

## **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 2004 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 16 March 2005.

#### ***(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 of the financial statements***

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 the Group.

#### ***(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)***

An investment in a subsidiary in the Company's balance sheet is 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.

An investment in an associate in the Company's balance sheet is 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, 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(s). 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 is 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	12½% - 40%

Subsequent expenditure on 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 accounting policies therefor.

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

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

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

### ***(i) Goodwill***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment (see Note 1(t)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in associates.

### ***(j) Investments***

#### ***(i) Equity securities***

Equity securities 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 securities 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***

Debt securities held-to-maturity are stated at amortised cost less impairment losses. Other debt securities 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.

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

### ***(k) 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 rentals receivable under hire purchase contracts less unearned interest income. Interest income implicit in the hire purchase payments is credited 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.

### ***(l) 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 substantively 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.

### ***(m) 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.

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

### ***(m) Inventories (continued)***

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.

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

Trade and other debtors are stated at their cost less impairment losses.

### ***(o) 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 consolidated statement of cash flows.

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

Trade and other creditors are stated at their cost.

### ***(q) 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.

### ***(r) 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.



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

### ***(s) 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.
- (v) Dividend income from investments is recognised when the Group's right to receive payment is established.

### ***(t) Impairment***

The carrying amounts 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.

### ***(u) 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.



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

### **(v) *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.

### **(w) *Retirement benefits***

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

### **(x) *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.

### **(y) *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.

### **(z) *Dividends***

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

### **(aa) *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 fees, agency commission and handling fees and warranty reimbursements, net of goods and services tax and first registration tax where applicable, analysed as follows:

	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
Sale of goods	4,944,094	3,961,189
Rendering of services	187,275	203,239
Hire purchase financing income	40,291	41,735
Gross rentals from investment properties	24,678	14,117
Rentals from lease of offices and workshops	5,657	2,897
Management service fees	3,390	7,027
Agency commission and handling fees	32,133	33,156
Warranty reimbursements	14,022	18,193
	<b>5,251,540</b>	<b>4,281,553</b>

**3 OTHER OPERATING INCOME**

	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
Interest income from listed debt securities	-	197
Bank and other interest income	14,133	21,289
Dividend income		
- listed investments	871	832
- unlisted investments	886	1,019
Gain on disposal of listed equity and debt securities	-	11,701
Gain on disposal of property, plant and equipment	6,546	6,426
Increase in fair value of listed equity securities	-	4,722
Increase in fair value of investment properties	-	1,307
Write-back of provision for bad debts	2,373	15,678
Others	27,376	19,616
	<b>52,185</b>	<b>82,787</b>

**4 OTHER OPERATING EXPENSES**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in fair value of listed equity securities	2,121	-
Impairment of unlisted debt securities	11,587	80,320
Impairment of unlisted equity securities	14,916	-
Provision for bad and doubtful debts	3,069	6,419
Bank charges	5,147	4,585
Impairment of goodwill	6,927	-
Others	356	425
	<b>44,123</b>	<b>91,749</b>

**5 FINANCING COSTS**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense		
- on bank loans wholly repayable within five years	8,454	4,380
- on bank overdrafts	665	701
	<b>9,119</b>	<b>5,081</b>

**6 PROFIT BEFORE TAXATION AND MINORITY INTERESTS**

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

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost of goods sold	4,266,872	3,346,044
Depreciation	58,384	49,406
Amortisation of lease prepayments	3,656	3,374
Auditors' remuneration	2,157	2,182
Net increase in provision for warranties	3,330	4,224
Operating lease rental expenses in respect of properties	13,982	15,465
Rentals receivable from properties less direct outgoings of \$4,400,000 (2003: \$4,099,000)	(25,935)	(12,915)

**7 PERSONNEL EXPENSES**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	136,760	130,664
Retirement benefit costs	11,295	15,358
Others	7,147	5,084
	<u>155,202</u>	<u>151,106</u>

The number of employees at the end of 2004 was 976 (2003: 911).

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>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees	1,331	1,289
Basic salaries, allowances and other benefits	13,925	11,428
Bonus	7,225	4,733
Retirement plan contributions	112	525
	<u>22,593</u>	<u>17,975</u>

Fees in respect of independent non-executive directors for the year ended 31 December 2004 amounted to \$145,000 (2003: \$120,000).

