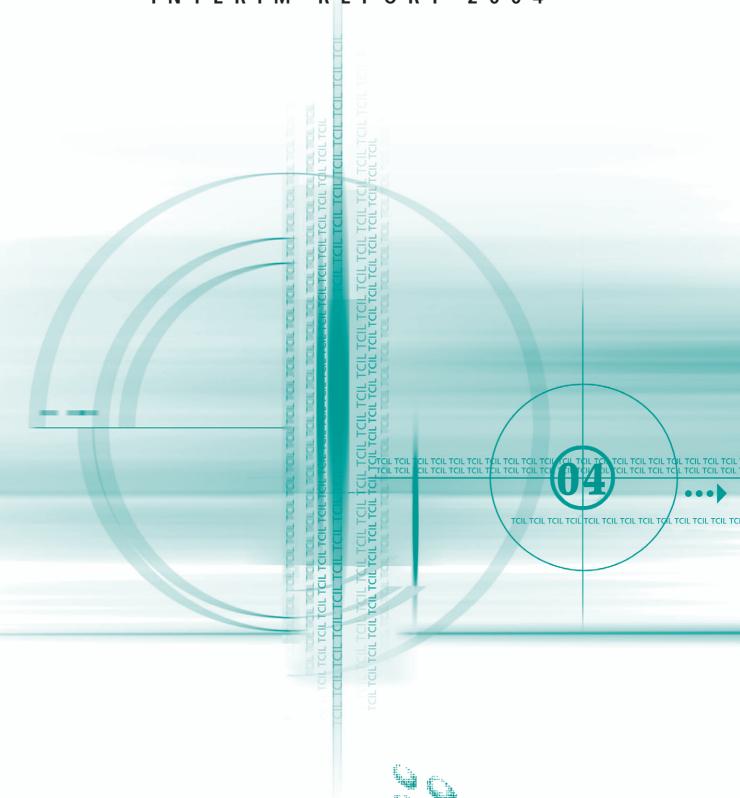
INTERIM REPORT 2004





Tan Chong International Limited

INTERIM REPORT

Flow Statement 9 Notes to the Financial Statements 14 Other Information

MANAGEMENT REVIEW

Riding on the momentum of year 2003, the Group progressed from strength to strength during the first half of year 2004. Such progress is projected to continue through the remaining part of the year as a result of improving economic performance in most parts of the world and particularly in Asia. Regional expansion is gaining momentum. Motor distribution and Singapore, the flagship sectors by business and by location of the Group, remain the star performers. PRC and Thailand are growing contributors that should bring in improving streams of income.

Interim Group revenue improved 15% and 27% when compared to the 2nd half and 1st half of last year respectively. Likewise profit attributable to shareholders also moved upwards by 12% and 26% respectively. The improved financial performance was the result of focusing on strengthening margins.

Group unit vehicle sales rose 11% and 21% over the respective 2nd and 1st half of last year. Nissan unit sales improved in tandem by 11% and 20% respectively. Despite the slight dip in Subaru sold when compared to the second half of last year, sales volume for the full year is expected to be better than last year. Whilst Subaru sales in Hong Kong remained weak Subaru sales in the PRC were picking up steadily.

Office and residential rentals remained soft. The Group's property sector is expected to face tougher times ahead because of worldwide appreciation of interest rates. Increased interest costs coupled with lethargic demand for rental units will reduce revenue and profit and return on investment. However the refurbished rental units in Tan Chong Tower were bringing in better rental income and improved take-up rates and should cushion the performance of this sector.

Car rental businesses in Singapore although in a consolidation phase is holding well and contributed steadily to Group profit.

Stiff competition is still dampening trucks and forklifts sales and rental volume in Singapore. However Nissan Diesel business in Thailand the backbone of the Industrial Machinery and Equipment Division maintained good contribution to Group results.

