



FINAL RESULTS

The Board of Directors (“Board”) wishes to announce the following audited results of the Group for the year ended 31 December 2003.

	<i>Notes</i>	For the year ended	
		2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	4,281,553	3,911,832
Cost of sales		<u>(3,513,836)</u>	<u>(3,268,925)</u>
Gross profit		767,717	642,907
Other operating income		82,787	74,388
Distribution costs		(197,352)	(194,247)
Administrative expenses		(212,749)	(211,268)
Other operating expenses		<u>(91,749)</u>	<u>(29,261)</u>
Profit from operations		348,654	282,519
Financing costs		(5,081)	(5,980)
Share of results of associates		<u>31,483</u>	<u>30,546</u>
Profit before taxation and minority interests	3	375,056	307,085
Income tax expense	4	<u>(87,351)</u>	<u>(69,271)</u>
Profit before minority interests		287,705	237,814
Minority interests		<u>1,288</u>	<u>424</u>
Profit attributable to shareholders		<u>288,993</u>	<u>238,238</u>
Dividends paid during the year	5	<u>100,666</u>	<u>100,666</u>
Earnings per share (cents)	6	<u>14.4</u>	<u>11.8</u>

Notes:

1. **Basis of consolidation**

The consolidated accounts of the Company for the year ended 31 December 2003 comprise the Company and all its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

2. **Segmental Information**

	Group Revenue		Profit from operations	
	For the year ended		For the year ended	
	31 December		31 December	
	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	3,499,065	3,422,732	264,026	220,844
Heavy commercial vehicle and industrial equipment distribution	638,870	344,612	82,532	32,831
Property rentals	20,859	25,181	(2,081)	(11,511)
Other operations	<u>122,759</u>	<u>119,307</u>	<u>4,177</u>	<u>40,355</u>
	<u>4,281,553</u>	<u>3,911,832</u>	<u>348,654</u>	<u>282,519</u>

	Group Revenue	
	For the year ended	
	31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical locations		
Singapore	3,761,496	3,691,145
Hong Kong	50,137	64,471
PRC	54,770	62,784
Others	<u>415,150</u>	<u>93,432</u>
	<u>4,281,553</u>	<u>3,911,832</u>

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

	For the year ended	
	31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation and minority interests is arrived at after charging/(crediting) the following:		
Cost of goods sold	3,346,044	3,046,001
Interest expense	5,081	5,980
Amortisation of lease prepayments	3,374	3,253
Depreciation of property, plant and equipment	49,406	47,679
Gain on sale of property, plant and equipment	(6,426)	(4,521)
Gain on sale of investments	<u>(11,701)</u>	<u>—</u>

4. Taxation

	For the year ended	
	31 December	
	2003	2002
	HK\$'000	HK\$'000
Group:		
Hong Kong	217	614
Singapore	79,365	62,704
Elsewhere	1,694	312
Associates	<u>6,075</u>	<u>5,641</u>
	<u>87,351</u>	<u>69,271</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 year.

5. Dividends

	For the year ended	
	31 December	
	2003	2002
	HK\$'000	HK\$'000
Dividends paid by the Company:		
Final dividend of 3.5 cents proposed in 2002 (3.5 cents in 2001)	70,466	70,466
Interim dividend of 1.5 cents declared in 2003 (1.5 cents in 2002)	<u>30,200</u>	<u>30,200</u>
	<u>100,666</u>	<u>100,666</u>

6. Earnings per share

The calculation of basic earnings per share is based on net profit for the year attributed to ordinary shareholders of HK\$288,993,000 (2002: HK\$238,238,000) and divided by the weighted average number of shares of 2,013,309,000 (2002: 2,013,309,000) in issue during the year.

The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during 2003 and 2002.

FINAL DIVIDEND

The Board recommends a final dividend of 3.5 cents per share on the shares in issue absorbing a total of HK\$70,466,000, which will be payable on 10 June 2004 to shareholders whose names appear on the Register of Members on 12 May 2004, subject to the approval of shareholders at the Annual General Meeting to be held on 12 May 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 27 April 2004 to 12 May 2004, both days inclusive. During this period, no transfer of shares will be effected and registered.

In order to qualify for the entitlement of the proposed final 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 26 April 2004.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Wednesday, 12 May 2004 at 11:00a.m.. The Notice of Annual General Meeting will be sent to our shareholders on or before 20 April 2004.

MANAGEMENT REVIEW

SUMMARY

2003 was a challenging year because of intense market competition and harsh economic condition worldwide. The currency market was also not in the Group's favour. Nevertheless the Group rode through the difficulties to produce a commendable set of financial results. Sales volume improved but margins were eroded by intense price cutting by competitors and the appreciation of the Japanese Yen against local currencies. Revenue and profit attributable to shareholders appreciated by 9% and 21% year on year to HK\$4,281million and HK\$289 million respectively. Bottom line for the second half year when compared to the first half was up by 13%. We expect the encouraging performance to flow into 2004.

