

Annual
Report 2003



The Design for this year's Annual Report captures the spirit of modern living and the impact of automobile business on the lifestyle, personalities and taste of consumers.





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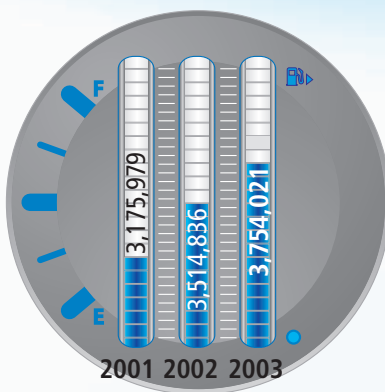


*Revenue of
HK\$4,281
million
represents a
year on year
improvement
of 9%*

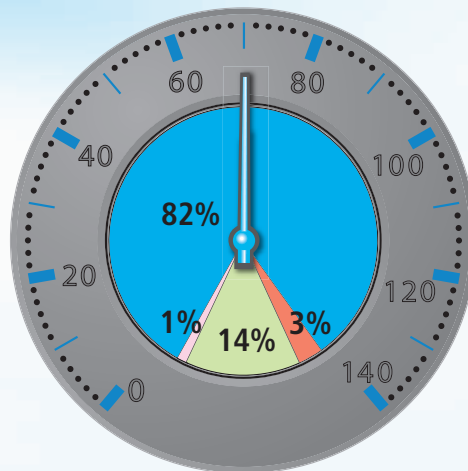


Executive Summary

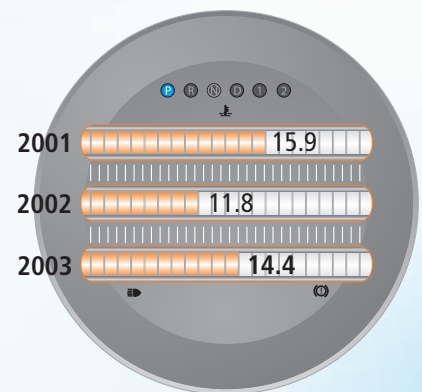
Shareholders' Funds
In thousands of HK dollars



Revenue by Business Type
Year 2003



Earnings Per share
In HK cents



- Motor Vehicle Distribution
- Property Rentals
- Heavy Commercial Vehicle and Indl Equipment Distribution
- Others



Executive Summary

The Board of Directors ("Board") is pleased that despite the harsh economic climate and intense market competition the Group produced a healthy set of financial results in year 2003. Revenue of HK\$4,281 million represents a year on year improvement of 9 %. Vehicle sales, our anchor business, moved up steadily by 7 % to 15,548 units. Likewise, profit attributable to shareholders contributed a further HK\$289 million or 8 % to shareholders' fund. Operating profit not only stabilized as expected in year 2002 it increased 22 % year on year.

In Singapore Nissan vehicle sales increased 7 % to 14,012 units and Subaru car sales improved another 19 % year on year to 1,210 units. Face-lifted and new Nissan and Subaru car models launched during the year boosted sales. Regional sales of Subaru cars were steady although weak market conditions dampened sales in Hong Kong.

In Singapore the Industrial Machinery Division continued to be affected by the slow down in construction activities and the logistic sector. Sales volume of trucks and forklifts picked up slightly but revenue dropped because of intense price competition and the appreciation of the Japanese Yen currency eroded margins. Our Nissan Diesel distribution business in Thailand turned in a robust performance by doubling unit sales on the back of a strong economic growth in Thailand.



Executive Summary

Our financial position remains healthy with net cash increase of 9 % to HK\$842 million year on year. Debtors' turnover improved to 21 days from 28 days in 2002. Higher stock level was due to stocking up of the New Nissan Cefiro and New Subaru models in anticipation of increased sales. Amounts committed on capital projects totaled HK\$228 million.



The Board is proposing a final dividend payment of 3.5 cents per share, 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. The total dividend for the whole year therefore amounts to 5.0 cents per share in line with 2002.



We appreciate the conscientiousness and dedication of staff and management and trust that they shall continue to work efficiently and resolutely to meet the challenges ahead.



