



## FINAL RESULTS

The Board of Directors (“Board”) wishes to announce the following audited results of the Group for the year ended 31 December 2005.

### Consolidated Income Statement

		<b>For the year ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2005</b>	<b>2004</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>
Revenue	3	6,002,371	5,251,540
Cost of sales		<u>(5,023,810)</u>	<u>(4,392,032)</u>
Gross profit		978,561	859,508
Other operating income		132,215	52,185
Distribution costs		(281,004)	(235,463)
Administrative expenses		(252,042)	(239,686)
Other operating expenses		<u>(31,811)</u>	<u>(44,898)</u>
Profit from operations		545,919	391,646
Financing costs		(15,637)	(9,119)
Share of profit less losses of associates		<u>30,239</u>	<u>28,230</u>
Profit before taxation	4	560,521	410,757
Income tax expense	5	<u>(115,586)</u>	<u>(72,465)</u>
<b>Profit for the year</b>		<u><u>444,935</u></u>	<u><u>338,292</u></u>
Attributable to:			
Equity shareholders of the Company		444,918	340,774
Minority interests		<u>17</u>	<u>(2,482)</u>
<b>Profit for the year</b>		<u><u>444,935</u></u>	<u><u>338,292</u></u>
<b>Dividends</b>	6	<u><u>130,865</u></u>	<u><u>110,732</u></u>
<b>Earnings per share (cents)</b>	7	<u><u>22.1</u></u>	<u><u>16.9</u></u>

## Consolidated Balance Sheet

	At 31 December 2005 <i>HK\$'000</i>	At 31 December 2004 <i>HK\$'000</i> <i>(Restated)</i>
<b>Non-current assets</b>		
Investment properties	1,220,013	1,266,632
Property under development	—	438,010
Property, plant and equipment	831,167	739,838
Lease prepayments	71,566	75,752
Interest in associates	401,282	407,616
Investments	76,339	82,399
Hire purchase debtors and instalments receivable	158,731	190,413
Deferred tax assets	<u>23,697</u>	<u>33,940</u>
	<u>2,782,795</u>	<u>3,234,600</u>
<b>Current assets</b>		
Inventories	760,718	552,592
Property held for sale	447,164	—
Trade debtors	321,549	297,234
Hire purchase debtors and instalments receivable	102,711	114,716
Other debtors, deposits and prepayments	205,159	180,436
Cash and cash equivalents	<u>1,016,406</u>	<u>913,093</u>
	<u>2,853,707</u>	<u>2,058,071</u>
<b>Current liabilities</b>		
Bank overdrafts (unsecured)	44,058	10,643
Bank loans (unsecured)	301,034	125,805
Trade creditors	284,727	250,631
Other creditors and accruals	266,154	261,784
Amounts due to related companies	1,825	1,880
Taxation	154,809	138,860
Provisions	<u>9,297</u>	<u>9,625</u>
	<u>1,061,904</u>	<u>799,228</u>
<b>Net current assets</b>	<u>1,791,803</u>	<u>1,258,843</u>
Total assets less current liabilities	<u>4,574,598</u>	<u>4,493,443</u>

	<b>At</b> <b>31 December</b> <b>2005</b> <i>HK\$'000</i>	<b>At</b> <b>31 December</b> <b>2004</b> <i>HK\$'000</i> <i>(Restated)</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	11,879	11,466
Bank loan (unsecured)	143,568	293,295
Provisions	<u>14,317</u>	<u>13,834</u>
	<u>169,764</u>	<u>318,595</u>
<b>NET ASSETS</b>	<u><u>4,404,834</u></u>	<u><u>4,174,848</u></u>
Representing:		
<b>Capital and Reserve</b>		
Share capital	1,006,655	1,006,655
Reserves	<u>3,368,083</u>	<u>3,151,903</u>
<b>Total equity attributable to equity shareholders of the Company</b>	4,374,738	4,158,558
<b>Minority interests</b>	<u>30,096</u>	<u>16,290</u>
<b>TOTAL EQUITY</b>	<u><u>4,404,834</u></u>	<u><u>4,174,848</u></u>

*Notes:*

**1. Basis of consolidation**

The consolidated accounts of the Company for the year ended 31 December 2005 comprise the Company and all its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

**2. Changes in accounting policies**

The International Accounting Standards Board has issued a number of new and revised International Financial Reporting Standards (“IFRS”) that are effective for accounting periods beginning on or after 1 January 2005.

