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## INTERIM RESULTS

The Board of Directors ( the “Board”) of Tan Chong International Limited is pleased to announce the following unaudited results of the Group for the six months ended 30 June 2001 together with the comparative figures for the corresponding period in 2000 as follows:

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2001</b>	<b>2000</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		2,828,744	2,260,786
Other Revenue		19,309	13,640
Revenue	2	2,848,053	2,274,426
Cost of sales		(2,335,208)	(1,906,906)
Gross profit		512,845	367,520
Other operating income		31,420	14,246
Distribution costs		(128,465)	(93,669)
Administrative expenses		(113,428)	(88,704)

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Other operating expenses		(35,018)	(10,771)
Profit from operations		267,354	188,622
Financing costs		(3,626)	(4,907)
Share of results of associates		10,745	7,643
Profit before taxation and minority interests	3	274,473	191,358
Income tax expense	4	(82,542)	(56,943)
Profit before minority interests		191,931	134,415
Minority interests		156	46
Profit attributable to shareholders		192,087	134,461
Dividends	5	(60,399)	(50,400)
Retained profit for the period		131,688	84,061
Earnings per share (cents)	6	9.5	6.7

*Notes:*

## **1. Basis of preparation**

The interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Committee in so far as is in compliance with the Main Board Listing Rules of the Stock Exchange.

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## 2. Segmental Information

	Group Revenue Six months ended 30 June		Contribution to Profit from operations Six months ended 30 June	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>By business segments</b>				
Motor vehicle distribution	2,608,310	1,987,846	244,130	151,934
Heavy commercial vehicle and industrial equipment distribution	143,558	157,240	17,863	15,415
Sale of telecommunication products	16,577	48,884	131	789
Properties rental	12,810	20,843	(5,948)	9,675
Other operation	66,798	59,613	11,178	10,809
	2,848,053	2,274,426	267,354	188,622
	<b>Group Revenue Six months ended 30 June</b>			
			<b>2001</b>	<b>2000</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>

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**By geographical locations**

Singapore	2,757,600	2,188,041
Hong Kong	49,098	42,386
PRC	12,403	10,278
Others	28,952	33,721
	2,848,053	2,274,426

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

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation and minority interests is arrived at after charging/(crediting): Interest expense	3,626	4,907
Write-down in value of investment properties	15,661	--
Loss on revaluation of long-term quoted equity investment	10,964	--
Depreciation	21,869	20,929
Gain on sale of fixed assets	(2,130)	(2,798)

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#### 4. Taxation

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	Nil	Nil
Elsewhere	78,984	53,946
Associates	3,558	2,997
	82,542	56,943

Taxes on profits have been provided for at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdictions for the period.

#### 5. Dividends

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Dividends paid by the Company:</b>		
Final dividend of 3.0 cents paid in respect of prior year (2.5 cents in 1999)	60,399	50,400

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## **6. Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2001 is based on net profit attributed to ordinary shareholders of HK\$192,087,000 (2000: HK\$134,461,000) and divided by the weighted average number of shares of 2,013,309,000 (2000: 2,013,591,000) 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 2001 and 2000.

## **INTERIM DIVIDEND**

The Board is pleased to declare an interim dividend of 1.5 cents (2000: 1.5 cents) per share on the shares in issue amounting to a total of HK\$30,200,000 (2000: HK\$30,200,000), which will be payable on 5 October 2001 to shareholders whose names appear on the Register of Members on 26 September 2001. Dividend warrants will be sent to shareholders on 5 October 2001.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 24 September 2001 to 26 September 2001, 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, Central Registration Hong Kong Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00pm on 21 September 2001 .

## **MANAGEMENT REVIEW**

The Board is pleased to report a healthy set of results for the half-year ended 30 June 2001. Although the economies of the United States and Asia particularly Singapore are experiencing downturn, the financial performance of the Group has been cushioned somewhat by industry factors as well as a more favourable exchange rate environment. However, the second half of the year is expected to be trying especially for the industrial machinery, trading and rental businesses but are nevertheless on track to turn in satisfactory profits.

Group turnover grew by 25% over the same period last year and 3% over the second half of last year mainly attributable to the motor trade division with sales volume already achieving 60% of last year's record sales. Motor trade accounted for 92% of group turnover.