ORIX Car Rentals Group was feeling the impact of consolidation in the car rental trade whilst Tyre Pacific (HK) Ltd gained momentum with bottom line improving 17% half year on half year as tyre distribution in China was boosted by improved economic and social status.

Activities in the 50/50 JV in Thailand that is principally engaged in automotive hire purchase business kicked off in June 2004 and are expected to produce positive returns.

The PRC Government introduction of measures to cool down the economy in the early part of the year affected sales at the Hangzhou JV manufacturing trucks which fell 35%. However, whilst car sales in general dropped 20% our nascent Subaru distribution in South China was encouraging. Seat exports from Wuxi were good and plans to invest in additional equipment will improve productivity. The PRC JV with Sumitomo Rubber Industries successfully launched sales of domestically produced tyres in July.

The generally optimistic view of the world economy towards the end of last year has now turned more cautious with measures to cool down the rapid economic expansion in China and a less confident outlook in the United States giving concern. Nevertheless the Group continues to be positive about its future progress and expects to maintain a steady income stream from its various businesses diversified through different products and regions.

MANAGEMENT REVIEW (continued)

Total cash consideration for acquiring the Wilby Residence amounted to HK\$838 million. Mainly because of the acquisition and with the expectation that interest rates will trend upwards, bank borrowings as at 30th June 2004 increased to HK\$466 million from HK\$123 million at end of year 2003. In turn net cash position was down by HK\$362 million.

Capital commitment for unfinished projects stood at HK\$209 million. The bulk of it is for the Mulberry Grove project and for the alterations and additions to the newly acquired property at 19 Lorong 8 Toa Payoh. The Group has no contingent liabilities.

Debt collection continued to be closely monitored resulting in better trade debtors' turnover. Stock levels remained satisfactory. Headcount was up marginally because of increased regional activities.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2004 - unaudited

	Note	2004 HK\$'000	2003 HK\$'000
		HK\$ 000	HK\$ 000
Revenue	2	2,592,054	2,033,312
Cost of sales		(2,159,497)	(1,680,278)
Gross profit		432,557	353,034
Other operating income		21,699	22,980
Distribution costs		(118,620)	(99,840)
Administrative expenses		(116,920)	(116,492)
Other operating expenses		(17,951)	(4,476)
Profit from operations		200,765	155,206
Financing costs		(3,588)	(2,055)
Share of results of associates		15,351	16,751
Profit before taxation and minority interests	3	212,528	169,902
Income tax expense	4	(42,227)	(34,878)
Profit before minority interests		170,301	135,024
Minority interests		806	568
Profit attributable to shareholders		171,107	135,592
Dividends paid during the period	5	70,466	70,466
Earnings per share (cents)	6	8.5	6.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2004 - unaudited

	Note	2004 HK\$'000	2003 HK\$'000
Shareholders' equity at 1 January		3,754,021	3,514,836
Exchange differences on translation of: - the financial statements of foreign entities	11	(23,576)	(37,128)
Net profit for the period	11	171,107	135,592
Dividends paid during the period	5	(70,466)	(70,466)
Shareholders' equity at 30 June		3,831,086	3,542,834

CONSOLIDATED BALANCE SHEET

at 30 June 2004 - unaudited

	Note	At 30 June 2004	At 31 December 2003
		HK\$'000	HK\$'000
Non-current assets			
Investment properties		1,166,077	456,760
Property under development		333,800	292,910
Property, plant and equipment		717,606	676,775
Lease prepayments		108,666	110,941
Interest in associates		209,037	200,416
Investments		81,366	96,228
Hire purchase debtors and instalments receivable		171,894	184,279
Deferred tax assets		24,441	24,597
		2,812,887	2,042,906
Current assets			
Investments		_	335,463
Inventories		655,716	640,345
Trade debtors	7	242,697	245,004
Hire purchase debtors and instalments receivable		111,762	108,232
Other debtors, deposits and prepayments		115,073	161,019
Cash and cash equivalents	8	946,456	965,008
<u>-</u>		2,071,704	2,455,071
Current liabilities			
Bank overdrafts (unsecured)	8	42,693	53,345
Bank loans (unsecured)	O	143,539	58,016
Trade creditors	9	224,455	239,317
Other creditors and accruals	,	194,317	212,020
Amounts due to related companies		2,666	399
Taxes payable		124,259	127,711
Provisions		9,594	8,736
		741,523	699,544
Net current assets		1,330,181	1,755,527
Total assets less current liabilities		4,143,068	3,798,433

