

Tan Chong International Limited
Interim Report 2012

Stock Code: 693








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Management Review

RESULTS

The first half of 2012 was a challenging period, marked by the Euro crisis that affected business and consumer confidence in our area of operation, the Asia Pacific Region. A rapidly appreciating Yen affected our cost and together with a limited supply of Certificates of Entitlement in Singapore made our earnings more tenuous.

Revenue and vehicle sales units decreased to HK\$3,081 million and 7,495 respectively for first half of 2012 compared to HK\$3,296 million and 8,799 for the corresponding period of 2011.

However, profit attributable to shareholders increased to HK\$416 million for the first half of 2012 compared to HK\$100 million for the corresponding period of last year.

This exceptional increase is due to the following factors:

- Profit margin improvement from our automotive businesses in Thailand, Taiwan and Philippines.
- Additional property unit sales at our Oasis @Mulberry project.
- A one time gain of HK\$74million from the sale of our tyre joint venture in China.
- A revaluation gain of our listed investment of HK\$176 million.

Group NTA (Net Tangible Assets) per share at the end of June 2012 rose to HK\$4.22 from HK\$4.01 at the end of December 2011. We declare an interim dividend of HK\$0.02 per share for the first half of 2012.

THAILAND TRUCKS BUSINESS

We continue to make progress in production, sales and profit in the first half of 2012, and barring unforeseen circumstances we should make further progress in the second half of the year.

CHINA DISTRIBUTION

The China auto industry is currently facing high inventories with weaker growth as customers maintain cautiousness in making purchase decisions. The Subaru vehicle sales for China in the first half-year were further affected by a recall of Legacy and Outback models. A shortage in supply of the popular new XV did not help augment sale performance. Consequently Motor Image experienced a sales decline of about 29% compared to the same period in 2011. The City Government recently implemented a vehicle registration quota in Guangzhou City, but we remain optimistic that the introduction of the new fuel efficient Legacy, Outback and all new Forester slated for introduction in November will improve Subaru sales. The general sales outlook for the remainder of the year is expected to remain flat.

Management Review (continued)

CHINA MANUFACTURING

Full-scale production of automotive seats from the Nanjing factory was delayed in tandem with the general slowdown in the China automotive industry. However, prototype seats developed in conjunction with our customers who are one of the largest automotive manufacturers are on going in preparation for full-scale start of production early next year. The Xiamen factory continues to produce at full capacity due to customer's consolidating supply through fewer factories.

PROSPECTS

Barring unforeseen circumstances, the group expects better revenue growth in the second half and financial performance should be satisfactory.

Consolidated Income Statement

- unaudited

	Note	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Revenue	2	3,081,012	3,295,508
Cost of sales		(2,509,370)	(2,806,718)
Gross profit		571,642	488,790
Other operating income		220,599	34,277
Distribution costs		(184,968)	(173,116)
Administrative expenses		(246,597)	(204,577)
Other operating expenses		(8,187)	(6,551)
Profit from operations		352,489	138,823
Financing costs		(16,400)	(21,951)
Share of profits less losses of associates		126,574	33,351
Profit before taxation	3	462,663	150,223
Income tax expense	4	(41,448)	(40,252)
Profit for the period		421,215	109,971
Attributable to:			
Equity shareholders of the Company		415,544	99,901
Non-controlling interests		5,671	10,070
Profit for the period		421,215	109,971
Earnings per share (cents)	6		
Basic and diluted		20.6	5.0

The notes on pages 10 to 15 form part of these financial statements.

Consolidated Statement of Comprehensive Income

- unaudited

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	421,215	109,971
Other comprehensive income for the period		
Exchange differences on translation of financial statements of:		
- overseas subsidiaries	131,484	247,695
- associates	(8,599)	21,149
	122,885	268,844
Available-for-sale securities:		
- Changes in fair value recognised during the period	(2,245)	3,048
	120,640	271,892
Total comprehensive income for the period	<u>541,855</u>	<u>381,863</u>
Attributable to:		
Equity shareholders of the company	536,702	374,858
Non-controlling interests	5,153	7,005
Total comprehensive income for the period	<u>541,855</u>	<u>381,863</u>

The notes on pages 10 to 15 form part of these financial statements.

