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**Consolidated Profit and Loss Account**  
for the six months ended 30 June 2001 - unaudited

	Note	2001 HK\$'000	2000 HK\$'000
Revenue	2	2,848,053	2,274,426
Cost of sales		(2,335,208)	(1,906,906)
<b>Gross profit</b>		512,845	367,520
Other operating income		31,420	14,246
Distribution costs		(128,465)	(93,669)
Administrative expenses		(113,428)	(88,704)
Other operating expenses		(35,018)	(10,771)
<b>Profit from operations</b>		267,354	188,622
Financing costs		(3,626)	(4,907)
Share of results of associates		10,745	7,643
<b>Profit before taxation and minority interests</b>		274,473	191,358
Income tax expense	4	(82,542)	(56,943)
<b>Profit before minority interests</b>		191,931	134,415
Minority interests		156	46
<b>Profit attributable to shareholders</b>		192,087	134,461
<b>Dividends</b>	5	(60,399)	(50,400)
<b>Retained profit for the period</b>		131,688	84,061
<b>Earnings per share (cents)</b>	6	9.5	6.7

The notes on pages 7 to 13 form part of these accounts.



Consolidated Statement of Recognised Gains and Losses  
for the six months ended 30 June 2001 - unaudited

	<i>Note</i>	<i>2001</i> HK\$'000	<i>2000</i> HK\$'000
Foreign exchange translation differences		(118,789)	(62,703)
<b>Net losses not recognised in the consolidated profit and loss account</b>		(118,789)	(62,703)
<b>Net profit attributable to shareholders for the period</b>		192,087	134,461
<b>Total recognised gains</b>	11	73,298	71,758

The notes on pages 7 to 13 form part of these accounts.



## Consolidated Balance Sheet

at 30 June 2001 – unaudited

	<i>Note</i>	<i>at</i> <i>30 June</i> <i>2001</i> <i>HK\$'000</i>	<i>at</i> <i>31 December</i> <i>2000</i> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		804,947	858,306
Fixed assets		547,467	578,147
Interest in associates		152,440	141,018
Investments		118,550	138,106
Hire purchase debtors		216,089	239,067
Deferred tax assets		26,551	27,770
		1,866,044	1,982,414
<b>Current assets</b>			
Investments		385,690	385,690
Stocks		351,604	448,655
Trade debtors	7	161,637	193,160
Hire purchase debtors		113,799	120,530
Other debtors, deposits and prepayments		97,164	120,943
Cash and cash equivalents	8	898,885	603,623
		2,008,779	1,872,601
<b>Current liabilities</b>			
Bank overdrafts (unsecured)	8	46,121	36,869
Bank loans (unsecured)		50,178	67,799
Trade creditors	9	173,129	165,567
Other creditors and accruals		218,654	162,252
Amounts due to related companies		3,226	6,725
Taxes payable		175,608	176,784
Provisions		6,190	3,964
		673,106	619,960
<b>Net current assets</b>		1,335,673	1,252,641
<b>Total assets less current liabilities</b>		3,201,717	3,235,055

## Consolidated Balance Sheet (continued)

at 30 June 2001 – unaudited

	<i>Note</i>	<i>at</i> <i>30 June</i> <i>2001</i> HK\$'000	<i>at</i> <i>31 December</i> <i>2000</i> HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		102,734	107,910
Bank loans (unsecured)		26,759	69,682
Provisions		4,127	2,110
		133,620	179,702
<b>Minority interests</b>		11,273	11,428
<b>NET ASSETS</b>		3,056,824	3,043,925
Representing:			
<b>Share capital</b>	10	1,006,655	1,006,655
<b>Reserves</b>	11	2,050,169	2,037,270
<b>SHAREHOLDERS' EQUITY</b>		3,056,824	3,043,925

The notes on pages 7 to 13 form part of these accounts.



Condensed Consolidated Cash Flow Statement  
for the six months ended 30 June 2001 - unaudited

	<i>Note</i>	<i>2001</i> HK\$'000
Net cash flows from operating activities		425,605
Net cash flows used in investing activities		(8,881)
Net cash flows used in financing activities		(116,811)
Net increase in cash and cash equivalents		299,913
Cash and cash equivalents at 1 January 2001		566,754
Effect of exchange differences		(13,903)
Cash and cash equivalents at 30 June 2001	8	852,764

## Notes to Unaudited Interim 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 ("Stock Exchange"), including compliance with International Accounting Standard ("IAS") 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.

