

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 1 SIGNIFICANT ACCOUNTING POLICIES

Tan Chong International Limited is a company incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company was listed on The Stock Exchange of Hong Kong Limited (“HKSE”) on 7 July 1998. The place of business of its principal subsidiaries is Singapore.

The consolidated financial statements of the Company as of and for the year ended 31 December 2003 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates. The consolidated financial statements were authorised for issue by the Directors on 10 March 2004.

### *(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”). Although it is not required to do so under the Bye-Laws of the Company, the financial statements of the Company and the Group have been prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### *(b) Basis of preparation*

The financial statements are presented in Hong Kong dollars, rounded to the nearest thousand, because the Company is listed in Hong Kong although its principal activities are domiciled in Singapore.

The consolidated financial statements are prepared on the historical cost basis except that investment properties and investments available for sale are stated at fair value if the relevant fair value is available. The accounting policies have been consistently applied by group enterprises.

### *(c) Basis of consolidation*

#### *(i) Subsidiaries*

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***(c) Basis of consolidation (continued)***

#### ***(i) Subsidiaries (continued)***

Investments in subsidiaries in the Company's balance sheet are stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case it is stated at fair value with changes in fair value recognised in the income statement when they arise.

#### ***(ii) Associates***

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in associates in the Company's balance sheet are stated at cost less impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the income statement as they arise.

#### ***(iii) Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise, against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***(d) Translation of foreign currencies***

#### ***(i) Individual companies***

Transactions in foreign currencies are translated into the reporting currency at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the reporting currency at the exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement, except for foreign exchange differences arising from translating monetary assets that, in substance, form part of a company's net investment in an overseas entity, which are dealt with as a movement in reserves.

#### ***(ii) On consolidation***

The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated at the exchange rates ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

### ***(e) Investment properties***

Investment properties are held for their investment potential and rental income. Rental income from investment properties is accounted for as described in accounting policy 1(r). Investment properties are stated at their fair value determined annually. Fair value is based on current prices in an active market for similar properties in the same location and condition. It is the Group's policy to undertake valuations at intervals of not more than three years by independent professional valuers on an open market value basis. In the intervening years investment properties are valued by appropriately qualified persons within the Group on an annual basis. Any gain or loss arising from a change in fair value is recognised in the income statement.

### ***(f) Properties under development***

Properties under development are stated at cost less impairment losses. Cost comprises direct costs of development as well as professional fees incurred during the development.

### ***(g) Property, plant and equipment***

Land and buildings other than investment properties are carried at purchase price or at 1984 revalued amount, less accumulated depreciation and impairment losses.

# 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

## (g) Property, plant and equipment (continued)

The surplus which arose on the 1984 valuation was taken to capital reserve and may only be transferred to retained profits as and when the relevant property is disposed of. All other gains and losses arising on disposal of property, plant and equipment are dealt with in the income statement.

Freehold land is not amortised.

All other property, plant and equipment are carried at purchase price less accumulated depreciation and impairment losses. They are depreciated on a straight line basis to write off the cost of these assets over their estimated useful lives at the following annual rates:

Buildings	2% - 4%
Plant, machinery and equipment	
- engines, construction equipment and forklifts for hire	20% on cost less residual value
- others	10%
Furniture, fixtures, fittings and office equipment	10% - 15%
Motor vehicles	12 $\frac{1}{2}$ % - 40%

Subsequent expenditure on the existing property, plant and equipment is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

### *Construction in progress*

Construction in progress represents buildings under construction and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs and professional fees incurred during the periods of construction and installation.

The asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's policy.

## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***(h) Lease prepayments***

Lease prepayments represent cost of purchase of leasehold land less accumulated amortisation and impairment losses and is amortised over the period of the lease on a straight line basis.

### ***(i) Investments***

#### ***(i) Equity investments***

Equity investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. Other equity investments are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

#### ***(ii) Debt securities investments***

Debt securities investments held-to-maturity are stated at amortised cost less impairment losses. Other debt securities investments held as being available-for-sale or for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

#### ***(iii) Fair value***

The fair value of investments held for trading and investments available for sale is their quoted bid price at the balance sheet date. If a quoted bid price in an active market and other methods of determining fair value are not available, investments are measured at cost less impairment losses.

#### ***(iv) Dividends***

Dividend income from unlisted investments is recognised when the Group's right to receive payment is established. Dividend income from listed investments is recognised when share price of the investment goes ex-dividend.

### ***(j) Hire purchase contracts***

The amounts due from hirers in respect of hire purchase contracts are recorded in the balance sheet as hire purchase debtors which represent the total rental receivable under hire purchase contracts less unearned interest income. Interest income implicit in the hire purchase payments are charged to the income statement over the period of the hire purchase contracts so as to produce an approximately constant periodic rate of return on the remaining balance of hire purchase debtors.

## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***(k) Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### ***(l) Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of motor vehicles is determined primarily on an actual cost basis while cost of inventories other than motor vehicles is accounted for on an average cost basis. Cost comprises the purchase price including import duties (where applicable) and other directly attributable costs of acquisition.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions.

### ***(m) Trade and other debtors***

- (i) Trade and other debtors are stated at their cost less impairment losses.
- (ii) Option premium paid

Premium paid in connection with the purchase of an option is amortised over the option period. Impairment to the carrying amount of the option is charged to the income statement in the period in which such impairment occurs.

## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***(n) Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### ***(o) Trade and other creditors***

Trade and other creditors are stated at their cost.