Dato' Tan Kim Hor
Chairman
Hong Kong,
10 March, 2004

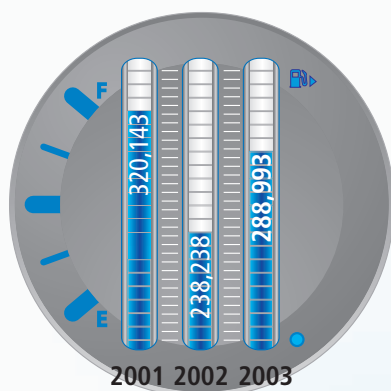




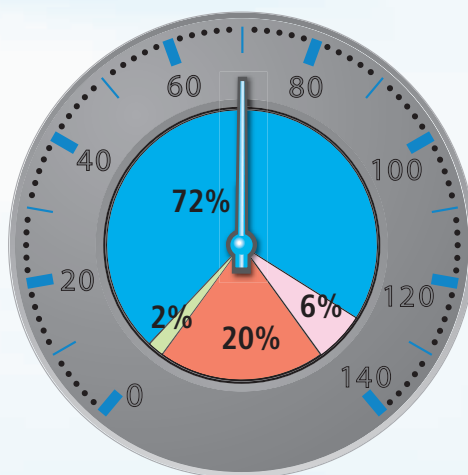
In Thailand Nissan Diesel truck sales more than doubled year on year to 989 units

Management Discussion and Analysis

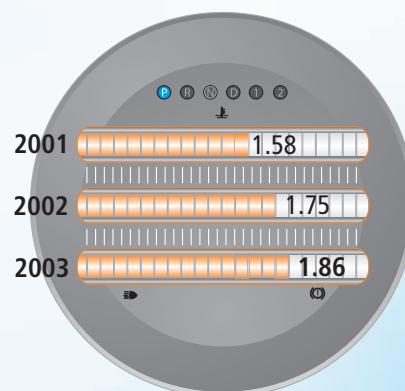
Profit Attributable to Shareholders
In thousands of HK dollars