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

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

	<i><b>2004</b></i>	<i><b>2003</b></i>
\$Nil - \$1,000,000	5	4
\$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	-	-
\$4,000,001 - \$4,500,000	1	1
\$4,500,001 - \$5,000,000	-	-
\$5,000,001 - \$5,500,000	1	1
\$5,500,001 - \$6,000,000	-	-
\$6,000,001 - \$6,500,000	-	-
\$6,500,001 - \$7,000,000	-	-
\$7,000,001 - \$7,500,000	1	-
	<hr/>	<hr/>
	10	9
	<hr/>	<hr/>

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.

	<i><b>2004</b></i> <i><b>\$'000</b></i>	<i><b>2003</b></i> <i><b>\$'000</b></i>
Basic salaries, allowances and other benefits	14,525	12,003
Bonus	7,225	4,733
Retirement plan contributions	112	525
	<hr/>	<hr/>
	21,862	17,261
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**8 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (CONTINUED)**

	<i>2004</i>	<i>2003</i>
\$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	-	-
\$4,000,001 - \$4,500,000	1	1
\$4,500,001 - \$5,000,000	-	-
\$5,000,001 - \$5,500,000	1	1
\$5,500,001 - \$6,000,000	-	-
\$6,000,001 - \$6,500,000	-	-
\$6,500,001 - \$7,000,000	-	-
\$7,000,001 - \$7,500,000	1	-
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

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

	<i>2004</i> <b>\$'000</b>	<i>2003</i> <b>\$'000</b>
<b>Current tax expense</b>		
Current year	94,306	83,942
(Over)/under-provision in prior years	(171)	832
	<hr/>	<hr/>
	94,135	84,774
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(15,881)	7,402
Reduction in tax rate	1,003	-
Benefit of tax losses recognised	2,762	(4,825)
	<hr/>	<hr/>
	(12,116)	2,577
<b>Total income tax expense in consolidated income statement</b>	<hr/>	<hr/>
	82,019	87,351
	<hr/>	<hr/>

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

An analysis of the income tax expense is as follows:

	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
Hong Kong	398	217
Singapore	78,281	79,365
Elsewhere	(6,214)	1,694
	<hr/> 72,465	<hr/> 81,276
Associates	9,554	6,075
	<hr/> 82,019	<hr/> 87,351

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 17.5% (2003: 17.5%) and 30% (2003: 30%), prevailing in the relevant tax jurisdictions in which the Group operates.

The statutory corporate income tax rate for the Group's operation in Singapore is 20% in 2004 (2003: 22%).

The following is a reconciliation of income taxes calculated at the applicable tax rates to the income tax expense:

	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
Accounting profit before tax	420,311	375,056
Computed tax using the applicable corporation tax rate		
- in Hong Kong	(5,361)	(6,874)
- in Singapore	75,829	77,698
- in other jurisdictions	21,386	15,582
Group companies' tax rate differential relative to Hong Kong tax rate	61	351
Adjustments resulting from:		
- Non-deductible expenses	13,500	29,150
- Non-taxable income	(621)	(12,698)
- Effect of tax losses recognised	-	(4,825)
- Effect of tax losses derecognised	2,762	-
- Effect of deductible temporary differences not recognised in prior years	(7,173)	-
- Unrecognised tax losses utilised	(19,196)	(11,865)
- Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	1,003	-
- (Over)/under-provision in respect of prior years	(171)	832
Income tax expense	<hr/> 82,019	<hr/> 87,351



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

Deferred tax assets and deferred tax liabilities at 31 December 2004 and 2003 are attributable to the items detailed in the table below:

	<b>2004</b>			<b>2003</b>		
	<b><i>Assets</i></b>	<b><i>Liabilities</i></b>	<b><i>Net</i></b>	<b><i>Assets</i></b>	<b><i>Liabilities</i></b>	<b><i>Net</i></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	1,747	(15,016)	(13,269)	977	(17,568)	(16,591)
Inventories	6,119	-	6,119	5,508	-	5,508
Trade debtors	14,091	-	14,091	6,361	(37)	6,324
Other debtors and prepayments	-	-	-	-	(24)	(24)
Creditors and accruals	5,971	-	5,971	2,992	-	2,992
Provisions	4,603	-	4,603	4,428	-	4,428
Tax value of loss carry-forwards	4,959	-	4,959	7,721	-	7,721
Tax assets/(liabilities)	37,490	(15,016)	22,474	27,987	(17,629)	10,358
Set-off within legal tax units and jurisdictions	(3,550)	3,550	-	(3,390)	3,390	-
Net tax assets/(liabilities)	33,940	(11,466)	22,474	24,597	(14,239)	10,358

The potential deferred tax assets of approximately \$36,248,000 (2003: \$41,240,000) relating to the future benefits of tax losses and deductible temporary differences have 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, distribution of dividends from certain overseas subsidiaries and associates is subject to a withholding tax according to the relevant tax jurisdictions.

