



Interim  
Report  
2008

Tan Chong International Limited

Stock Code: 693



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## Management Review

For the half year ended 30<sup>th</sup> June 2008, although Group Revenue eased 13%, Gross Margin remained steady. Increasing sale of cars region-wide helped to cushion declining sale of cars in Singapore. Generally, Net Profit took a drop of 21% mainly because of the following factors:

- High start up and infrastructural costs from the continuing expansion of regional network which includes increased distribution and administrative costs to promote the business
- Retrofitting costs to existing rental properties to attract better tenancy and higher returns
- Declining interest income
- Slow sale of remaining units of terraced housing at Oasis @ Mulberry

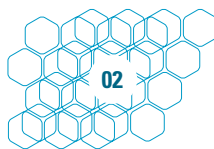
Continuing world wide geopolitical uncertainties, unpredictable interest rate trend and high fuel prices will continue to dampen financial performance. However, the Group believes that the introduction of several new Nissan and Subaru models for the rest of the year should improve sales for the second half of year 2008. Sales outside of Singapore are now expected to contribute more to the company's overall performance in the future.

Group unit vehicle sales were down 17% half year on half year largely mitigated by gaining Subaru unit sales from the launching of new model Forester and Impreza.

The difficult global economic climate has also dampened truck sales volume which dropped 9%. Likewise improving performance from the property rental and after sales service divisions in the previous reporting period has started to taper. The situation is not expected to improve for the rest of the year.

Capital commitment dropped to HK\$168 million from HK\$224 million as at end of last year. This is mainly attributable to 2 projects namely, the Automobile Warehouse at Lokyang in Singapore and the Subaru 3S Centre in Taiwan.

For its expansion into the region, the Group has borrowed HK\$430 million 3-years loan of which HK\$287 million was booked in July 2008. Net cash stood at HK\$842 million.





## Consolidated Income Statement

- unaudited

	Note	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Revenue	2	2,691,595	3,097,291
Cost of sales		(2,075,651)	(2,489,467)
<b>Gross profit</b>		615,944	607,824
Other operating income		41,493	37,269
Distribution costs		(220,971)	(157,294)
Administrative expenses		(212,953)	(177,697)
Other operating expenses		(9,766)	(37,925)
<b>Profit from operations</b>		213,747	272,177
Financing costs		(13,381)	(6,118)
Share of profits less losses of associates		31,405	28,424
<b>Profit before taxation</b>	3	231,771	294,483
Income tax expense	4	(41,806)	(51,317)
<b>Profit for the period</b>		189,965	243,166
Attributable to:			
Equity shareholders of the Company		187,255	239,346
Minority interests		2,710	3,820
<b>Profit for the period</b>		189,965	243,166
<b>Dividends</b>	5(i)	40,266	40,266
<b>Earnings per share (cents)</b>	6	9.3	11.9

The notes on pages 8 to 14 form part of these financial statements.



## Consolidated Statement of Changes in Equity

- unaudited

	<i>Six months ended 30 June</i>	
Note	2008 HK\$'000	2007 HK\$'000
<b>Total equity at 1 January</b>	5,988,832	5,204,258
<b>Net income recognized directly in equity</b>		
Exchange differences on translation of the financial statements of foreign operations		
- attributable to equity shareholders of the Company	596,628	47,330
- minority interests	7	1,760
	10	596,635
<b>Net profit for the period</b>	10	189,965
<b>Total recognised income for the period</b>	786,600	292,256
<b>Dividends paid during the period</b>	5(ii)	(90,599)
<b>Movements in equity arising from capital transactions</b>		
Increase in minority interests through acquisition of subsidiary	-	4,929
<b>Total equity at 30 June</b>	6,684,833	5,410,844

The notes on pages 8 to 14 form part of these financial statements.



## Consolidated Balance Sheet

- unaudited

	Note	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
<b>Non-current assets</b>			
Investment properties		1,569,696	1,493,555
Property, plant and equipment		1,656,042	1,215,421
Lease prepayments		224,117	214,693
Interest in associates		556,030	510,276
Investments		26,983	25,540
Hire purchase debtors and instalments receivable		103,588	89,294
Deferred tax assets		21,687	20,200
		<b>4,158,143</b>	<b>3,568,979</b>
<b>Current assets</b>			
Trading equity securities – listed outside Hong Kong		442,574	418,298
Inventories		1,124,189	939,056
Property held for sale		366,855	311,588
Trade debtors	7	449,833	740,350
Hire purchase debtors and instalments receivable		88,124	81,287
Other debtors, deposits and prepayments		192,448	169,239
Amount due from related companies		8,217	684
Cash and cash equivalents	8	1,162,714	766,980
		<b>3,834,954</b>	<b>3,427,482</b>
<b>Current liabilities</b>			
Bank overdrafts (unsecured)	8	32,271	29,757
Bank loans (unsecured)		63,492	151,031
Trade creditors	9	451,507	244,955
Other creditors and accruals		422,807	354,858
Amounts due to related companies		3,402	-
Taxation		71,381	103,336
Provisions		5,714	7,506
		<b>1,050,574</b>	<b>891,443</b>
<b>Net current assets</b>		<b>2,784,380</b>	<b>2,536,039</b>
<b>Total assets less current liabilities</b>		<b>6,942,523</b>	<b>6,105,018</b>