**2 Segmental information**

	<i>Group Revenue</i>		<i>Contribution to</i>	
	<i>Six months</i>		<i>Profit from operations</i>	
	<i>ended 30 June</i>		<i>Six months</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<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
	<u>2,848,053</u>	<u>2,274,426</u>	<u>267,354</u>	<u>188,622</u>



## Notes to Unaudited Interim Financial Statements (continued)

**2 Segmental information (continued)**

	<i>Group Revenue</i>	
	Six months ended 30 June	
	<i>2001</i>	<i>2000</i>
	HK\$'000	HK\$'000
<b>By geographical locations</b>		
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**

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

	<i>Six months ended 30 June</i>	
	<i>2001</i>	<i>2000</i>
	HK\$'000	HK\$'000
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)



## Notes to Unaudited Interim Financial Statements (continued)

**4 Taxation**

The analysis of income tax expense is as follows:

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

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16% (2000: 16%) and 24.5% (2000: 25.5%), in the tax jurisdictions in which the Group operates.

**5 Dividends**

	<i>Six months ended 30 June</i>	
	<i>2001</i>	<i>2000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) At balance sheet date the following dividend has been approved and declared:		
Final dividend paid in respect of the prior year	60,399	50,400
(ii) After balance sheet date the following dividend has been declared by the directors. The dividend has not been provided for:		
Interim dividend of 1.5 cents		
(2000: 1.5 cents) per share	<u>30,200</u>	<u>30,200</u>



## Notes to Unaudited Interim Financial Statements (continued)

**6 Earnings per share**

Earnings per share for the six months ended 30 June 2001 is calculated by dividing the Group's profit attributable to shareholders of approximately HK\$192,087,000 (2000: HK\$134,461,000) 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.

**7 Trade debtors**

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

	<i>at</i> <i>30 June</i> <i>2001</i> HK\$'000	<i>at</i> <i>31 December</i> <i>2000</i> HK\$'000
Current	130,750	155,737
1 to 3 months overdue	30,292	32,959
More than 3 months overdue		
but less than 12 months overdue	595	4,464
	161,637	193,160

Debts are due within 1 month from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

## Notes to Unaudited Interim Financial Statements (continued)

**8 Cash and cash equivalents**

	<i>at</i> <i>30 June</i> <i>2001</i> HK\$'000	<i>at</i> <i>31 December</i> <i>2000</i> HK\$'000
Bank deposits	878,237	569,966
Bank balances	20,418	33,388
Cash on hand	230	269
Cash and cash equivalents	898,885	603,623
Bank overdrafts (unsecured)	(46,121)	(36,869)
Cash and cash equivalents in the statement of cash flows	852,764	566,754

**9 Trade creditors**

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

	<i>at</i> <i>30 June</i> <i>2001</i> HK\$'000	<i>at</i> <i>31 December</i> <i>2000</i> HK\$'000
Due within one month or on demand	127,823	121,349
Due after 1 month but within 3 months	38,480	38,780
Due after 3 months but within 6 months	6,346	3,788
Due after 6 months but within 12 months	480	1,650
	173,129	165,567



## Notes to Unaudited Interim Financial Statements (continued)

## 10 Share capital

	<i>at</i> <i>30 June</i> <i>2001</i> HK\$'000	<i>at</i> <i>31 December</i> <i>2000</i> HK\$'000
<b>Authorised:</b>		
3,000,000,000 ordinary shares of \$0.50 each	1,500,000	1,500,000
<b>Issued and fully paid:</b>		
At 1 January	1,006,655	1,008,000
Shares repurchased	-	(1,345)
	1,006,655	1,006,655

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 11 Reserves

	<i>Note</i>	<i>Share premium reserve</i> HK\$'000	<i>Capital reserve</i> HK\$'000	<i>Investment properties revaluation reserve</i> HK\$'000	<i>Translation reserve</i> HK\$'000	<i>Contributed surplus</i> HK\$'000	<i>Retained profits</i> HK\$'000	<i>Total</i> HK\$'000
Balance at 1 January 2001		550,547	9,549	294,868	(430,453)	377,690	1,235,069	2,037,270
Change in accounting policy	15	-	-	(294,868)	-	-	294,868	-
Restated balance at 1 January 2001		550,547	9,549	-	(430,453)	377,690	1,529,937	2,037,270
Total recognised gains and losses		-	-	-	(118,789)	-	192,087	73,298
Dividends to shareholders	5	-	-	-	-	-	(60,399)	(60,399)
Balance at 30 June 2001		550,547	9,549	-	(549,242)	377,690	1,661,625	2,050,169

## Notes to Unaudited Interim Financial Statements (continued)

**12 Capital commitments**

There were no capital commitments outstanding at 30 June 2001.