Consolidated Statement of Changes in Equity

- unaudited

	Attributable to equity shareholders of the Company							Total	Non controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Translation reserve	Contributed surplus	Fair value reserve	Retained profits			
Balance at 1										
January 2012	1,006,655	550,547	9,549	1,024,254	377,690	11,562	5,033,727	8,013,984	60,333	8,074,317
Changes in equity for 2012:										
Profit for the period	-	-	-	-	-	-	415,544	415,544	5,671	421,215
Other comprehensive income	-	-	-	123,403	-	(2,245)	-	121,158	(518)	120,640
Total comprehensive income for the period	-	-	-	123,403	-	(2,245)	415,544	536,702	5,153	541,855
Dividends declared and approved during the period	-	-	-	-	-	-	(110,732)	(110,732)	-	(110,732)
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2012	<u>1,006,655</u>	<u>550,547</u>	<u>9,549</u>	<u>1,147,657</u>	<u>377,690</u>	<u>9,317</u>	<u>5,338,539</u>	<u>8,439,954</u>	<u>65,486</u>	<u>8,505,440</u>

The notes on pages 10 to 15 form part of these financial statements.

Consolidated Balance Sheet

- unaudited

	Note	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Non-current assets			
Investment properties		2,368,414	2,325,651
Other property, plant and equipment		1,969,436	1,892,208
Interest in leasehold land		248,697	249,198
Interest in associates		905,489	894,349
Other financial assets		164,832	163,659
Hire purchase debtors and instalments receivable		206,217	203,381
Non-current prepayments		11,615	11,796
Deferred tax assets		13,436	13,044
		<u>5,888,136</u>	<u>5,753,286</u>
Current assets			
Investments designated at fair value through profit or loss		741,428	565,535
Inventories		1,675,541	1,539,756
Properties held for sale		95,799	150,915
Trade debtors	7	534,388	413,782
Hire purchase debtors and instalments receivable		87,864	86,501
Other debtors, deposits and prepayments		375,060	294,690
Amount due from related companies		12,941	12,678
Cash and cash equivalents	8	<u>1,389,921</u>	<u>1,611,306</u>
		<u>4,912,942</u>	<u>4,675,163</u>
Current liabilities			
Bank overdrafts (unsecured)	8	33,207	8,574
Bank loans		880,075	1,008,944
Trade creditors	9	332,644	366,959
Other creditors and accruals		467,550	400,041
Amounts due to related companies		7,715	4,539
Current taxation		64,592	67,305
Provisions		17,935	16,973
		<u>1,803,718</u>	<u>1,873,335</u>
Net current assets		<u>3,109,224</u>	<u>2,801,828</u>
Total assets less current liabilities		<u>8,997,360</u>	<u>8,555,114</u>

The notes on pages 10 to 15 form part of these financial statements.

Consolidated Balance Sheet (continued)

- unaudited

	Note	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Non-current liabilities			
Deferred tax liabilities		28,805	28,115
Bank loans		451,625	442,947
Provisions		11,490	9,735
		<u>491,920</u>	<u>480,797</u>
NET ASSETS		<u>8,505,440</u>	<u>8,074,317</u>
Capital and reserves			
Share capital	10	1,006,655	1,006,655
Reserves		<u>7,433,299</u>	<u>7,007,329</u>
Total equity attributable to equity shareholders of the Company		8,439,954	8,013,984
Non-controlling interests		<u>65,486</u>	<u>60,333</u>
TOTAL EQUITY		<u>8,505,440</u>	<u>8,074,317</u>

The notes on pages 10 to 15 form part of these financial statements.

Condensed Consolidated Cash Flow Statement

- unaudited

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash (used in) / generated from operating activities	(15,933)	333,279
Net cash generated from / (used in) investing activities	4,055	(158,305)
Net cash (used in) /generated from financing activities	<u>(234,859)</u>	<u>69,467</u>
Net (decrease) / increase in cash and cash equivalents	(246,737)	244,441
Cash and cash equivalents at 1 January	1,602,732	1,914,775
Effect of exchange differences	<u>719</u>	<u>12,329</u>
Cash and cash equivalents at 30 June	<u><u>1,356,714</u></u>	<u><u>2,171,545</u></u>

The notes on pages 10 to 15 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 2011 annual financial statements.

