

Tan Chong International Limited

ANNUAL REPORT 2004



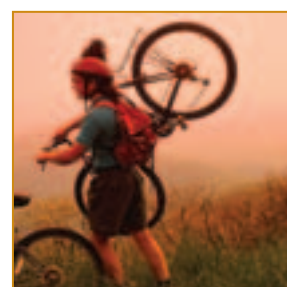
Adopting and crystallizing opportunities whilst managing uncertainties.





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Our strong financial standing provides us with a solid base that is able to support several concurrent initiatives to protect future business progress.



Executive Summary

The Asean region, China, Hong Kong and particularly Singapore saw robust economic growth in 2004. This positive trend in no small measure helped the Group to register one of the best results since its public listing in 1998.

Although revenues rose 23%, profits attributable to shareholders only increased 18% reflecting tough market environment putting pressure on margins. Nevertheless, with constant vigilance the Group expects to continue to do well in 2005.

The Company will be declaring a final dividend of 4 cents per share.

Our strong financial standing provides us with a solid base that is able to support several concurrent initiatives to protect future business progress. Infrastructural needs for after-sales facilities in Singapore and the region are constantly reviewed and met. We completed two showroom and workshop complexes in Singapore and Malaysia and we are developing three more showroom-workshop facilities in Singapore, Philippines and Thailand.

We acquired a 20.7% share in Zero Co., Ltd a major vehicle transport logistics company in Japan that we believe has good long term prospects and can provide the Group with hands-on insight to a key industry being nurtured to cater to the needs of Asean countries that are separately developing their own vehicle manufacturing centers.

The Group welcomes Mr. Masatoshi Matsuo to the Board as an Independent Non-Executive Director. He brings with him a wealth of experience in international marketing and corporate governance.

Again we appreciate our staff and Board Members who have shown dedication and good humour in carrying out their duties and responsibilities.

Dato' Tan Kim Hor
Chairman
Hong Kong,
16 March 2005

Revenue and profit attributable to shareholders appreciated by *23%* and *18%* year on year to *HK\$5.25 billion* and *HK\$341 million* respectively.





Management Discussion and Analysis

Summary

The Group, aided by several factors, did well in 2004. A bigger supply of Certificates of Entitlement ("COE"), besides stabilizing COE prices, boosted sales volume of Nissan passenger cars in Singapore by 11%. Light commercial vehicle volume improved 15% because of lower quota premium and better pricing. Good success in taxi tenders brought about a five-fold increase in Nissan taxi sales. Subaru car sales improved 41%. Nissan Diesel truck sales in Singapore and Thailand were up 26%. However, bottom line did not move in tandem with sales

revenue because of severe market competition, price cutting, and the relatively more expensive Japanese Yen against the Singapore dollar. Our competitors have the advantage of sourcing their supplies from countries with lower production costs.

Revenue and profit attributable to shareholders appreciated by 23% and 18% year on year to HK\$5.25 billion and HK\$341 million respectively. However, bottom line for the second half year remained as that of the first half.





Management Discussion and Analysis

Vehicle Division

Sales of Nissan vehicles were firmly supported by the face-lifted Nissan Sunny and Nissan Cefiro. The introduction of new Nissan passenger models like the Latio, Presage, Lafesta and Murano in 2005 will help the Group to garner more sales in the MPV and SUV sectors which are getting more popular in Singapore. Increased sales from these new models will help to tone down the impact of the reduced COE quota.

With the continued focus on performance and youth appeal Subaru car sales volume in Singapore improved 24% year on year to 1501 units. Innovative niche marketing with sales packaging catering to selected groups of enthusiasts attracted the interests of new and existing customers. Subaru sales volume in Hong Kong improved 32% but margins were affected by severe market competition and intense price cutting.

Car rental business had another year of steady turnover with lower margins because of undercutting of rental rates and many new entrants into the car rental trade even though lower COE premiums and other car-related costs also enabled us to offer reduced rental rates. Rental rates are expected to remain stable in 2005.

Industrial Machinery Division

The truck section, helped by the beginning of an upturn in the construction industry, saw a 19% improvement in sales, unlike the forklift section which continued to be affected by the downturn in the logistic industry and intense competition with severe price cutting. Profit margins for the

Division in Singapore and Shanghai, though better, were eroded by currency movements and severe competition. To complement its product range in Singapore, the Division introduced the Traction and Battery Charger business line.

Truck sales in Thailand, assisted by a further 6% economic growth, were lifted 29% to 1278 units. Market share remained steady at 10%. The new self-developed prototype truck tractor and cargo truck received good review and acceptance by customers.

Property Division

Property rental business experienced a slight upturn. Occupancy improved on the back of better business climate. However, the situation of oversupply of service apartments impacted the bottom line. Such oversupply is expected to remain over the next few years.

The new terrace-housing development at our freehold site in Upper Aljunied Road is on target and will be launched for sale after it received Certificate of Completion in mid-2005. The 3S Centre at Ubi Road commenced business operations in March and complemented existing facilities to better serve our customers. Retrofitting work in Tan Chong Tower was completed on schedule and occupancy rates soared from 55% to 88% with better rental returns helped partly by its proximity to the central business and shopping belt.



China Division

Sales by MotorImage China through its 3S Centre in Dongguan rose four-fold year on year boosted by the introduction of the new Subaru Legacy and Outback at the Beijing Motor Show. However, the cooling of the Chinese economy and new regulations and policies affecting the auto industry are expected to slow growth in 2005.

We are rationalizing our other businesses in China in particular disposing of our interest in joint-ventures that have been underperforming and concentrating on manufacturing where we have direct ownership and management control.

Finance

Bank borrowings stood at HK\$430 million. The increased borrowings were mainly for the exercise of the call option on Wilby Residence in March which also contributed to reduced net cash position. Decline in net cash to HK\$483 million was also due to the 20.7% acquisition of Zero Co., Ltd and to payments for construction costs on capital projects. Capital commitments for construction and development projects at Upper Aljunied Road (Mulberry Grove), Lorong 8 Toa Payoh, the 3S Centres in Petaling Jaya and in Jakarta totaled HK\$144 million. There is no contingent liability to-date.

Prospects

The Group's strong financial position enabled it to expand into the region in automobile and truck distribution and parts manufacturing. We have now built up an automobile distribution network spanning several countries in ASEAN, Hong Kong and four provinces in Southern China. These regions are expanding economies that will provide us with the opportunity of enlarging our network and improve revenue streams.

