



Tan Chong International Limited
Interim Report 2009

Stock Code: 693

TAN CHONG
INTERNATIONAL LIMITED



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Management Review

The Board is pleased to report that when compared to the second half of last year, the following were contributing factors to Group results for the half year ended 30th June 2009:

1. Group Revenue eased 13%.
2. Gross Margin contribution declined due to steep competition.
3. Interest income declined because market was flushed with liquidity.
4. Distribution and administrative expenses eased.
5. Increasing sale of cars region-wide helped to cushion declining car sales in Singapore.
6. Continuing retrofitting of existing rental properties to attract better tenancy and higher returns.
7. Lower contributions from Associates.
8. Equity portfolio was the main contributor to Net Profit.

The ongoing worldwide geopolitical uncertainties, currency risks, unpredictable interest rate trend and volatile fuel prices will continue to dampen financial performance. Car sales in Singapore are expected to decline further due to declining car quota and intense competition. The Group is relying on regional sales to beef up overall performance for the remaining half of the year and will continue to add more regional sales outlets and improve regional networking.

Group unit vehicle sales were down 22% half year on half year largely mitigated by gaining Subaru unit sales from new models Forester and Impreza.

The difficult global economic climate further dampened truck sales and the performance of the property rental and after sales service divisions. However, riding on improving economic sentiment and barring unforeseen circumstances, the prospects are expected to be better for the rest of the year.

Capital commitments were reduced to HK\$29 million from HK\$67 million at the end of last year. They were for two projects in Singapore namely, continuing retrofitting work at Tan Chong Tower and the delivery facility at Lokyang.

Consolidated Income Statement

- unaudited

| | <i>Note</i> | <i>Six months ended 30 June</i> | |
|--|-------------|---------------------------------|-----------------|
| | | <i>2009</i> | <i>2008</i> |
| | | HK\$'000 | HK\$'000 |
| Revenue | 2 | 2,312,949 | 2,691,595 |
| Cost of sales | | (2,008,115) | (2,157,935) |
| Gross profit | | 304,834 | 533,660 |
| Other operating income | | 170,915 | 41,493 |
| Distribution costs | | (132,634) | (138,687) |
| Administrative expenses | | (175,968) | (212,953) |
| Other operating expenses | | (6,396) | (9,766) |
| Profit from operations | | 160,751 | 213,747 |
| Financing costs | | (22,149) | (13,381) |
| Share of profits less losses of associates | | 24,692 | 31,405 |
| Profit before taxation | 3 | 163,294 | 231,771 |
| Income tax expense | 4 | (15,879) | (41,806) |
| Profit for the period | | <u>147,415</u> | <u>189,965</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 147,962 | 187,255 |
| Minority interests | | (547) | 2,710 |
| Profit for the period | | <u>147,415</u> | <u>189,965</u> |
| Dividends | 5(i) | <u>20,133</u> | <u>40,266</u> |
| Earnings per share (cents) | 6 | | |
| Basic | | 7.3 | 9.3 |
| Diluted | | 7.3 | 9.3 |

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



Consolidated Statement of Changes in Equity

- unaudited

| | Note | Six months ended 30 June | |
|---|-------|--------------------------|-----------|
| | | 2009 | 2008 |
| | | HK\$'000 | HK\$'000 |
| Total equity at 1 January | | 5,921,255 | 5,988,832 |
| Net income recognized directly in equity | | | |
| Exchange differences on translation of the financial statements of foreign operations | | | |
| - attributable to equity shareholders of the Company | | (34,747) | 596,628 |
| - minority interests | | 1,405 | 7 |
| | 10 | (33,342) | 596,635 |
| Net profit for the period | 10 | 147,415 | 189,965 |
| Total recognised income for the period | | 114,073 | 786,600 |
| Dividends paid during the period | 5(ii) | (20,133) | (90,599) |
| Movements in equity arising from capital transactions | | | |
| Increase in minority interests through acquisition of subsidiary | | - | - |
| Total equity at 30 June | | 6,015,195 | 6,684,833 |

