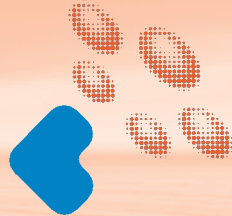


TAN CHONG
International



**INTERIM
REPORT
2002**

Other Operations

Investments

Vehicle Financing

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Management Review

Overall Results

The Board of Directors (the "Board") is pleased to announce that the Company and its subsidiaries (together referred to as the "Group") has achieved a satisfactory set of results for the half year ended 30th June 2002.

Group results were affected by several contributory factors.

Firstly, in line with the review of Group results for Year 2001 whereby the Board foresaw "that for year 2002, because of the change to open bidding for car quotas, profit margins may be squeezed even with expected increase in market size for vehicles", profit attributable to shareholders was down 21% and 47% when compared with the second half and first half of year 2001 respectively. Market size in Singapore did not increase as expected but declined 7%.

Secondly, intense competition through new model launches and aggressive pricing has translated into lower Group revenue and unit sales volume, which declined by 7% and 6% when compared with the 2nd half of last year and by 29% and 29% half year on half year.

Thirdly, the Japanese Yen against the Singapore Dollar has appreciated 5% (from 1.41 to 1.48) during this first half year.

Financial Strength

Financially, the Group continues to grow from strength to strength. Net tangible assets were up HKD0.08 per share to HKD1.66 per share mainly due to translation gains and profit contributions. Net cash was marginally affected by taxes and dividend paid and by increase in working capital. The increase in working capital was due to higher stock and trade debtors because of a fivefold increase in supply of taxis tendered. Bank borrowings remained at around HKD 100 million and are unsecured and the Group has no contingent liabilities.

Management Review (continued)

Capital Commitments

As at 30th June 2002, capital commitments in respect of two construction projects and a property purchase in Singapore at UBI Road 4 and Upper Aljunied Road and at Sixth Lok Yang Road are HKD 69.7 million and HKD 14.1 million and HKD 21.9 million respectively. Main contract work for Upper Aljunied Road is yet to be awarded.

Motor Trade

As anticipated, Nissan car sales business in Singapore was adversely impacted by intense competition through aggressive pricing, newer models of cars brought in by competitors and the change to open bidding for car quotas. The situation was exacerbated by the appreciation of Japanese Yen against the Singapore Dollar. Profit margins were squeezed and volume declined resulting in a smaller market share. The Board is however encouraged by the sales performance of Nissan SUV and MPV, which became market leaders in their respective classes. Sales performance of our Subaru car distribution network in Singapore soared by 46% and 26% when compared to the 1st and 2nd half of Year 2001 respectively. We expect the competition to remain unabated in the second half putting continuing pressure on sales and profit.

Heavy Commercial Vehicle and Industrial Equipment

The position in the Heavy Commercial Vehicle and Industrial Equipment Division continue to move downwards because of the slow economic recovery in Singapore and the surrounding countries particularly in the logistics businesses. Revenue and profit from operations were down by 22% and 39% respectively.

Property Rentals

The property rentals market in Singapore remained soft. However, although rental revenue of our properties in Singapore was down because of soft rental rates, occupancy remains good. The encouraging occupancy level coupled with cost cutting measures has resulted in better operating profits. As for Shui On Centre in Hong Kong there is full occupancy and bottom line has improved as a result of reduction in bank borrowings. We expect overall performance of the Group's Property Division to be stable for the remaining part of the year.

Management Review (continued)

Others

In July, Fuji Heavy Industries signed an exclusive distribution agreement with our wholly owned subsidiary Motor Image China Limited to market their SUBARU vehicles in Guangdong, China. Two dealers have been appointed to date and several more will be added to cater for the market. SUBARU will introduce their trademark All Wheel Drive, world renown WRX sports sedan and also Forester sports SUV. Guangdong has the highest per capita GNP of all the provinces in China and offers good prospects for the premium SUBARU products.