While we expect the global economy to continue the momentum of the past year, uncertainties in currency exchange rate movements, escalating oil prices and economic adjustments in China and the United States are matters which may impact our businesses. Nevertheless we believe in our ability to ride the changes and continue to build the Company's future.



Capital *commitments* for construction and *development* projects stood at *HK\$144 million*.



Corporate Information

Board of Directors

Chairman

Dato' Tan Kim Hor

Deputy Chairman

Mr. Tan Eng Soon

Managing Director

Mr. Joseph Ong Yong Loke

Executive Director

Mr. Tan Kheng Leong

Executive Director - Marketing

Mr. Neo Ah Chap

Executive Director - Finance

Mdm. Sng Chiew Huat

Non-Executive Director

Mdm. Jeny Lau *

Independent Non-Executive Directors

Mr. Lee Han Yang *

Mr. Liu Kwei Ming *

Mr. Masatoshi Matsuo

** Audit Committee Members*

Company Secretary

Miss. Teo Siok Ghee

Auditors

KPMG

8/F, Prince's Building

10 Charter Road

Central, Hong Kong

Solicitors

Preston Gates & Ellis

35/F Two International Finance

Centre, 8 Finance Street,

Central, Hong Kong

Registered Office

Clarendon House

2 Church Street,

Hamilton HM 11

Bermuda

Principal Places of Business

HONG KONG

Unit 3001, 30th Floor,

Shui On Centre,

6-8 Harbour Road, Wanchai

Hong Kong

SINGAPORE

Tan Chong Motor Centre

911 Bukit Timah Road

Singapore 589622

Bermuda Resident Representatives

Mr. John C R Collis

Mr. Anthony D Whaley (Deputy)

Principal Bankers

Bank of America NA

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited

11 Rosebank Centre, Bermudiana Road,

Hamilton, Bermuda

Branch Share Registrar and Transfer Office

Computershare Hong Kong

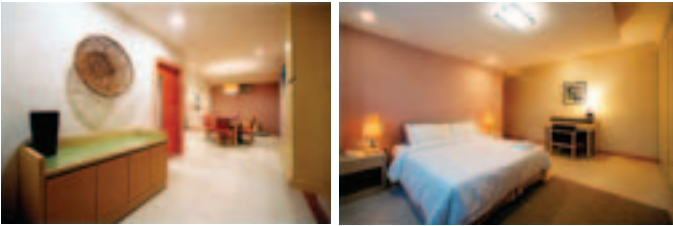
Investor Services Limited

Hopewell Centre, 46th Floor

183 Queen's Road East,

Wan Chai, Hong Kong





Directors and Senior Management Profile

Chairman

Dato' Tan Kim Hor, age 82, is the Chairman of the Company. In 1957, he and his brother pioneered the importation of Japanese motor vehicles into Malaysia. For his contributions to society, he was awarded the DPMS by the Sultan of Selangor in 1981. Dato' Tan is the father of Mr. Tan Kheng Leong and an uncle of Mr. Tan Eng Soon.

Deputy Chairman

Mr. Tan Eng Soon, age 56, is the Deputy Chairman of the Company and is a Director of many subsidiaries of the Group. He is also the Managing Director of Tan Chong Motor Holdings Berhad (TCMH) and a Director of APM Automotive Holdings Bhd. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971.

Managing Director

Mr. Joseph Ong Yong Loke, age 56, is the Managing Director of the Company. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr Ong, a Chartered Surveyor, graduated with a BSc. (Building Economics) from the University of Reading in the United Kingdom in 1971. His previous work experience includes appointments with the Singapore Ministry of Defence and Straits Steamship Co Limited from 1976 to 1980.

Executive Directors

Mr. Tan Kheng Leong, age 62, is the Deputy Managing Director of the Nissan motor operations in Singapore and is a Director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 42 years, Mr. Tan has worked in all areas of the Group's motor business, specializing in marketing and after-sales service. He is a brother-in-law of Mr. Neo Ah Chap.

Mr. Neo Ah Chap, age 61, is the Marketing Director of the motor operations in Singapore and a Director of several subsidiaries of the Group. Mr. Neo first joined the Group in Singapore in January 1971 as an Assistant Manager. In 1974, he assumed the position of Finance Director and subsequently the position of Marketing Director in 1977. He was trained as an Accountant in Perth, Australia, and is a member of the Australian Society of Certified Practising Accountants.

Mdm. Sng Chiew Huat, age 57, is the Finance Director of the Company. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993. She is a Fellow of both CPA Singapore and CPA Australia.

Non-Executive Director

Mdm. Jeny Lau, age 45, was appointed as a Director of the Company in August 2003. She is currently the Director of the corporate finance department of a Hong Kong listed company. She was the Managing Director of Platinum Securities Co Ltd and also worked with the corporate finance division of Jardine Fleming Securities Ltd after spending more than ten years with major commercial banks in the U.S. and major international accounting firms. Mdm. Lau holds a Master of Science degree in Accountancy and Systems and also a Bachelor of Science degree in Accounting. She is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants, Hong Kong Society of Accountants, Hong Kong Securities Institute, and a Licensed Financial Advisor under the Hong Kong Securities & Future Commission.

Independent Non-Executive Directors

Mr. Lee Han Yang, age 73, is a lawyer by profession. Mr. Lee was appointed as a Director of the Company in April 1998. Mr. Lee is currently a member of the Board of several public-listed companies in Singapore.

Mr. Liu Kwei Ming, age 76, joined China Resources Group in the early 1950s. He was appointed Director and Deputy General Manager of China Resources Machinery Company Limited in 1984, and subsequently appointed as Advisor to the company in 1990. Mr. Liu retired from China Resources Group at the end of 1997. Mr. Liu was appointed as a Director of the Company in April 1998.

Mr. Masatoshi Matsuo, age 61, graduated from Yamaguchi National University in Japan with a degree in Mechanical Engineering. He has over 18 years' experience in manufacturing and technical activities and another 18 years' experience in corporate and commercial activities in Europe, South America, Middle East, Africa, South East Asia and China and was the Senior Managing Director of Nissan Diesel Motor Co Ltd, a renown world-wide truck and engine manufacturing and distribution company listed on the Tokyo Stock Exchange, until his retirement in 2001. Mr. Matsuo was appointed as a Director of the Company on 6 December 2004.

Senior Management

Mr. Chia Yong Sian, age 51, is the General Manager (Marketing) of the Nissan motor operations in Singapore. He joined the Group in 1982. Mr. Chia holds Diplomas in Mechanical Engineering and Marketing Management. He obtained a Master of Business Administration degree from the State University of New York at Buffalo in 2004.