VEHICLE DIVISION

Bumper quota of Certificates of Entitlement ("COE") helped to increase sales. However the intense competition coupled with the introduction of new and cheaper models by our competitors have eroded market share. Sales were firmly supported by the face-lifted Nissan Sunny and the New Nissan Cefiro introduced in the middle and latter part of the year respectively. Nissan commercial vehicle sales accelerated from 1439 units to 2538 units. Another bumper crop of COE quota is expected in 2004.

By re-positioning the Subaru brand name with focus on performance and youth appeal Subaru cars in Singapore reached another milestone with 1210 units sold, a year on year improvement of 19%. Successful launches of the New Subaru Impreza, Legacy and Forester contributed to a steady market share. Subaru sales in Hong Kong were lower, reflecting the local market downturn.

Car rental business did well in 2003 with good revenue and margins. Lower cost of car ownership assisted in toning down rental rates which helped to retain existing and attract new customers. Cost of car ownership is expected to ease further in 2004.

INDUSTRIAL MACHINERY DIVISION

Profit margins for the Division in Singapore and Shanghai were affected by the Japanese Yen currency which appreciated against both the Singapore Dollar and the Renminbi. Medium and heavy truck sales performance in Singapore has close correlation with the activities in the construction and logistic sectors which remained in the doldrums. Although sales volume improved marginally, revenue dropped because of intense competition.

In Thailand riding on a robust economic growth of 6.4% Nissan Diesel truck sales more than doubled year on year to 989 units and account for 9% of market share up from 6% in year 2002. The new CWM454 full air brakes truck tractor that was launched in March received good review and acceptance by customers.

PROPERTY DIVISION

Property rental business experienced a difficult year. Occupancy and rental rates fell on the back of intense price cutting by competitors. The situation of oversupply of service apartments is not expected to abate in 2004.

The new terraced-housing development at our freehold site in Upper Aljunied Road is expected to be completed at the end of the first quarter of 2005. Sales launch is expected on completion if market conditions are conducive. The 3S Centre at Ubi Road completed at the end of 2003 is expected to commence business operations in the second quarter of 2004 adding to existing facilities for better convenience to our customers to purchase and service their cars. When retrofitting work on 76% of the apartments in Tan Chong Tower is completed at the end of the first quarter of 2004 occupancy rate is expected to improve significantly from the current 55% with better rental returns. The newly renovated service apartments with close proximity to the city centre offer some pricing advantages.

CHINA DIVISION

MotorImage China strengthened its distribution base for Subaru cars to include Guangxi, Hunan and Hainan. A new 3S (Sales, Service and Spare Parts) Centre in Dongguan when ready in early 2004 will deliver a comprehensive range of auto services to customers and dealers. The new Subaru Legacy will add to our range of turbo-powered Forester and WRX and assist market penetration.

Production and sales volume at our JV Dongfeng Nissan Diesel factory in Hangzhou improved steadily. Our Wuxi seat plant has successfully entered into contracts to supply specialty industrial seats to Japan and the United States.

Tyre Pacific (HK) Ltd our JV specializing in tyre sales has successfully concluded a Joint Venture Agreement with Sumitomo Rubber Industries Limited to distribute DUNLOP tyres manufactured in the PRC. This distribution will begin in April 2004 with some 400 sales points throughout China.

FINANCE

Bank borrowings eased to HK\$123 million from HK\$143 million mainly due to disposal of long term investments to crystallize price and exchange gain and the repayment of installments on Shui On Centre. Net cash is lower than the first half of the year because of stocking up of new car models in anticipation of sales and payments for capital projects. Capital commitments for construction and retrofitting projects at Upper Aljunied Road (Mulberry Grove), Ubi Road, 19 Lorong 8 Toa Payoh, Tan Chong Tower and the 3S Centre in Petaling Jaya, Kuala Lumpur totaled HK\$228 million. There is no contingent liabilities to-date. Head count eased slightly.

PROSPECTS

Although global economic situation is expected to improve, unpredictable foreign exchange rates and health epidemics may impact Group financial performance. Plans for regional expansion continue and increasing contributions are expected from resultant new businesses. Together with continual vigilance on cost cutting measures, we look forward to a rewarding year 2004 for the Group.

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

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

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited ("Stock Exchange") in Appendix 14 to the Listing Rules, 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, 10 March 2004
Website: <http://www.tanchonginternational.com>

Full details of the financial information required to be disclosed under paragraph 45(1) to 45(3) 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.