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

Consolidated Balance Sheet

- unaudited

| | | <i>At 30 June</i> | <i>At 31 December</i> |
|--|-------------|-------------------|-----------------------|
| | <i>Note</i> | <i>2009</i> | <i>2008</i> |
| | | HK\$'000 | HK\$'000 |
| Non-current assets | | | |
| Investment properties | | 1,408,211 | 1,415,002 |
| Property, plant and equipment | | 1,388,153 | 1,381,216 |
| Lease prepayments | | 204,570 | 208,280 |
| Interest in associates | | 612,266 | 600,945 |
| Other financial assets | | 176,005 | 179,721 |
| Hire purchase debtors and instalments receivable | | 95,348 | 95,419 |
| Deferred tax assets | | 10,652 | 9,891 |
| | | <hr/> | <hr/> |
| | | 3,895,205 | 3,890,474 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Investments | | 364,028 | 236,203 |
| Inventories | | 1,268,127 | 1,538,811 |
| Property held for sale | | 307,584 | 309,239 |
| Trade debtors | 7 | 202,251 | 281,008 |
| Hire purchase debtors and instalments receivable | | 73,999 | 78,152 |
| Other debtors, deposits and prepayments | | 149,790 | 192,841 |
| Amount due from related companies | | 11,674 | 12,240 |
| Cash and cash equivalents | 8 | 1,253,417 | 934,204 |
| | | <hr/> | <hr/> |
| | | 3,630,870 | 3,582,698 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Bank overdrafts (unsecured) | 8 | 33,632 | 13,162 |
| Bank loans (unsecured) | | 388,455 | 372,081 |
| Trade creditors | 9 | 209,425 | 268,503 |
| Other creditors and accruals | | 316,464 | 323,599 |
| Amounts due to related companies | | 3,156 | 3,161 |
| Taxation | | 36,933 | 55,036 |
| Provisions | | 18,895 | 9,278 |
| | | <hr/> | <hr/> |
| | | 1,006,960 | 1,044,820 |
| | | <hr/> | <hr/> |
| Net current assets | | 2,623,910 | 2,537,878 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 6,519,115 | 6,428,352 |
| | | <hr/> | <hr/> |



Consolidated Balance Sheet (continued)

- unaudited

| | <i>Note</i> | <i>At 30 June 2009 HK\$'000</i> | <i>At 31 December 2008 HK\$'000</i> |
|--|-------------|---|---|
| Non-current liabilities | | | |
| Deferred tax liabilities | | 45,687 | 44,886 |
| Bank loans (unsecured) | | 448,096 | 449,428 |
| Provisions | | 10,137 | 12,783 |
| | | <hr/> 503,920 | <hr/> 507,097 |
| NET ASSETS | | <hr/> 6,015,195 | <hr/> 5,921,255 |
| Representing: | | | |
| Capital and reserves | 10 | | |
| Share capital | | 1,006,655 | 1,006,655 |
| Reserves | | 4,960,631 | 4,867,549 |
| | | <hr/> 5,967,286 | <hr/> 5,874,204 |
| Total equity attributable to equity shareholders of the Company | | <hr/> 5,967,286 | <hr/> 5,874,204 |
| Minority interests | | 47,909 | 47,051 |
| | | <hr/> 6,015,195 | <hr/> 5,921,255 |
| TOTAL EQUITY | | <hr/> 6,015,195 | <hr/> 5,921,255 |

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>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 334,220 | 481,830 |
| Net cash used in investing activities | (32,192) | (109,297) |
| Net cash used in financing activities | (6,106) | (753) |
| Net increase in cash and cash equivalents | 295,922 | 371,780 |
| Cash and cash equivalents at 1 January | 921,042 | 737,223 |
| Effect of exchange differences | 2,821 | 21,440 |
| Cash and cash equivalents at 30 June | <u>1,219,785</u> | <u>1,130,443</u> |