### ***(p) Provisions***

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### ***(q) Warranties***

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### ***(r) Recognition of income***

- (i) Revenue arising from sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership.
- (ii) Services fee is recognised upon the conclusion of the related services provided.
- (iii) Interest and hire purchase financing income is accrued on a time-apportioned basis on the principal outstanding and at the interest rate applicable.
- (iv) Rental income from investment properties is recognised in the income statement on a straight-line basis over the periods of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.



## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***(s) Impairment***

The carrying amount of the Group's assets other than investment properties, deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

### ***(t) Borrowing and financing costs***

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

Financing costs include interest payable on borrowings as well as foreign exchange gains and losses related to financing activities are recognised in the income statement as incurred.

### ***(u) Operating leases***

Rentals payable under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective leases. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

### ***(v) Retirement benefits***

Contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

### ***(w) Segment reporting***

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(x) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are cancelled. The par value of the shares repurchased is shown as a deduction from share capital, with adjustment of premiums against retained profits.

**(y) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**(z) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**2 REVENUE**

Revenue represents the sales value of goods sold, services supplied to customers, hire purchase financing income, rental income, management service fee, agency commission and handling fee and warranty reimbursement, net of goods and services tax and first registration tax where applicable, analysed as follows:

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods	3,961,189	3,608,461
Rendering of services	203,239	194,566
Hire purchase financing income	41,735	36,391
Gross rentals from investment properties	14,117	16,681
Rentals from lease of offices and workshops	2,897	4,209
Management service fee	7,027	7,295
Agency commission and handling fee	33,156	23,072
Warranty reimbursement	18,193	21,157
	<b>4,281,553</b>	<b>3,911,832</b>

**3 OTHER OPERATING INCOME**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income from listed debt securities	197	3,080
Bank and other interest income	21,289	39,350
Dividend income		
- listed investments	832	683
- unlisted investments	1,019	997
Write-back of impairment loss of unlisted equity investments	-	11,619
Gain on disposal of listed equity and debt securities investments	11,701	-
Gain on disposal of property, plant and equipment	6,426	4,521
Increase in fair value of listed equity investments	4,722	-
Increase in fair value of investment properties	1,307	-
Write-back of provision for bad debts	15,678	2,396
Others	19,616	11,742
	<b>82,787</b>	<b>74,388</b>

**4 OTHER OPERATING EXPENSES**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in fair value of listed equity investments	-	8,411
Impairment loss on unlisted debt securities investments	80,320	-
Decrease in fair value of investment properties	-	11,140
Provision for bad and doubtful debts	6,419	5,356
Bank charges	4,585	4,354
Others	425	-
	<b>91,749</b>	<b>29,261</b>

**5 FINANCING COSTS**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense		
- on bank loans wholly repayable within five years	4,380	5,370
- on bank overdrafts	701	610
	<b>5,081</b>	<b>5,980</b>

**6 PROFIT BEFORE TAXATION AND MINORITY INTERESTS***Profit before taxation and minority interests is arrived at after charging/(crediting):*

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost of goods sold	3,346,044	3,046,001
Depreciation	49,406	47,679
Amortisation of lease prepayments	3,374	3,253
Auditors' remuneration	2,182	2,174
Net increase in provision for warranties	4,224	4,367
Operating lease rental expenses in respect of properties	15,465	14,184
Rentals receivable from properties less direct outgoings of \$4,099,000 (2002: \$3,176,000)	(12,915)	(17,714)

**7 PERSONNEL EXPENSES**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	130,664	125,964
Retirement benefit costs	15,358	16,738
Others	5,084	5,300
	151,106	148,002

The number of employees at the end of 2003 was 911 (2002: 915).

The Group makes contributions to defined contribution plans pursuant to the rules and regulations applicable to the Group in the countries where the Group operates.

The Group has no obligation for the payment of retirement benefits beyond the contributions.

**8 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION**

Details of executive directors' remuneration are as follows:

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees	1,289	1,278
Basic salaries, allowances and other benefits	11,428	11,248
Bonus	4,733	7,492
Retirement plan contributions	525	649
	17,975	20,667

**8 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (continued)**

Fees in respect of independent non-executive directors for the year ended 31 December 2003 amounted to \$120,000 (2002: \$120,000).

The number of directors whose remuneration falls within the following designated bands is set out below:

	<b>2003</b>	<b>2002</b>
\$Nil - \$1,000,000	4	3
\$1,000,001 - \$1,500,000	-	-
\$1,500,001 - \$2,000,000	1	-
\$2,000,001 - \$2,500,000	-	1
\$2,500,001 - \$3,000,000	1	1
\$3,000,001 - \$3,500,000	1	-
\$3,500,001 - \$4,000,000	-	1
\$4,000,001 - \$4,500,000	1	-
\$4,500,001 - \$5,000,000	-	1
\$5,000,001 - \$5,500,000	1	-
\$5,500,001 - \$6,000,000	-	-
\$6,000,001 - \$6,500,000	-	1
	<b>9</b>	<b>8</b>

Details of the remuneration for the five highest paid individuals (including directors) and the number of individuals (including directors) whose remuneration from the Group falls within the following designated bands are set out below.