Our tyre distribution company, Tyre Pacific HK Ltd made further inroads into the China market with the expansion into motorcycle and heavy truck tyres. Our new Guangzhou tyre gallery is the first of its kind in China to showcase the full range of DUNLOP tyres, which we represent. Sales improve by 55% over the corresponding half year.

Our Hangzhou DongFeng Nissan Diesel JV is on track to achieving better sales and profit results than last year. The recognition of quality in their products is propelling better sales and acceptance in the market.

The SUBARU Guizhou JV is facing intense competition in the mini-car sector. Nevertheless, the company achieved better sales and reduced operational loss and more effort at cost rationalization will be carried out to improve contributions.

In Thailand our fledging Companies distributing SUBARU vehicles and renting Nissan Forklifts had a profitable half-year. The distribution of Nissan Forklifts in Zhejiang and Jiangsu Province and Shanghai, signed with Nissan Motor in November last year, is now operational and sales are satisfactory.

Progress and Prospects

The difficult situation in Singapore is further compounded by the overall external factors of slowing growth in United States and persisting high unemployment rates in the region.

For future prospects, we continue to look into expanding our current businesses in the region particularly in China and Thailand. For the balance of the year we will be introducing new car models in the various markets, which will stimulate sales.

Consolidated Income Statement

for the six months ended 30 June 2002 - unaudited

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Revenue	2	2,015,496	2,848,053
Cost of sales		(1,705,921)	(2,335,208)
<hr/>			
Gross profit		309,575	512,845
Other operating income		17,845	31,420
Distribution costs		(98,656)	(128,465)
Administrative expenses		(106,958)	(113,428)
Other operating expenses		(3,232)	(35,018)
<hr/>			
Profit from operations		118,574	267,354
Financing costs		(2,052)	(3,626)
Share of results of associates		14,862	10,745
<hr/>			
Profit before taxation and minority interests			
	3	131,384	274,473
Income tax expense	4	(28,903)	(82,542)
<hr/>			
Profit before minority interests		102,481	191,931
Minority interests		404	156
<hr/>			
Profit attributable to shareholders		102,885	192,087
<hr/>			
Dividends	5	(70,466)	(60,399)
<hr/>			
Earnings per share (cents)	6	5.1	9.5
<hr/>			

The notes on pages 10 to 16 form part of these financial statements.

Consolidated Statement of Recognised Gains and Losses
for the six months ended 30 June 2002 - unaudited

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Foreign exchange translation differences		143,180	(118,789)
Net gains/(losses) not recognised in the consolidated profit and loss account		143,180	(118,789)
Net profit attributable to shareholders for the period		102,885	192,087
Total recognised gains	11	246,065	73,298

The notes on pages 10 to 16 form part of these financial statements.

Consolidated Balance Sheet

at 30 June 2002 - unaudited

	<i>Note</i>	<i>at</i> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Non-current assets			
Investment properties		740,234	708,173
Fixed assets		579,978	557,198
Investments in associates		164,153	148,169
Investments		116,551	115,574
Hire purchase debtors		156,156	173,107
Deferred tax assets		29,987	28,549
		1,787,059	1,730,770
Current assets			
Investments		362,413	362,413
Stocks		452,946	438,984
Trade debtors	7	225,384	137,809
Hire purchase debtors		96,927	99,449
Other debtors, deposits and prepayments		137,705	120,054
Cash and cash equivalents	8	860,553	886,499
		2,135,928	2,045,208
Current liabilities			
Bank overdrafts (unsecured)	8	35,731	30,248
Bank loans (unsecured)		55,090	49,922
Trade creditors	9	178,930	151,314
Other creditors and accruals		122,514	158,604
Amounts due to related companies		1,074	2,665
Taxes payable		128,910	155,783
Provisions		7,581	6,432
		529,830	554,968
Net current assets		1,606,098	1,490,240
Total assets less current liabilities		3,393,157	3,221,010