**9 TAXATION (CONTINUED)****(c) Movement in deferred tax assets/(liabilities) during the year:**

	<i>Balance at 1 January 2004 \$'000</i>	<i>Recognised in the income statement \$'000</i>	<i>Balance at 31 December 2004 \$'000</i>
Property, plant and equipment	(16,591)	3,322	(13,269)
Inventories	5,508	611	6,119
Trade debtors	6,324	7,767	14,091
Other debtors and prepayments	(24)	24	-
Creditors and accruals	2,992	2,979	5,971
Provisions	4,428	175	4,603
Tax value of loss carry-forwards	7,721	(2,762)	4,959
	10,358	12,116	22,474

**10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders includes a profit of \$100,904,000 (2003: \$99,991,000) which has been dealt with in the financial statements of the Company.

**11 DIVIDENDS**

	<i>2004 \$'000</i>	<i>2003 \$'000</i>
(i) At the balance sheet date the following dividends have been paid during the year:		
Interim dividend paid of 1.5 cents (2003: 1.5 cents) per share	30,200	30,200
Final dividend paid in respect of the prior year	70,466	70,466
	100,666	100,666
(ii) After the balance sheet date the following dividend was proposed by the directors, which has not been provided for:		
Final proposed dividend of 4.0 cents (2003: 3.5 cents) per share	80,532	70,466

**12 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on net profit for the year attributable to ordinary shareholders of \$340,774,000 (2003: \$288,993,000) and the number of ordinary shares outstanding during the year of 2,013,309,000 (2003: 2,013,309,000) shares.

The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during 2004 and 2003.

**13 INVESTMENT PROPERTIES*****The Group***

	<i><b>Freehold land and buildings \$'000</b></i>	<i><b>Leasehold buildings \$'000</b></i>	<i><b>Total \$'000</b></i>
At 1 January 2004	263,569	193,191	456,760
Exchange adjustments	40,994	5,813	46,807
Addition through acquisition of a subsidiary (note 35)	717,372	-	717,372
At 31 December 2004	1,021,935	199,004	1,220,939

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

	<i><b>Freehold land and buildings</b></i>		<i><b>Leasehold buildings</b></i>	
	<i><b>2004 \$'000</b></i>	<i><b>2003 \$'000</b></i>	<i><b>2004 \$'000</b></i>	<i><b>2003 \$'000</b></i>
In Hong Kong				
- Long lease	-	-	43,725	43,725
Outside Hong Kong				
- Freehold	1,021,935	263,569	-	-
- Long lease	-	-	144,096	138,283
- Medium term lease	-	-	3,383	3,383
- Short term lease	-	-	7,800	7,800
	1,021,935	263,569	199,004	193,191

**13 INVESTMENT PROPERTIES (CONTINUED)*****The Group (continued)***

The investment properties of the Group were revalued at 31 December 2004 by a director of the Company, who is an Associate of The Royal Institution of Chartered Surveyors, at their open market value on an existing use basis. There are no changes in the fair value at 31 December 2004 compared to 31 December 2003. At 31 December 2003, an increase in fair value of \$1,307,000 was dealt with in the income statement for the year ended 31 December 2003.

