

2005

2004

2003

2002

2001

2000

1999

1998

**TAN CHONG**  
International



2005

2004

2003

2002

2001

2000

1999

1998

# 2005 INTERIM REPORT

2004

2003



# Contents

- 02 Management Review
- 04 Consolidated Income Statement
- 05 Consolidated Statement of Changes in Equity
- 06 Consolidated Balance Sheet
- 08 Condensed Consolidated Cash Flow Statement
- 09 Notes to the Financial Statements
- 14 Other Information

## Management Review

The Group did well for the first half of the year both in terms of volume and bottom line. The reasons are three-fold. Firstly, the economic growth engine in most of Asia was and still is humming steadily. Secondly, there was continuing steady demand for new cars in Singapore because of cheaper car prices. Thirdly, the strengthening of the US dollar against the Japanese Yen coupled with a firmer Singapore dollar resulted in positive gains. Singapore remains the major contributor to results followed by Thailand. Contributions from our businesses in the other Asia Pacific countries remain steady.

Group Revenue and attributable profits for the half year were up 24% and 27% respectively half year on half year and 20% and 28% respectively when compared to the second half of last year. Earnings per share half year on half year improved 27% to HK 10.8 cents. Promoting new models had resulted in higher distribution costs but administrative costs and other operating expenses were well contained. The Group also enjoyed higher other operating income and share of earnings of associates.

Both car sales in Singapore and overall Group unit sales jumped 38% to 10,294 and 13,554 units respectively when compared to the second half of last year with Nissan capturing a further 3.7% market share. Continuing strong demand for Nissan Sunny coupled with the new models introduced at the end of last year contributed to the increased market share. Similarly truck sales volume in Thailand increased by 30% to 656 units. Sales of Subaru cars are progressing steadily.

Intense competition resulting from price cutting and oversupply continued its toll on car rentals and office and residential rentals. Demand was soft with reduced take up rates. Higher interest costs dampened returns. The situation is not expected to improve for the rest of the year.

In our Industrial and Machinery Division, truck sales in Singapore have been climbing steadily riding on improved sentiment in the logistics and construction sectors. Contribution to margins have likewise improved.

Our investment in Zero of Japan is doing well. Zero was listed on the secondary board of the Tokyo Stock Exchange on 2nd August 2005 and has plans to expand within the country and regionally.

With the completion of the 77 units of terraced housing at Upper Aljunied Road in Singapore, outstanding capital commitments dropped to HKD 90 million from HKD 144 million as at end of last year.

## Management Review

Expansion in sales activities regionally resulted in a 6% increase in head count to 1,040.

Rationalisation of our joint venture businesses in China is continuing and the streamlining will bring about better returns from our investments.

The Board remains optimistic that the Group will do well for the year.

The Group's solid financial standing will underpin its efforts to expand into the region. It has decided on increasing borrowings to lock in interest costs. Bank borrowings therefore shifted up to HKD 520 million. Net cash stood at HKD 400 million even though significant disbursements were made for construction projects in Singapore and other capital expenditure regionally.

The Group has adopted all the changes in reporting standards as required by the Stock Exchange of Hong Kong and the International Accounting Standards Board.

## Consolidated Income Statement - unaudited

|  | Note | Six months ended 30 June |                  |
|--|------|--------------------------|------------------|
|  |      | 2005<br>HK\$'000         | 2004<br>HK\$'000 |
| Revenue  | 2    | 3,201,729                | 2,592,054        |
| Cost of sales  |      | (2,668,821)              | (2,159,497)      |
| <b>Gross profit</b>                                  |      | 532,908                  | 432,557          |
| Other operating income                               |      | 31,731                   | 21,699           |
| Distribution costs                                   |      | (165,108)                | (118,620)        |
| Administrative expenses                              |      | (138,457)                | (116,920)        |
| Other operating expenses                             |      | (8,630)                  | (17,951)         |
| <b>Profit from operations</b>                        |      | 252,444                  | 200,765          |
| Financing costs                                      |      | (4,955)                  | (3,588)          |
| Share of results of associates                       |      | 27,018                   | 15,351           |
| <b>Profit before taxation and minority interests</b> | 3    | 274,507                  | 212,528          |
| Income tax expense                                   | 4    | (57,952)                 | (42,227)         |
| <b>Profit before minority interests</b>              |      | 216,555                  | 170,301          |
| Minority interests                                   |      | 273                      | 806              |
| <b>Profit attributable to shareholders</b>           |      | 216,828                  | 171,107          |
| <b>Dividends paid during the period</b>              | 5    | 80,532                   | 70,466           |
| <b>Earnings per share (cents)</b>                    | 6    | 10.8                     | 8.5              |