**13 Contingent liabilities**

At 30 June 2001, the Group had contingent liabilities in respect of unsecured guarantees amounting to HK\$12,161,000 (31 December 2000: HK\$12,424,000) to banks in respect of credit facilities extended to related companies, out of which HK\$419,000 (31 December 2000: HK\$266,000) was utilised at 30 June 2001.

**14 Related party 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>2001</i>	<i>2000</i>
	HK\$'000	HK\$'000
Sale of goods and services	2,842	5,224
Purchase of stocks	8,508	13,638

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

**15 Change in accounting policies**

As required by the International Accounting Standards Committee, the Group has adopted IAS 39 "Financial instruments: recognition and measurement" and IAS 40 "Investment property".

**16 Comparative figures**

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



## Management Review

### Overview

The Board of Directors ("Board") is pleased to report a healthy set of results for the half-year ended 30<sup>th</sup> 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 is 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. There were upturns in turnover for the major locations of Singapore, Hong Kong and China. The improvement on group turnover was 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. Turnover of the other divisions was affected by the increasingly difficult business climate.

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 against the Singapore Dollar, and steady vehicle quota premiums were contributing factors. Hong Kong and China also 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. Stocks turnover was reduced from 61 days to 27 days and debtors turnover from 23 days to 10 days because of higher sales volume and better management of receivables.

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.

## Management Review (continued)

### Financial Strength (continued)

There were no major capital expenditures for the half-year ended 30<sup>th</sup> June 2001 except for HK\$10 million spent in acquiring a further equity stake in Guizhou, China.

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 and hopes to look for business expansions in the region to prepare for the next wave of growth in Asia.

### 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 increasing 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 passenger vehicles and commercial vehicles is anticipated to be better than last year.

### 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 was 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.

The sharp economic downturn in Singapore and the surrounding region is expected to pull down sales volume of heavy commercial vehicles and forklifts for the second half of this year. Nevertheless the division expects to maintain a satisfactory profit level for the year.



## Management Review (continued)

### 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. The division is also not spared from the trying economic downturn and by intense business competition. However, all units on 30<sup>th</sup> 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<sup>th</sup> June 2001.

Returns for car rental business were still very encouraging although it is also riding the economic tide. Such businesses are cushioned by new prospects that were not willing to spend a capital sum in purchasing a car. Their future should be quite stable.

Turnover from Hong Kong, China and other Asian investments have been encouraging with improved bottom line throughout. These countries should maintain similar volumes and returns for the rest of the year. China's entry into the WTO is expected to enhance our investments there.



## Management Review (continued)

### 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.

Provisional Planning Permission has been granted for the proposed 8-storey Showroom and Service complex in Jalan Ubi. This new building will incorporate the latest technology for service operation and showroom display and provide additional facilities for our enlarged customer base. Piling will start in the last quarter of 2001 after receipt of the authority's Planning Approval. The main construction works will commence in the second quarter of 2002 with completion expected by end of 2003.

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.



## Other Information

### Directors' interests in shares

The directors who held office at 30 June 2001 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests in shares:

<i>Name of director</i>	<i>Ordinary shares of HK\$0.50 each</i>		
	<i>Personal interests</i>	<i>Family interests (Note 1)</i>	<i>Corporate Interests (Note 2)</i>
Dato' Tan Kim Hor	9,224,502	90,972	-
Tan Eng Soon	4,200,000	-	12,000,000
Joseph Ong Yong Loke	600,000	795,000	940,536
Tan Kheng Leong	2,145,000	210,000	-
Neo Ah Chap	2,790,000	-	-
Sng Chiew Huat	285,000	-	-

*Note 1:* These shares are beneficially owned by the spouses of Dato' Tan Kim Hor, 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 in shares of the Company or any of its associates (within the meaning of the Securities (Disclosure of Interests) Ordinance) as at 30 June 2001, 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.

## Other Information (continued)

**Directors' interests in shares (continued)**

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 in the Company's issued shares at 30 June 2001 amounting to 10% or more of the ordinary shares in issue:

Name	<i>Ordinary shares Held (Note 3)</i>	<i>Percentage of total issued shares</i>
Tan Chong Consolidated Sdn. Bhd.	912,799,986	45.34

*Note 3:* The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Dato' Tan Kim Hor as to approximately 10.29 per cent, Tan Eng Soon as to approximately 16.66 per cent and 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.

Save as disclosed above, there was no person known to the directors who at 30 June 2001 had direct or indirect interest in 10% or more of the ordinary shares in issue of the Company.



## Other Information (continued)

### 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.

### Audit Committee

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2001.

### 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 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

**Dato' Tan Kim Hor** DPMS KMN JP

Chairman

Hong Kong, 27 August 2001

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

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

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