



## INTERIM RESULTS

The Board of Directors (the “Board”) wishes to announce the following unaudited results of the Group for the six months ended 30 June 2004.

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2004</b>	<b>2003</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	2,592,054	2,033,312
Cost of sales		<u>(2,159,497)</u>	<u>(1,680,278)</u>
Gross profit		432,557	353,034
Other operating income		21,699	22,980
Distribution costs		(118,620)	(99,840)
Administrative expenses		(116,920)	(116,492)
Other operating expenses		<u>(17,951)</u>	<u>(4,476)</u>
Profit from operations		200,765	155,206
Financing costs		(3,588)	(2,055)
Share of results of associates		<u>15,351</u>	<u>16,751</u>
Profit before taxation and minority interests	3	212,528	169,902
Income tax expense	4	<u>(42,227)</u>	<u>(34,878)</u>
Profit before minority interests		170,301	135,024
Minority interests		<u>806</u>	<u>568</u>
Profit attributable to shareholders		<u>171,107</u>	<u>135,592</u>
Dividends paid during the period	5	<u>70,466</u>	<u>70,466</u>
Earnings per share (cents)	6	<u>8.5</u>	<u>6.7</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**

	<b>Group Revenue</b>		<b>Profit from operations</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>By business segments</b>				
Motor vehicle distribution	2,163,507	1,664,414	136,637	90,678
Heavy commercial vehicle and industrial equipment distribution	329,053	279,201	35,272	28,123
Property rentals	12,586	9,715	3,494	2,258
Other operations	<u>86,908</u>	<u>79,982</u>	<u>25,362</u>	<u>34,147</u>
	<u>2,592,054</u>	<u>2,033,312</u>	<u>200,765</u>	<u>155,206</u>

	<b>Group Revenue</b>	
	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>By geographical locations</b>		
Singapore	2,299,737	1,807,471
Hong Kong	22,000	26,644
PRC	36,033	26,093
Others	<u>234,284</u>	<u>173,104</u>
	<u>2,592,054</u>	<u>2,033,312</u>

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

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation and minority interests is arrived at after charging/(crediting):		
Interest expense	3,588	2,055
Amortisation of lease prepayments	1,798	1,682
Depreciation	27,703	24,848
Gain on sale of property, plant and equipment	<u>(4,193)</u>	<u>(3,615)</u>

4. **Taxation**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	Nil	Nil
Elsewhere	39,002	31,054
Associates	<u>3,225</u>	<u>3,824</u>
	<u>42,227</u>	<u>34,878</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

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Dividends paid by the Company:</b>		
Final dividend of 3.5 cents paid in respect of prior year (3.5 cents in 2002)	<u>70,466</u>	<u>70,466</u>

## 6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2004 is based on net profit attributed to ordinary shareholders of HK\$171,107,000 (2003: HK\$135,592,000) and divided by the weighted average number of shares of 2,013,309,000 (2003: 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 2004 and 2003.

## INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of 1.5 cents (2003: 1.5 cents) per share on the shares in issue amounting to a total of HK\$30,200,000 (2003: HK\$30,200,000), which will be payable on 17 September 2004 to shareholders whose names appear on the Register of Members on 26 August 2004. Dividend warrants will be sent to shareholders on 17 September 2004.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24 August 2004 to 26 August 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 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 23 August 2004.

## MANAGEMENT REVIEW

Riding on the momentum of year 2003, the Group progressed from strength to strength during the first half of year 2004. Such progress is projected to continue through the remaining part of the year as a result of improving economic performance in most parts of the world and particularly in Asia. Regional expansion is gaining momentum. Motor distribution and Singapore, the flagship sectors by business and by location of the Group, remain the star performers. PRC and Thailand are growing contributors that should bring in improving streams of income.

Interim Group revenue improved 15% and 27% when compared to the 2nd half and 1st half of last year respectively. Likewise profit attributable to shareholders also moved upwards by 12% and 26% respectively. The improved financial performance was the result of focusing on strengthening margins.

Group unit vehicle sales rose 11% and 21% over the respective 2nd and 1st half of last year. Nissan unit sales improved in tandem by 11% and 20% respectively. Despite the slight dip in Subaru sold when compared to the second half of last year, sales volume for the full year is expected to be better than last year. Whilst Subaru sales in Hong Kong remained weak Subaru sales in the PRC were picking up steadily.

Office and residential rentals remained soft. The Group's property sector is expected to face tougher times ahead because of worldwide appreciation of interest rates. Increased interest costs coupled with lethargic demand for rental units will reduce revenue and profit and return on investment. However the refurbished rental units in Tan Chong Tower were bringing in better rental income and improved take-up rates and should cushion the performance of this sector.

Car rental businesses in Singapore although in a consolidation phase is holding well and contributed steadily to Group profit.

Stiff competition is still dampening trucks and forklifts sales and rental volume in Singapore. However Nissan Diesel business in Thailand the backbone of the Industrial Machinery and Equipment Division maintained good contribution to Group results.

ORIX Car Rentals Group was feeling the impact of consolidation in the car rental trade whilst Tyre Pacific (HK) Ltd gained momentum with bottom line improving 17% half year on half year as tyre distribution in China was boosted by improved economic and social status.

Activities in the 50/50 JV in Thailand that is principally engaged in automotive hire purchase business kicked off in June 2004 and are expected to produce positive returns.

The PRC Government introduction of measures to cool down the economy in the early part of the year affected sales at the Hangzhou JV manufacturing trucks which fell 35%. However, whilst car sales in general dropped 20% our nascent Subaru distribution in South China was encouraging. Seat exports from Wuxi were good and plans to invest in additional equipment will improve productivity. The PRC JV with Sumitomo Rubber Industries successfully launched sales of domestically produced tyres in July.

The generally optimistic view of the world economy towards the end of last year has now turned more cautious with measures to cool down the rapid economic expansion in China and a less confident outlook in the United States giving concern. Nevertheless the Group continues to be positive about its future progress and expects to maintain a steady income stream from its various businesses diversified through different products and regions.

Total cash consideration for acquiring the Wilby Residence amounted to HK\$838 million. Mainly because of the acquisition and with the expectation that interest rates will trend upwards, bank borrowings as at 30th June 2004 increased to HK\$466 million from HK\$123 million at end of year 2003. In turn net cash position was down by HK\$362 million.

Capital commitment for unfinished projects stood at HK\$209 million. The bulk of it is for the Mulberry Grove project and for the alterations and additions to the newly acquired property at 19 Lorong 8 Toa Payoh. The Group has no contingent liabilities.

Debt collection continued to be closely monitored resulting in better trade debtors' turnover. Stock levels remained satisfactory. Headcount was up marginally because of increased regional activities.

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

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

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2004.

## **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 2004, 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, 29 July 2004

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

*Full details of the financial information required to be disclosed under paragraph 46(1) to 46(9) 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](http://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.