



INTERIM RESULTS

The Board of Directors (the “Board”) of Tan Chong International Limited wishes to announce the following unaudited results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 June 2003 together with the comparative figures for the corresponding period in 2002.

	<i>Notes</i>	Six months ended	
		30 June	
		2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		2,009,118	1,993,586
Other Revenue		<u>24,194</u>	<u>21,910</u>
Revenue	2	2,033,312	2,015,496
Cost of sales		<u>(1,680,278)</u>	<u>(1,705,921)</u>
Gross profit		353,034	309,575
Other operating income		22,980	17,845
Distribution costs		(99,840)	(98,656)
Administrative expenses		(116,492)	(106,958)
Other operating expenses		<u>(4,476)</u>	<u>(3,232)</u>
Profit from operations		155,206	118,574
Financing costs		(2,055)	(2,052)
Share of results of associates		<u>16,751</u>	<u>14,862</u>
Profit before taxation and minority interests	3	169,902	131,384
Income tax expense	4	<u>(34,878)</u>	<u>(28,903)</u>
Profit before minority interests		135,024	102,481
Minority interests		<u>568</u>	<u>404</u>
Profit attributable to shareholders		<u>135,592</u>	<u>102,885</u>
Dividends paid during the period	5	<u>70,466</u>	<u>70,466</u>
Earnings per share (cents)	6	<u>6.7</u>	<u>5.1</u>

Notes:

1. Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

2. **Segmental information**

	Group Revenue		Profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By business segments				
Motor vehicle distribution	1,664,414	1,802,512	90,678	74,484
Heavy commercial vehicle and industrial equipment distribution	279,201	112,349	28,123	10,954
Property rentals	9,715	11,904	2,258	6,308
Other operations	<u>79,982</u>	<u>88,731</u>	<u>34,147</u>	<u>26,828</u>
	<u>2,033,312</u>	<u>2,015,496</u>	<u>155,206</u>	<u>118,574</u>

	Group Revenue	
	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical locations		
Singapore	1,807,471	1,945,607
Hong Kong	26,644	33,637
PRC	26,093	14,619
Others	<u>173,104</u>	<u>21,633</u>
	<u>2,033,312</u>	<u>2,015,496</u>

3. **Profit before taxation and minority interests**

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation and minority interests is arrived at after charging/(crediting):		
Interest expense	2,055	2,052
Amortisation of lease prepayments	1,682	1,810
Depreciation	24,848	24,276
Gain on sale of property, plant and equipment	<u>(3,615)</u>	<u>(1,557)</u>

4. **Taxation**

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	Nil	Nil
Elsewhere	31,054	25,472
Associates	<u>3,824</u>	<u>3,431</u>
	<u>34,878</u>	<u>28,903</u>

Taxes on profits have been provided for at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdictions for the period.

5. **Dividends**

Six months ended 30 June	
2003	2002
<i>HK\$'000</i>	<i>HK\$'000</i>

Dividends paid by the Company:

Final dividend of 3.5 cents paid in respect of prior year (3.5 cents in 2001)	<u>70,466</u>	<u>70,466</u>
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6. **Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2003 is based on net profit attributed to ordinary shareholders of HK\$135,592,000 (2002: HK\$102,885,000) and divided by the weighted average number of shares of 2,013,309,000 (2002: 2,013,309,000) in issue during the period.

The amount of diluted earnings per share is not presented as there were no dilutive shares outstanding during the six months ended 30 June 2003 and 2002.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of 1.5 cents (2002: 1.5 cents) per share on the shares in issue amounting to a total of HK\$30,200,000 (2002: HK\$30,200,000), which will be payable on 17 September 2003 to shareholders whose names appear on the Register of Members on 10 September 2003. Dividend warrants will be sent to shareholders on 17 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 8 September 2003 to 10 September 2003, both days inclusive. During this period, no transfer of shares will be effected and registered.

In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00pm on 5 September 2003.

MANAGEMENT REVIEW

The first half of year 2003 was both challenging and rewarding. The Group remains financially strong and has taken pre-emptive steps to cut cost and to expand business regionally.

Group revenue and profit attributable to shareholders improved half year on half year. Although revenue only improved marginally to HK\$2033 million from HK\$2015 million, there was a significant improvement of 32 % in profit attributable to shareholders mainly assisted by increased contributions from our operations in Thailand and the Motor Division in Singapore.

