten per centum (10%) of the issued and paid-up share capital of the Company of 672,000,000 shares less 2,028,000 shares already purchased and held as treasury shares as at 31 March 2005. | |

AND THAT an amount not exceeding RM50.0 million of the Company's retained profits account be allocated by the Company for the Proposed Share Buy-Back.

Notice of Annual General Meeting

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

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

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

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

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

Resolution 8

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

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Nissan Motor Co Ltd Group involving the interests of the major shareholder or persons connected with the major shareholder of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.1 of the Circular to Shareholders dated 28 April 2005 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

Resolution 9

Notice of Annual General Meeting

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

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Renault s.a.s. Group involving the interests of the major shareholder or persons connected with the major shareholder of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.2 of the Circular to Shareholders dated 28 April 2005 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

Resolution 10

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

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Warisan TC Holdings Berhad Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.3.1 of the Circular to Shareholders dated 28 April 2005 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

Resolution 11

Notice of Annual General Meeting

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

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with APM Automotive Holdings Berhad Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.3.2 of the Circular to Shareholders dated 28 April 2005 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public (where applicable) and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

Resolution 12

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

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Tan Chong International Limited Group involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.3.3 of the Circular to Shareholders dated 28 April 2005 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

Resolution 13

Notice of Annual General Meeting

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

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

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), approval be and is hereby given to the Company and its subsidiaries ("TCMH Group") to enter into all arrangements and/or transactions with Auto Dunia Sdn Bhd involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the TCMH Group ("Related Parties") including those as set out in Paragraph 3.2.4 of the Circular to Shareholders dated 28 April 2005 provided that such arrangements and/or transactions are recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders (the "Shareholders' Mandate").

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

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

Resolution 14

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

PROPOSED ACQUISITION BY TAN CHONG & SONS MOTOR COMPANY SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF TAN CHONG MOTOR HOLDINGS BERHAD, OF ALL THAT PARCEL OF LEASEHOLD LAND (EXPIRING 6 SEPTEMBER 2065) HELD UNDER TITLE NUMBER PN 4914, LOT NO. 73 SEKSYEN 13, TOWN OF PETALING JAYA, DISTRICT OF PETALING, STATE OF SELANGOR DARUL EHSAN BEARING POSTAL ADDRESS NO. 9 JALAN KEMAJUAN 12/18, 46200 PETALING JAYA, SELANGOR DARUL EHSAN WITH A LAND AREA OF APPROXIMATELY 78,801 SQUARE FEET TOGETHER WITH A 4 1/2 STOREY BUILDING OF A BUILT-UP AREA OF APPROXIMATELY 78,720 SQUARE FEET (THE "PROPERTY"), A SUBSTANTIAL SECTION OF WHICH CURRENTLY HOUSES A NISSAN SHOWROOM, SPARE PARTS STORE AND SERVICE WORKSHOP FROM TUNG PAO SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF WARISAN TC HOLDINGS BERHAD

"THAT pursuant to Section 132E of the Companies Act, 1965, approval be and is hereby given to Tan Chong & Sons Motor Company Sdn Bhd ("TCM"), a wholly-owned subsidiary of the Company, to acquire all that parcel of leasehold land (expiring 6 September 2065) held under title number PN 4914, Lot No. 73 Seksyen 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan bearing postal address No. 9 Jalan Kemajuan 12/18, 46200 Petaling Jaya, Selangor Darul Ehsan with a land area of approximately 78,801 square feet together with a 4 1/2 storey building of a built-up area of approximately 78,720 square feet (the "Property"), a substantial section of which currently houses a Nissan showroom, spare parts store and service workshop from Tung Pao Sdn Bhd ("Vendor"), a wholly-owned subsidiary of Warisan TC Holdings Berhad which is deemed to be connected with Dato' Tan Heng Chew and Tan Eng Soon, directors of the Company, by virtue of the provisions of Section 122A of the Companies Act, 1965, upon such arms' length and commercially acceptable terms and conditions as the Board of Directors of TCM or a committee appointed by the Board of Directors of TCM shall determine and agree upon with the Vendor."

Resolution 15

Notice of Annual General Meeting

15. 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

28 April 2005

NOTES:

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

EXPLANATORY NOTES ON SPECIAL BUSINESS:

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

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

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors of the Company be empowered, as proposed in Resolution 7, to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being, for such purpose. This authority, unless revoked or varied at a general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

2. Proposed Share Buy-Back

The proposed Resolution 8, if passed, will empower the Directors of the Company to purchase up to 65,172,000 ordinary shares of RM0.50 each in the Company representing an amount not exceeding 10% of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilizing the funds allocated which shall not exceed RM50.0 million of the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 28 April 2005, despatched together with the Company's 2004 Annual Report.