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Basic salaries, allowances and other benefits	12,003	11,823
Bonus	4,733	7,492
Retirement plan contributions	525	649
	<b>17,261</b>	<b>19,964</b>

	<b>2003</b>	<b>2002</b>
\$Nil - \$1,000,000	-	-
\$1,000,001 - \$1,500,000	-	-
\$1,500,001 - \$2,000,000	1	-
\$2,000,001 - \$2,500,000	-	1
\$2,500,001 - \$3,000,000	1	1
\$3,000,001 - \$3,500,000	1	-
\$3,500,001 - \$4,000,000	-	1
\$4,000,001 - \$4,500,000	1	-
\$4,500,001 - \$5,000,000	-	1
\$5,000,001 - \$5,500,000	1	-
\$5,500,001 - \$6,000,000	-	-
\$6,000,001 - \$6,500,000	-	1
	<b>5</b>	<b>5</b>

**9 TAXATION****(a) Income tax expense:**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>		
Current year	83,942	64,092
Under/(over)-provision in prior years	832	(845)
	84,774	63,247
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	7,402	8,120
Reduction in tax rate	-	(1,934)
Benefit of tax losses recognised	(4,825)	(162)
	2,577	6,024
<b>Total income tax expense in consolidated income statement</b>	87,351	69,271

An analysis of income tax expense is as follows:

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Hong Kong	217	614
Singapore	79,365	62,704
Elsewhere	1,694	312
	81,276	63,630
Associates	6,075	5,641
	87,351	69,271

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 17.5% (2002: 16%) and 30% (2002: 22%), prevailing in the relevant tax jurisdictions in which the Group operates.

The following is a reconciliation of income taxes calculated at the applicable tax rate with income tax expense:

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Accounting profit before tax	375,056	307,085

**9 TAXATION (continued)****(a) Income tax expense: (continued)**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Computed tax using the applicable corporation tax rate		
- in Hong Kong	(6,874)	2,900
- in Singapore	77,698	61,955
- in other jurisdictions	15,582	-
Group companies' tax rate differential relative to Hong Kong tax rate	351	(71)
Adjustments resulting from:		
- Non-deductible expenses	29,150	12,403
- Non-taxable income	(12,698)	(6,909)
- Effect of tax loss recognised	(4,825)	(162)
- Unrecognised tax loss utilised	(11,865)	-
- Under/(over)-provision in respect of prior years	832	(845)
<b>Income tax expense</b>	<b>87,351</b>	<b>69,271</b>

**(b) Deferred tax assets and liabilities**

Deferred tax assets and deferred tax liabilities at 31 December 2003 and 2002 are attributable to the items detailed in the table below:

	<b>2003</b>			<b>2002</b>		
	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	977	(17,568)	(16,591)	796	(11,318)	(10,522)
Inventories	5,508	-	5,508	8,805	-	8,805
Trade debtors	6,361	(37)	6,324	6,093	-	6,093
Other debtors and prepayments	-	(24)	(24)	13	(63)	(50)
Creditors and accruals	2,992	-	2,992	2,103	-	2,103
Provisions	4,428	-	4,428	3,610	-	3,610
Tax value of loss carry-forward	7,721	-	7,721	2,896	-	2,896
<b>Tax assets/(liabilities)</b>	<b>27,987</b>	<b>(17,629)</b>	<b>10,358</b>	<b>24,316</b>	<b>(11,381)</b>	<b>12,935</b>
Set-off within legal tax units and jurisdictions	(3,390)	3,390	-	(2,122)	2,122	-
<b>Net tax assets/(liabilities)</b>	<b>24,597</b>	<b>(14,239)</b>	<b>10,358</b>	<b>22,194</b>	<b>(9,259)</b>	<b>12,935</b>

**9 TAXATION (continued)*****(b) Deferred tax assets and liabilities (continued)***

The potential deferred tax asset of approximately \$41,240,000 (2002: \$52,500,000) relating to the future benefits of tax losses has not been recognised in the financial statements as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. The tax losses are subject to a five years time bar.

In addition, the distribution of dividends from the subsidiaries in Thailand is subject to a withholding tax of 10%.

**10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders included a profit of \$99,991,000 (2002: \$98,076,000) which has been dealt with in the financial statements of the Company.

**11 DIVIDENDS**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<hr/>		
(i) At the balance sheet date the following dividends have been paid during the year:		
Interim dividend paid of 1.5 cents		
(2002: 1.5 cents) per share	30,200	30,200
Final dividend paid in respect of the prior year	70,466	70,466
	<hr/> 100,666	<hr/> 100,666
<hr/>		
(ii) After the balance sheet date the following dividend was proposed by the directors, which has not been provided for:		
Final proposed dividend of 3.5 cents		
(2002: 3.5 cents) per share	70,466	70,466
	<hr/>	<hr/>

**12 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on net profit for the year attributable to ordinary shareholders of \$288,993,000 (2002: \$238,238,000) and the number of ordinary shares outstanding during the year of 2,013,309,000 (2002: 2,013,309,000) shares.

The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during 2003 and 2002.