Mr. Chow Sheng Choy, age 58, is the Executive President of Nissan Diesel (Thailand) Co., Ltd. (NDT) and a Director of the heavy commercial vehicles and industrial equipment division of the Group. Mr. Chow joined the Group in 1989. He holds a Bachelor of Engineering degree from the University of Singapore.

Mr. Hiew Bon Yock, age 53, is the General Manager (Sales) of the Nissan motor operations in Singapore. Mr. Hiew joined the Group in 1984. He holds Diplomas in Mechanical Engineering, Business Administration and Marketing Management.

Mr. Lee Joo Heng, age 61, is the General Manager responsible for the service division of the motor operations in Singapore. Mr. Lee joined the Group in 1982. He is a member of the Institute of Road Transport Engineers and the Institute of the Motor Industry in the United Kingdom.

Mr. Yeong Yue Sun, age 51, is the Executive Vice President of NDT. Mr. Yeong is a trained Automotive Engineer and a Member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Institute of Technology in Australia.



The *new* Nissan flagship 3S Centre at *Ubi Singapore* was completed in February and was *furbished* according to *Nissan's global* retail guidelines on signage and facilities.





Corporate Activities

Motor Shows in Singapore and Thailand perked up the usual corporate events adopted by the Group.

New Nissan models such as the Latio, Murano and Presage and the convertible version of the Nissan 350Z Roadster were unveiled at the Singapore Motor Show in November. The innovative and intelligent features and bold designs of the Latio, Murano and Presage are targeted to shift consumers' expectation towards everything a Nissan car can ever be. Besides the release of an upgraded Nissan X-trail in February, a simpler more affordable version of the nimble yet fashionable Nissan March was launched in September. At the Thailand Motor Show, two self-developed prototype truck tractor and cargo truck aimed at reducing fuel consumption and maintenance cost were introduced. The Subaru Legacy and Outback were first exhibited in China at the Beijing Motor Show. It brought about better market penetration and consumer awareness of the Subaru brand. A Subaru basic rally course and advance driving techniques conducted at Shaoguan by China's legendary rally hero Mr. Lu Ning Jun was a resounding success. The Subaru Palm Challenge in its third year running in Singapore brought about improved sales and created further awareness of the Subaru brand.

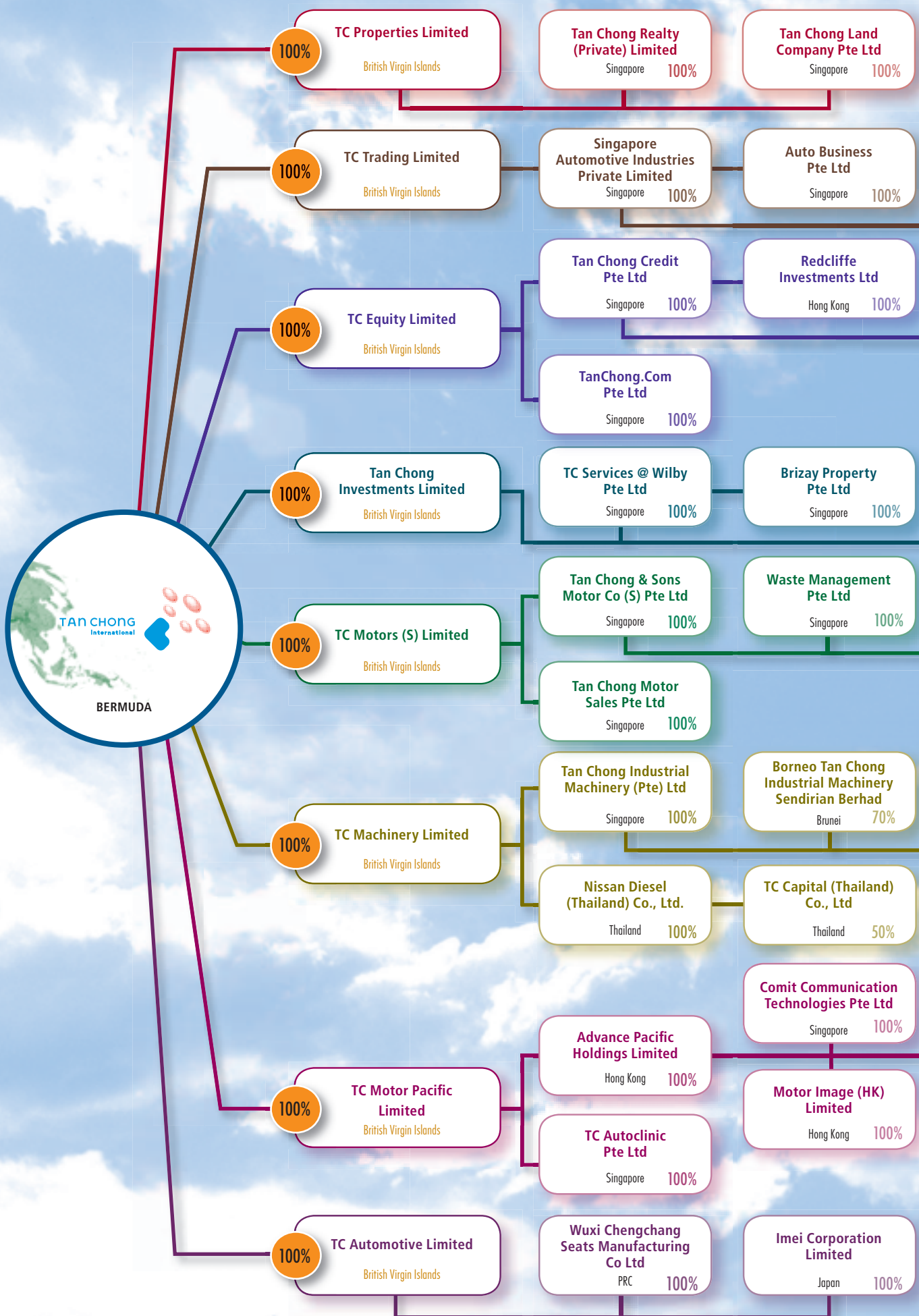
Encouraged by the enthusiastic participation and response from the public over the years, Nissan in Singapore lent its continuing support of charitable and lifestyle events such as the perennial National Kidney Foundation Charity Show, New Paper Big Walk, SPH Classified "Car-nival" and the Road Safety Public Education Campaign. Our popular Nissan models such as the Sunny, Cefiro and X-Trail were given away as prizes to lucky winners.



