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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.

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MANAGEMENT REVIEW (continued)

As at end of the half year ending 30th 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.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2003 - unaudited

	<i>Note</i>	<i>2003</i> <i>HK\$'000</i>	<i>2002</i> <i>HK\$'000</i>
Revenue	2	2,033,312	2,015,496
Cost of sales		(1,680,278)	(1,705,921)
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		(4,476)	(3,232)
Profit from operations		155,206	118,574
Financing costs		(2,055)	(2,052)
Share of results of associates		16,751	14,862
Profit before taxation and minority interests	3	169,902	131,384
Income tax expense	4	(34,878)	(28,903)
Profit before minority interests		135,024	102,481
Minority interests		568	404
Profit attributable to shareholders		135,592	102,885
Dividends paid during the period	5	70,466	70,466
Earnings per share (cents)	6	6.7	5.1

The notes on pages 9 to 13 form part of these financial statements.

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Tan Chong International Limited
INTERIM REPORT 2003

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2003 - unaudited

	<i>Note</i>	<i>2003</i> <i>HK\$'000</i>	<i>2002</i> <i>HK\$'000</i>
Shareholders' equity at 1 January		3,514,836	3,175,979
Exchange differences on translation of: -the financial statements of foreign entities	11	(37,128)	143,180
Net profit for the period	11	135,592	102,885
Dividends paid during the period	5	(70,466)	(70,466)
Shareholders' equity at 30 June		<u>3,542,834</u>	<u>3,351,578</u>

The notes on pages 9 to 13 form part of these financial statements.

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CONSOLIDATED BALANCE SHEET

at 30 June 2003- unaudited

	<i>Note</i>	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Non-current assets			
Investment properties		443,850	449,564
Property under development		262,943	258,873
Property, plant and equipment		602,245	598,519
Lease prepayments		110,410	113,212
Interest in associates		179,405	176,544
Investments		91,981	124,754
Hire purchase debtors		148,224	163,537
Deferred tax assets		21,870	22,194
		<u>1,860,928</u>	<u>1,907,197</u>
Current assets			
Investments		409,661	386,604
Inventories		457,063	399,673
Trade debtors	7	243,495	297,889
Hire purchase debtors		110,389	113,174
Other debtors, deposits and prepayments		115,654	128,930
Cash and cash equivalents	8	1,019,830	917,632
		<u>2,356,092</u>	<u>2,243,902</u>
Current liabilities			
Bank overdrafts (unsecured)	8	59,286	48,231
Bank loans (unsecured)		60,050	78,970
Trade creditors	9	233,535	182,782
Other creditors and accruals		173,382	155,638
Amounts due to related companies		639	1,438
Taxes payable		102,366	119,203
Provisions		8,175	7,284
		<u>637,433</u>	<u>593,546</u>
Net current assets		<u>1,718,659</u>	<u>1,650,356</u>
Total assets less current liabilities		<u>3,579,587</u>	<u>3,557,553</u>

CONSOLIDATED BALANCE SHEET (continued)

at 30 June 2003- unaudited

	<i>Note</i>	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		9,128	9,259
Bank loans (unsecured)		11,611	15,481
Provisions		7,731	9,126
		28,470	33,866
Minority interests		8,283	8,851
NET ASSETS		3,542,834	3,514,836
Representing:			
Share capital	10	1,006,655	1,006,655
Reserves	11	2,536,179	2,508,181
SHAREHOLDERS' EQUITY		3,542,834	3,514,836



The notes on pages 9 to 13 form part of these financial statements.

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Tan Chong International Limited
INTERIM REPORT 2003

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2003 - unaudited

	2003 HK\$'000	2002 HK\$'000
Net cash from/(used in) operating activities	200,664	(1,236)
Net cash (used in)/from investing activities	(12,992)	2,141
Net cash used in financing activities	(86,744)	(67,636)
Net increase/(decrease) in cash and cash equivalents	100,928	(66,731)
Cash and cash equivalents at 1 January	869,401	856,251
Effect of exchange differences	(9,785)	35,302
Cash and cash equivalents at 30 June	<u>960,544</u>	<u>824,822</u>

The notes on pages 9 to 13 form part of these financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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 ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

2 Segmental information

	<i>Group Revenue</i>		<i>Profit from operations</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<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	79,982	88,731	34,147	26,828
	<u>2,033,312</u>	<u>2,015,496</u>	<u>155,206</u>	<u>118,574</u>

	<i>Group Revenue</i>	
	<i>Six months ended 30 June</i>	
	<i>2003</i>	<i>2002</i>
	<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	173,104	21,633
	<u>2,033,312</u>	<u>2,015,496</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

3 Profit before taxation and minority interests

Profit before taxation and minority interests is arrived at after charging/(crediting):

	<i>Six months ended 30 June</i>	
	<i>2003</i>	<i>2002</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(3,615)	(1,557)

4 Taxation

The analysis of income tax expense is as follows:

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

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16% (2002: 16%) and 22% (2002: 22%), in the tax jurisdictions in which the Group operates.

5 Dividends

	<i>Six months ended 30 June</i>	
	<i>2003</i>	<i>2002</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) At balance sheet date the following dividend has been approved and declared: Final dividend paid in respect of the prior year	70,466	70,466
(ii) After balance sheet date the following dividend has been declared by the directors. The dividend has not been provided for: Interim dividend of 1.5 cents (2002: 1.5 cents) per share	30,200	30,200

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

6 Earnings per share

Earnings per share for the six months ended 30 June 2003 is calculated by dividing the Group's profit attributable to shareholders of approximately HK\$135,592,000 (2002:HK\$102,885,000) 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.