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

## Consolidated Statement of Changes in Equity - unaudited

|  | Note | Six months ended 30 June |                  |
|--|------|--------------------------|------------------|
|  |      | 2005<br>HK\$'000         | 2004<br>HK\$'000 |
| Shareholders' equity at 1 January  |      | 4,158,558                | 3,754,021        |
| Exchange differences on translation of:<br>-the financial statements of foreign entities | 11   | (128,331)                | (23,576)         |
| Net profit for the period  | 11   | 216,828                  | 171,107          |
| Dividends paid during the period   | 5    | (80,532)                 | (70,466)         |
| Shareholders' equity at 30 June  |      | <u>4,166,523</u>         | <u>3,831,086</u> |

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

## Consolidated Balance Sheet - unaudited

|  | Note | At 30<br>June 2005<br>HK\$'000 | At 31<br>December 2004<br>HK\$'000 |
|--|------|--------------------------------|------------------------------------|
| <b>Non-current assets</b>                        |      |                                |                                    |
| Investment properties                            |      | 1,183,400                      | 1,220,939                          |
| Property under development                       |      | 453,913                        | 438,010                            |
| Property, plant and equipment                    |      | 747,029                        | 739,838                            |
| Lease prepayments                                |      | 116,167                        | 121,445                            |
| Interest in associates                           |      | 405,803                        | 407,616                            |
| Investments                                      |      | 74,536                         | 82,399                             |
| Hire purchase debtors and instalments receivable |      | 183,373                        | 190,413                            |
| Deferred tax assets                              |      | 32,783                         | 33,940                             |
|  |      | <b>3,197,004</b>               | <b>3,234,600</b>                   |
| <b>Current assets</b>                            |      |                                |                                    |
| Inventories                                      |      | 790,642                        | 552,592                            |
| Trade debtors                                    | 7    | 202,268                        | 297,234                            |
| Hire purchase debtors and instalments receivable |      | 111,729                        | 114,716                            |
| Other debtors, deposits and prepayments          |      | 134,580                        | 180,436                            |
| Cash and cash equivalents                        | 8    | 923,523                        | 913,093                            |
|  |      | <b>2,162,742</b>               | <b>2,058,071</b>                   |
| <b>Current liabilities</b>                       |      |                                |                                    |
| Bank overdrafts (unsecured)                      | 8    | 34,025                         | 10,643                             |
| Bank loans (unsecured)                           |      | 208,519                        | 125,805                            |
| Trade creditors                                  | 9    | 236,328                        | 250,631                            |
| Other creditors and accruals                     |      | 221,601                        | 261,784                            |
| Amounts due to related companies                 |      | 4,146                          | 1,880                              |
| Taxes payable                                    |      | 142,954                        | 138,860                            |
| Provisions                                       |      | 9,743                          | 9,625                              |
|  |      | <b>857,316</b>                 | <b>799,228</b>                     |
| <b>Net current assets</b>                        |      | <b>1,305,426</b>               | <b>1,258,843</b>                   |
| <b>Total assets less current liabilities</b>     |      | <b>4,502,430</b>               | <b>4,493,443</b>                   |



## Consolidated Balance Sheet – unaudited (continued)

|                                | Note | At 30<br>June 2005<br>HK\$'000 | At 31<br>December 2004<br>HK\$'000 |
|--------------------------------|------|--------------------------------|------------------------------------|
| <b>Non-current liabilities</b> |      |                                |                                    |
| Deferred tax liabilities       |      | 11,489                         | 11,466                             |
| Bank loans (unsecured)         |      | 280,812                        | 293,295                            |
| Provisions                     |      | 14,043                         | 13,834                             |
|                                |      | <u>306,344</u>                 | <u>318,595</u>                     |
| <b>Minority interests</b>      |      | <u>29,563</u>                  | <u>16,290</u>                      |
| <b>NET ASSETS</b>              |      | <u>4,166,523</u>               | <u>4,158,558</u>                   |
| Representing:                  |      |                                |                                    |
| <b>Share capital</b>           | 10   | 1,006,655                      | 1,006,655                          |
| <b>Reserves</b>                | 11   | <u>3,159,868</u>               | <u>3,151,903</u>                   |
| <b>SHAREHOLDERS' EQUITY</b>    |      | <u>4,166,523</u>               | <u>4,158,558</u>                   |

