

The logo for Tan Chong International features a stylized, abstract shape composed of several overlapping, curved, brushstroke-like elements in shades of purple and lavender. The shape is reminiscent of a large, flowing letter 'C' or a similar organic form. The text 'TAN CHONG' is positioned above 'INTERNATIONAL' in a clean, sans-serif font, both in a dark purple color. The background of the entire page is white, with large, faint, light purple brushstrokes that echo the style of the logo, creating a sense of movement and depth.

TAN CHONG
INTERNATIONAL

Tan Chong International Limited
INTERIM REPORT 2006
Stock Code: 693

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Management Review

The Group produced mixed results for the first half of the year both in terms of volume and bottom line. Although the Board is pleased to report that the Group's financial performance for the first half of the year has been cushioned by cheaper car quota prices, the strengthening of the Singapore dollar and the firming of the US dollar against the Japanese Yen, world wide geopolitical uncertainties, escalating interest rates and rocketing fuel prices may dampen financial performance for the rest of the year. Consumers' confidence was deeply shaken resulting in a sharp shift in consumption pattern towards smaller and cheaper cars. However, Subaru car sales in Singapore, China and Hong Kong have been and are expected to continue improving. Income from after sales servicing of vehicles has advanced in volume and profitability. The introduction of Euro 4 Emission Standard for commercial vehicles will affect the Group's financial performance due to a shortage of compliant light and mid range commercial vehicles from October 2006 to about June 2007. The Board therefore expects the results for the second half year to be uncertain.

Although Group Revenue for the half year dipped slightly to HK\$3.175 billion attributable profits were up 20% respectively half year on half year and 14% when compared to the second half of last year. Overheads and financing costs have been well contained but promoting of new models had resulted in higher distribution and administrative costs. Share of earnings of associates continue to enhance the bottom line.

Unit sales in Singapore and overall Group unit sales were down 10% and 6 % to 11,346 and 12,751 units respectively when compared to the second half of last year. Group Subaru sales however rose 103% to 1,836 units. Although truck sales volume in Thailand dropped by 14% to 564 units, bottom line improved because of better margins and foreign exchange gain.

The increase in the arrivals of expatriates into Singapore because of regional economic opportunities has enhanced property rental demand resulting in better occupancy and rental rates. The situation is expected to be stable for the rest of the year. Nevertheless higher interest costs overshadowed the better revenue and losses in the property rental division continue.

Over at the Industrial and Machinery Division, truck sales in Singapore riding on improved sentiments in the logistics and construction sectors have been improving steadily. Contributions to margins have likewise improved.

Our investment in Zero of Japan remains a positive contributor to Group results.

Capital commitments had dropped to HK\$37 million from HK\$69 million as at end of last year. These commitments are attributable to 3 uncompleted projects in Thailand and the Philippines. Further capital projects are expected in the second half of the year. Continuing expansion in sales activities regionally had increased head count to 1,130.

To rationalize business focus our Vantone offices in Beijing China were sold. The number of investment properties is therefore reduced from 7 to 6.

Bank borrowings stood at HK\$421 million. Net cash improved 47% from HK\$528 million to HK\$776 million. With its solid financial standing the Group will continue its expansion into the region.

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	
		2006 HK\$'000	2005 HK\$'000 (Restated)
Revenue	2	3,175,205	3,201,729
Cost of sales		(2,579,320)	(2,668,821)
Gross profit		595,885	532,908
Other operating income		50,480	31,731
Distribution costs		(161,175)	(165,108)
Administrative expenses		(157,063)	(138,457)
Other operating expenses		(13,786)	(8,630)
Profit from operations		314,341	252,444
Financing costs		(9,156)	(4,955)
Share of profits less losses of associates		20,526	19,663
Profit before taxation	3	325,711	267,152
Income tax expense	4	(64,577)	(50,597)
Profit for the period		261,134	216,555
Attributable to:			
Equity shareholders of the Company		260,563	216,828
Minority interests		571	(273)
Profit for the period		261,134	216,555
Dividends attributable to the period	5(i)	40,266	40,266
Earnings per share (cents)	6	12.9	10.8

The notes on pages 9 to 14 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

		<i>Six months ended 30 June</i>	
<i>Note</i>	<i>2006</i>	<i>2005</i>	
	HK\$'000	HK\$'000	(Restated)
Total equity at 1 January			
As previously reported:			
- attributable to equity shareholders of the Company	4,374,738	4,158,558	
- minority interests	30,096	16,290	
10	4,404,834	4,174,848	
Net income/(expense) recognized directly in equity			
Exchange differences on translation of the financial statements of foreign operations			
- attributable to equity shareholders of the Company	190,389	(128,331)	
- minority interests	1,708	(584)	
10	192,097	(128,915)	
Net profit for the period			
As previously reported:			
- attributable to equity shareholders of the Company	260,563	216,828	
- minority interests	571	(273)	
10	261,134	216,555	
Total recognised income/(expense) for the period			
	453,231	87,640	
Dividends paid during the period			
5(ii)	(90,599)	(80,532)	
Movements in equity arising from capital transactions			
Capital contribution received by non-wholly subsidiaries from minority shareholders			
	-	14,130	
Total equity at 30 June			
	4,767,466	4,196,086	