Unit vehicle sales in Singapore may have eased half year on half year to 7280 from 7650 but when compared to the second half of last year of 6518 units it has improved by 12%. However, total market share for Nissan declined by 5.7%. There were two main reasons for the mixed performance. Firstly, increase in the number of Certificates of Entitlement (car quota) in Singapore. Secondly, intense price competition and the introduction of new models by other car distributors eroded market share. Both the Nissan Prairie and Primera continue to sell well, and the new Nissan Sunny that was launched in June was well received by the buying public. Sales of Subaru cars in Singapore maintained its strength. The new Legacy to be introduced later this year is expected to give a boost to sales volume. Car sales in Hong Kong however were adversely impacted by the introduction of a new vehicle tax structure and the SARS outbreak. A deteriorating unemployment situation also affected our car sales which is primarily in the mid-price segment. Although market share was maintained, both unit sales volume and margins eroded.

The consequences of the SARS outbreak and Middle East uncertainties depressed the occupancy rates of our service apartments. In Hong Kong, office rentals suffer from lower demand caused by companies shifting to mainland China while Singapore apartment rentals were pressured by more new units added onto an already saturated market. However, margins were partly cushioned by softer interest costs. The Group is using this lull period as an opportunity to upgrade the rental units in Tan Chong Tower. Once completed the refurbished apartments would fetch better rates and occupancy ratios are expected to improve.

Car rental businesses in Singapore were encouraging despite a more difficult economic climate. Continuing renewal of our car rental fleet and attractive sales packaging helped to achieve good customer retention and maintain contributions to Group profits.

Trucks and forklifts sales and rental volume in Singapore remain steady. In spite of the continuing adverse business conditions in the region, the results of Industrial Machinery and Equipment Division was supported by strong contributions from our Nissan Diesel business in Thailand.

Our associates ORIX Car Rental Group and Tyre Pacific (HK) Ltd (“TPHK”) fared well with improved margins half year on half year. Despite the SARS situation in China, tyre distribution results remained unaffected. TPHK is in discussion with Sumitomo Rubber Industries Ltd the manufacturer of Dunlop brand tyres to form a joint venture distribution company for tyres to be manufactured in China. This joint venture would significantly enlarge the scope and nature of TPHK’s business in China. Our investment in Hangzhou has also continued to do well in the expanding China truck market.

While there is growing consensus on economic improvement in the latter half of year 2003, the volatility of exchange rates, high unemployment rates and weak retail sales are still causes for concern though the strength of the Group’s financial position and our regional strategy will cushion the uncertainties ahead. We expect to make good progress in Thailand and China.

As at end of the half year ending 30 June 2003 bank borrowings on floating interest rates were reduced to HK\$131 million from HK\$143 million at end of year 2002. Net cash position has improved marginally to HK\$889 million. The reduced borrowings and the improved net

cash position were achieved after netting off net bond sales of HK\$22 million, payment of HK\$27 million for the continuing development and refurbishing costs of Tan Chong Tower and ongoing projects at Sixth Lok Yang Road, Upper Aljunied Road and Ubi Road, increase in truck, forklift and car rental fleet and accounting for net dividend and taxes paid and net working capital reduction. Capital commitment for unfinished projects stood at HK\$236 million. The Group has no contingent liabilities.

Paying more attention to debt collection in the face of harsher economic environment had resulted in better trade debtors' turnover. Stock level however had increased because of the introduction of the New Sunny model and the bringing in of more Subaru cars to cater for increased sales in Singapore. Changes and revisions in international accounting standards will continue to affect Group results presentation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There were no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

CODE OF BEST PRACTICE

No director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2003, acting in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange, except that the independent non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-Laws.

By Order of the Board
Teo Siok Ghee
Company Secretary

Hong Kong, 12 August 2003

Website: <http://www.tanchonginternational.com>

Full details of the financial information required to be disclosed under paragraph 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be subsequently published on the website of the Stock Exchange - www.hkex.com.hk

TAN CHONG INTERNATIONAL LIMITED *(Incorporated in Bermuda with limited liability)*

Please also refer to the published version of this announcement in South China Morning Post.