7 Trade debtors

Included in trade debtors are debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Current	210,164	262,635
1 to 3 months overdue	30,162	31,758
More than 3 months overdue but less than 12 months overdue	3,169	3,496
	<u>243,495</u>	<u>297,889</u>

Debts are due within 1 month from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

8 Cash and cash equivalents

	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Bank deposits	995,970	885,094
Bank balances	23,335	32,214
Cash on hand	525	324
Cash and cash equivalents (exclude bank overdrafts)	<u>1,019,830</u>	<u>917,632</u>
Bank overdrafts (unsecured)	<u>(59,286)</u>	<u>(48,231)</u>
Cash and cash equivalents	<u>960,544</u>	<u>869,401</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9 Trade creditors

Included in trade creditors are creditors with the following ageing analysis:

	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Due within one month or on demand	93,734	111,049
Due after 1 month but within 3 months	97,702	65,638
Due after 3 months but within 6 months	40,717	1,779
Due after 6 months but within 12 months	1,382	4,316
	<u>233,535</u>	<u>182,782</u>

10 Share capital

	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Authorised:		
3,000,000,000 ordinary shares of HK\$0.50 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
At 1 January	1,006,655	1,006,655
Movements during the period/year	-	-
	<u>1,006,655</u>	<u>1,006,655</u>

11 Reserves

	<i>Note</i>	<i>Share premium HK\$'000</i>	<i>Capital reserve HK\$'000</i>	<i>Translation reserve HK\$'000</i>	<i>Contributed surplus HK\$'000</i>	<i>Retained profits HK\$'000</i>	<i>Total HK\$'000</i>
Balance at 1 January 2003		550,547	9,549	(427,362)	377,690	1,997,757	2,508,181
Total recognised gains and losses		-	-	(37,128)	-	135,592	98,464
Dividends to shareholders	5	-	-	-	-	(70,466)	(70,466)
Balance at 30 June 2003		<u>550,547</u>	<u>9,549</u>	<u>(464,490)</u>	<u>377,690</u>	<u>2,062,883</u>	<u>2,536,179</u>

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

12 Capital commitments

Capital commitments outstanding at 30 June 2003 not provided for in the financial statements were as follows:

	<i>At 30 June 2003 HK\$'000</i>	<i>At 31 December 2002 HK\$'000</i>
Authorised and contracted for:		
- Construction of properties	236,000	257,000

13 Related party transactions

The following is a summary of significant transactions carried out in the normal course of business between the Group and its related companies during the period:

	<i>Six months ended 30 June 2003 HK\$'000</i>	<i>2002 HK\$'000</i>
Sale of goods and services	7,286	8,897
Purchase of stocks	7,477	5,453

All the sales and purchases and services rendered were on normal commercial terms.

14 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

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OTHER INFORMATION

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.

Directors' interests in shares

The directors who held office at 30 June 2003 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests in shares:

<i>Name of director</i>	<i>Ordinary shares of HK\$0.50 each</i>		
	<i>Personal interests</i>	<i>Family interests (Note 1)</i>	<i>Corporate interests (Note 2)</i>
Dato' Tan Kim Hor	9,224,502	90,972	-
Tan Eng Soon	4,200,000	-	73,800,000
Joseph Ong Yong Loke	600,000	795,000	940,536
Tan Kheng Leong	2,205,000	210,000	-
Neo Ah Chap	2,790,000	-	-
Sng Chiew Huat	384,000	-	-

Note 1: These shares are beneficially owned by the spouses of Dato' Tan Kim Hor, Joseph Ong Yong Loke and Tan Kheng Leong, respectively and hence they are deemed to be interested in these shares.

Note 2: These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.

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OTHER INFORMATION (continued)

Directors' interests in shares (continued)

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non beneficial interests in shares of the Company or any of its associates (within the meaning of the Securities (Disclosure of Interests) Ordinance) as at 30 June 2003, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the period to subscribe for shares.

At no time during the period was the Company, or any of its subsidiaries or fellow subsidiaries or their holding companies a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial interests in the share capital of the Company

The Company has been notified of the following interests in the Company's issued shares at 30 June 2003 amounting to 10% or more of the ordinary shares in issue:

<i>Name</i>	<i>Ordinary shares Held (Note)</i>	<i>Percentage of total issued shares</i>
Tan Chong Consolidated Sdn. Bhd.	912,799,986	45.34

Note : The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Dato' Tan Kim Hor as to approximately 10.29 per cent, Tan Eng Soon as to approximately 16.66 per cent and by Tan Kheng Leong as to approximately 11.21 per cent. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.

Save as disclosed above, there was no person known to the directors who at 30 June 2003 had direct or indirect interest in 10% or more of the ordinary shares in issue of the Company.

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.

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OTHER INFORMATION (continued)

Audit Committee

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2003.

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 of 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
Sng Chiew Huat
Finance Director
Hong Kong, 12 August 2003

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Websites: <http://www.tanchonginternational.com>
<http://www.nissan.com.sg>
<http://www.tcil.com.sg>

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