The new Nissan flagship 3S Centre at Ubi Singapore which was completed in February and was refurbished according to Nissan's global retail guidelines on signage and facilities commenced operations in March. At Upper Aljunied Road the 77 terrace-housing project is on schedule for completion in the first quarter of 2005. Retrofitting of a new Subaru 3S Centre at Toa Payoh is scheduled to be completed by end of 2005.

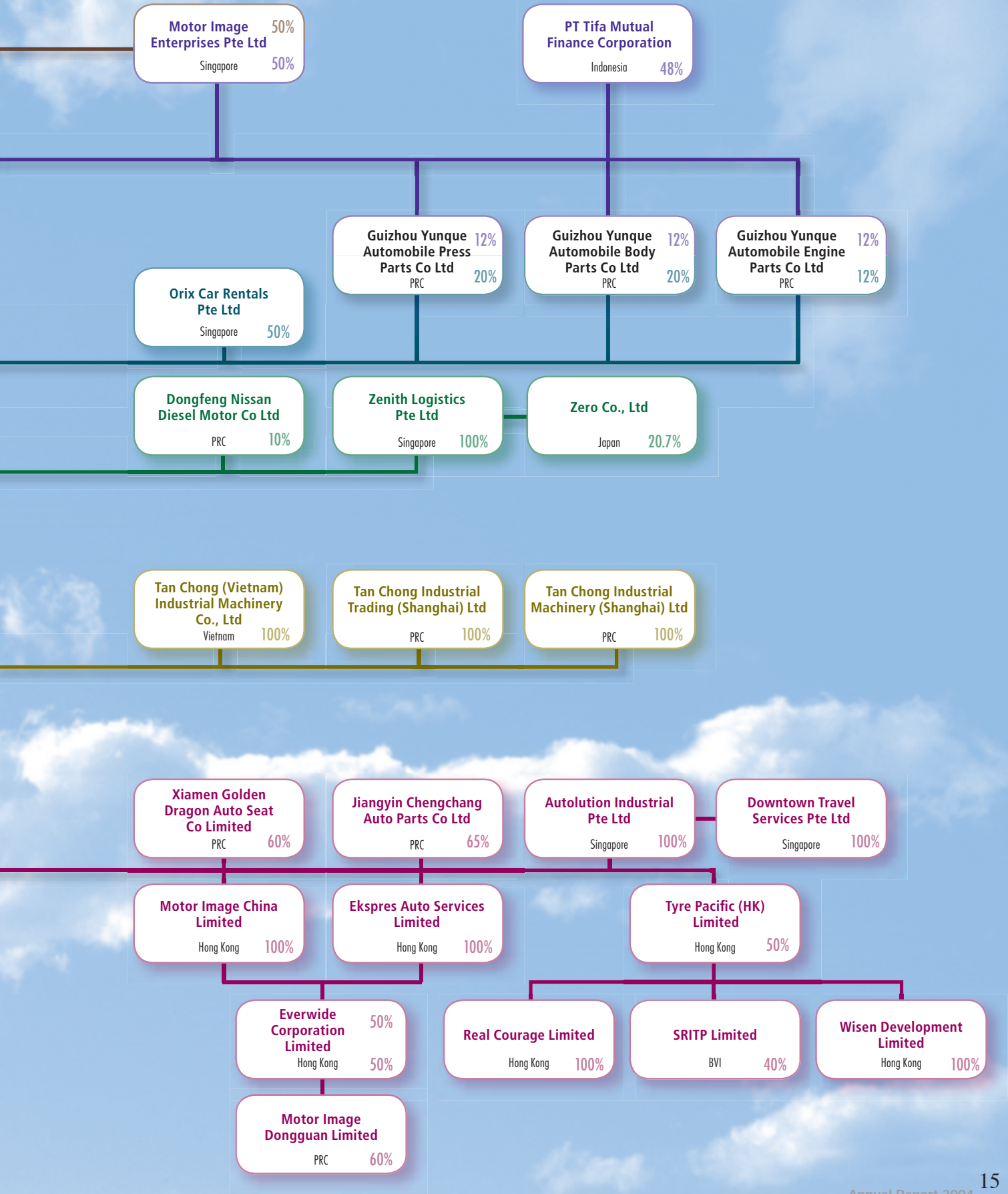
Our Industrial Machinery Division in Singapore started the Traction Battery & Charger business to boost its product range. To enhance its services to customers, Nissan Diesel Thailand is expanding its sales and services network by setting up a branch in Nakorswan that will be fully operational in 2005.





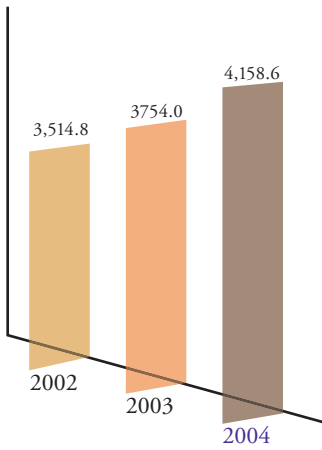
Note: Excluding dormant subsidiaries and associate companies