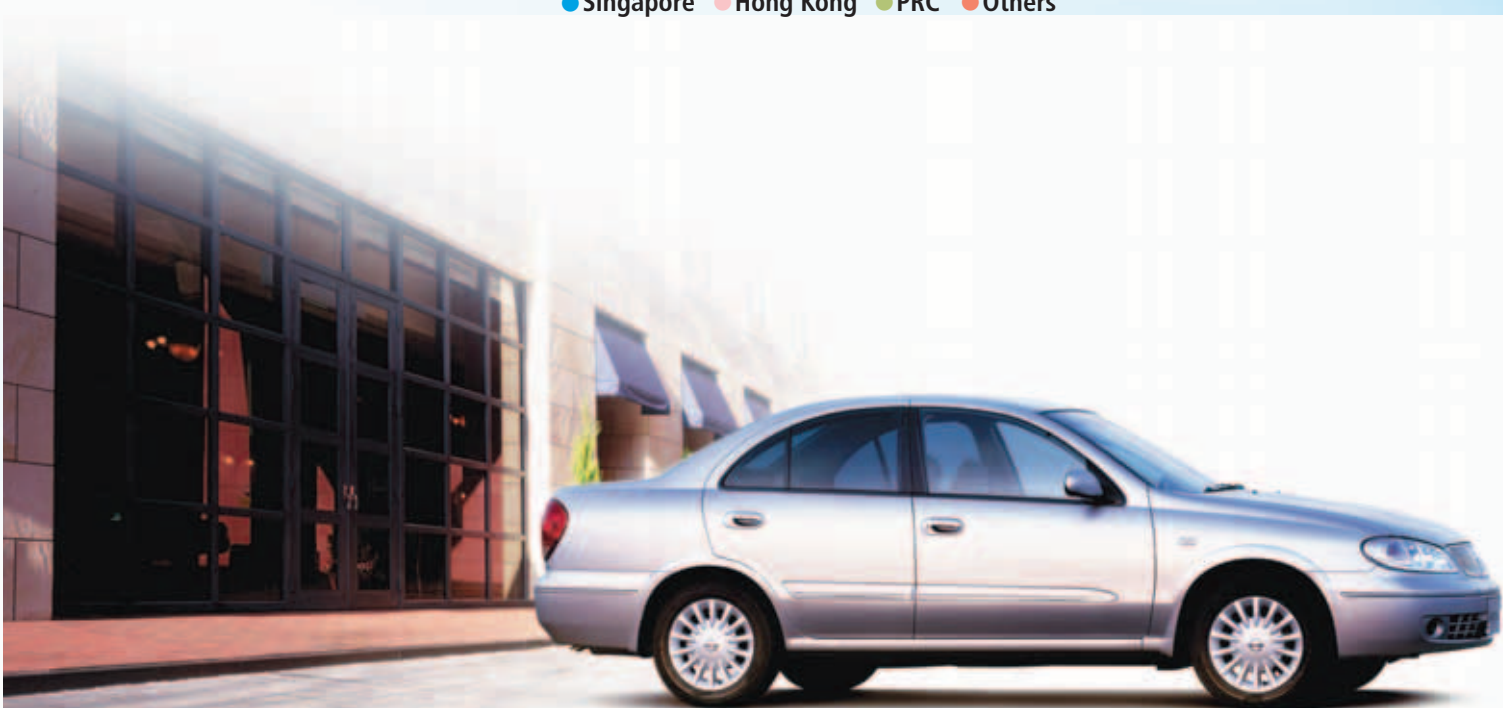
Segment Assets
Year 2003



Net Asset Value per Share
In HK dollars



● Singapore ● Hong Kong ● PRC ● Others



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 1,439 units to 2,538 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 1,210 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.



Management Discussion and Analysis

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.

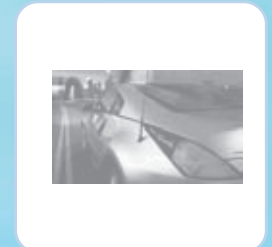
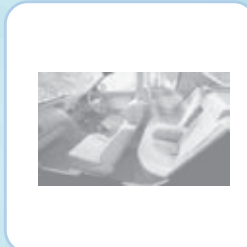
INDUSTRIAL MACHINERY DIVISION

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.



Management Discussion and Analysis

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.



Management Discussion and Analysis

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 instalments 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.

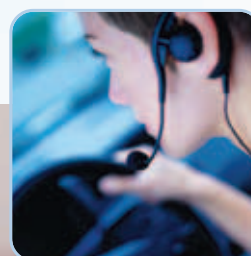
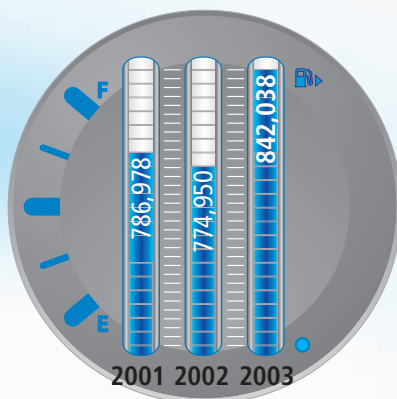




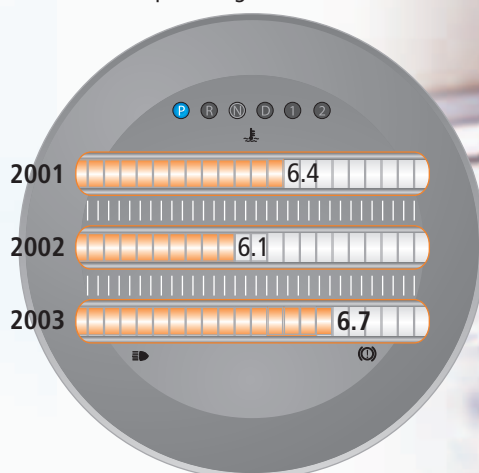
*Our Subaru
car businesses
in Singapore
achieved record
sales in year
2003*

Corporate Information and Activities

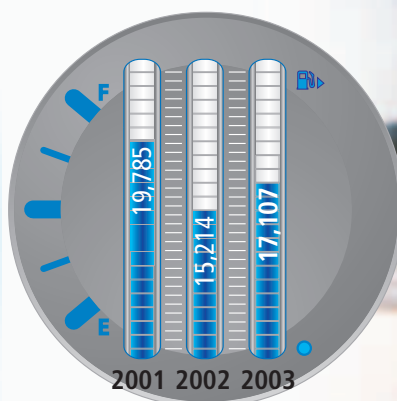
Net Cash
In thousands of HK dollars



Return on Turnover
In percentage



Units Sold



Board of Directors

Chairman

Dato' Tan Kim Hor

Deputy Chairman

Mr. Tan Eng Soon

Managing Director

Mr. Joseph Ong Yong Loke

Executive Director

Mr. Tan Kheng Leong

Executive Director - Marketing

Mr. Neo Ah Chap

Executive Director - Finance

Mdm. Sng Chiew Huat

Independent Non-Executive Directors

Mr. Lee Han Yang

Mr. Liu Kwei Ming

Mdm. Jeny Lau

Company Secretary

Miss. Teo Siok Ghee

Auditors

KPMG

8/F, Prince's Building
10 Charter Road
Central, Hong Kong

Solicitors

Preston Gates & Ellis
35/F, Two International Finance
Centre, 8 Finance Street,
Central, Hong Kong