**13 INVESTMENT PROPERTIES**

<i>The Group</i>	<i>Freehold land and buildings \$'000</i>	<i>Leasehold buildings \$'000</i>	<i>Total \$'000</i>
At 1 January 2003	261,489	188,075	449,564
Exchange adjustments	3,937	1,952	5,889
(Decrease)/increase in fair value on revaluation	(1,857)	3,164	1,307
At 31 December 2003	263,569	193,191	456,760

An analysis of the valuation of freehold land and buildings and leasehold buildings is as follows:

	<i>Freehold land and buildings</i>		<i>Leasehold buildings</i>	
	<i>2003 \$'000</i>	<i>2002 \$'000</i>	<i>2003 \$'000</i>	<i>2002 \$'000</i>
In Hong Kong				
- Long lease	-	-	43,725	46,200
Outside Hong Kong				
- Freehold	263,569	261,489	-	-
- Long lease	-	-	138,283	131,225
- Medium term lease	-	-	3,383	3,150
- Short term lease	-	-	7,800	7,500
	263,569	261,489	193,191	188,075

The carrying amounts of investment properties at fair value are determined after taking into account the valuation reports prepared by registered independent valuers, CB Richard Ellis (Pte) Ltd and Landscape Surveyors Limited, having appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The investment properties were revalued on an open market value basis calculated by reference to net rental income allowing for reversionary income potential and recent market transactions for similar properties in the same location as the Group's investment properties. The increase in fair value of \$1,307,000 (2002: decrease in \$11,140,000) has been dealt with in the consolidated income statement.

Investment properties comprise a number of commercial properties that are leased to external customers. Certain leases contain an initial non-cancellable period of two years. Subsequent renewals are negotiated with the respective lessees. No contingent rents are charged.

**14 PROPERTY UNDER DEVELOPMENT**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
At 1 January	258,873	-
Transfer from investment properties	-	240,639
Exchange adjustment	3,898	-
Additions	30,139	18,234
At 31 December	292,910	258,873

Property under development represents the Group's freehold land development at Upper Aljunied Road, Singapore.

**15 PROPERTY, PLANT AND EQUIPMENT***(a) The Group*

	<i>Freehold land</i>	<i>Buildings</i>	<i>Plant, machinery and equipment</i>	<i>Furniture, fixtures, fittings and office equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Cost or valuation:</b>							
At 1 January 2003	203,529	290,580	123,598	62,066	135,704	22,585	838,062
Exchange adjustments	5,022	6,778	4,886	1,215	2,099	341	20,341
Transfer from/(out from) construction in progress	-	7,429	1,086	648	-	(9,163)	-
Additions	-	1,255	22,466	8,023	49,481	68,739	149,964
Disposals	-	(543)	(19,398)	(4,285)	(56,512)	-	(80,738)
At 31 December 2003	208,551	305,499	132,638	67,667	130,772	82,502	927,629
<b>Representing:</b>							
Cost	-	223,492	132,638	67,667	130,772	82,502	637,071
Valuation - 1984	208,551	82,007	-	-	-	-	290,558
	208,551	305,499	132,638	67,667	130,772	82,502	927,629
<b>Accumulated depreciation:</b>							
At 1 January 2003	-	77,198	57,546	50,868	53,931	-	239,543
Exchange adjustments	-	2,104	4,352	1,132	1,162	-	8,750
Charge for the year	-	10,740	18,675	4,530	15,461	-	49,406
Written back on disposal	-	(382)	(14,667)	(4,179)	(27,617)	-	(46,845)
At 31 December 2003	-	89,660	65,906	52,351	42,937	-	250,854
<b>Net book value:</b>							
At 31 December 2003	208,551	215,839	66,732	15,316	87,835	82,502	676,775
At 31 December 2002	203,529	213,382	66,052	11,198	81,773	22,585	598,519

**15 PROPERTY, PLANT AND EQUIPMENT (continued)**

(i) An analysis of net book value of land and buildings is as follows:

	<i>Land</i>		<i>Buildings</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
In Hong Kong				
- Medium term lease	-	-	7,735	7,851
Outside Hong Kong				
- Freehold	208,551	203,529	70,669	71,450
- Long lease	-	-	36,213	36,579
- Medium term lease	-	-	92,759	97,502
- Short term lease	-	-	8,463	-
	208,551	203,529	215,839	213,382

(ii) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts (or deemed cost) totalling \$290,558,000 (2002: \$284,319,000) as the amount of the adjustments relating to prior periods could not be reasonably determined when International Accounting Standards were adopted for the purpose of preparing financial statements prior to listing. The requirements of IAS 16 "Property, plant and equipment" with respect to carrying assets at amounts other than cost less accumulated depreciation are therefore not applicable.

(iii) The Group rents out certain motor vehicles, machinery and equipment. The rental period typically run for an initial period of one to three years, with an option to renew after that date at which time all terms are renegotiated. None of the rental agreements includes contingent rentals.

The gross carrying amounts of motor vehicles, machinery and equipment of the Group held for rental were \$201,603,000 (2002: \$204,265,000) and the related accumulated depreciation charges were \$68,816,000 (2002: \$79,139,000).

**15 PROPERTY, PLANT AND EQUIPMENT (continued)****(b) The Company**

	<i>Office equipment</i> \$'000	<i>Furniture and fittings</i> \$'000	<i>Motor vehicles</i> \$'000	<i>Total</i> \$'000
<b>Cost:</b>				
At 1 January 2003	132	264	-	396
Additions	2	-	239	241
At 31 December 2003	134	264	239	637
<b>Accumulated depreciation:</b>				
At 1 January 2003	90	191	-	281
Charge for the year	10	40	48	98
At 31 December 2003	100	231	48	379
<b>Net book value:</b>				
At 31 December 2003	34	33	191	258
At 31 December 2002	42	73	-	115