Corporate Structure

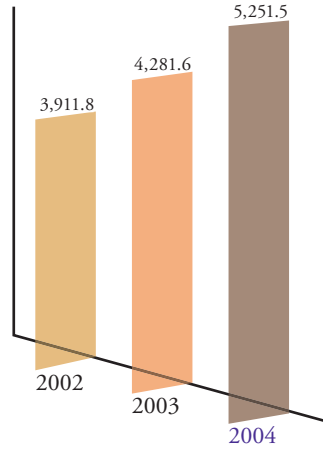


Financial Highlights

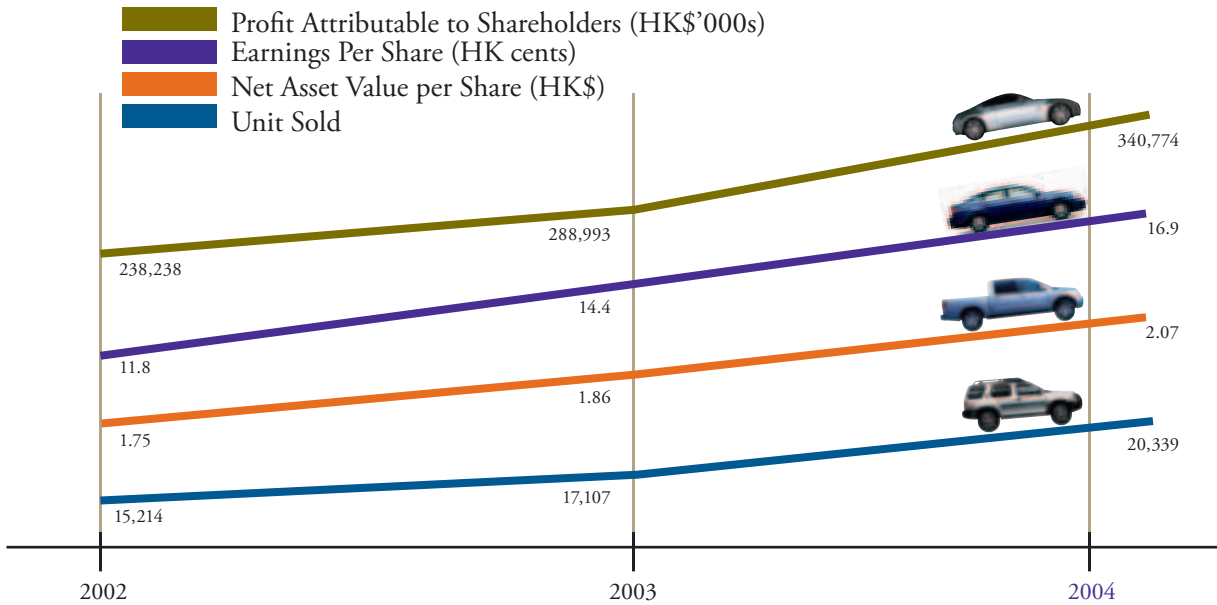
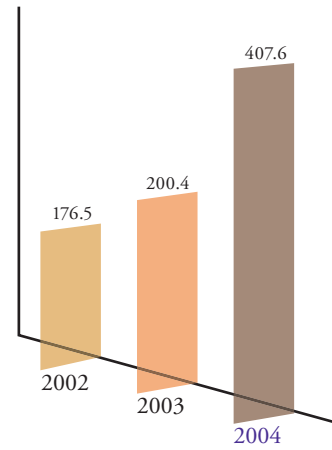
Net Assets
(HK\$ millions)



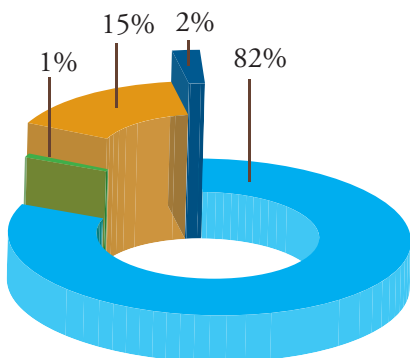
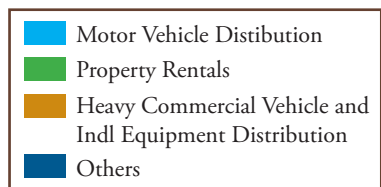
Revenue
(HK\$ millions)



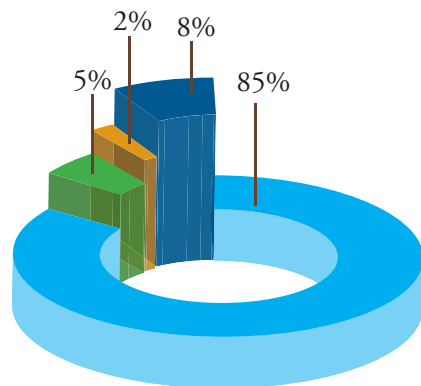
Associates
(HK\$ millions)



Revenue by Business Type
FY2004



Segment Assets by Location
FY2004



Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 17 to the financial statements.

The analysis of the types of businesses and geographical areas of the operations of the Company and its subsidiaries during the financial year are set out in note 34 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 68.

An interim dividend of 1.5 cents (2003: 1.5 cents) per share was paid on 17 September 2004. The directors now recommend a final dividend of 4.0 cents (2003: 3.5 cents) per share in respect of the year ended 31 December 2004.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases of inventories for sale attributable to the Group's largest suppliers during the financial year are as follows:

Purchases	
- the largest supplier	58%
- five largest suppliers in aggregate	82%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major suppliers.

The aggregate percentage of sales attributable to the Group's five largest customers is less than 30% of total sales during the year and therefore no additional disclosures with regard to major customers are made.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

RESERVES

Movements in the reserves of the Company and the Group are set out in note 29 to the financial statements.

Directors' Report

DIRECTORS

The directors during the year were:

Executive directors

Dato' Tan Kim Hor	(Chairman)
Tan Eng Soon	(Deputy Chairman)
Joseph Ong Yong Loke	(Managing Director)
Tan Kheng Leong	
Neo Ah Chap	
Sng Chiew Huat	

Non-executive director

Jeny Lau

Independent non-executive directors

Lee Han Yang	
Liu Kwei Ming	
Masatoshi Matsuo	(appointed on 6 December 2004)

In accordance with Bye-law 86, Masatoshi Matsuo retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Bye-law 87, Dato' Tan Kim Hor, Joseph Ong Yong Loke, and Liu Kwei Ming retire from the board by rotation at the forthcoming Annual General Meeting. Joseph Ong Yong Loke, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

CONNECTED TRANSACTIONS

During the year, the Group entered into various connected transactions with the Tan Chong Motor Holdings Berhad ("TCMH") Group and the Motor Ultima Pte Ltd ("Ultima") Group. Tan Eng Soon is the managing director of TCMH and the Ultima Group is controlled by the Tan family.

A summary of the significant related party transactions undertaken by the Group during the year is set out in note 32 to the financial statements.

A conditional waiver for disclosure and shareholders' approval requirements for connected transactions with the TCMH Group and the Ultima Group (except term loans to TCMH and technical support given by the TCMH Group) under the Listing Rules was granted by the Stock Exchange of Hong Kong Limited ("HKSE") in August 1998.