Registered Office

Clarendon House
2 Church Street, Hamilton HM 11
Bermuda

Principal Places of Business

HONG KONG

Unit 3001, 30th Floor,
Shui On Centre,
6-8 Harbour Road, Wanchai
Hong Kong

SINGAPORE

Tan Chong Motor Centre
911 Bukit Timah Road
Singapore 589622



Bermuda Resident Representatives

Mr. John C R Collis
Mr. Anthony D Whaley (Deputy)

Principal Bankers

Bank of America NA
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

Principal Share Registrar and Transfer Office

Butterfield Fund Services
(Bermuda) Limited
11 Rosebank Centre, Bermudiana Road,
Hamilton, Bermuda

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Rooms 1901-5, 19/F, Hopewell Centre
183 Queen's Road East, Hong Kong

Directors and Senior Management Profile

Chairman

Dato' Tan Kim Hor, age 81, is the Chairman of the Company. In 1957, he and his brother pioneered the importation of Japanese motor vehicles into Malaysia. For his contributions to society, he was awarded the DPMS by the Sultan of Selangor in 1981. Dato' Tan is the father of Mr. Tan Kheng Leong and Dr. Tan Kang Leong, and is an uncle of Mr. Tan Eng Soon.

Deputy Chairman

Mr. Tan Eng Soon, age 55, is the Deputy Chairman of the Company and is a Director of many subsidiaries of the Group. He is also the Managing Director of Tan Chong Motor Holdings Berhad (TCMH) and a Director of APM Automotive Holdings Bhd. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971.

Managing Director

Mr. Joseph Ong Yong Loke, age 55, is the Managing Director of the Company. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr Ong, a Chartered Surveyor, graduated with a BSc. (Building Economics) from the University of Reading in the United Kingdom in 1971. His previous work experience includes appointments with the Singapore Ministry of Defence and Straits Steamship Co Limited from 1976 to 1980.

Executive Directors

Mr. Tan Kheng Leong, age 61, is the Deputy Managing Director of the Nissan motor operations in Singapore and is a Director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 41 years, Mr. Tan has worked in all areas of the Group's motor business, specializing in marketing and after-sales service. He is a brother-in-law of Mr. Neo Ah Chap.

Mr. Neo Ah Chap, age 60, is the Marketing Director of the motor operations in Singapore and a Director of several subsidiaries of the Group. Mr. Neo first joined the Group in Singapore in January 1971 as an Assistant Manager. In 1974, he assumed the position of Finance Director and subsequently the position of Marketing Director in 1977. He was trained as an Accountant in Perth, Australia, and is a member of the Australian Society of Certified Practising Accountants.

Mdm. Sng Chiew Huat, age 56, is the Finance Director of the Group. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993.



Directors and Senior Management Profile

Independent Non-Executive Directors

Mr. Lee Han Yang, age 72, is a lawyer by profession. Mr. Lee was appointed as a Director of the Group in April 1998. Mr. Lee is currently a member of the Board of several public-listed companies in Singapore.

Mr. Liu Kwei Ming, age 75, joined China Resources Group in the early 1950s. He was appointed Director and Deputy General Manager of China Resources Machinery Company Limited in 1984, and subsequently appointed as Advisor to the company in 1990. Mr Liu retired from China Resources Group at the end of 1997. Mr. Liu was appointed as a Director of the Group in April 1998.

Mdm. Jeny Lau, age 44, was appointed as a Director of the Company in August 2003. She is currently the Managing Director of Platinum Securities Co Ltd ("PSCL"). Prior to joining PSCL, she worked in the corporate finance division of Jardine Fleming Securities Ltd after spending more than ten years with major commercial banks in the U.S. and major international accounting firms. Mdm. Lau holds a Master of Science degree in Accountancy and Systems and also a Bachelor of Science degree in Accounting. She is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants, Hong Kong Society of Accountants, Hong Kong Securities Institute, and a Licensed Financial Advisor under the Hong Kong Securities & Future Commission.