CONSOLIDATED BALANCE SHEET (continued)

at 30 June 2004 - unaudited

	Note	At 30 June 2004 HK\$'000	At 31 December 2003 HK\$'000
Non-current liabilities			
Deferred tax liabilities Bank loans (unsecured) Provisions		14,149 279,787 11,681	14,239 11,609 11,393
		305,617	37,241
Minority interests		6,365	7,171
NET ASSETS		3,831,086	3,754,021
Representing:			
Share capital	10	1,006,655	1,006,655
Reserves	11	2,824,431	2,747,366
SHAREHOLDERS' EQUITY		3,831,086	3,754,021

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2004 - unaudited

	2004 HK\$'000	2003 HK\$'000
Net cash from operating activities	193,199	200,664
Net cash used in investing activities	(485,994)	(12,992)
Net cash from/(used in) financing activities	289,454	(86,744)
Net (decrease)/increase in cash and cash equivalents	(3,341)	100,928
Cash and cash equivalents at 1 January	911,663	869,401
Effect of exchange differences	(4,559)	(9,785)
Cash and cash equivalents at 30 June	903,763	960,544

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 Board.

2 SEGMENTAL INFORMATION

		p Revenue s ended 30 June		om operations s ended 30 June
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
By business segments				
Motor vehicle distribution Heavy commercial vehicle and industrial	2,163,507	1,664,414	136,637	90,678
equipment distribution	329,053	279,201	35,272	28,123
Property rentals	12,586	9,715	3,494	2,258
Other operations	86,908	79,982	25,362	34,147
	2,592,054	2,033,312	200,765	155,206

	Grou	p Re	venue
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Six months ended 30 June

	2004	2003
	HK\$'000	HK\$'000
By geographical locations		
Singapore	2,299,737	1,807,471
Hong Kong	22,000	26,644
PRC	36,033	26,093
Others	234,284	173,104
	2,592,054	2,033,312

(continued)

3 PROFIT BEFORE TAXATION AND MINORITY INTERESTS

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

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest expense	3,588	2,055
Amortisation of lease prepayments	1,798	1,682
Depreciation	27,703	24,848
Gain on sale of property, plant and equipment	(4,193)	(3,615)

4 TAXATION

The analysis of income tax expense is as follows:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	Nil	Nil
Elsewhere	39,002	31,054
Associates	3,225	3,824
	42,227	34,878

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 17.5% (2003: 17.5%) and 20% (2003: 22%), in the tax jurisdictions in which the Group operates.

5 DIVIDENDS

		Six month	s ended 30 June
		2004	2003
		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	70,466
(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		
	(2003: 1.5 cents) per share	30,200	30,200

(continued)

6 EARNINGS PER SHARE

Earnings per share for the six months ended 30 June 2004 is calculated by dividing the Group's profit attributable to shareholders of approximately HK\$171,107,000 (2003:HK\$135,592,000) by the weighted average number of shares of 2,013,309,000 (2003:2,013,309,000) 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 2004 and 2003.

7 TRADE DEBTORS

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

	At 30 June	At 31 December
	2004	2003
	HK\$'000	HK\$'000
Current	161,734	212,124
1 to 3 months overdue	76,903	27,817
More than 3 months overdue but less than		
12 months overdue	4,060	5,063
	242,697	245,004

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.