**16 LEASE PREPAYMENTS**

	<i>The Group</i>	
	<i>2003</i> \$'000	<i>2002</i> \$'000
At 1 January	113,212	107,899
Exchange adjustments	1,103	4,535
Additions	-	6,137
Amortisation	(3,374)	(3,253)
Disposals	-	(2,106)
At 31 December	110,941	113,212
Lease prepayments in respect of:		
Owner-occupied properties	65,057	66,762
Investment properties	45,884	46,450
	110,941	113,212

**16 LEASE PREPAYMENTS (continued)**

An analysis of lease prepayments is as follows:

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
In Hong Kong		
- Long lease	28,222	28,726
- Medium term lease	2,549	2,618
Outside Hong Kong		
- Long lease	28,208	28,614
- Medium term lease	51,962	53,254
	110,941	113,212

**17 INVESTMENTS IN SUBSIDIARIES**

	<b><i>The Company</i></b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Unlisted shares, at cost	2,292,080	2,292,080
Loan to a subsidiary	47,000	47,000
	2,339,080	2,339,080

The loan to a subsidiary is unsecured, interest free and has no fixed repayment terms.

The following list contains particulars of the subsidiaries as at 31 December 2003 which principally affected the results or assets of the Group:

<b><i>Name</i></b>	<b><i>Place of incorporation and operation</i></b>	<b><i>Particulars of issued and paid up capital (All being ordinary unless otherwise stated)</i></b>	<b><i>Percentage of equity indirectly held through subsidiaries</i></b>	<b><i>Principal activities</i></b>
Tan Chong & Sons Motor Company (Singapore) Private Limited	Singapore	SGD100,000,000 Redeemable preference SGD50,000,000	100%	Distribution of motor vehicles and investment holding
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts

**17 INVESTMENTS IN SUBSIDIARIES (continued)**

<i>Name</i>	<i>Place of incorporation and operation</i>	<i>Particulars of issued and paid up capital (All being ordinary unless otherwise stated)</i>	<i>Percentage of equity indirectly held through subsidiaries</i>	<i>Principal activities</i>
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	SGD4,000,000 Redeemable preference SGD12,500,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD8	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	SGD34,100,000 Redeemable preference SGD12,500,000	100%	Hire-purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	SGD32,900,000 Redeemable preference SGD25,000,000	100%	Property holding and development
Advance Pacific Holdings Limited	Hong Kong	HKD8,500,000	100%	Investment holding
Motor Image (H.K.) Limited	Hong Kong	HKD8,000,000	100%	Distribution of motor vehicles
Nissan Diesel (Thailand) Company Limited	Thailand	BAHT 1,646,456,000 Redeemable preference BAHT 250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services

**18 INTEREST IN ASSOCIATES**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Share of net assets	200,416	176,544

Details of the major associates are as follows:

<i>Name of company</i>	<i>Place of incorporation</i>	<i>Percentage of equity held by the Group</i>	<i>Principal activities</i>
Orix Car Rentals Pte Ltd	Singapore	50%	Car rental
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres

**19 INVESTMENTS****(a) Non-current investments**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Equity investments available for sale		
- unlisted, at cost	43,332	43,024
- listed, at fair value	52,896	43,032
	96,228	86,056
Debt securities investments held to maturity		
- listed, at amortised cost	-	38,698
	96,228	124,754
Fair value of listed debt securities investments	-	45,559

The unlisted equity investments available for sale are stated at cost less impairment losses because the fair value cannot be measured reliably. The unlisted equity investments are not traded in an open market.



**19 INVESTMENTS (continued)****(b) Current investments**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Debt securities investments available for sale		
- unlisted, at cost	415,783	386,604
Less: Impairment losses	(80,320)	-
	335,463	386,604

The unlisted debt securities are not traded in an open market. The recoverable amount of the debt securities investments at 31 December 2003 has been determined by the Company taking into account the net recoverable amount that the Group expects to receive following the exercise of the call option further described in note 34. Impairment losses of \$80,320,000 have been charged to the consolidated income statement for the year.

**20 INVENTORIES**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Raw materials	36,842	19,293
Work-in-progress	7,873	3,582
Spare parts and others	87,880	83,173
Finished goods and trading inventories	498,295	267,476
Goods in transit	9,455	26,149
	640,345	399,673
Inventories, included above, which are stated at net realisable value	497,844	314,859

**21 TRADE DEBTORS**

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

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Current	212,124	262,635
1 to 3 months overdue	27,817	31,758
More than 3 months overdue but less than 12 months overdue	5,063	3,496
	245,004	297,889

**21 TRADE DEBTORS (continued)**

Debts are due within 1 month from the date of billing. Debtors with outstanding balances more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

**22 HIRE PURCHASE DEBTORS AND INSTALMENTS RECEIVABLE**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Hire purchase debtors and instalments receivable	439,500	456,499
Unearned interest charges	(60,177)	(69,658)
	379,323	386,841
Provision for bad and doubtful debts	(86,812)	(110,130)
	292,511	276,711
Balance due		
- within one year	108,232	113,174
- between one year and five years	184,279	154,872
- more than five years	-	8,665
	292,511	276,711

**23 CASH AND CASH EQUIVALENTS**

	<i>The Group</i>		<i>The Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Bank deposits	915,469	885,094	3,117	2,906
Bank balances	49,137	32,214	1,654	1,498
Cash on hand	402	324	-	-
Cash and cash equivalents	965,008	917,632	4,771	4,404
Bank overdrafts (unsecured)	(53,345)	(48,231)	-	-
Cash and cash equivalents in the statement of cash flows	911,663	869,401	4,771	4,404

The effective interest rate of deposits ranged from 0.01% to 5.3% (2002: 0.325% to 4.5%) per annum. The tenor of such deposits ranged from 1 day to 3 months.