Senior Management

Mr. Chia Yong Sian, age 50, is the General Manager (Marketing) of the motor operations in Singapore. He joined the Group in 1982. Mr. Chia holds Diplomas in Mechanical Engineering and Marketing Management.

Mr. Chow Sheng Choy, age 57, is the Executive President of Nissan Diesel (Thailand) Co., Ltd. (NDT) and a Director of the heavy commercial vehicles and industrial equipment division of the Group. Mr. Chow joined the group in 1989. He holds a Bachelor of Engineering degree from the University of Singapore.

Mr. Hiew Bon Yock, age 52, is the General Manager (Sales) of the Group's marketing department and a Director of Auto Business Pte Ltd. Mr. Hiew joined the Group in 1984. He holds Diplomas in Mechanical Engineering, Business Administration and Marketing Management.

Mr. Lee Joo Heng, age 60, is the General Manager responsible for the service division of the motor operations in Singapore. Mr. Lee joined the Group in 1982. He is a member of the Institute of Road Transport Engineers and the Institute of the Motor Industry in the United Kingdom.

Dr. Tan Kang Leong, age 56, is the General Manager of a subsidiary in Singapore. Dr. Tan holds a Bachelor of Medicine / Surgery degree from the University of New South Wales and a Bachelor of Science degree from Murdoch University, both in Australia. He joined the TCMH Group in 1978.

Mr. Teo Poh Huat, age 59, is the General Manager responsible for the parts and accessories division of the motor operations in Singapore. Mr. Teo joined the Group in 1973. He holds a Diploma in Management Studies from the Singapore Institute of Management.

Mr. Yeong Yue Sun, age 50, is the Executive Vice President of NDT. Mr. Yeong is a trained Automotive Engineer and a Member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Institute of Technology in Australia.

Corporate Activities

The Group rides through another eventful year filled with lifestyle and charitable activities and new product launches.

In Singapore the year-long Road Safety Campaign that was mentioned in year 2002 was revisited in year 2003 with fun-filled programmes such as Go-Kart Race, Miniature Road Safety Circuit, Pledge Corner and culminating in a grand Donation Draw.

The New Paper Big Walk was again a crowd puller which was enthusiastically supported by Tan Chong staff and their families and friends. Besides supporting a local football club, another fun-filled lifestyle event was the Car-nival that was aimed at promoting driving skills and "knowing your car".

Charitable events included the Nissan Million Dollar Draw in support of the Community Chest of Singapore, and sponsorship of two Nissan cars for the National Kidney Foundation Charity Show.

Car launches in Singapore kicked off with the introduction in February of the stylish, 280PS-horsepowered Nissan 350Z with cutting-edge technologies and a fresh design that promises complete driving pleasure. It was followed in April by the Nissan March, a nifty user-friendly stylish compact car with highly refined design and a unique intelligent key locking system. In June, the face-lifted version of the Nissan Sunny was unveiled. The completely redesigned version of the Nissan Cefiro with world class VDC ("Vehicle Dynamics Control") safety features was launched in November as a modern, prestigious and luxurious vehicle.

Our Subaru car businesses in Singapore achieved record sales in year 2003 with the re-positioning of the Subaru brand name through road shows and promotional events that focused on performance and appeal. The new Subaru Impreza, Legacy and Forester were introduced as Ultra Premium Performance vehicles with enhanced safety features that are cool, creative and clever. Television artistes and radio programmes were used to crystallize the awareness of these vehicles. As the sole distributor of Subaru products for Guangdong Province, China we are building a Subaru Center in Dongguan that will provide a comprehensive range of auto services for our dealership network that spans 5 cities. This Center is expected to be operational in early 2004 and is positioned to enlarge our market penetration in China.