Directors' Report

CONNECTED TRANSACTIONS (CONTINUED)

The independent non-executive directors have reviewed and confirmed that the connected transactions to which a conditional waiver has been granted by HKSE were conducted in the following manner:

- (1) entered into by the Company in the ordinary and usual course of its business;
- (2) entered into on normal commercial terms or (where there is no available comparison) on terms that are, in the reasonable opinion of the Company's directors, fair and reasonable so far as the shareholders of the Company are concerned;
- (3) entered into either in accordance with the terms of the agreements governing such transactions (as detailed in the Company's listing document dated 22 June 1998) or, where there are no such agreements, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
- (4) had an aggregate value not exceeding 3% of the Group's turnover.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The directors who held office at 31 December 2004 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

	Ordinary shares of HK\$0.50 each			Percentage of total issued shares	Total
	Personal interests	Family interests	Corporate interests		
		(Note 1)	(Note 2)		
<i>Executive Directors:</i>					
Dato' Tan Kim Hor	9,224,502	90,972	-	0.46%	9,315,474
Tan Eng Soon	4,200,000	-	101,580,000	5.25%	105,708,000
Joseph Ong Yong Loke	600,000	795,000	940,536	0.12%	2,335,536
Tan Kheng Leong	2,205,000	210,000	-	0.12%	2,415,000
Neo Ah Chap	3,300,000	-	-	0.16%	3,300,000
Sng Chiew Huat	504,000	-	-	0.03%	504,000

Notes:

- (1) These shares are beneficially owned by the spouses of Dato' Tan Kim Hor, Joseph Ong Yong Loke and Tan Kheng Leong, respectively and hence they are deemed to be interested in these shares.
- (2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (CONTINUED)

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non beneficial interests or short positions in shares of the Company or any of its associates (within the meaning of the SFO) as at 31 December 2004, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the year to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the year was the Company, any of its subsidiaries or any of its fellow subsidiaries or their holding companies a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The Company has been notified of the following interests (other than a director of the Company) in the Company's issued shares at 31 December 2004 amounting to 5% or more of the ordinary shares in issue:

<i>Name</i>	<i>Ordinary shares held</i>	<i>Percentage of total issued shares</i>
	(Note)	
Tan Chong Consolidated Sdn. Bhd.	912,799,986	45.34

Note: The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Dato' Tan Kim Hor as to approximately 10.29 per cent, Tan Eng Soon as to approximately 16.66 per cent and Tan Kheng Leong as to approximately 11.21 per cent. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.

Save as disclosed above, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, to which the Company, any of its subsidiaries or any of its fellow subsidiaries or their holding companies was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' Report

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the law in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2004 are set out in notes 23 and 24 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group and of the Group's assets and liabilities for the last five financial years is set out on page 69 of the annual report.

PROPERTIES

Particulars of the Group's properties are shown on pages 70 to 73 of the annual report.

RETIREMENT SCHEMES

Details of retirement schemes to which the Group contributes are set out in note 7 to the financial statements.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules, except that non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings in accordance with Bye-laws of the Company.

Directors' Report

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board

Tan Eng Soon
Deputy Chairman
Hong Kong,
16 March 2005

Auditors' Report

to the shareholders of Tan Chong International Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements set out on pages 24 to 68 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other persons for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit, changes in equity and cash flows for the year then ended, and have been properly prepared in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
Hong Kong,
16 March 2005

Consolidated Income Statement

for the year ended 31 December 2004 (Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2004</i> \$'000	<i>2003</i> \$'000
Revenue	2	5,251,540	4,281,553
Cost of sales		(4,392,032)	(3,513,836)
Gross profit		859,508	767,717
Other operating income	3	52,185	82,787
Distribution costs		(235,463)	(197,352)
Administrative expenses		(240,461)	(212,749)
Other operating expenses	4	(44,123)	(91,749)
Profit from operations		391,646	348,654
Financing costs	5	(9,119)	(5,081)
Share of results of associates		37,784	31,483
Profit before taxation and minority interests	6	420,311	375,056
Income tax expense	9(a)	(82,019)	(87,351)
Profit before minority interests		338,292	287,705
Minority interests		2,482	1,288
Profit attributable to shareholders	10 & 29(a)	340,774	288,993
Dividends paid during the year	11	100,666	100,666
Earnings per share (cents)	12	16.9	14.4

The notes on pages 31 to 68 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004 (Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2004</i> \$'000	<i>2003</i> \$'000
Shareholders' equity at 1 January		3,754,021	3,514,836
Exchange differences on translation of:			
- the financial statements of foreign entities	29(a)	164,429	50,858
Net profit for the year	29(a)	340,774	288,993
Dividends paid during the year	11	(100,666)	(100,666)
Shareholders' equity at 31 December		4,158,558	3,754,021

The notes on pages 31 to 68 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2004 (Expressed in Hong Kong dollars)

	Note	2004 \$'000	2003 \$'000
Non-current assets			
Investment properties	13	1,220,939	456,760
Property under development	14	438,010	292,910
Property, plant and equipment	15(a)	739,838	676,775
Lease prepayments	16	121,445	110,941
Interest in associates	18	407,616	200,416
Investments	19(a)	82,399	96,228
Hire purchase debtors and instalments receivable	22	190,413	184,279
Deferred tax assets	9(b)	33,940	24,597
		3,234,600	2,042,906
Current assets			
Investments	19(b)	-	335,463
Inventories	20	552,592	640,345
Trade debtors	21	297,234	245,004
Hire purchase debtors and instalments receivable	22	114,716	108,232
Other debtors, deposits and prepayments		180,436	161,019
Cash and cash equivalents	23	913,093	965,008
		2,058,071	2,455,071
Current liabilities			
Bank overdrafts (unsecured)	23	10,643	53,345
Bank loans (unsecured)	24	125,805	58,016
Trade creditors	25	250,631	239,317
Other creditors and accruals		261,784	212,020
Amounts due to related companies	26	1,880	399
Taxes payable		138,860	127,711
Provisions	27	9,625	8,736
		799,228	699,544
Net current assets		1,258,843	1,755,527
Total assets less current liabilities		4,493,443	3,798,433

Consolidated Balance Sheet (continued)
at 31 December 2004 (Expressed in Hong Kong dollars)

	<i>Note</i>	2004 \$'000	2003 \$'000
Non-current liabilities			
Deferred tax liabilities	9(b)	11,466	14,239
Bank loans (unsecured)	24	293,295	11,609
Provisions	27	13,834	11,393
		318,595	37,241
Minority interests			
		16,290	7,171
NET ASSETS		4,158,558	3,754,021
Representing:			
Share capital			
	28	1,006,655	1,006,655
Reserves			
	29(a)	3,151,903	2,747,366
Shareholders' equity		4,158,558	3,754,021

Tan Eng Soon
Deputy Chairman

Sng Chiew Huat
Finance Director

The notes on pages 31 to 68 form part of these financial statements.