Bank overdrafts bear interest ranging from 4.5% to 7.25% (2002: 4.5% to 8.25%) per annum.

**24 BANK LOANS (UNSECURED)**

At 31 December 2003, the bank loans were payable as follows:

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Within 1 year	58,016	78,970
After 1 year but within 2 years	3,870	3,870
After 2 years but within 5 years	7,739	11,611
	11,609	15,481
	69,625	94,451

Bank loans totalling \$15,482,000 (2002: \$19,352,000) bear interest at the Hong Kong Inter Bank Offered Rate plus 1.5% per annum or at the bank's cost of funding plus 1.5% per annum, whichever is the higher.

The remaining portion of the bank loans carried floating interest rates ranging from 1.3% to 7% (2002: 0.5% to 7%) per annum during the year ended 31 December 2003.

**25 TRADE CREDITORS**

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

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Due within one month or on demand	145,045	111,049
Due after 1 month but within 3 months	72,556	65,638
Due after 3 months but within 6 months	20,456	1,779
Due after 6 months but within 12 months	1,260	4,316
	239,317	182,782

**26 AMOUNTS DUE TO RELATED COMPANIES**

	<i>The Group</i>		<i>The Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Trading balances	399	1,438	36	36

**27 PROVISIONS**

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>Provisions for warranties</i>		
Balance at 1 January	16,410	13,246
Provisions made	4,733	4,367
Provisions used	(1,014)	(1,203)
Balance at 31 December	20,129	16,410
Current	8,736	7,284
Non-current	11,393	9,126
	20,129	16,410

Provisions for warranties relate mainly to motor vehicles sold which are calculated based on estimates made from historical warranty data associated with similar products and services.

**28 SHARE CAPITAL**

	<i>The Group and the Company</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>Authorised:</i>		
3,000,000,000 ordinary shares of \$0.50 each	1,500,000	1,500,000
<i>Issued and fully paid:</i>		
2,013,309,000 ordinary shares of \$0.50 each	1,006,655	1,006,655

**29 RESERVES****(a) The Group**

	<i>Note</i>	<i>Share premium \$'000</i>	<i>Capital reserve \$'000</i>	<i>Translation reserve \$'000</i>	<i>Contributed surplus \$'000</i>	<i>Retained profits \$'000</i>	<i>Total \$'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		-	-	201,285	-	238,238	439,523
Dividends to shareholders	11	-	-	-	-	(100,666)	(100,666)
Balance at 31 December 2002		550,547	9,549	(427,362)	377,690	1,997,757	2,508,181
Balance at 1 January 2003		550,547	9,549	(427,362)	377,690	1,997,757	2,508,181
Total recognised gains and losses		-	-	50,858	-	288,993	339,851
Dividends to shareholders	11	-	-	-	-	(100,666)	(100,666)
Balance at 31 December 2003		550,547	9,549	(376,504)	377,690	2,186,084	2,747,366

**(b) The Company**

	<i>Note</i>	<i>Share premium \$'000</i>	<i>Contributed surplus \$'000</i>	<i>Retained profits \$'000</i>	<i>Total \$'000</i>
Balance at 1 January 2002		550,547	623,313	171,787	1,345,647
Total recognised gains and losses		-	-	98,076	98,076
Dividends to shareholders	11	-	-	(100,666)	(100,666)
At 31 December 2002		550,547	623,313	169,197	1,343,057
Balance at 1 January 2003		550,547	623,313	169,197	1,343,057
Total recognised gains and losses		-	-	99,991	99,991
Dividends to shareholders	11	-	-	(100,666)	(100,666)
At 31 December 2003		550,547	623,313	168,522	1,342,382

**Capital reserve**

The capital reserve mainly comprises revaluation surplus arising on revaluation in 1984 of land and buildings other than investment properties.

**Translation reserve**

The translation reserve mainly comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral part to the operation of the Company.

**29 RESERVES (continued)***Contributed surplus*

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to contributed surplus. Under the Companies Act of Bermuda, contributed surplus is available for distribution to shareholders, except if there are reasonable grounds for believing that:

- (a) the Company is, or would after the payment, be unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders at 31 December 2003 are as follows:

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Contributed surplus	623,313	623,313
Retained profits (refer to note 29(b))	168,522	169,197
	<b>791,835</b>	<b>792,510</b>

**30 FINANCIAL INSTRUMENTS**

Financial assets of the Group include cash, equity and debt securities investments, trade, hire purchase and other debtors. Financial liabilities of the Group include loans, borrowings, trade and other creditors. Accounting policies for financial assets and liabilities are set out in note 1.

**(a) Interest rate risk**

The interest rates and terms of repayment of loans and borrowings of the Group are disclosed in notes 23 and 24.

The contractual repricing period for cash and cash equivalents, bank overdrafts and unsecured bank loans are all within 6 months.

### **30 FINANCIAL INSTRUMENTS (continued)**

#### ***(b) Credit risk***

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The Group does not have a significant exposure to any individual customer. The Group invests available cash and cash equivalents with various banks with high credit ratings.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### ***(c) Foreign currency risk***

The Group has exposures to foreign currencies as its major operations and income are denominated mainly in Singapore dollars (“SGD”). Depreciation and appreciation of SGD against Hong Kong dollars affects the Group’s results.