Consolidated Balance Sheet (continued)

at 30 June 2002 - unaudited

	<i>Note</i>	<i>at</i> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Non-current liabilities			
Deferred tax liabilities		10,049	9,592
Bank loans (unsecured)		15,482	19,351
Provisions		7,172	6,814
		<hr/> 32,703	<hr/> 35,757
Minority interests		<hr/> 8,876	<hr/> 9,274
NET ASSETS		<hr/> 3,351,578	<hr/> 3,175,979
Representing:			
Share capital	10	1,006,655	1,006,655
Reserves	11	2,344,923	2,169,324
SHAREHOLDERS' EQUITY		<hr/> 3,351,578	<hr/> 3,175,979

The notes on page 10 to 16 form part of these financial statements.

Condensed Consolidated Cash Flow Statement
for the six months ended 30 June 2002 - unaudited

	2002 HK\$'000	2001 HK\$'000
Net cash (used in)/from operating activities	(1,236)	425,605
Net cash from/(used in) investing activities	2,141	(8,881)
Net cash used in financing activities	(67,636)	(116,811)
Net (decrease)/increase in cash and cash equivalents	(66,731)	299,913
Cash and cash equivalents at 1 January	856,251	566,754
Effect of exchange differences	35,302	(13,903)
Cash and cash equivalents at 30 June	824,822	852,764

The notes on pages 10 to 16 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 Main Board 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 Committee.

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>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By business segments				
Motor vehicle distribution	1,802,512	2,608,310	74,484	244,130
Heavy commercial vehicle and industrial equipment distribution	112,349	143,558	10,954	17,863
Sale of telecommunication products	608	16,577	(116)	131
Property rentals	11,904	12,810	6,308	(5,948)
Other operations	88,123	66,798	26,944	11,178
	<u>2,015,496</u>	<u>2,848,053</u>	<u>118,574</u>	<u>267,354</u>

Notes to the Unaudited Financial Statements (continued)

2 Segmental information (continued)

	Group Revenue	
	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
By geographical locations		
Singapore	1,945,607	2,757,600
Hong Kong	33,637	49,098
PRC	14,619	12,403
Others	21,633	28,952
	<u>2,015,496</u>	<u>2,848,053</u>

3 Profit before taxation and minority interests

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

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Interest expense	2,052	3,626
Decrease in fair value of investment properties	-	15,661
Depreciation	24,276	21,869
Gain on sale of fixed assets	(1,557)	(2,130)
	<u></u>	<u></u>

Notes to the Unaudited Financial Statements (continued)

4 Taxation

The analysis of income tax expense is as follows:

	<i>Six months ended 30 June</i>	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong	Nil	Nil
Elsewhere	25,472	78,984
Associates	3,431	3,558
	<hr/>	<hr/>
	28,903	82,542

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16% (2001: 16%) and 22.0% (2001: 24.5%), in the tax jurisdictions in which the Group operates.

5 Dividends

	<i>Six months ended 30 June</i>	
	2002	2001
	HK\$'000	HK\$'000
(i) At balance sheet date the following dividend has been approved and declared: Final dividend paid in respect of the prior year	70,466	60,399
(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 (2001: 1.5 cents) per share	30,200	30,200
	<hr/>	<hr/>

Notes to the Unaudited Financial Statements (continued)

6 Earnings per share

Earnings per share for the six months ended 30 June 2002 is calculated by dividing the Group's profit attributable to shareholders of approximately HK\$102,885,000 (2001:HK\$192,087,000) by the weighted average number of shares of 2,013,309,000 (2001:2,013,309,000) 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 2002 and 2001.