Balance Sheet

at 31 December 2004 (Expressed in Hong Kong dollars)

	Note	2004 \$'000	2003 \$'000
Non-current assets			
Property, plant and equipment	15(b)	172	258
Investments in subsidiaries	17	2,339,080	2,339,080
		2,339,252	2,339,338
Current assets			
Amounts due from subsidiaries		9,695	17,623
Other debtors, deposits and prepayments		946	949
Cash and cash equivalents	23	6,366	4,771
		17,007	23,343
Current liabilities			
Creditors and accruals		3,997	3,626
Amounts due to subsidiaries		2,951	9,982
Amounts due to related companies	26	36	36
		6,984	13,644
Net current assets		10,023	9,699
NET ASSETS		2,349,275	2,349,037
Representing:			
Share capital	28	1,006,655	1,006,655
Reserves	29(b)	1,342,620	1,342,382
		2,349,275	2,349,037

Tan Eng Soon
Deputy Chairman

Sng Chiew Huat
Finance Director

The notes on pages 31 to 68 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2004 (Expressed in Hong Kong dollars)

	<i>Note</i>	2004 \$'000	2003 \$'000
Net cash flows from operating activities	(a)	480,912	238,568
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		28,721	41,217
Proceeds from sale of listed investments		-	57,139
Proceeds from sale of unlisted debt securities		323,876	-
Dividends received from associates		4,627	3,455
Dividends received from listed investments		871	832
Dividends received from unlisted investment		886	1,019
Purchase of unlisted debt securities		-	(23,057)
Purchase of listed equity securities		-	(6,225)
Purchase of property, plant and equipment		(130,507)	(149,964)
Additions to property under development		(132,558)	(30,139)
Interest received		14,093	24,352
Payment for purchase of an associate		(171,808)	-
Payment for purchase of a subsidiary	35	(718,880)	-
Net cash used in investing activities		(780,679)	(81,371)
Cash flows from financing activities			
Net proceeds from drawdown/(repayment) of borrowings		348,669	(26,772)
Dividends paid to shareholders		(100,666)	(100,666)
Dividends paid to minority shareholders		-	(400)
Capital contribution from minority shareholders		11,584	-
Net cash from/(used in) financing activities		259,587	(127,838)
Net (decrease)/increase in cash and cash equivalents		(40,180)	29,359
Cash and cash equivalents at beginning of the year		911,663	869,401
Effect of exchange differences		30,967	12,903
Cash and cash equivalents at end of the year	23	902,450	911,663

The notes on pages 31 to 68 form part of these financial statements.

Notes to Consolidated Cash Flow Statement

for the year ended 31 December 2004 (Expressed in Hong Kong dollars)

(A) THE RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES IS AS FOLLOWS:

	2004 \$'000	2003 \$'000
Profit from operations	391,646	348,654
Adjustments for:		
- Depreciation	58,384	49,406
- Impairment of goodwill	6,927	-
- Amortisation of lease prepayments	3,656	3,374
- Gain on disposal of property, plant and equipment	(6,546)	(6,426)
- Gain on sale of listed investments	-	(11,701)
- Increase in fair value of investment properties	-	(1,307)
- Decrease/(increase) in fair value of listed equity securities	2,121	(4,722)
- Impairment of unlisted debt securities	11,587	80,320
- Impairment of unlisted equity securities	14,916	-
- Interest income	(14,133)	(21,486)
- Dividend income	(1,757)	(1,851)
- Foreign exchange gain	(2,315)	(12,087)
Operating profit before working capital changes	464,486	422,174
Increase in amounts due from associates	(290)	-
Increase in hire purchase debtors and instalments receivable	(845)	(9,374)
Decrease/(increase) in inventories	113,379	(231,270)
(Increase)/decrease in trade debtors	(44,071)	59,537
Increase in other debtors, deposits and prepayments	(12,064)	(32,402)
Increase in trade creditors	3,286	52,145
Increase in other creditors and accruals	39,378	52,667
Increase/(decrease) in amounts due to related companies	1,481	(1,039)
Increase in provisions	3,330	3,719
Cash generated from operations	568,070	316,157
Interest paid	(7,877)	(5,081)
Taxes paid	(78,587)	(71,949)
Effect of exchange differences	(694)	(559)
Net cash flows from operating activities	480,912	238,568

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1

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.

1 (a)

(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.

1 (b)

(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.

1 (c)

(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.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Basis of consolidation (continued)*

(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.

(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.

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1 (c)

1 (d)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 (e)

(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.

1 (f)

(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.

1 (g)

(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.

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%

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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.

1

1 (g)

1 (h)

1 (i)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 (j)

(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 (k)

(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.

1 (l)

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) *Income tax (continued)*

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.

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.

1

1 (l)

1 (m)

1 (n)

1 (o)

1 (p)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 (q)

(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.

1 (r)

(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 (s)

(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.

1 (t)

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

1

1 (u)

1 (v)

1 (w)

1 (x)

1 (y)

1 (z)

1 (aa)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2

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:

	2004 \$'000	2003 \$'000
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
	5,251,540	4,281,553

3

3 OTHER OPERATING INCOME

	2004 \$'000	2003 \$'000
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
	52,185	82,787

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4 OTHER OPERATING EXPENSES

	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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
	44,123	91,749
	44,123	91,749

4

5 FINANCING COSTS

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

5

6 PROFIT BEFORE TAXATION AND MINORITY INTERESTS

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

	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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)
	(25,935)	(12,915)
	(25,935)	(12,915)

6

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7

7 PERSONNEL EXPENSES

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

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

8 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Details of executive directors' remuneration are as follows:

	2004 \$'000	2003 \$'000
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
	22,593	17,975

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (CONTINUED)

8

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

	2004	2003
\$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	-
	10	9

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.

	2004 \$'000	2003 \$'000
Basic salaries, allowances and other benefits	14,525	12,003
Bonus	7,225	4,733
Retirement plan contributions	112	525
	21,862	17,261

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8

8 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (CONTINUED)

	2004	2003
\$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	-
	5	5

9

9 TAXATION

9 (a)

(a) Income tax expense:

	2004	2003
	\$'000	\$'000
Current tax expense		
Current year	94,306	83,942
(Over)/under-provision in prior years	(171)	832
	94,135	84,774
Deferred tax expense		
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)
	(12,116)	2,577
Total income tax expense in consolidated income statement	82,019	87,351

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9 TAXATION (CONTINUED)

(a) Income tax expense: (continued)

An analysis of the income tax expense is as follows:

	2004 \$'000	2003 \$'000
Hong Kong	398	217
Singapore	78,281	79,365
Elsewhere	(6,214)	1,694
	72,465	81,276
Associates	9,554	6,075
	82,019	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%).

9

9 (a)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9

9 TAXATION (CONTINUED)

9 (a)

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

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

	2004 \$'000	2003 \$'000
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	82,019	87,351

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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:

	2004			2003		
	Assets \$'000	Liabilities \$'000	Net \$'000	Assets \$'000	Liabilities \$'000	Net \$'000
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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9

9 TAXATION (CONTINUED)

9 (c)

(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

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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.