The notes on pages 9 to 14 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

(unaudited)

	<i>Note</i>	<i>At 30 June 2006 HK\$'000</i>	<i>At 31 December 2005 HK\$'000</i>
Non-current assets			
Investment properties		1,267,042	1,220,013
Property, plant and equipment		847,106	831,167
Lease prepayments		72,955	71,566
Interest in associates		423,133	401,282
Investments		78,012	76,339
Hire purchase debtors and instalments receivable		149,554	158,731
Deferred tax assets		24,607	23,697
		2,889,409	2,782,795
Current assets			
Inventories		814,381	760,718
Property held for sale		453,817	447,164
Trade debtors	7	262,244	321,549
Hire purchase debtors and instalments receivable		102,746	102,711
Other debtors, deposits and prepayments		173,461	205,159
Cash and cash equivalents	8	1,197,684	1,016,406
		3,004,333	2,853,707
Current liabilities			
Bank overdrafts (unsecured)	8	27,529	44,058
Bank loans (unsecured)		386,572	301,034
Trade creditors	9	242,516	284,727
Other creditors and accruals		266,645	266,154
Amounts due to related companies		3,312	1,825
Taxation		154,651	154,809
Provisions		10,117	9,297
		1,091,342	1,061,904
Net current assets		1,912,991	1,791,803
Total assets less current liabilities		4,802,400	4,574,598

CONSOLIDATED BALANCE SHEET
(unaudited)

	<i>Note</i>	<i>At 30 June 2006 HK\$'000</i>	<i>At 31 December 2005 HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		12,261	11,879
Bank loans (unsecured)		7,328	143,568
Provisions		15,345	14,317
		34,934	169,764
NET ASSETS		4,767,466	4,404,834
Representing:			
Capital and reserves	10		
Share capital		1,006,655	1,006,655
Reserves		3,728,436	3,368,083
Total equity attributable to equity shareholders of the Company		4,735,091	4,374,738
Minority interests		32,375	30,096
TOTAL EQUITY		4,767,466	4,404,834

The notes on pages 9 to 14 form part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)

	<i>Six months ended 30 June</i>	
	2006	2005
	HK\$'000	HK\$'000
Net cash generated from operating activities	323,511	57,500
Net cash used in investing activities	(5,566)	(71,265)
Net cash (used in) /generated from financing activities	(152,818)	21,861
Net increase in cash and cash equivalents	165,127	8,096
Cash and cash equivalents at 1 January	972,348	902,450
Effect of exchange differences	32,680	(21,048)
Cash and cash equivalents at 30 June	1,170,155	889,498

The notes on pages 9 to 14 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 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

	<i>Group Revenue</i>		<i>Profit from operations</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
By business segments				
Motor vehicle distribution	2,661,339	2,692,752	238,762	190,560
Heavy commercial vehicle and industrial equipment distribution	373,913	397,854	43,838	36,301
Property rentals and development	39,803	18,518	9,140	6,062
Other operations	100,150	92,605	22,601	19,521
	3,175,205	3,201,729	314,341	252,444

	<i>Group Revenue</i>	
	<i>Six months ended 30 June</i>	
	2006	2005
	HK\$'000	HK\$'000
By geographical locations		
Singapore	2,759,149	2,838,540
Hong Kong	32,515	26,824
PRC	114,340	44,980
Others	269,201	291,385
	3,175,205	3,201,729

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

3 Profit before taxation

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

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	HK\$'000	HK\$'000 (Restated)
Interest expense	9,156	4,955
Amortisation of lease prepayments	1,474	1,559
Depreciation	34,908	30,407
Gain on sale of property, plant and equipment	(7,419)	(4,060)
Loss on sale of investment property	1,018	921

4 Taxation

The analysis of income tax expense is as follows:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	HK\$'000	HK\$'000 (Restated)
Hong Kong	Nil	Nil
Elsewhere	64,577	50,597
	64,577	50,597

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 17.5% (2005: 17.5%) and 30% (2005: 30%), in the tax jurisdictions in which the Group operates.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

5 Dividends

	<i>Six months ended 30 June</i>	
	2006	2005
	HK\$'000	HK\$'000
(i) Dividends attributable to the period		
Interim dividend declared of 2.0 cents (2005: 2.0 cents) per ordinary share	40,266	40,266
The interim dividend has not been recognized as a liability at balance sheet date.		
(ii) Dividends paid during the period		
Final dividend approved in respect of prior year of 4.5 cents (2004: 4.0 cents) per ordinary share	90,599	80,532

6 Earnings per share

Earnings per share for the six months ended 30 June 2006 is calculated by dividing the Group's profit attributable to shareholders of approximately HK\$260,563,000 (2005: HK\$216,828,000) by the weighted average number of shares of 2,013,309,000 (2005: 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 2006 and 2005.