The Group’s operating subsidiaries regularly monitor their exchange exposure and may hedge their position discriminately, depending on the size of the exposure and the future outlook of the particular currency unit. There were no forward exchange contracts outstanding as at 31 December 2002 and 2003.

#### ***(d) Fair value***

The fair value of listed investments is shown in note 19.

The fair values of cash, trade, hire purchase and other debtors, trade and other creditors, loans and borrowings are not materially different from their carrying amounts.

Fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.



**31 COMMITMENTS**

*(a) Capital commitments outstanding at 31 December 2003 not provided for in the financial statements were as follows:*

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Authorised and contracted for:		
- Construction of properties	227,700	257,000

***(b) Operating lease commitments***

Non-cancellable operating lease rentals are payable as follows:

	<i>The Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>
Less than one year	9,513	9,970
Between one and five years	14,094	18,325
More than five years	37,824	39,443
	61,431	67,738

The Group leases a number of properties under operating leases. The leases typically run for an initial period of between 1 and 6 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

**32 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 year:

		<i>2003</i>	<i>2002</i>
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Sales of goods and services to TCMH Group	(i)	1,838	1,813
Sales of goods and services to Ultima Group	(i)	8,669	18,750
Purchase of inventories from TCMH Group	(i)	9,531	7,712
Purchase of inventories from Ultima Group	(i)	8,631	4,263
Hire purchase financing income from Ultima Group	(ii)	1,636	1,218

## 32 RELATED PARTY TRANSACTIONS (continued)

*Notes:*

- (i) Tan Eng Soon is the managing director of Tan Chong Motor Holdings Berhad (“TCMH”) Group and Motor Ultima Pte Ltd (“Ultima”) Group is controlled by the Tan family. All sales and purchases and services rendered between the Group, the TCMH Group and the Ultima Group were on normal commercial terms.
- (ii) Hire purchase financing income represents interest charges on hire purchase financing on motor vehicles to the Ultima Group. Interest on the hire purchase financing was charged at a fixed interest rate with a fixed repayment term similar to other customers.

## 33 SEGMENT REPORTING

Segment information is presented in respect of the Group’s business and geographical segments. The primary format, business segments, is based on the Group’s management and internal reporting structure.

Inter-segment pricing is determined on an arm’s length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

### ***Business segments***

The Group comprises the following main business segments:

#### ***(i) Motor vehicle distribution***

The Group is the exclusive distributor for Nissan vehicles in Singapore and for Subaru vehicles in Singapore and Hong Kong. It distributes all models of Nissan passenger and light commercial vehicles exported to Singapore and all models of Subaru passenger vehicles exported to Singapore and Hong Kong by the respective manufacturers.

#### ***(ii) Heavy commercial vehicle and industrial equipment distribution***

The Group is the sole distributor for Nissan Diesel heavy commercial vehicles and Nissan forklift trucks in Singapore, Thailand and Brunei. The Group markets and distributes a wide range of both Nissan Diesel heavy commercial vehicles and industrial equipment.

### **33 SEGMENT REPORTING (continued)**

#### ***(iii) Property rentals***

The Group has significant property interest in Singapore and is engaged in the gradual development of various operating and investment properties in order to meet the property needs of the Group as well as for sales and rental income.

#### ***(iv) Other operations***

Other operations include investment holding and hire-purchase financing.

#### ***Geographical segments***

The business segments detailed above operate in three principal geographical areas. Singapore is a major market for the Group's businesses. In Hong Kong, the Group is engaged in the distribution of Subaru vehicles, provision of workshop services and investment in property in return for rental income and in the PRC, the Group manufactures vehicle seats and shock absorbers targeting at the growing domestic market.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

**33 SEGMENT REPORTING (continued)**

	<i>Motor vehicle distribution</i>		<i>Heavy commercial vehicle and industrial equipment distribution</i>				<i>Property rentals</i>		<i>Other operations</i>		<i>Consolidated</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue from external customers:												
- sales	3,350,954	3,289,206	571,724	271,555	-	-	-	-	38,511	47,700	3,961,189	3,608,461
- services	94,058	86,385	67,010	72,243	4,226	6,008	37,944	29,930	37,944	29,930	203,238	194,566
- hire purchase financing	-	-	-	-	-	-	-	-	41,735	36,391	41,735	36,391
- rentals	2,790	3,097	-	315	14,117	16,681	107	796	17,014	17,014	20,889	20,889
- others	51,263	44,044	136	499	2,516	2,492	4,462	4,490	58,377	58,377	51,525	51,525
Total revenue	3,499,065	3,422,732	638,870	344,612	20,859	25,181	122,759	119,307	4,281,553	3,911,832		
Segment result												
Profit from operations	264,026	220,844	82,532	32,831	(2,081)	(11,511)	4,177	40,355	348,654	282,519		
Net financing income/ (costs)	(8,691)	(11,724)	(4,167)	(4,212)	5,051	5,054	2,726	4,902	(5,081)	(5,980)		
Income from associates	23,716	24,236	-	-	-	-	7,767	6,310	31,483	30,546		
Income tax expense	(65,842)	(50,123)	(6,581)	(6,195)	(2,117)	(2,744)	(12,811)	(10,209)	(87,351)	(69,271)		
Minority interests	-	-	-	-	-	-	1,288	424	1,288	424		
Net profit for the year	213,209	183,233	71,784	22,424	853	(9,201)	3,147	41,782	288,993	238,238		
Segment assets	1,711,117	1,607,146	560,781	434,324	852,834	796,550	1,172,829	1,136,535	4,297,561	3,974,555		
Interest in associates	151,262	133,262	-	-	-	-	49,154	43,282	200,416	176,544		
Consolidated total assets	1,862,379	1,740,408	560,781	434,324	852,834	796,550	1,221,983	1,179,817	4,497,977	4,151,099		