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**

	<b><i>The Group</i></b>	
	<b><i>2004</i></b>	<b><i>2003</i></b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	292,910	258,873
Exchange adjustment	12,542	3,898
Additions	132,558	30,139
	<hr/>	<hr/>
At 31 December	<b>438,010</b>	<b>292,910</b>
	<hr/>	<hr/>

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 \$'000</i>	<i>Buildings \$'000</i>	<i>Plant, machinery and equipment \$'000</i>	<i>Furniture, fixtures, fittings and office equipment \$'000</i>	<i>Motor vehicles \$'000</i>	<i>Con- struction in progress \$'000</i>	<i>Total \$'000</i>
<b>Cost or valuation:</b>							
At 1 January 2004	208,551	305,499	132,638	67,667	130,772	82,502	927,629
Exchange adjustments	8,280	10,052	5,165	1,846	5,140	2,959	33,442
Transfer from/(out from) construction in progress	-	83,052	300	138	-	(94,500)	(11,010)
Additions							
- through acquisition of a subsidiary (note 35)	-	-	-	82	-	-	82
Additions	1,890	7,136	33,020	8,024	39,947	40,490	130,507
Disposals	-	(11,609)	(21,689)	(1,947)	(21,921)	(788)	(57,954)
At 31 December 2004	218,721	394,130	149,434	75,810	153,938	30,663	1,022,696
<b>Representing:</b>							
Cost	1,890	308,611	149,434	75,810	153,938	30,663	720,346
Valuation - 1984	216,831	85,519	-	-	-	-	302,350
	218,721	394,130	149,434	75,810	153,938	30,663	1,022,696
<b>Accumulated depreciation:</b>							
At 1 January 2004	-	89,660	65,906	52,351	42,937	-	250,854
Exchange adjustments	-	2,534	3,443	1,408	2,014	-	9,399
Charge for the year	-	13,719	21,609	4,973	18,083	-	58,384
Written back on disposals	-	(2,879)	(18,239)	(1,489)	(13,172)	-	(35,779)
At 31 December 2004	-	103,034	72,719	57,243	49,862	-	282,858
<b>Net book value:</b>							
At 31 December 2004	218,721	291,096	76,715	18,567	104,076	30,663	739,838
At 31 December 2003	208,551	215,839	66,732	15,316	87,835	82,502	676,775

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

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

	<i>Land</i>		<i>Buildings</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
In Hong Kong				
- Medium term lease	-	-	8,326	7,735
Outside Hong Kong				
- Freehold	218,721	208,551	69,838	70,669
- Long lease	-	-	43,719	36,213
- Medium term lease	-	-	169,213	92,759
- Short term lease	-	-	-	8,463
	<u>218,721</u>	<u>208,551</u>	<u>291,096</u>	<u>215,839</u>

- (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 \$302,350,000 (2003: \$290,558,000) as the amount of the adjustments relating to prior periods could not be reasonably determined when International Financial Reporting 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 \$224,319,000 (2003: \$201,603,000) and the related accumulated depreciation charges were \$76,384,000 (2003: \$68,816,000).

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

	<i>Office equipment \$'000</i>	<i>Furniture and fittings \$'000</i>	<i>Motor vehicles \$'000</i>	<i>Total \$'000</i>
<b>Cost:</b>				
At 1 January 2004	134	264	239	637
Additions	50	-	-	50
At 31 December 2004	184	264	239	687
<b>Accumulated depreciation:</b>				
At 1 January 2004	100	231	48	379
Charge for the year	60	28	48	136
At 31 December 2004	160	259	96	515
<b>Net book value:</b>				
At 31 December 2004	24	5	143	172
At 31 December 2003	34	33	191	258

**16 LEASE PREPAYMENTS**

	<i>The Group</i>	
	<i>2004 \$'000</i>	<i>2003 \$'000</i>
At 1 January	110,941	113,212
Exchange adjustments	3,150	1,103
Transfer from construction in progress	11,010	-
Amortisation	(3,656)	(3,374)
At 31 December	121,445	110,941
Lease prepayments in respect of:		
Owner-occupied properties	75,752	65,057
Investment properties	45,693	45,884
	121,445	110,941



**16 LEASE PREPAYMENTS (CONTINUED)**

An analysis of lease prepayments is as follows:

	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
In Hong Kong		
- Long lease	27,718	28,222
- Medium term lease	2,476	2,549
Outside Hong Kong		
- Long lease	39,332	28,208
- Medium term lease	51,919	51,962
	<b>121,445</b>	<b>110,941</b>

**17 INVESTMENTS IN SUBSIDIARIES**

	<b><i>The Company</i></b>	
	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
Unlisted shares, at cost	2,292,080	2,292,080
Loan to a subsidiary	47,000	47,000
	<b>2,339,080</b>	<b>2,339,080</b>

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 2004 which principally affected the results or assets of the Group:

<b>Name</b>	<b>Place of incorporation and operation</b>	<b>Particulars of issued and paid up capital (All being ordinary unless otherwise stated)</b>	<b>Percentage of equity indirectly held through subsidiaries</b>	<b>Principal activities</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
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property holding and letting
Advance Pacific Holdings Limited	Hong Kong	HK\$8,500,000	100%	Investment holding
Motor Image (H.K.) Limited	Hong Kong	HK\$8,000,000	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>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Share of net assets	393,036	200,416
Amounts due from associates	290	-
Goodwill	14,290	-
	<hr/>	<hr/>
	407,616	200,416
	<hr/>	<hr/>

Details of the major associates are as follows:

<i>Name of company</i>	<i>Place of incorporation and operation</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
Zero Co., Ltd	Japan	20.7%	Provision of logistic services

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

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Equity securities available-for-sale		
- unlisted, at cost less impairment losses	29,306	43,332
- listed outside Hong Kong, at fair value	53,093	52,896
	<hr/>	<hr/>
	82,399	96,228
	<hr/>	<hr/>

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

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

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Debt securities available-for-sale		
- unlisted, at cost	-	415,783
Less: Impairment losses	-	(80,320)
	-	335,463

The current investments at 31 December 2003 were stated at their recoverable amount. They were entirely disposed of during the current year.

**20 INVENTORIES**

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Raw materials	22,054	36,842
Work-in-progress	12,222	7,873
Spare parts and others	96,141	87,880
Finished goods and trading inventories	417,783	498,295
Goods in transit	4,392	9,455
	552,592	640,345
Inventories, included above, which are stated at net realisable value	416,702	497,844

**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>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Current	219,153	212,124
1 to 3 months	67,138	27,817
More than 3 months but less than 12 months	10,943	5,063
	297,234	245,004

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

**22 HIRE PURCHASE DEBTORS AND INSTALMENTS RECEIVABLE**

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Hire purchase debtors and instalments receivable	447,462	439,500
Unearned interest charges	(56,286)	(60,177)
	<hr/>	<hr/>
Provision for bad and doubtful debts	391,176	379,323
	(86,047)	(86,812)
	<hr/>	<hr/>
	305,129	292,511
	<hr/>	<hr/>
Balance due		
- within one year	114,716	108,232
- between one year and five years	182,390	184,279
- more than five years	8,023	-
	<hr/>	<hr/>
	305,129	292,511
	<hr/>	<hr/>

**23 CASH AND CASH EQUIVALENTS**

	<i>The Group</i>		<i>The Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Bank deposits	844,394	915,469	4,306	3,117
Bank balances	68,129	49,137	2,060	1,654
Cash on hand	570	402	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	913,093	965,008	6,366	4,771
Bank overdrafts (unsecured)	(10,643)	(53,345)		
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of cash flows	902,450	911,663		
	<hr/>	<hr/>		

The effective interest rate of deposits ranged from 0.01% to 4.61% (2003: 0.01% to 5.3%) per annum. The tenor of such deposits ranged from 1 day to 3 months.

Bank overdrafts bear interest ranging from 4.25% to 7.5% (2003: 4.5% to 7.25%) per annum.

**24 BANK LOANS (UNSECURED)**

At 31 December 2004, the bank loans were payable as follows:

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Within 1 year	125,805	58,016
After 1 year but within 2 years	146,671	3,870
After 2 years but within 5 years	146,624	7,739
	293,295	11,609
	419,100	69,625

Bank loans totalling \$11,609,000 (2003: \$15,482,000) 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. Bank loans totalling \$285,510,000 (2003: \$Nil) bear interest at a fixed rate of 2.38% to 2.85% per annum.

The remaining portion of the bank loans bore interest at floating rates ranging from 1.07% to 7% (2003: 1.3% to 7%) per annum during the year ended 31 December 2004.