7 Trade debtors

Included in trade debtors are debtors (net of impairment losses) with the following ageing analysis:

	<i>At 30 June 2006</i>	<i>At 31 December 2005</i>
	HK\$'000	HK\$'000
Current	215,645	285,623
1 to 3 months	40,838	32,805
More than 3 months but less than 12 months	5,761	3,121
	262,244	321,549

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

8 Cash and cash equivalents

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Bank deposits	1,117,756	896,739
Bank balances	79,501	119,373
Cash on hand	427	294
	<hr/>	<hr/>
Cash and cash equivalents (exclude bank overdrafts)	1,197,684	1,016,406
Bank overdrafts (unsecured)	(27,529)	(44,058)
	<hr/>	<hr/>
Cash and cash equivalents	1,170,155	972,348

9 Trade creditors

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

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Due within one month or on demand	136,446	122,124
Due after 1 month but within 3 months	72,629	119,576
Due after 3 months but within 6 months	32,640	42,251
Due after 6 months but within 12 months	801	776
	<hr/>	<hr/>
	242,516	284,727

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

10 Capital and reserves

	<i>Attributable to equity shareholders of the Company</i>								
	<i>Share capital</i>	<i>Share premium</i>	<i>Capital reserve</i>	<i>Translation reserve</i>	<i>Contributed surplus</i>	<i>Retained profits</i>	<i>Total</i>	<i>Minority interests</i>	<i>Total equity</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2006	1,006,655	550,547	9,549	(320,015)	377,690	2,750,312	4,374,738	30,096	4,404,834
Exchange differences on translation of financial statements of foreign operations	-	-	-	190,389	-	-	190,389	1,708	192,097
Profit for the period						260,563	260,563	571	261,134
Dividends to shareholders	-	-	-	-	-	(90,599)	(90,599)	-	(90,599)
Balance at 30 June 2006	1,006,655	550,547	9,549	(129,626)	377,690	2,920,276	4,735,091	32,375	4,767,466

(a) Share capital

	<i>At 30 June 2006</i>	<i>At 31 December 2005</i>
	HK\$'000	HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.50 each	1,500,000	1,500,000
Issued and fully paid:		
2,013,309,000 ordinary shares of HK\$0.50 each	1,006,655	1,006,655

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

11 Capital commitments

Capital commitments outstanding at 30 June 2006 not provided for in the financial statements were as follows:

	<i>At 30 June 2006 HK\$'000</i>	<i>At 31 December 2005 HK\$'000</i>
Authorised and contracted for:		
- Construction of properties	37,382	68,893

12 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:

	<i>Six months ended 30 June</i>	
	<i>2006 HK\$'000</i>	<i>2005 HK\$'000</i>
Sale of goods and services	1,090	1,972
Purchase of stocks	2,991	6,958
Services rendered	3,201	4,006
Investment in a subsidiary with TCMH Group	-	14,940

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

Interim dividend

The Board is pleased to declare an interim dividend of 2.0 cents (2005: 2.0 cents) per share on the shares in issue amounting to a total of HK\$40,266,000 (2005: HK\$40,266,000), which will be payable on 6 September 2006 to shareholders whose names appear on the Register of Members on 30 August 2006. Dividend warrants will be sent to shareholders on 6 September 2006.

Closure of Register of Members

The Register of Members will be closed from 28 August 2006 to 30 August 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 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 25 August 2006.

Directors' interests in shares

The directors who held office at 30 June 2006 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"):

<i>Long positions</i>	<i>Ordinary shares of HK\$0.50 each</i>				<i>Total</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Percentage of total Issued Shares</i>	
		(Note 1)	(Note 2)		
Executive Directors:					
Tan Eng Soon	4,200,000	-	101,580,000	5.25%	105,780,000
Joseph Ong Yong Loke	639,000	795,000	940,536	0.12%	2,374,536
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	639,000	-	-	0.03%	639,000

OTHER INFORMATION

Directors' interests in shares (continued)

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.

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 2006, 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 2006 amounting to 5% or more of the ordinary shares in issue:

<i>Long positions</i>	<i>Note</i>	<i>Capacity</i>	<i>Ordinary shares Held</i>	<i>Percentage of total issued shares</i>
Tan Chong Consolidated Sdn. Bhd.	(1)	Beneficial owner	912,799,986	45.34
Guoco Group Limited	(2)	Corporate interests	161,331,000	8.01

Substantial interests in the share capital of the Company (continued)

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 and Hong Leong Company (Malaysia) Berhad, are deemed to be interested in all the shares in which Guoco Group Limited has an interest because of their direct/indirect interest in the entire/partial share capital of Guoco Group Limited. Capital Intelligence Limited, Guoline Capital Assets Limited and Guoline Overseas Limited are also deemed to be interested in the same block of shares but according to the Company's register, their reported interest is only 5.04%.

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.

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 2006.

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.

OTHER INFORMATION

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 2006, acting in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Stock Exchange. 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 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

Sng Chiew Huat

Finance Director

Hong Kong, 31 July 2006

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

<http://www.nissan.com.sg>

<http://www.tcil.com.sg>