Profit attributable to shareholders increased by 43% over the same period last year and 24% over the second half of last year if the sale of Wilby Residence, an investment property that was sold in September 2000, is excluded. Lower corporate tax rates, a favourable Japanese Yen exchange

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against the Singapore Dollar, and steady vehicle quota premiums were contributing factors. Singapore, Hong Kong and China again made positive contributions.

## **Financial Strength**

Cash inflows improved by HK\$ 346 million or 81% over the position as at end of last year mainly derived from operating profits, reduction in stocks, trade debtors and hire purchase debtors.

In view of the sharp weakening of the Singapore Dollar against the Hong Kong Dollar because of the strength of the US Dollar (Hong Kong Dollar is pegged to US Dollar), there is a huge translation loss of HK\$ 119 million as more than 90 % of the Group's businesses is in Singapore. Consequently although profit attributable to shareholders improved by HK\$ 192 million shareholders' equity only improved by HK\$ 13 million after the payment of HK\$ 60 million to shareholders for final dividend declared for year 2000.

There were no major capital expenditures for the half-year ended 30 June 2001.

Provisions of 2% were made for the Group's major investment properties because of softness in the property markets both in Hong Kong and Singapore.

Looking ahead, the Board does not foresee any major difficulties because of the Group's strong financial standing.

## **Motor Trade Division**

Fresh and innovative marketing strategies have helped the Group to capture a bigger portion of the motor vehicle market in Singapore. Sales volume moved up 35% against the same period last year and 8% against the second half of last year. Market share for the Nissan make of vehicles increased from 22% to 25%. Subaru vehicle sales also showed marked improvements with sales volume increased by 22% and 15% compared with the corresponding first and second half of last year respectively. In Hong Kong, sales volume increased in a market that remained largely unchanged.

Although the light commercial vehicle quota in Singapore was reduced by 61%, in total, combined sales of motor vehicles and commercial vehicles is anticipated to be better than last year.

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## **Heavy Commercial and Industrial Equipment Division**

Heavy commercial vehicle sales was 10% up over the same period last year but was 20% down against the second half of last year reflecting the difficult business climate. Forklift sales were down from 97 units and 101 units for the same period and the second half of last year to 70 units this year. Forklift rental business was stable.

Nevertheless the division expects to maintain a satisfactory profit level for the year.

## **Properties Rental Division**

Rental income from investment properties was down when compared to the same period and the second half of last year mainly because of the disposal of Wilby Residence. It was however enhanced by better occupancy ratio and improved rates. All units on 30th Floor, Shui On Centre in Hong Kong are fully leased out and occupancy rate in Tan Chong Tower exceeds 90%.

Prospects for the second half of this year are expected to be softer than the first half.

## **Other Divisions**

In line with increased motor vehicle sales, volume from motor vehicle hire purchase financing business has been and is expected to be good. Bottom line has remained steady although it has been affected by a change in accounting standard that requires it to recognize income on the basis of Rule 78 instead of straight-line method. Such a change effectively means that there is no cushion for future defaults. There is also the risk from a low interest rate environment. The Board has therefore decided not to increase the volume in its hire purchase portfolio. Volume has been reducing from HK\$ 360 million as at end of last year to HK\$ 330 million as at 30 June 2001.

Returns for car rental business were still very encouraging. Turnover from Hong Kong, China and other Asian investments have improved

## **New Developments**

The Mulberry Grove property development consisting of 77 units of luxury terrace town houses received Written Permission (Planning Approval) in May. Piling tenders have been called and site works will start in the last quarter of this year with the main construction works to follow thereafter. Depending on market conditions, launching for sale can start in the next year.

In recognition of the efforts of the Company over the years, Nissan Diesel Motor Co Limited has signed a 10-year Sole Distributorship Agreement with Tan Chong Industrial Machinery (Pte) Ltd for the distribution of their popular UD trucks. This long-term agreement assures the Company of the longer term prospects of continued business with the principals.

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## **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.

## **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 2001, acting in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange, except that the independent non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-Laws.

By Order of the Board  
**Dato' Tan Kim Hor**  
Chairman  
Hong Kong, 27 August 2001

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

*Full details of the financial information required to be disclosed under paragraph 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be subsequently published on the website of the Stock Exchange - [www.hkex.com.hk](http://www.hkex.com.hk)*

## **Tan Chong International Limited**

*(Incorporated in Bermuda with limited liability)*