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 2008 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> | |
| | <i>2009</i> | <i>2008</i> | <i>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| By business segments | | | | |
| Motor vehicle distribution | 1,878,071 | 1,971,892 | (28,951) | 81,830 |
| Heavy commercial vehicle and industrial equipment distribution | 260,798 | 502,362 | 18,523 | 52,496 |
| Property rentals and development | 36,433 | 39,854 | 19,154 | 27,062 |
| Other operations | 137,647 | 177,487 | 152,025 | 52,359 |
| | <u>2,312,949</u> | <u>2,691,595</u> | <u>160,751</u> | <u>213,747</u> |

| | <i>Group Revenue</i> | |
|----------------------------------|---------------------------------|------------------|
| | <i>Six months ended 30 June</i> | |
| | <i>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 |
| By geographical locations | | |
| Singapore | 1,299,015 | 1,838,601 |
| Hong Kong | 41,590 | 56,031 |
| PRC | 664,617 | 375,632 |
| Others | 307,727 | 421,331 |
| | <u>2,312,949</u> | <u>2,691,595</u> |

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>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 |
| Interest expense | 22,150 | 13,381 |
| Amortisation of lease prepayments | 3,197 | 2,523 |
| Depreciation of property, plant and equipment | 51,097 | 44,695 |
| Gain on sale of property, plant and equipment | (4,318) | (5,473) |
| (Increase)/ Decrease in fair value of listed equity securities | (127,900) | 2,967 |

4 Taxation

The analysis of income tax expense is as follows:

| | <i>Six months ended 30 June</i> | |
|-----------|---------------------------------|-----------------|
| | <i>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 1,200 | - |
| Elsewhere | 14,679 | 41,806 |

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2008: 17.5%) and 30% (2008: 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>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 |
| (i) Dividends attributable to the period | | |
| Interim dividend declared of 1.0 cent (2008: 2.0 cents) per ordinary share | 20,133 | 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 1.0 cent (2008: 4.5 cents) per ordinary share | 20,133 | 90,599 |

6 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on net profit attributable to equity shareholders of the Company of HK\$147,962,000 (2008: HK\$187,255,000) and the weighted average number of shares of 2,013,309,000 (2008: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2009 and 2008 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

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 2009</i> | <i>At 31 December 2008</i> |
|--------------|----------------------------|--------------------------------|
| | HK\$'000 | HK\$'000 |
| 0-30 days | 158,980 | 220,390 |
| 31 - 90 days | 28,851 | 37,060 |
| Over 90 days | 14,420 | 23,558 |
| | <u>202,251</u> | <u>281,008</u> |

The Group allows credit periods from seven days to six months.

8 Cash and cash equivalents

| | <i>At 30 June 2009</i> | <i>At 31 December 2008</i> |
|---|----------------------------|--------------------------------|
| | HK\$'000 | HK\$'000 |
| Bank deposits | 1,013,861 | 733,548 |
| Bank balances | 228,731 | 195,753 |
| Cash on hand | 10,825 | 4,903 |
| | <u>1,253,417</u> | <u>934,204</u> |
| Cash and cash equivalents (exclude bank overdrafts) | 1,253,417 | 934,204 |
| Bank overdrafts (unsecured) | (33,632) | (13,162) |
| | <u>1,219,785</u> | <u>921,042</u> |

Notes to the Unaudited Financial Statements

9 Trade creditors

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

| | <i>At 30 June 2009</i> | <i>At 31 December 2008</i> |
|---------------|----------------------------|--------------------------------|
| | HK\$'000 | HK\$'000 |
| 0-30 days | 91,318 | 137,109 |
| 31-90 days | 62,367 | 77,472 |
| 91-180 days | 21,239 | 26,842 |
| Over 180 days | 34,501 | 27,080 |
| | <u>209,425</u> | <u>268,503</u> |