2 Segment Reporting

(a) Segment results

	Group Revenue		EBITDA	
	Six months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business lines				
Motor vehicle distribution	2,071,745	2,509,033	25,875	50,296
Heavy commercial vehicle and industrial equipment distribution	587,953	395,790	83,823	53,238
Property rentals and development	187,440	90,838	91,589	44,491
Other operations	233,874	299,847	214,160	51,149
	<u>3,081,012</u>	<u>3,295,508</u>	<u>415,447</u>	<u>199,174</u>

	Group Revenue	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Geographical areas		
Singapore	828,807	857,537
Hongkong	38,371	36,682
PRC	1,235,407	1,676,121
Others	978,427	725,168
	<u>3,081,012</u>	<u>3,295,508</u>

Notes to the Unaudited Financial Statements

2 Segment Reporting (continued)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Total segment EBITDA	415,447	199,174
Depreciation and amortisation	(77,261)	(71,348)
Interest income	14,303	10,997
Finance costs	(16,400)	(21,951)
Share of profits less losses of associates	126,574	33,351
Consolidated profit before taxation	462,663	150,223

3 Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest expense	16,400	21,951
Amortisation of interest in leasehold land	3,798	3,830
Depreciation of property, plant and equipment	73,463	67,518
Gain on disposal of property, plant and equipment	(4,974)	(5,511)
(Increase) / decrease in fair value of listed investments	(175,703)	685
	(175,703)	685

Notes to the Unaudited Financial Statements

4 Taxation

The analysis of income tax expense is as follows:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	-	-
Singapore	19,709	16,427
Elsewhere	21,739	23,825
	<u>41,448</u>	<u>40,252</u>

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2011: 16.5%) and 30% (2011: 30%), in the tax jurisdictions in which the Group operates.

5 Dividends

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
(i) Dividends attributable to the period		
Interim dividend declared of HK\$0.02 (2011: HK\$0.015) per ordinary share	<u>40,266</u>	<u>30,200</u>

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 HK\$0.055 (2011: HK\$0.05) per ordinary share	<u>110,732</u>	<u>100,665</u>

6 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on net profit attributable to equity shareholders of the Company of HK\$415,544,000 (2011: HK\$99,901,000) and the weighted average number of shares of 2,013,309,000 (2011: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2012 and 2011 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:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
0-30 days	435,652	327,863
31 - 90 days	58,296	39,938
Over 90 days	40,440	45,981
	<u>534,388</u>	<u>413,782</u>

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

8 Cash and cash equivalents

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Bank deposits	495,901	1,240,425
Cash at bank	892,114	369,623
Cash in hand	1,906	1,258
	<u>1,389,921</u>	<u>1,611,306</u>
Cash and cash equivalents (exclude bank overdrafts)	1,389,921	1,611,306
Bank overdrafts (unsecured)	<u>(33,207)</u>	<u>(8,574)</u>
Cash and cash equivalents	<u>1,356,714</u>	<u>1,602,732</u>

Notes to the Unaudited Financial Statements

9 Trade creditors

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

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
0-30 days	145,839	258,354
31 - 90 days	141,837	85,648
91-180 days	27,512	12,998
Over 180 days	17,456	9,959
	<u>332,644</u>	<u>366,959</u>

10 Share capital

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.50 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
2,013,309,000 ordinary shares of HK\$0.50 each	<u>1,006,655</u>	<u>1,006,655</u>

Notes to the Unaudited Financial Statements

11 Capital commitments

Capital commitments outstanding at 30 June 2012 not provided for in the financial statements were as follows:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Authorised and contracted for:		
- Construction of properties	53,155	38,147

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:

	At 30 June 2012 HK\$'000	At 30 June 2011 HK\$'000
Sale of goods and services to related companies	3,019	5,819
Purchase of goods and services from related companies	8,246	881

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.

Other Information

Interim Dividend

The Board is pleased to declare an interim dividend of HK\$0.02 (2011: HK\$0.015) per ordinary share on the shares in issue amounting to a total of HK\$40,266,000 (2011: HK\$30,200,000), which will be payable on 13 September 2012 to shareholders whose names appear on the Register of Members on 5 September 2012. Dividend warrants will be sent to shareholders on 13 September 2012.