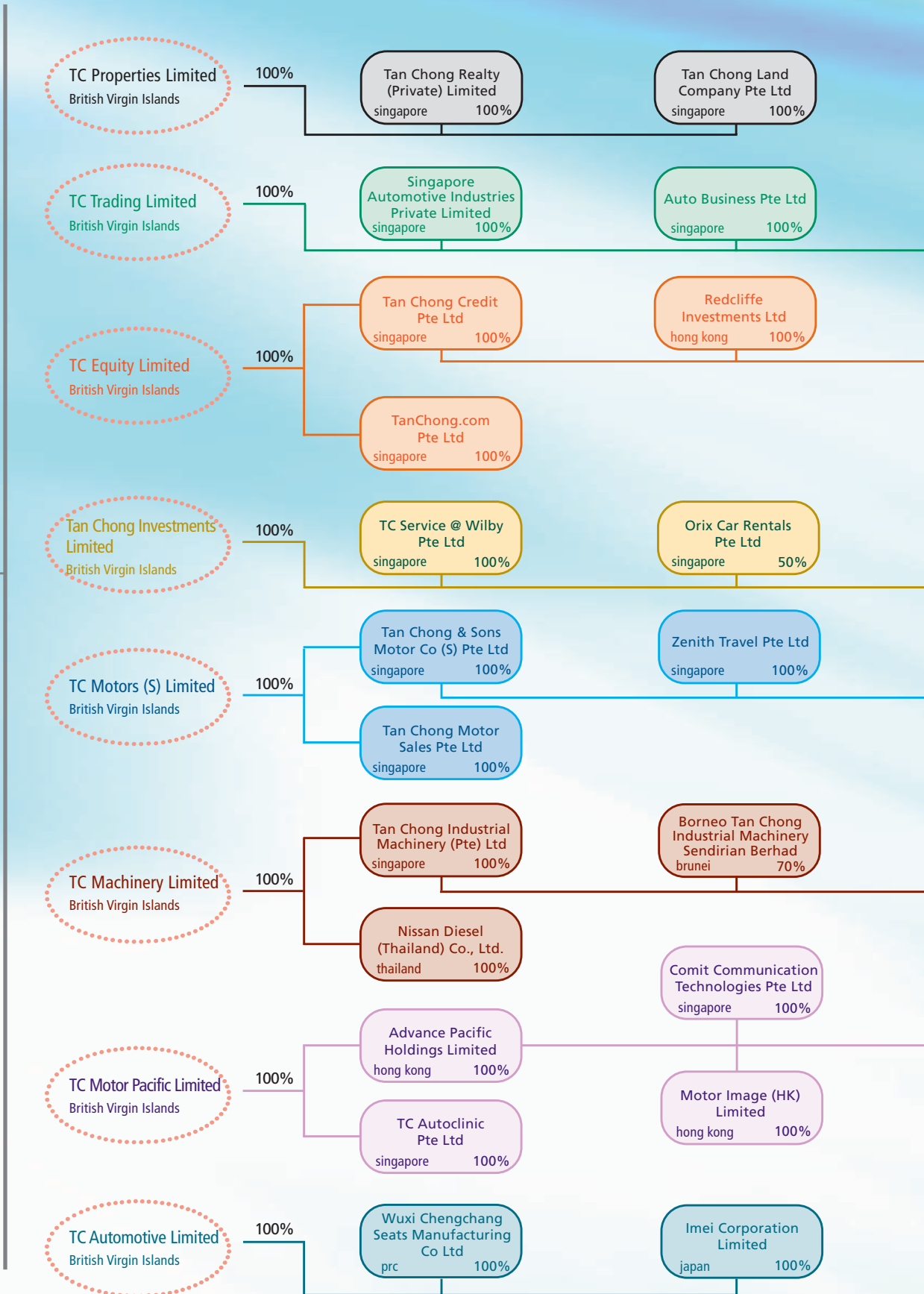
At our Industrial Machinery Division the new Nissan Forklift LX Series of 1.5 to 3.5 ton range with the new Nissan forklift logo was launched in October. It offers safety, environmental friendly and improved performance. The Forklift Division in Thailand was given the sole dealership of Hangzhou Forklift in Zhejiang the leading forklift manufacturer in China. The maiden year performance of Nissan Diesel Thailand has been encouraging. With increased market share, 5 new dealers were appointed. Corporate activities were targeted at creating Nissan Diesel brand awareness through the usual media blitz and participation in the Thai Motor Show. A new CWM454 full air brake truck tractor was launched in March.

The Ubi Road project was completed as scheduled in December and business activities are expected to commence in second quarter 2004. Piling work at Upper Aljunied Road was completed in January 2003 and completion date is expected to be first quarter 2005. Sixth Lok Yang Road service outlet is operational since January 2003. The upgrading work on 76% of the apartments at Tan Chong Tower is scheduled for completion in first quarter 2004.