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

The proposed resolutions 9, 10, 11, 12, 13 and 14, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interest of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Further information on resolutions 9, 10, 11, 12, 13 and 14 are set out in the Circular to Shareholders dated 28 April 2005, despatched together with the Company's 2004 Annual Report.

4. Proposed Acquisition

The proposed Resolution 15, if passed, will enable the Company to acquire, through its wholly-owned subsidiary, TCM, the Property from the Vendor which is deemed connected with Dato' Tan Heng Chew and Tan Eng Soon, directors of the Company.

Further information on the proposed acquisition is set out in the Circular to Shareholders dated 28 April 2005, despatched together with the Company's 2004 Annual Report.

Statement Accompanying Notice of Annual General Meeting

Directors Standing for Re-election at the Thirty-Third Annual General Meeting

The Directors standing for re-election pursuant to Article 101 are Dato' Tan Heng Chew and Dato' Haji Kamaruddin @ Abas bin Nordin. Details of these Directors are set out in the section entitled "Profiles of the Board of Directors" on pages 10 to 11 of the Annual Report. As at 31 March 2005, their shareholdings are as follows:

| | Direct interest | Deemed interest |
|---|-----------------|-----------------|
| Dato' Tan Heng Chew | 12,017,062 | 304,266,662 |
| Dato' Haji Kamaruddin @ Abas bin Nordin | 2,992 | - |

Directors Standing for Re-appointment at the Thirty-Third Annual General Meeting

Ahmad bin Abdullah is standing for re-appointment as director pursuant to Section 129(6) of the Companies Act, 1965. Particulars of Ahmad bin Abdullah is set out in the section entitled "Profiles of the Board of Directors" on page 10 of the Annual Report. As at 31 March 2005, Ahmad bin Abdullah did not have any shares in the Company.

Details of Attendance of the Directors at Board Meetings

There were a total of five (5) board meetings held during the financial year ended 31 December 2004 and the details of the attendance of the Directors who are standing for re-election and re-appointment are set out in the section entitled "Profiles of the Board of Directors" on pages 10 to 11 of the Annual Report.

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

Date : Friday, 20 May 2005
 Time : 3.00 pm
 Place : Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, Malaysia

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 representatives, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Thirty-Third Annual General Meeting of the Company to be held at the Grand Ballroom, Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, Malaysia on Friday, 20 May 2005 at 3:00 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 Dato' Tan Heng Chew | | |
| Resolution 4 | Re-elect Dato' Haji Kamaruddin @ Abas bin Nordin | | |
| Resolution 5 | Re-appoint Ahmad bin Abdullah | | |
| Resolution 6 | Re-appoint the Auditors | | |
| Resolution 7 | Proposed Grant of Authority pursuant to Section 132D of the Companies Act, 1965 | | |
| Resolution 8 | Proposed Renewal of Authority for the Company to purchase its own ordinary shares | | |
| Resolution 9 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Nissan Motor Co Ltd Group | | |
| Resolution 10 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Renault s.a.s. Group | | |
| Resolution 11 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Warisan TC Holdings Berhad Group | | |
| Resolution 12 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with APM Automotive Holdings Berhad Group | | |
| Resolution 13 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Tan Chong International Limited Group | | |
| Resolution 14 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Auto Dunia Sdn Bhd | | |
| Resolution 15 | Proposed Acquisition of Property | | |

(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 he may think fit.)

| | | |
|---|--|---|
| <p>If the member is an individual:</p> <p>_____</p> <p>Signature</p> | | <p>CDS Account No.: _____</p> <p>No. of shares held: _____</p> <p>Date: _____</p> |
| <p>If the member is a corporation:</p> <p>The Common Seal of _____</p> <p>was hereunto affixed in accordance with its Articles of Association in the presence of</p> <p>_____</p> <p>Director</p> | | <p style="text-align: center;">  common seal </p> <p>CDS Account No.: _____</p> <p>No. of shares held: _____</p> <p>Date: _____</p> |
| <p>_____</p> <p>Director/Secretary</p> | | |

Notes:

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

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

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Affix
stamp
here

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

----- fold here -----

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 6522
Facsimile : (03) 4042 6352

Auditors

KPMG

Listing

Bursa Malaysia Securities 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