**25 TRADE CREDITORS**

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

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Due within one month or on demand	135,630	145,045
Due after 1 month but within 3 months	91,527	72,556
Due after 3 months but within 6 months	22,838	20,456
Due after 6 months but within 12 months	636	1,260
	250,631	239,317

**26 AMOUNTS DUE TO RELATED COMPANIES**

	<i>The Group</i>		<i>The Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Trading balances	1,880	399	36	36

**27 PROVISIONS**

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>Provisions for warranties</i>		
Balance at 1 January	20,129	16,410
Provisions made	5,115	4,733
Provisions used	(1,785)	(1,014)
Balance at 31 December	23,459	20,129
Current	9,625	8,736
Non-current	13,834	11,393
	23,459	20,129

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>2004</i>	<i>2003</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 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
Balance at 1 January 2004		550,547	9,549	(376,504)	377,690	2,186,084	2,747,366
Total recognised gains and losses		-	-	164,429	-	340,774	505,203
Dividends to shareholders	11	-	-	-	-	(100,666)	(100,666)
Balance at 31 December 2004		550,547	9,549	(212,075)	377,690	2,426,192	3,151,903

**Capital reserve**

The capital reserve mainly comprises a 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 an integral part of the operations of the Group.

**(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 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
Balance at 1 January 2004		550,547	623,313	168,522	1,342,382
Total recognised gains and losses		-	-	100,904	100,904
Dividends to shareholders	11	-	-	(100,666)	(100,666)
At 31 December 2004		550,547	623,313	168,760	1,342,620

**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 the contributed surplus. Under the Companies Act of Bermuda, the 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 2004 are as follows:

	<b>2004</b> <b>\$'000</b>	<b>2003</b> <b>\$'000</b>
Contributed surplus	623,313	623,313
Retained profits	168,760	168,522
	792,073	791,835

**30 FINANCIAL INSTRUMENTS**

Financial assets of the Group include cash, equity and debt securities and trade, hire purchase and other debtors. Financial liabilities of the Group include loans, borrowings and 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 2003 and 2004.

#### ***(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 2004 not provided for in the financial statements were as follows:*

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Authorised and contracted for:		
- construction of properties	144,393	227,700

*(b) Operating lease commitments*

Non-cancellable operating lease rentals are payable as follows:

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Less than one year	4,405	9,513
Between one and five years	10,140	14,094
More than five years	37,140	37,824
	51,685	61,431

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>Note</i>	<i>2004</i>	<i>2003</i>
		<i>\$'000</i>	<i>\$'000</i>
Sales of goods and services to the TCMH Group	(i)	3,481	1,838
Sales of goods and services to the Ultima Group	(i)	1,575	8,669
Services rendered by the Ultima Group	(i)	5,170	277
Purchase of inventories from the TCMH Group	(i)	11,846	9,531
Purchase of inventories from the Ultima Group	(i)	4,268	8,631
Hire purchase financing income from the Ultima Group	(ii)	1,140	1,636
Investment in a subsidiary with the TCMH Group		4,800	-

## **32 RELATED PARTY TRANSACTIONS (CONTINUED)**

Notes:

- (i) Tan Eng Soon is the managing director of the Tan Chong Motor Holdings Berhad (“TCMH”) Group and the 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 REVISED ACCOUNTING STANDARDS**

The International Accounting Standards Board has issued a number of revised International Financial Reporting Standards (“revised IFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Company is assessing the impact of these revised IFRSs and will adopt them in 2005.

## **34 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.

## 34 SEGMENT REPORTING (CONTINUED)

### *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, Hong Kong and the People's Republic of China ("PRC"). It distributes all models of Nissan passenger and light commercial vehicles exported to Singapore and all models of Subaru passenger vehicles exported to Singapore, Hong Kong and the PRC 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.

**(iii) Property rentals**

The Group has significant property interests 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, the 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 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.

## 34 SEGMENT REPORTING (CONTINUED)

	<b>Motor vehicle distribution</b>		<b>Heavy commercial vehicle and industrial equipment distribution</b>		<b>Property rentals</b>		<b>Other operations</b>		<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers:										
- sales	4,164,490	3,350,954	748,994	571,724	-	-	30,610	38,511	4,944,094	3,961,189
- services	84,988	94,058	40,838	67,010	8,057	4,226	53,392	37,945	187,275	203,239
- hire purchase financing	-	-	-	-	-	-	40,291	41,735	40,291	41,735
- rentals	2,588	2,790	189	-	24,678	14,117	2,880	107	30,335	17,014
- others	46,144	51,263	9	136	-	2,516	3,392	4,461	49,545	58,376
Total revenue	4,298,210	3,499,065	790,030	638,870	32,735	20,859	130,565	122,759	5,251,540	4,281,553
Segment result										
Profit from operations	300,944	264,026	86,595	82,532	(9,035)	(2,081)	13,142	4,177	391,646	348,654
Net financing income/(costs)	(13,568)	(8,691)	(4,128)	(4,167)	(4,265)	5,051	12,842	2,726	(9,119)	(5,081)
Income from associates	24,280	23,716	-	-	-	-	13,504	7,767	37,784	31,483
Income tax expense	(64,317)	(65,842)	1,995	(6,581)	(1,435)	(2,117)	(18,262)	(12,811)	(82,019)	(87,351)
Minority interests	-	-	-	-	-	-	2,482	1,288	2,482	1,288
Net profit for the year	247,339	213,209	84,462	71,784	(14,735)	853	23,708	3,147	340,774	288,993