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

## Condensed Consolidated Cash Flow Statement - unaudited

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2005<br>HK\$'000         | 2004<br>HK\$'000 |
| Net cash from operating activities                   | 57,500                   | 193,199          |
| Net cash used in investing activities                | (71,265)                 | (485,994)        |
| Net cash from financing activities                   | 21,861                   | 289,454          |
| Net increase/(decrease) in cash and cash equivalents | 8,096                    | (3,341)          |
| Cash and cash equivalents at 1 January               | 902,450                  | 911,663          |
| Effect of exchange differences                       | (21,048)                 | (4,559)          |
| Cash and cash equivalents at 30 June                 | 889,498                  | 903,763          |

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

|  | Group Revenue            |                  | Profit from operations   |                |
|--|--------------------------|------------------|--------------------------|----------------|
|  | Six months ended 30 June |                  | Six months ended 30 June |                |
|  | 2005                     | 2004             | 2005                     | 2004           |
|  | HK\$'000                 | HK\$'000         | HK\$'000                 | HK\$'000       |
| <b>By business segments</b>  |                          |                  |                          |                |
| Motor vehicle distribution   | 2,692,327                | 2,163,507        | 181,346                  | 136,637        |
| Heavy commercial vehicle<br>and industrial equipment<br>distribution | 397,854                  | 329,053          | 36,301                   | 35,272         |
| Property rentals   | 18,518                   | 12,586           | 6,062                    | 3,494          |
| Other operations   | 93,030                   | 86,908           | 28,735                   | 25,362         |
|  | <u>3,201,729</u>         | <u>2,592,054</u> | <u>252,444</u>           | <u>200,765</u> |

|                                  | Group Revenue            |                  |
|----------------------------------|--------------------------|------------------|
|                                  | Six months ended 30 June |                  |
|                                  | 2005                     | 2004             |
|                                  | HK\$'000                 | HK\$'000         |
| <b>By geographical locations</b> |                          |                  |
| Singapore                        | 2,838,540                | 2,299,737        |
| Hong Kong                        | 26,824                   | 22,000           |
| PRC                              | 44,980                   | 36,033           |
| Others                           | 291,385                  | 234,284          |
|                                  | <u>3,201,729</u>         | <u>2,592,054</u> |

# Notes to the Unaudited Financial Statements

## 3 Profit before taxation and minority interests

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

|   | <b>Six months ended 30 June</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>2005</b>                     | <b>2004</b>     |
|   | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Interest expense                              | 4,955                           | 3,588           |
| Amortisation of lease prepayments             | 1,939                           | 1,798           |
| Depreciation                                  | 30,407                          | 27,703          |
| Gain on sale of property, plant and equipment | (4,060)                         | (4,193)         |
| Loss on sale of investment property           | 921                             | -               |

## 4 Taxation

The analysis of income tax expense is as follows:

|            | <b>Six months ended 30 June</b> |                 |
|------------|---------------------------------|-----------------|
|            | <b>2005</b>                     | <b>2004</b>     |
|            | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Hong Kong  | Nil                             | Nil             |
| Elsewhere  | 50,597                          | 39,002          |
| Associates | 7,355                           | 3,225           |
|            | <b>57,952</b>                   | <b>42,227</b>   |

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 17.5% (2004: 17.5%) and 30% (2004: 30%), in the tax jurisdictions in which the Group operates.

## 5 Dividends

|  | <b>Six months ended 30 June</b> |                 |
|--|---------------------------------|-----------------|
|  | <b>2005</b>                     | <b>2004</b>     |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| (i) At balance sheet date the following dividend has been approved and declared:<br>Final dividend paid in respect of the prior year   | 80,532                          | 70,466          |
| (ii) After balance sheet date the following dividend has been declared by the directors. The dividend has not been provided for:<br>Interim dividend of 2.0 cents<br>(2004: 1.5 cents) per share | 40,266                          | 30,200          |

# Notes to the Unaudited Financial Statements

## 6 Earnings per share

Earnings per share for the six months ended 30 June 2005 is calculated by dividing the Group's profit attributable to shareholders of approximately HK\$216,828,000 (2004:HK\$171,107,000) by the weighted average number of shares of 2,013,309,000 (2004:2,013,309,000) 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 2005 and 2004.