The adoption of the new and revised IFRSs did not result in significant changes to the Group and/or Company’s accounting policies. The changes are detailed in note 2 of the financial statements in the annual report.

### 3. Segmental Information

	Group Revenue		Profit from operations	
	For the year ended		For the year ended	
	31 December		31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By business segments</b>				
Motor vehicle distribution	5,020,581	4,298,210	413,785	300,944
Heavy commercial vehicle and industrial equipment distribution	764,251	790,030	82,886	86,595
Property rentals and development	56,475	32,735	(7,093)	(9,035)
Other operations	161,064	130,565	56,341	13,142
	<u>6,002,371</u>	<u>5,251,540</u>	<u>545,919</u>	<u>391,646</u>

	Group Revenue	
	For the year ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
<b>By geographical locations</b>		
Singapore	5,252,629	4,553,844
Hong Kong	57,533	55,592
PRC	153,856	90,117
Others	538,353	551,987
	<u>6,002,371</u>	<u>5,251,540</u>

### 4. Profit before taxation

	For the year ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Profit before taxation is arrived at after charging/(crediting) the following:		
Cost of goods sold	4,835,673	4,266,872
Interest expense	15,637	9,119
Amortisation of lease prepayments	2,913	2,881
Depreciation of property, plant and equipment	61,638	58,384
Gain on sale of property, plant and equipment	(7,597)	(6,546)
Gain on sale of unlisted equity securities	(37,646)	—
Share of associates' taxation	<u>16,095</u>	<u>9,554</u>

5. **Taxation**

	For the year ended 31 December	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>
Group:		
Hong Kong	1,785	398
Singapore	104,953	78,281
Elsewhere	<u>8,848</u>	<u>(6,214)</u>
	<u>115,586</u>	<u>72,465</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.

6. **Dividends**

	For the year ended 31 December	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim dividend paid of 2.0 cents (2004: 1.5 cents)	40,266	30,200
Final proposed dividend of 4.5 cents (2004: 4.0 cents)	<u>90,599</u>	<u>80,532</u>
	<u>130,865</u>	<u>110,732</u>

7. **Earnings per share**

The calculation of basic earnings per share is based on net profit for the year attributed to ordinary shareholders of HK\$444,918,000 (2004: HK\$340,774,000) and divided by the weighted average number of shares of 2,013,309,000 (2004: 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 2005 and 2004.

8. **Comparative figures**

Due to the adoption of the new or revised IFRS during the year, certain items have been re-classified to conform with current year's presentation.

## **FINAL DIVIDEND**

The Board recommends a final dividend of 4.5 cents per share on the shares in issue absorbing a total of HK\$90,599,000 which will be payable on 9 June 2006 to shareholders whose names appear on the Register of Members on 11 May 2006, subject to the approval of shareholders at the Annual General Meeting to be held on 11 May 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 26 April 2006 to 11 May 2006, 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, Hopewell Centre, 46<sup>th</sup> floor, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00pm on 25 April 2006.

## **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 Thursday, 11 May 2006 at 11:00a.m.. The Notice of Annual General Meeting will be sent to shareholders on or before 19 April 2006.

## **MANAGEMENT REVIEW**

### **SUMMARY**

The Group produced a good set of financial results for year 2005. The star performers were again those companies from the Motor Division with both Nissan and Subaru raking in increased sales volume. There was a burst of new car launches both within the Group and industry wide and increased activities in all business groupings. In Singapore, falling quota certificate cost brought car prices to the low levels that were never seen in the last five years thus making car ownership affordable to a larger group of consumers. Nissan and Subaru passenger car sales in Singapore climbed another 36% & 4% respectively year on year as a result of innovative sales packaging promotional schemes. Commercial vehicle volume also improved 7% despite higher quota premium and intense competition but taxi sales tapered. Total Nissan Diesel truck sales in Singapore and Thailand were up another 2% with bottom line holding steady despite severe market competition, price cutting and difficult political climate in Thailand. The weakness of the Japanese Yen against the Singapore dollar and the Hong Kong dollar also helped in boosting bottom line.

Revenue and profit attributable to shareholders jumped 14% and 31% year on year to HK\$6 billion and HK\$445 million respectively. Bottom line for the second half year is also better than that of the first half.

## **VEHICLE DIVISION**

Sales of Nissan vehicles were firmly supported by the face-lifted Nissan Sunny and Nissan Cefiro and newer models like the Latio and Murano. The Nissan Murano made further inroad into the intensely competitive SUV sector of the vehicle market in Singapore. Despite a slow start the Nissan Latio is gaining increasing acceptance. The Nissan Sylphy will be launched in April 2006 and is expected to be another steady contributor drawing in customers from a fresh segment of the vehicle market range that falls between the Nissan Latio and the Nissan Cefiro.