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> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Current	162,855	104,677
1 to 3 months overdue	57,064	30,340
More than 3 months overdue but less than 12 months overdue	5,465	2,792
	<hr/> 225,384	<hr/> 137,809

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 the Unaudited Financial Statements (continued)

8 Cash and cash equivalents

	<i>at</i> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Bank deposits	841,508	867,553
Bank balances	18,743	18,712
Cash on hand	302	234
Cash and cash equivalents (exclude bank overdrafts)	860,553	886,499
Bank overdrafts (unsecured)	(35,731)	(30,248)
Cash and cash equivalents	824,822	856,251

9 Trade creditors

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

	<i>at</i> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Due within one month or on demand	92,619	100,305
Due after 1 month but within 3 months	67,752	44,497
Due after 3 months but within 6 months	17,359	5,669
Due after 6 months but within 12 months	1,200	843
	178,930	151,314

Notes to the Unaudited Financial Statements (continued)

10 Share capital

	<i>at</i> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.50 each	1,500,000	1,500,000
Issued and fully paid:		
At 1 January	1,006,655	1,006,655
Movements during the period/year	-	-
	1,006,655	1,006,655

11 Reserves

	<i>Note</i>	<i>Share premium HK\$'000</i>	<i>Capital reserve HK\$'000</i>	<i>Translation reserve HK\$'000</i>	<i>Contributed surplus HK\$'000</i>	<i>Retained profits HK\$'000</i>	<i>Total HK\$'000</i>
Balance at 1 January 2002		550,547	9,549	(628,647)	377,690	1,860,185	2,169,324
Total recognised gains and losses		-	-	143,180	-	102,885	246,065
Dividends to shareholders	5	-	-	-	-	(70,466)	(70,466)
Balance at 30 June 2002		550,547	9,549	(485,467)	377,690	1,892,604	2,344,923

Notes to the Unaudited Financial Statements (continued)

12 Capital commitments

Capital commitments outstanding at 30 June 2002 not provided for in the financial statements were as follows:

	<i>at</i> 30 June 2002 HK\$'000	<i>at</i> 31 December 2001 HK\$'000
Contracted for:	105,700	92,126
Not Contracted for:	199,247	189,634
	<hr/> 304,947	<hr/> 281,760

13 Contingent liabilities

At 30 June 2002, the Group had contingent liabilities in respect of unsecured guarantees amounting to HK\$8,671,000 (31 December 2001: HK\$8,415,000) to banks in respect of credit facilities extended to an associate and a related company, out of which HK\$1,217,000 (31 December 2001: HK\$Nil) was utilised at 30 June 2002.

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>	
	2002	2001
	HK\$'000	HK\$'000
Sale of goods and services	8,897	2,842
Purchase of stocks	5,453	8,508

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

15 Comparative figures

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

Other Information

Interim dividend

The Board is pleased to declare an interim dividend of 1.5 cents (2001: 1.5 cents) per share on the shares in issue amounting to a total of HK\$30,200,000 (2001:HK\$30,200,000), which will be payable on 24 September 2002 to shareholders whose names appear on the Register of Members on 18 September 2002. Dividend warrants will be sent to shareholders on 24 September 2002.

Closure of Register of Members

The Register of Members will be closed from 16 September 2002 to 18 September 2002, 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, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4.00pm on 13 September 2002.

Directors' interests in shares

The directors who held office at 30 June 2002 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	-	33,900,000
Joseph Ong Yong Loke	600,000	795,000	940,536
Tan Kheng Leong	2,205,000	210,000	-
Neo Ah Chap	2,790,000	-	-
Sng Chiew Huat	384,000	-	-

Other Information (continued)

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 2002, 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.

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 2002 amounting to 10% or more of the ordinary shares in issue:

Name	Ordinary shares Held (Note 3)	Percentage of total issued shares
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 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.

Save as disclosed above, there was no person known to the directors who at 30 June 2002 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 2002.

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 2002, 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, 15 August 2002

Websites: <http://www.tanchonginternational.com>
<http://www.nissan.com.sg>
<http://www.tcil.com.sg>

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