## 34 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>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	1,759,756	1,711,117	585,722	560,781	1,779,018	852,834	760,559	1,172,829	4,885,055	4,297,561
Interest in associates	174,285	151,262	-	-	-	-	233,331	49,154	407,616	200,416
Consolidated total assets	1,934,041	1,862,379	585,722	560,781	1,779,018	852,834	993,890	1,221,983	5,292,671	4,497,977
Consolidated total liabilities	551,860	401,163	177,376	132,268	243,106	71,489	145,481	131,865	1,117,823	736,785
Capital expenditure	43,686	6,857	30,270	73,961	725,253	17,181	181,310	82,104	980,519	180,103
Depreciation and amortisation expense	12,314	12,561	28,137	21,906	2,064	1,559	19,525	16,754	62,040	52,780
Impairment losses	-	-	-	-	-	-	33,430	80,320	33,430	80,320
Significant non-cash income/(expenses)	-	1,373	-	-	-	(66)	-	-	-	1,307

## 34 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>Others</i>		<i>Consolidated</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	4,553,844	3,761,496	55,592	50,137	90,117	54,770	551,987	415,150	5,251,540	4,281,553
Segment assets	4,167,946	3,106,568	226,243	251,329	108,737	59,209	382,129	880,455	4,885,055	4,297,561
Capital expenditure	956,348	156,983	2,070	472	2,104	594	19,997	22,054	980,519	180,103

### 35 ACQUISITION OF A SUBSIDIARY

On 15 March 2004, the Group acquired a 100% equity interest in Brizay Property Pte Ltd for a cash consideration of \$718,971,000.

	<i>2004</i> <b>\$'000</b>
<b>Net assets acquired</b>	
Property, plant and equipment	82
Investment property	717,372
Other debtors, deposits and prepayments	2,810
Cash and cash equivalents	91
Other creditors and accruals	(1,384)
	<hr/>
Net identifiable assets and liabilities	718,971
	<hr/>
Total consideration, satisfied in cash	718,971
	<hr/>
Less: cash of the subsidiary acquired	(91)
	<hr/>
Net cash outflow in respect of the purchase of a subsidiary	<u><u>718,880</u></u>

**GROUP PROPERTIES**

<i><b>Location</b></i>	<i><b>Description</b></i>	<i><b>Land area (sq feet)</b></i>	<i><b>Tenure</b></i>	<i><b>Expiry date</b></i>	<i><b>Age of building (years)</b></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	28
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	32
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	19
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	9
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	9
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	7

<i><b>Location</b></i>	<i><b>Description</b></i>	<i><b>Land area (sq feet)</b></i>	<i><b>Tenure</b></i>	<i><b>Expiry date</b></i>	<i><b>Age of building (years)</b></i>
Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	7
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	22
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	-	19
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	9
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	22
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	14
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	25
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	20

<i><b>Location</b></i>	<i><b>Description</b></i>	<i><b>Land area (sq feet)</b></i>	<i><b>Tenure</b></i>	<i><b>Expiry date</b></i>	<i><b>Age of building (years)</b></i>
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-	7
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	21
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	9
19 Lorong 8, Toa Payoh Singapore 319255	Land under development (own use)	58,715	Leasehold	28 February 2053	1
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030	2
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	223,908	Leasehold	15 April 2033	31
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	11

<i><b>Location</b></i>	<i><b>Description</b></i>	<i><b>Land area (sq feet)</b></i>	<i><b>Tenure</b></i>	<i><b>Expiry date</b></i>	<i><b>Age of building (years)</b></i>
59 M001, Rangsit-Pathumthani Road, Banklang, Musang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	17
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062	1