8 CASH AND CASH EQUIVALENTS

	At 30 June	At 31 December
	2004	2003
	HK\$'000	HK\$'000
Bank deposits	897,387	915,469
Bank balances	48,752	49,137
Cash on hand	317	402
Cash and cash equivalents		
(exclude bank overdrafts)	946,456	965,008
Bank overdrafts (unsecured)	(42,693)	(53,345)
Cash and cash equivalents	903,763	911,663

(continued)

9 TRADE CREDITORS

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

	At 30 June	At 31 December
	2004	2003
	HK\$'000	HK\$'000
Due within one month or on demand	116,633	145,045
Due after 1 month but within 3 months	74,055	72,556
Due after 3 months but within 6 months	32,697	20,456
Due after 6 months but within 12 months	1,070	1,260
	224,455	239,317

10 SHARE CAPITAL

SHARE CAPITAL	At 30 June 2004 HK\$'000	At 31 December 2003 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

11 RESERVES

	Note	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at							
1 January 2004		550,547	9,549	(376,504)	377,690	2,186,084	2,747,366
Total recognised							
gains and losses		-	-	(23,576)	-	171,107	147,531
Dividends to							
shareholders	5	-	-	-	-	(70,466)	(70,466)
Balance at							
30 June 2004		550,547	9,549	(400,080)	377,690	2,286,725	2,824,431

(continued)

12 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2004 not provided for in the financial statements were as follows:

	At 30 June	At 31 December
	2004	2003
	HK\$'000	HK\$'000
Authorised and contracted for:		
- Construction of properties	205,192	227,700

13 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:

	Six months ended 30 June	
	2004 2003	
	HK\$'000	HK\$'000
Sale of goods and services	2,465	7,286
Purchase of stocks	8,750	7,477

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

With respect to the Group's 50/50 joint venture with a related company to set up TC Capital (Thailand) Co Ltd ("TCCT") in Thailand, the cash consideration of THB25m (approximately HK\$4.8m) was paid in June 2004. TCCT is principally engaged in automotive hire purchase business activities.

14 ACQUISITION OF SUBSIDIARY

On 15 March 2004, the Group completed the acquisition of 100% of Brizay Property Pte Limited, which is primarily engaged in the holding and operation of an investment property, the Wilby Residence. The total cash consideration of the acquisition amounted to \$\$184.9m (approximately HK\$838.4m) and was funded internally.

OTHER INFORMATION

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of 1.5 cents (2003: 1.5 cents) per share on the shares in issue amounting to a total of HK\$30,200,000 (2003:HK\$30,200,000), which will be payable on 17 September 2004 to shareholders whose names appear on the Register of Members on 26 August 2004. Dividend warrants will be sent to shareholders on 17 September 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24 August 2004 to 26 August 2004, 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 23 August 2004.

DIRECTORS' INTERESTS IN SHARES

The directors who held office at 30 June 2004 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"):

	Ordinary shares of HK\$0.50 each		
	Personal	Family	Corporate
Name of director	interests	interests	interests
		(Note 1)	(Note 2)
Dato' Tan Kim Hor	9,224,502	90,972	-
Tan Eng Soon	4,200,000	-	101,580,000
Joseph Ong Yong Loke	600,000	795,000	940,536
Tan Kheng Leong	2,205,000	210,000	-
Neo Ah Chap	2,991,000	-	-
Sng Chiew Huat	384,000	-	-

- 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.

OTHER INFORMATION (continued)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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 2004, 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.

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 2004 amounting to 5% or more of the ordinary shares in issue:

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

Tan Chong Consolidated Sdn. Bhd. 912,799,986 45.34

Note: 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, 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.

OTHER INFORMATION (continued)

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2004.

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 2004, 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 **Sng Chiew Huat**Finance Director

Hong Kong, 29 July 2004

Websites: http://www.tanchonginternational.com

http://www.nissan.com.sg http://www.tcil.com.sg