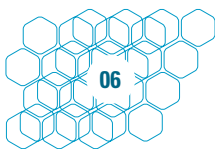


## Consolidated Balance Sheet (Continued)

- unaudited

	Note	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		17,064	55,761
Bank loans (unsecured)		225,164	51,521
Provisions		15,462	8,904
		257,690	116,186
<b>NET ASSETS</b>			
		6,684,833	5,988,832
Representing:			
<b>Capital and reserves</b>			
	10		
Share capital		1,006,655	1,006,655
Reserves		5,626,952	4,933,668
<b>Total equity attributable to equity shareholders of the Company</b>		6,633,607	5,940,323
<b>Minority interests</b>		51,226	48,509
<b>TOTAL EQUITY</b>		6,684,833	5,988,832

The notes on pages 8 to 14 form part of these financial statements.





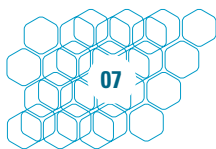


## Condensed Consolidated Cash Flow Statement

- unaudited

	<i>Six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	481,830	342,337
Net cash used in investing activities	(109,297)	(290,583)
Net cash used in financing activities	(753)	(340,233)
Net increase/(decrease) in cash and cash equivalents	371,780	(288,479)
Cash and cash equivalents at 1 January	737,223	1,229,446
Effect of exchange differences	21,440	9,507
Cash and cash equivalents at 30 June	1,130,443	950,474

The notes on pages 8 to 14 form part of these financial statements.



## Notes to the Unaudited Financial Statements

### 1 Basis of preparation

The unaudited 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.

The unaudited interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

### 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>	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>By business segments</b>				
Motor vehicle distribution	1,971,892	2,317,395	81,830	136,617
Heavy commercial vehicle and industrial equipment distribution	502,362	434,361	52,496	65,364
Property rentals and development	39,854	209,741	27,062	60,514
Other operations	177,487	135,794	52,359	9,682
	<b>2,691,595</b>	<b>3,097,291</b>	<b>213,747</b>	<b>272,177</b>

	<i>Group Revenue</i>	
	<i>Six months ended 30 June</i>	
	2008 HK\$'000	2007 HK\$'000
<b>By geographical locations</b>		
Singapore	1,838,601	2,471,438
Hong Kong	56,031	45,862
PRC	375,632	195,325
Others	421,331	384,666
	<b>2,691,595</b>	<b>3,097,291</b>

## 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>2008</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense	13,381	6,118
Amortisation of lease prepayments	2,523	1,667
Depreciation of property, plant and equipment	44,695	41,453
Gain on sale of property, plant and equipment	(5,473)	(4,420)
Decrease in fair value of listed equity securities	2,967	34,464

### 4 Taxation

The analysis of income tax expense is as follows:

	<i>Six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	-	-
Elsewhere	41,806	51,317
	41,806	51,317

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 17.5% (2007: 17.5%) and 30% (2007: 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>	
	<i>2008</i>	<i>2007</i>
	HK\$'000	HK\$'000
(i) Dividends attributable to the period		
Interim dividend declared of 2.0 cents (2007: 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 (2007: 4.5 cents) per ordinary share	90,599	90,599

### 6 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on net profit attributable to equity shareholders of the Company of HK\$187,255,000 (2007: HK\$239,346,000) and the weighted average number of shares of 2,013,309,000 (2007: 2,013,309,000) in issue during the period. The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during the six months ended 30 June 2008 and 2007.