Closure of Register of Members

The Register of Members will be closed from 3 September 2012 to 5 September 2012, 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 31 August 2012.

Directors' Interests and Short Positions in Shares

The directors who held office as at 30 June 2012 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"):

Long positions	Ordinary shares of HK\$0.50 each					Percentage of total issued shares
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Other interests	Total	
Executive Directors:						
Tan Eng Soon	353,607,972	-	125,163,000	1,027,584,147 (Note 3)	1,506,355,119	74.81%
Joseph Ong Yong Loke	684,000	795,000	940,536	-	2,419,536	0.12%
Tan Kheng Leong	2,205,000	210,000	-	1,503,940,119 (Note 4)	1,506,355,119	74.81%
Sng Chiew Huat	849,000	-	-	-	849,000	0.04%
Glenn Tan Chun Hong	99,000	-	-	-	99,000	0.0049%

Directors' Interests and Short Positions in Shares (continued)

Notes:

- (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 respectively.
- (2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.
- (3) In addition to Tan Eng Soon's personal and corporate interests of 353,607,972 Shares and 125,163,000 Shares respectively, he is deemed to be interested in 1,027,584,147 Shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,506,355,119 Shares.
- (4) In addition to Tan Kheng Leong's personal and family interests of 2,205,000 Shares and 210,000 Shares respectively, he is deemed to be interested in 1,503,940,119 Shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,506,355,119 Shares.

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 subsidiaries or associates (within the meaning of the SFO) as at 30 June 2012, 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 as 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, any of its subsidiaries or any of its fellow subsidiaries 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.

Other Information

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 as at 30 June 2012 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)	1,506,355,119	74.81%
Dato' Tan Heng Chew	Long	(2)	1,506,355,119	74.81%
Guoco Group Limited	Long	(3)	158,700,068	7.88%

Notes:

- (1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company. The 1,506,355,119 Shares referred to above include 705,819,720 Shares beneficially held by Tan Chong Consolidated Sdn. Bhd. and 800,535,399 Shares in which Tan Chong Consolidated Sdn. Bhd. is interested pursuant to sections 317 and 318 of the SFO.
- (2) Based on the disclosure of interests filed, Dato' Tan Heng Chew has personal, family and corporate interests of 28,990,986 Shares, 328,170 Shares, and 37,848,000 Shares respectively. He is also deemed to be interested in 1,439,187,963 Shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,506,355,119 Shares.
- (3) Based on the disclosure of interests filed, certain corporations/individuals namely Quek Leng Chan, HL Holdings Sdn Bhd, Kwek Leng Kee, Davos Investment Holdings Private Limited, Hong Leong Investment Holdings Pte Ltd, Hong Leong Company (Malaysia) Berhad, Guoline Capital Assets Limited and Guoline Overseas Limited, 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. Guoco Group Limited is deemed to be interested in the 158,700,068 shares through its controlled corporations pursuant to the SFO, including Guocoequity Assets Limited and Capital Intelligence Limited in respect of 157,389,068 shares. Such 157,389,068 shares were held by Capital Intelligence Limited which was 100% controlled by Guocoequity Assets Limited.

On 3 July 2012, Guoco Group Limited reduced its interests to 60,459,068 shares, representing 3% of the ordinary shares in issue, and ceased to be a substantial shareholder of the Company.

Other Information

Substantial Interests in the Share Capital of the Company (continued)

Save as disclosed above, no persons, other than a director of the Company whose interests are set out above, had registered interests in the share capital of the Company that was required to be recorded in the register under section 336 of the SFO.

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 2012.

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

Corporate Governance Code

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 2012, acting in compliance with the Corporate Governance Code 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.

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, the change in information of directors since the date of the 2011 annual report of the Company is set out below:

Name of Director	Details of Change
Tan Eng Soon	Mr Tan has ceased to act as a managing director of Tan Chong Motor Holdings Berhad on 30 June 2012.

By Order of the Board

Sng Chiew Huat

Finance Director

Hong Kong, 6 August 2012

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

As at the date of this announcement, the Executive Directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Independent Non-Executive Directors are Mr. Lee Han Yang, Mr. Masatoshi Matsuo, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck. The Honorary Life Counselor of the Company is Dato' Tan Kim Hor.