With increased focus on performance and enhanced lifestyle appeal Subaru car sales volume both in Singapore and China has been gaining increased market share and continue to attract selected groups of motor enthusiasts. Subaru sales volume in Hong Kong and Thailand held steady in very quiet markets. Subaru sales in Indonesia and Malaysia are also progressing well.

Car rental market remained steady with rental rates easing because of cheaper vehicle quota premium.

## **INDUSTRIAL MACHINERY DIVISION**

Performance of the forklift sector is still buffeted by intense competition with severe price cutting. Sales volume of trucks remained promising. However, the introduction of the Euro 4 emission standards in 2006 for commercial vehicles in Singapore will bring about volatility and uncertainty on truck sales. Profit margins for the Division in Singapore improved 32% whilst those in Thailand were commendable in the face of a weaker Thai Baht, natural disaster, bird flu and the harsher political and economic climate. To ease the impact of high oil prices, Thai industries are encouraged to switch to alternative fuel such as bio-diesel and compressed natural gas.

## **PROPERTY DIVISION**

Property rental business volume improved but bottom lines were adversely affected by price undercutting and oversupply of service apartments despite a better business climate in Singapore. Such oversupply is not expected to ease in the near term. The Division will continue to explore avenues to increase both occupancy and rental rates.

Oasis@Mulberry the new 77 units terrace-housing development at the Group's freehold site in Upper Aljunied Road obtained its Temporary Occupation Permit in February 2006. A limited pre-sales launch by invitation was well received. The 3S (Sales, Service, Spare Parts) Centre at Ubi Road was a crowd drawer bringing in increased sales all round. Occupancy at the newly refurbished Tan Chong Tower soared bringing in improved contribution to bottom line.

## **CHINA DIVISION**

Sales revenue at Motor Image China through its 3S Centre in Dongguan rose more than two-fold year on year boosted by the introduction of the new Subaru Impreza, Legacy and Outback and easing of rules and restrictions on imported cars. Sales in year 2006 are expected to be better than in 2005.

As mentioned in last year's report the Group has disposed off its joint-venture investments in HangZhou and GuiZhou and has revamped the seats and shock absorbers manufacturing operations.

## **FINANCE**

Bank borrowings stood at HK\$489 million out of which HK\$279 million are term loans that will mature equally on March 2006 and March 2007. Despite continual payments on capital projects net cash improved to HK\$528 million. Capital commitments for construction and development projects in Singapore, Thailand and the Philippines totaled HK\$69 million. There are no contingent liabilities to-date.

Adherence to changes in the standards of reporting by the Stock Exchange of Hong Kong and the International Accounting Standards Board has affected and will continue to impact the organization and presentation of the Group's Annual Report.

## **PROSPECTS**

The Group will continue to ride on its strong financial position to expand into the region in automobile and truck distribution and parts manufacturing and be ready to develop investment opportunities. It will expand its automobile distribution network that spans eight countries covering ASEAN, Hong Kong and five provinces in Southern China to tap on the regions' expanding economies that will accord it the prospects of enlarging its network and improve revenue streams.

The Group reiterates that it expects the global economy to continue the momentum of the past year. However, uncertainties in currency exchange rate movements, escalating oil prices and economic adjustments in China and the United States are matters for its continual vigilance. Nevertheless it will continue to find ways to ride the changes and uncertainties and sustain the future of the Group.

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

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

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2005.



## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year with the Code on Corporate Governance Practices as set out by the Stock Exchange of Hong Kong Limited (“Stock Exchange”) in Appendix 14 of the Listing Rules. 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. The current Chairman, although appointed only on 28 November 2005 had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

By Order of the Board  
**Teo Siok Ghee**  
*Company Secretary*

Hong Kong, 14 March 2006

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

*As at the date of this announcement, the directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mr. Neo Ah Chap and Mdm. Sng Chiew Huat. Independent non-executive directors are Mr. Lee Han Yang, Ms Jeny Lau and Mr Masatoshi Matsuo. The Honorary Life Counsellor of the Company is Dato’ Tan Kim Hor.*

*\* The above new Company logo has been adopted effective from 21 November 2005. The original logo will still be in use until 31 March 2006.*

### **Tan Chong International Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 693)**

Please also refer to the published version of this announcement in The Standard.