**33 SEGMENT REPORTING (continued)**

	<i>Motor vehicle distribution</i>		<i>Heavy commercial vehicle and industrial equipment distribution</i>				<i>Property rentals</i>		<i>Other operations</i>		<i>Consolidated</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Consolidated total												
liabilities	401,163	338,357	132,268	108,855	71,489	70,617	131,865	109,583	736,785	627,412		
Capital expenditure	6,857	6,364	73,961	71,485	17,181	328	82,104	76,161	180,103	154,338		
Depreciation and												
amortisation expense	12,561	13,556	21,906	19,702	1,559	1,195	16,754	16,479	52,780	50,932		
(Write-back of)/												
increase in												
impairment loss	-	(11,619)	-	-	-	-	80,320	-	80,320	(11,619)		
Significant non-cash												
income/(expenses)	1,373	(2,459)	-	-	(66)	(8,681)	-	-	1,307	(11,140)		

**33 SEGMENT REPORTING (continued)**

In addition to the information on business segments based on the structure of the Group, the figures below present information for geographical segments.

	<i>Singapore</i>			<i>Hong Kong</i>			<i>PRC</i>			<i>Other</i>			<i>Consolidated</i>		
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2002</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue from external															
Customers	3,761,496	3,691,145	50,137	64,471	54,770	62,784	415,150	93,432	4,281,553	3,911,832					
Segment assets	3,106,568	2,831,211	251,329	238,281	59,209	64,697	880,455	840,366	4,297,561	3,974,555					
Capital expenditure	156,983	101,371	472	789	594	459	22,057	51,719	180,106	154,338					

**34 SUBSEQUENT EVENT**

In connection with the sale of an investment property under an asset securitisation arrangement in 2000, a subsidiary purchased a call option (“the option”) at a consideration of S\$1 million to acquire the entire ordinary share capital of the company (“the property company”) holding the investment property. The exercise price of the option is S\$5 million and the exercisable period is from 15 March 2003 to 15 March 2004. In January 2004, the subsidiary exercised the option. The completion date of the acquisition is on 15 March 2004.

**GROUP PROPERTIES**

<i>Location</i>	<i>Description</i>	<i>Land area (sq feet)</i>	<i>Tenure</i>	<i>Expiry date</i>	<i>Age of building (years)</i>
1/F Centro-Sound Industrial Building 6A Kung Ngam Village Road Shau Kei Wan Hong Kong	Offices and workshop (own use)	9,719	Leasehold	22 October 2051	27
Unit A on Ground Floor, Phase 1 Nan Fung Industrial Building 431-487 Avenida do Dr FranciscoVieira Machado and 354-408 Rua dos Pescadores Macau	Showroom and workshop (investment)	8,805	Leasehold	29 November 2012	31
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	18
Villa House No 203 Phase 1 River Garden Villa North of Jingshun Highway Shunyi County Beijing China	Residential bungalow (investment)	5,335	Leasehold	14 December 2063	8



<i>Location</i>	<i>Description</i>	<i>Land area (sq feet)</i>	<i>Tenure</i>	<i>Expiry date</i>	<i>Age of building (years)</i>
Unit Nos B1701, B1702 and B1703 Level 17, Tower B Vantone New World Plaza 2 Funchengmen Outer Avenue Xicheng District Beijing China	Offices (investment)	3,682	Leasehold	2 November 2043	8
Jiangyin Chengchang-kunpeng Auto Parts Factory Liwangli Village Qingyang Town Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	268,277	Leasehold	24 March 2046	6
Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	6
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	21
14 Upper Aljunied Road Singapore 367843	Property under development	222,876	Freehold	-	N/A
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	18

<i>Location</i>	<i>Description</i>	<i>Land area (sq feet)</i>	<i>Tenure</i>	<i>Expiry date</i>	<i>Age of building (years)</i>
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	8
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	21
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse for rental (investment)	44,794 1,141 168,046	Freehold Leasehold Leasehold	- 16 April 2874 6 April 2082	13
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	24
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	19
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	20
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	8
MK 23 Lot 4771 PT Ubi Road 4 Singapore	Land under development (own use)	59,379	Leasehold	1 October 2030	1

<i>Location</i>	<i>Description</i>	<i>Land area (sq feet)</i>	<i>Tenure</i>	<i>Expiry date</i>	<i>Age of building (years)</i>
Lot 2858L of MuKim 6 (Private Lot A2825) 1 Sixth Lok Yang Road Singapore 628099	Land under development (own use)	223,908	Leasehold	15 April 2033	30
Unit 4.01 Block A Greenview Apartments Jalan Sekolah Kencana IV Pondok Indah Jakarta 12310 Indonesia	Residential apartment (own use)	2,045	Leasehold	24 August 2024	10
59 M001, Rangsit-Pathumthani Road, Banklang, Musang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	16
Area No. 56, 148, 149, 194, 197, Sub-district of Khlong Prawet Fang Tai, District of Prakanong , Bangkok, Thailand	Workshop and office (own use)	60,278	Leasehold	12 November 2018	6