## Notes to the Unaudited Financial Statements

### 7 Trade debtors

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

	<i>At 30 June 2008</i> HK\$'000	<i>At 31 December 2007</i> HK\$'000
0-30 days	384,127	663,695
31 to 90 days	44,494	59,412
Over 90 days	21,212	17,243
	449,833	740,350

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

### 8 Cash and cash equivalents

	<i>At 30 June 2008</i> HK\$'000	<i>At 31 December 2007</i> HK\$'000
Bank deposits	978,564	600,933
Bank balances	183,493	165,373
Cash on hand	657	674
Cash and cash equivalents (exclude bank overdrafts)	1,162,714	766,980
Bank overdrafts (unsecured)	(32,271)	(29,757)
Cash and cash equivalents	1,130,443	737,223

## Notes to the Unaudited Financial Statements

### 9 Trade creditors

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

	<i>At 30 June 2008</i> HK\$'000	<i>At 31 December 2007</i> HK\$'000
0-30 days	292,220	103,220
31-90 days	147,686	132,684
91-180 days	2,453	3,658
Over 180 days	9,148	5,393
	451,507	244,955

### 10 Capital and reserves

	<i>Attributable to equity shareholders of the Company</i>						<i>Total</i> HK\$'000	<i>Minority Interests</i> HK\$'000	<i>Total Equity</i> HK\$'000
	<i>Share Capital</i> HK\$'000	<i>Share premium</i> HK\$'000	<i>Capital reserve</i> HK\$'000	<i>Translation reserve</i> HK\$'000	<i>Contributed surplus</i> HK\$'000	<i>Retained profits</i> HK\$'000			
Balance at 1 January 2008	1,006,655	550,547	9,549	400,420	377,690	3,595,462	5,940,323	48,509	5,988,832
Exchange differences on translation of financial statements of foreign operations	-	-	-	596,628	-	-	596,628	7	596,635
Profit for the period	-	-	-	-	-	187,255	187,255	2,710	189,965
Dividends to shareholders	-	-	-	-	-	(90,599)	(90,599)	-	(90,599)
Balance at 30 June 2008	1,006,655	550,547	9,549	997,048	377,690	3,692,118	6,633,607	51,226	6,684,833

## Notes to the Unaudited Financial Statements

### 10 Capital and reserves (continued)

#### Share capital

	<i>At 30 June 2008</i> HK\$'000	<i>At 31 December 2007</i> HK\$'000
<b>Authorised:</b>		
3,000,000,000 ordinary shares of HK\$0.50 each	1,500,000	1,500,000
<b>Issued and fully paid:</b>		
2,013,309,000 ordinary shares of HK\$0.50 each	1,006,655	1,006,655

### 11 Capital commitments

Capital commitments outstanding at 30 June 2008 not provided for in the financial statements were as follows:

	<i>At 30 June 2008</i> HK\$'000	<i>At 31 December 2007</i> HK\$'000
Authorised and contracted for:		
- Construction of properties	168,104	224,018

## Notes to the Unaudited Financial Statements

### 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>2008</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods and services to related companies	3,477	5,395
Purchase of stocks from related companies	831	569
Services rendered by related companies	-	2,359

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



## Other Information

### Interim dividend

The Board is pleased to declare an interim dividend of 2.0 cents (2007: 2.0 cents) per ordinary share on the shares in issue amounting to a total of HK\$40,266,000 (2007: HK\$40,266,000), which will be payable on 5 September 2008 to shareholders whose names appear on the Register of Members on 1 September 2008. Dividend warrants will be sent to shareholders on 5 September 2008.

### Closure of Register of Members

The Register of Members will be closed from 28 August 2008 to 1 September 2008, 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, Shops 1712-1716, 17<sup>th</sup> floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 27 August 2008.

### Directors' interests in shares

The directors who held office at 30 June 2008 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 (Note 1)</i>	<i>Corporate interests (Note 2)</i>	<i>Percentage of total issued shares</i>	
<i>Executive Directors:</i>					
Tan Eng Soon	-	-	125,163,000	6.22%	125,163,000
Joseph Ong Yong Loke	684,000	795,000	940,536	0.12%	2,419,536
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	729,000	-	-	0.04%	729,000

## 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 2008, 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 2008 amounting to 5% or more of the ordinary shares in issue:

<i>Long positions</i>	<i>Note</i>	<i>Ordinary shares Held</i>	<i>Percentage of total issued shares</i>
Tan Chong Consolidated Sdn. Bhd.	(1)	912,799,986	45.34
Guoco Group Limited	(2)	322,822,068	16.03



## Other Information

### 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 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. However, according to the Company's register, Capital Intelligence Limited, Guoline Capital Assets Limited and Guoline Overseas Limited 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.

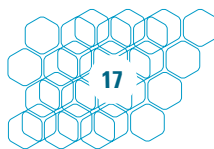
There were no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

### Audit Committee

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2008.

### 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 2008, 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 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

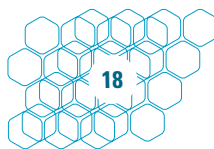
**Sng Chiew Huat**

Finance Director

Hong Kong, 31 July 2008

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

*As at the date of this interim report, 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