



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 2006.

Consolidated Income Statement

	<i>Notes</i>	Six months ended	
		30 June	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>
Revenue	2	3,175,205	3,201,729
Cost of sales		<u>(2,579,320)</u>	<u>(2,668,821)</u>
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		<u>(13,786)</u>	<u>(8,630)</u>
Profit from operations		314,341	252,444
Financing costs		(9,156)	(4,955)
Share of profit less losses of associates		<u>20,526</u>	<u>19,663</u>
Profit before taxation	3	325,711	267,152
Income tax expense	4	<u>(64,577)</u>	<u>(50,597)</u>
Profit for the period		<u><u>261,134</u></u>	<u><u>216,555</u></u>
Attributable to:			
Equity shareholders of the Company		260,563	216,828
Minority interests		<u>571</u>	<u>(273)</u>
Profit for the period		<u><u>261,134</u></u>	<u><u>216,555</u></u>
Dividends declared	5	<u><u>40,266</u></u>	<u><u>40,266</u></u>
Earnings per share (cents)	6	<u><u>12.9</u></u>	<u><u>10.8</u></u>

Consolidated Balance Sheet

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Non-current assets		
Investment properties	1,267,042	1,220,013
Property, plant and equipment	874,106	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	<u>24,607</u>	<u>23,697</u>
	<u>2,889,409</u>	<u>2,782,795</u>
Current assets		
Inventories	814,381	760,718
Property held for sale	453,817	447,164
Trade debtors	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	<u>1,197,684</u>	<u>1,016,406</u>
	<u>3,004,333</u>	<u>2,853,707</u>
Current liabilities		
Bank overdrafts (unsecured)	27,529	44,058
Bank loans (unsecured)	386,572	301,034
Trade creditors	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	<u>10,117</u>	<u>9,297</u>
	<u>1,091,342</u>	<u>1,061,904</u>
Net current assets	<u>1,912,991</u>	<u>1,791,803</u>
Total assets less current liabilities	<u>4,802,400</u>	<u>4,574,598</u>
Non-current liabilities		
Deferred tax liabilities	12,261	11,879
Bank loan (unsecured)	7,328	143,568
Provisions	<u>15,345</u>	<u>14,317</u>
	<u>34,934</u>	<u>169,764</u>
NET ASSETS	<u>4,767,466</u>	<u>4,404,834</u>

	At 30 June 2006 <i>HK\$'000</i>	At 31 December 2005 <i>HK\$'000</i>
Representing:		
Capital and reserves		
Share capital	1,006,655	1,006,655
Reserves	<u>3,728,436</u>	<u>3,368,083</u>
Total equity attributable to equity shareholders of the Company	4,735,091	4,374,738
Minority interests	<u>32,375</u>	<u>30,096</u>
TOTAL EQUITY	<u><u>4,767,466</u></u>	<u><u>4,404,834</u></u>

Notes:

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 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

2. **Segmental information**

	Group Revenue Six months ended 30 June		Profit from operations Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(Restated)</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(Restated)</i>
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	<u>100,150</u>	<u>92,605</u>	<u>22,601</u>	<u>19,521</u>
	<u><u>3,175,205</u></u>	<u><u>3,201,729</u></u>	<u><u>314,341</u></u>	<u><u>252,444</u></u>

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

3. **Profit before taxation**

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Profit before taxation is arrived at after charging/(crediting):		
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	<u>1,018</u>	<u>921</u>

4. **Taxation**

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

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend declared of 2.0 cents (2005: 2.0 cents) per ordinary share	<u>40,266</u>	<u>40,266</u>

6. **Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on net profit attributed to ordinary shareholders of HK\$260,563,000 (2005: HK\$216,828,000) and divided 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. **Comparative figures**

Certain comparative figures have been reclassified to conform with current period's presentation.

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.

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.

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.

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 to 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
Teo Siok Ghee
Company Secretary

Hong Kong, 31 July 2006

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

As at the date of this announcement, the directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mr. Neo Ah Chap and Mdm. Sng Chiew Huat. Independent non-executive directors are Mr. Lee Han Yang, Ms Jeny Lau and Mr Masatoshi Matsuo. The Honorary Life Counsellor of the Company is Dato' Tan Kim Hor.

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.