10 Capital and reserves

| | <i>Attributable to equity shareholders of the Company</i> | | | | | | | | |
|--|---|--------------------------|----------------------------|--------------------------------|--------------------------------|-----------------------------|------------------|-------------------------------|-------------------------|
| | <i>Share Capital</i> | <i>Share premium</i> | <i>Capital reserve</i> | <i>Translation reserve</i> | <i>Contributed surplus</i> | <i>Retained profits</i> | <i>Total</i> | <i>Minority Interests</i> | <i>Total Equity</i> |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 January 2009 | 1,006,655 | 550,547 | 9,549 | 403,705 | 377,690 | 3,526,058 | 5,874,204 | 47,051 | 5,921,255 |
| Exchange differences on translation of financial statements of overseas | | | | | | | | | |
| - subsidiaries | - | - | - | (22,376) | - | - | (22,376) | 1,405 | (20,971) |
| - associates | - | - | - | (12,371) | - | - | (12,371) | - | (12,371) |
| Profit for the period | - | - | - | - | - | 147,962 | 147,962 | (547) | 147,415 |
| Dividends to shareholders | - | - | - | - | - | (20,133) | (20,133) | - | (20,133) |
| Balance at 30 June 2009 | <u>1,006,655</u> | <u>550,547</u> | <u>9,549</u> | <u>368,958</u> | <u>377,690</u> | <u>3,653,887</u> | <u>5,967,286</u> | <u>47,909</u> | <u>6,015,195</u> |

Notes to the Unaudited Financial Statements

10 Capital and reserves (continued)

(a) Share capital

| | <i>At 30 June 2009</i> | <i>At 31 December 2008</i> |
|--|----------------------------|--------------------------------|
| | HK\$'000 | 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 Capital commitments

Capital commitments outstanding at 30 June 2009 not provided for in the financial statements were as follows:

| | <i>At 30 June 2009</i> | <i>At 31 December 2008</i> |
|--------------------------------|----------------------------|--------------------------------|
| | HK\$'000 | HK\$'000 |
| Authorised and contracted for: | | |
| - Construction of properties | 29,121 | 67,232 |



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>2009</i> | <i>2008</i> |
| | HK\$'000 | HK\$'000 |
| Sale of goods and services to related companies | 504 | 3,477 |
| Purchase of stocks from related companies | 181 | 831 |

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

13 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 1.0 cent (2008: 2.0 cents) per ordinary share on the shares in issue amounting to a total of HK\$20,133,000 (2008: HK\$40,266,000), which will be payable on 9 September 2009 to shareholders whose names appear on the Register of Members on 31 August 2009. Dividend warrants will be sent to shareholders on 9 September 2009.

Closure of Register of Members

The Register of Members will be closed from 27 August 2009 to 31 August 2009, 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, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 26 August 2009.

Directors' interests in shares

The directors who held office at 30 June 2009 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>Percentage of total issued shares</i> | <i>Total</i> |
|-----------------------------|---|-------------------------------------|--|--------|--|--------------|
| | <i>Personal interests</i> | <i>Family interests</i> (Note 1) | <i>Corporate interests</i> (Note 2) | | | |
| <i>Executive Directors:</i> | | | | | | |
| Tan Eng Soon | 111,999,972 | - | 125,163,000 | 11.78% | 237,162,972 | |
| 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 | |
| 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 2009, 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 2009 amounting to 5% or more of the ordinary shares in issue:

| <i>Name</i> | <i>Long/short Positions</i> | <i>Note</i> | <i>Ordinary shares held</i> | <i>Percentage of total issued shares</i> |
|----------------------------------|---------------------------------|-------------|---------------------------------|--|
| Tan Chong Consolidated Sdn. Bhd. | Long | (1) | 912,799,986 | 45.34 |
| | Short | | 247,237,266 | 12.28 |
| Guoco Group Limited | Long | (2) | 342,304,068 | 17.00 |

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 2009.

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 2009, 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.

Disclosure of Information On Directors

On 1 June 2009, Mdm. Jeny Lau has resigned as an Executive Director and the Chief Financial Officer of Shui On Construction and Materials Limited and was subsequently appointed as a Director and Chief Operating Officer of Phoenix Property Investors (HK) Limited.

By Order of the Board
Sng Chiew Huat
Finance Director
Hong Kong, 29 July 2009

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

As at the date of this interim report, the directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong 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.

