



## INTERIM RESULTS

The Board of Directors (the “Board”) wishes to announce the following unaudited results of the Group for the six months ended 30 June 2005.

### Consolidated Income Statement

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2005</b>	<b>2004</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	3,201,729	2,592,054
Cost of sales		<u>(2,668,821)</u>	<u>(2,159,497)</u>
Gross profit		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		<u>(8,630)</u>	<u>(17,951)</u>
Profit from operations		252,444	200,765
Financing costs		(4,955)	(3,588)
Share of results of associates		<u>27,018</u>	<u>15,351</u>
Profit before taxation and minority interests	3	274,507	212,528
Income tax expense	4	<u>(57,952)</u>	<u>(42,227)</u>
Profit before minority interests		216,555	170,301
Minority interests		<u>273</u>	<u>806</u>
Profit attributable to shareholders		<u>216,828</u>	<u>171,107</u>
Dividends paid during the period	5	<u>80,532</u>	<u>70,466</u>
Earnings per share (cents)	6	<u>10.8</u>	<u>8.5</u>

## Consolidated Balance Sheet

	At 30 June 2005 <i>HK\$'000</i>	At 31 December 2004 <i>HK\$'000</i>
<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	<u>32,783</u>	<u>33,940</u>
	3,197,004	3,234,600
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<b>Current assets</b>		
Inventories	790,642	552,592
Trade debtors	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	<u>923,523</u>	<u>913,093</u>
	2,162,742	2,058,071
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<b>Current liabilities</b>		
Bank overdrafts (unsecured)	34,025	10,643
Bank loans (unsecured)	208,519	125,805
Trade creditors	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	<u>9,743</u>	<u>9,625</u>
	857,316	799,228
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<b>Net current assets</b>	1,305,426	1,258,843
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<b>Total assets less current liabilities</b>	4,502,430	4,493,443
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<b>Non-current liabilities</b>		
Deferred tax liabilities	11,489	11,466
Bank loan (unsecured)	280,812	293,295
Provisions	<u>14,043</u>	<u>13,834</u>
	306,344	318,595
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<b>Minority interests</b>	<u>29,563</u>	<u>16,290</u>
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<b>NET ASSETS</b>	<u>4,166,523</u>	<u>4,158,558</u>

## Consolidated Balance Sheet

	At 30 June 2005 <i>HK\$'000</i>	At 31 December 2004 <i>HK\$'000</i>
Representing:		
<b>Share capital</b>	1,006,655	1,006,655
<b>Reserves</b>	<u>3,159,868</u>	<u>3,151,903</u>
<b>SHAREHOLDERS' EQUITY</b>	<u>4,166,523</u>	<u>4,158,558</u>

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 Board.

### 2. Segmental information

	Group Revenue		Profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>By business segments</b>				
Motor vehicle distribution	2,692,327	2,163,507	181,346	136,637
Heavy commercial vehicle and industrial equipment distribution	397,854	329,053	36,301	35,272
Property rentals	18,518	12,586	6,062	3,494
Other operations	<u>93,030</u>	<u>86,908</u>	<u>28,735</u>	<u>25,362</u>
	<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 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>By geographical locations</b>		
Singapore	2,838,540	2,299,737
Hong Kong	26,824	22,000
PRC	44,980	36,033
Others	<u>291,385</u>	<u>234,284</u>
	<u>3,201,729</u>	<u>2,592,054</u>

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

	<b>Six months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation and minority interests is arrived at after charging/(crediting):		
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	<u>921</u>	<u>—</u>

4. **Taxation**

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

5. **Dividends**

	<b>Six months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Dividends paid by the Company:</b>		
Final dividend of 4.0 cents paid in respect of prior year (3.5 cents in 2003)	<u>80,532</u>	<u>70,466</u>

6. **Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on net profit attributed to ordinary shareholders of HK\$216,828,000 (2004: HK\$171,107,000) and divided 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.

**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, 46th Floor, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00pm on 5 September 2005.

## **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.

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.

#### **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.

#### **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 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.

## **GENERAL**

As at the date of this announcement, the Directors comprise of:

*Honorary Life Counsellor*

Dato' Tan Kim Hor

*Executive Directors*

Mr. Tan Eng Soon

Mr. Joseph Ong Yong Loke

Mr. Tan Kheng Leong

Mr. Neo Ah Chap

Mdm. Sng Chiew Huat

*Independent non-executive Directors*

Mr. Lee Han Yang

Mdm. Jeny Lau

Mr. Masatoshi Matsuo

By Order of the Board

**Teo Siok Ghee**

*Company Secretary*

Hong Kong, 8 August 2005

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

## **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.