## 7 Trade debtors

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

|  | <b>At 30<br/>June 2005<br/>HK\$'000</b> | <b>At 31<br/>December 2004<br/>HK\$'000</b> |
|--|---|---|
| Current  | 162,392                                 | 219,153                                     |
| 1 to 3 months                                      | 30,118                                  | 67,138                                      |
| More than 3 months overdue but less than 12 months | 9,758                                   | 10,943                                      |
|  | <u>202,268</u>                          | <u>297,234</u>                              |

The Group allows credit periods from 7 days to 6 months.

## 8 Cash and cash equivalents

|   | <b>At 30<br/>June 2005<br/>HK\$'000</b> | <b>At 31<br/>December 2004<br/>HK\$'000</b> |
|---|---|---|
| Bank deposits                                       | 837,282                                 | 844,394                                     |
| Bank balances                                       | 85,944                                  | 68,129                                      |
| Cash on hand  | 297                                     | 570   |
| Cash and cash equivalents (exclude bank overdrafts) | <u>923,523</u>                          | <u>913,093</u>                              |
| Bank overdrafts (unsecured)                         | (34,025)                                | (10,643)                                    |
| Cash and cash equivalents                           | <u>889,498</u>                          | <u>902,450</u>                              |

# Notes to the Unaudited Financial Statements

## 9 Trade creditors

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

|   | <b>At 30<br/>June 2005<br/>HK\$'000</b> | <b>At 31<br/>December 2004<br/>HK\$'000</b> |
|---|---|---|
| Due within one month or on demand       | 118,321                                 | 135,630                                     |
| Due after 1 month but within 3 months   | 87,218                                  | 91,527                                      |
| Due after 3 months but within 6 months  | 30,329                                  | 22,838                                      |
| Due after 6 months but within 12 months | 460                                     | 636   |
|   | <u>236,328</u>                          | <u>250,631</u>                              |

## 10 Share capital

|  | <b>At 30<br/>June 2005<br/>HK\$'000</b> | <b>At 31<br/>December 2004<br/>HK\$'000</b> |
|--|---|---|
| <b>Authorised:</b>                             |   |   |
| 3,000,000,000 ordinary shares of HK\$0.50 each | 1,500,000                               | 1,500,000                                   |
| <b>Issued and fully paid:</b>                  |   |   |
| 2,013,309,000 ordinary shares of HK\$0.50 each | <u>1,006,655</u>                        | <u>1,006,655</u>                            |

## 11 Reserves

|                                      | <b>Note</b> | <b>Share<br/>premium<br/>HK\$'000</b> | <b>Capital<br/>reserve<br/>HK\$'000</b> | <b>Translation<br/>reserve<br/>HK\$'000</b> | <b>Contributed<br/>surplus<br/>HK\$'000</b> | <b>Retained<br/>profits<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--------------------------------------|-------------|---------------------------------------|---|---|---|--|---------------------------|
| Balance<br>at 1 January 2005         |             | 550,547                               | 9,549                                   | (212,075)                                   | 377,690                                     | 2,426,192                                | 3,151,903                 |
| Total recognised gains<br>and losses |             | -                                     | -                                       | (128,331)                                   | -   | 216,828                                  | 88,497                    |
| Dividends to<br>shareholders         | 5           | -                                     | -                                       | -   | -   | (80,532)                                 | (80,532)                  |
| Balance<br>at 30 June 2005           |             | <u>550,547</u>                        | <u>9,549</u>                            | <u>(340,406)</u>                            | <u>377,690</u>                              | <u>2,562,488</u>                         | <u>3,159,868</u>          |

# Notes to the Unaudited Financial Statements

## 12 Capital commitments

Capital commitments outstanding at 30 June 2005 not provided for in the financial statements were as follows:

|                                | <b>At 30<br/>June 2005<br/>HK\$'000</b> | <b>At 31<br/>December 2004<br/>HK\$'000</b> |
|--------------------------------|---|---|
| Authorised and contracted for: |   |   |
| - Construction of properties   | 89,782                                  | 144,393                                     |