At our Apple Centre, new ground-breaking products such as the 17-inch PowerBook, the world's first 17-inch widescreen laptop computer and the PowerMac G5, the world's fastest personal computer were marketed through road shows at various parts of Singapore.

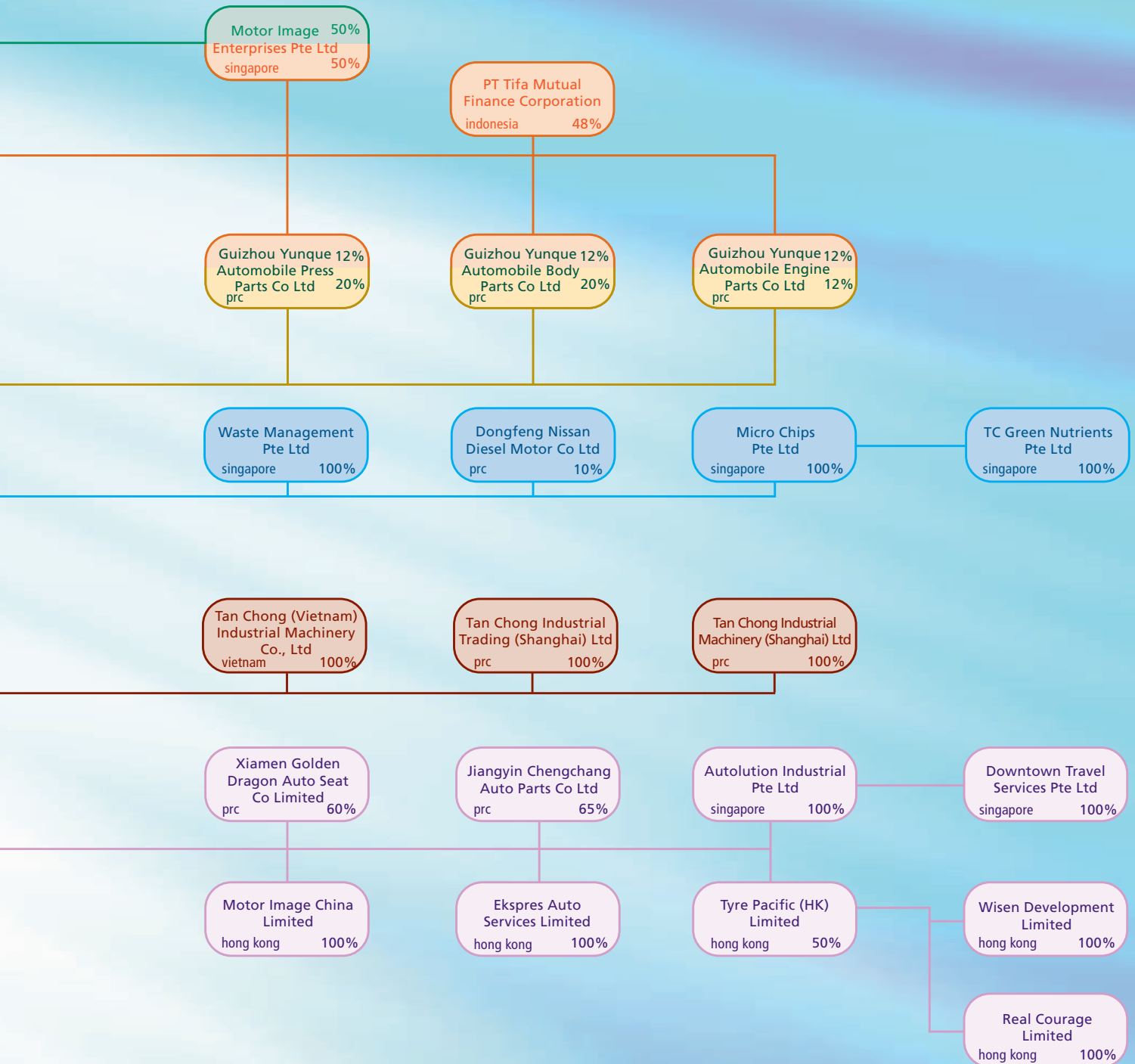


Corporate Structure



Corporate Structure

Note: Excluding 12 dormant subsidiaries and associate companies





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