## 13 Connected 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:

|  | <b>Six months ended 30 June</b> |                          |
|--|---------------------------------|--------------------------|
|  | <b>2005<br/>HK\$'000</b>        | <b>2004<br/>HK\$'000</b> |
| Sale of goods and services                 | 1,972                           | 2,465                    |
| Purchase of stocks                         | 6,958                           | 8,750                    |
| Services rendered by Ultima Group          | 4,006                           | 952                      |
| Investment in a subsidiary with TCMH Group | 14,940                          | 4,800                    |

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

## Other Information

### Interim dividend

The Board is pleased to declare an interim dividend of 2.0 cents (2004: 1.5 cents) per share on the shares in issue amounting to a total of HK\$40,266,000 (2004:HK\$30,200,000), which will be payable on 14 September 2005 to shareholders whose names appear on the Register of Members on 8 September 2005. Dividend warrants will be sent to shareholders on 14 September 2005.

### Closure of Register of Members

The Register of Members will be closed from 6 September 2005 to 8 September 2005, 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, Hopewell Centre, 46<sup>th</sup> Floor, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4.00pm on 5 September 2005.

### Directors' interests in shares

The directors who held office at 30 June 2005 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

|                             | Ordinary shares of HK\$0.50 each |           |             | Percentage |             |
|-----------------------------|----------------------------------|-----------|-------------|------------|-------------|
|                             | Personal                         | Family    | Corporate   | of total   | Total       |
|                             | interests                        | interests | interests   | issued     |             |
|                             |                                  | (Note 1)  | (Note 2)    | shares     |             |
| <b>Executive Directors:</b> |                                  |           |             |            |             |
| Tan Eng Soon                | 4,200,000                        | -         | 101,580,000 | 5.25%      | 105,708,000 |
| Joseph Ong Yong Loke        | 600,000                          | 795,000   | 940,536     | 0.12%      | 2,335,536   |
| Tan Kheng Leong             | 2,205,000                        | 210,000   | -           | 0.12%      | 2,415,000   |
| Neo Ah Chap                 | 3,300,000                        | -         | -           | 0.16%      | 3,300,000   |
| Sng Chiew Huat              | 564,000                          | -         | -           | 0.03%      | 564,000     |

**Note 1:** These shares are beneficially owned by the spouses of 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.



## Other Information

### 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 or short positions in shares of the Company or any of its associates (within the meaning of the SFO) as at 30 June 2005, 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, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange.

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 (other than a director of the Company) in the Company's issued shares at 30 June 2005 amounting to 5% or more of the ordinary shares in issue:

| Name                             | Note | Ordinary shares held | Percentage of total issued shares |
|----------------------------------|------|----------------------|-----------------------------------|
| Tan Chong Consolidated Sdn. Bhd. | (1)  | 912,799,986          | 45.34                             |
| Capital Intelligence Limited     | (2)  | 101,511,000          | 5.04                              |

**Note 1:** The share capital of Tan Chong Consolidated Sdn. Bhd. is held by 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.

**Note 2:** Pursuant to the SFO, these corporations/individuals namely Quek Leng Chan, HL Holdings Sdn Bhd, Kwek Leng Kee, Davos Investment Holdings Private Limited, Hong Leong Investment Holdings Pte. Ltd, Kwek Holdings Pte Ltd, Hong Leong Company (Malaysia) Berhad, Guoline Capital Assets Limited, Guoline Overseas Limited, Guoco Group Limited are deemed to be interested in all the shares in which Capital Intelligence Limited has an interest because of their direct/indirect interest in the entire/partial share capital of Capital Intelligence Limited.

Save as disclosed above, no other interests required to be recorded in the register under section 336 of the SFO have been notified to the Company.

# Other Information

## 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 2005.

## Directors' securities transactions

Pursuant to the Model Code requirements as set out in Appendix 10 of the Listing Rules of the Stock Exchange, all directors confirmed that they have complied with the required standard and its code of conduct regarding directors' securities transactions for the accounting period under review.

## Code on Corporate Governance Practices

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 2005, acting in compliance with the Code on Corporate Governance Practices 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, 8 August 2005

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