12

13 INVESTMENT PROPERTIES

The Group

	<i>Freehold land and buildings</i>	<i>Leasehold buildings</i>	<i>Total</i>
	\$'000	\$'000	\$'000
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
	1,021,935	199,004	1,220,939
At 31 December 2004	1,021,935	199,004	1,220,939

13

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>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
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
	1,021,935	263,569	199,004	193,191

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13

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

14 PROPERTY UNDER DEVELOPMENT

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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>Con- struction in progress</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation:							
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
Representing:							
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
Accumulated depreciation:							
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
Net book value:							
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

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15 (a)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15

15 (a)

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> \$'000	<i>2003</i> \$'000	<i>2004</i> \$'000	<i>2003</i> \$'000
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
	218,721	208,551	291,096	215,839

(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).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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
Cost:				
At 1 January 2004	134	264	239	637
Additions	50	-	-	50
At 31 December 2004	184	264	239	687
Accumulated depreciation:				
At 1 January 2004	100	231	48	379
Charge for the year	60	28	48	136
At 31 December 2004	160	259	96	515
Net book value:				
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</i> \$'000	<i>2003</i> \$'000
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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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16 LEASE PREPAYMENTS (CONTINUED)

An analysis of lease prepayments is as follows:

	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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
	121,445	110,941

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17 INVESTMENTS IN SUBSIDIARIES

	<i>The Company</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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The following list contains particulars of the subsidiaries as at 31 December 2004 which principally affected the results or assets of the Group:

<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 & 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
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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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18 INTEREST IN ASSOCIATES

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
Share of net assets	393,036	200,416
Amounts due from associates	290	-
Goodwill	14,290	-
	407,616	200,416

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

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19 INVESTMENTS

19 (a)

(a) *Non-current investments*

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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
	82,399	96,228

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

19 INVESTMENTS (CONTINUED)

(b) Current investments

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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>
	\$'000	\$'000
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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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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>
	\$'000	\$'000
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.

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22 HIRE PURCHASE DEBTORS AND INSTALMENTS RECEIVABLE

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
Hire purchase debtors and instalments receivable	447,462	439,500
Unearned interest charges	(56,286)	(60,177)
	391,176	379,323
Provision for bad and doubtful debts	(86,047)	(86,812)
	305,129	292,511
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	-
	305,129	292,511

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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>
	\$'000	\$'000	\$'000	\$'000
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	-	-
Cash and cash equivalents	913,093	965,008	6,366	4,771
Bank overdrafts (unsecured)	(10,643)	(53,345)		
Cash and cash equivalents in the consolidated statement of cash flows	902,450	911,663		

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>
	\$'000	\$'000
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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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25 TRADE CREDITORS

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

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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
	250,631	239,317

26

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>
	\$'000	\$'000	\$'000	\$'000
Trading balances	1,880	399	36	36
	1,880	399	36	36
	1,880	399	36	36

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27 PROVISIONS

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
<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
	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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28 SHARE CAPITAL

Authorised:

3,000,000,000 ordinary shares of \$0.50 each

Issued and fully paid:

2,013,309,000 ordinary shares of \$0.50 each

The Group and the Company

	2004	2003
	\$'000	\$'000
1,500,000	1,500,000	1,500,000
1,006,655	1,006,655	1,006,655

29 RESERVES

(a) *The Group*

		Share premium	Capital reserve	Translation reserve	Contributed surplus	Retained profits	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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29 RESERVES (CONTINUED)

29 (b)

(b) The Company

	<i>Note</i>	<i>Share premium</i> \$'000	<i>Contributed surplus</i> \$'000	<i>Retained profits</i> \$'000	<i>Total</i> \$'000
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

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:

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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.

(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.

30

30 (a)

30 (b)

30 (c)

30 (d)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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31 COMMITMENTS

31 (a)

(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>
	\$'000	\$'000
Authorised and contracted for:		
- construction of properties	144,393	227,700

31 (b)

(b) *Operating lease commitments*

Non-cancellable operating lease rentals are payable as follows:

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
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.

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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>
		\$'000	\$'000
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	-

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

32 RELATED PARTY TRANSACTIONS (CONTINUED)

32

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

33

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

34

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34 SEGMENT REPORTING (CONTINUED)

34

	<i>Motor vehicle distribution</i>		<i>Heavy commercial vehicle and industrial equipment distribution</i>	
	<i>2004</i> \$'000	<i>2003</i> \$'000	<i>2004</i> \$'000	<i>2003</i> \$'000
Revenue from external customers:				
- sales	4,164,490	3,350,954	748,994	571,724
- services	84,988	94,058	40,838	67,010
- hire purchase financing	-	-	-	-
- rentals	2,588	2,790	189	-
- others	46,144	51,263	9	136
Total revenue	4,298,210	3,499,065	790,030	638,870
Segment result				
Profit from operations	300,944	264,026	86,595	82,532
Net financing income/ (costs)	(13,568)	(8,691)	(4,128)	(4,167)
Income from associates	24,280	23,716	-	-
Income tax expense	(64,317)	(65,842)	1,995	(6,581)
Minority interests	-	-	-	-
Net profit for the year	247,339	213,209	84,462	71,784
Segment assets	1,759,756	1,711,117	585,722	560,781
Interest in associates	174,285	151,262	-	-
Consolidated total assets	1,934,041	1,862,379	585,722	560,781
Consolidated total liabilities	551,860	401,163	177,376	132,268
Capital expenditure	43,686	6,857	30,270	73,961
Depreciation and amortisation expense	12,314	12,561	28,137	21,906
Impairment losses	-	-	-	-
Significant non-cash income/(expenses)	-	1,373	-	-

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>2004</i> \$'000	<i>2003</i> \$'000	<i>2004</i> \$'000	<i>2003</i> \$'000
Revenue from external customers	4,553,844	3,761,496	55,592	50,137
Segment assets	4,167,946	3,106,568	226,243	251,329
Capital expenditure	956,348	156,983	2,070	472

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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<i>Property rentals</i>		<i>Other operations</i>		<i>Consolidated</i>	
<i>2004</i>	<i>2003</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>	<i>\$'000</i>	<i>\$'000</i>
-	-	30,610	38,511	4,944,094	3,961,189
8,057	4,226	53,392	37,945	187,275	203,239
-	-	40,291	41,735	40,291	41,735
24,678	14,117	2,880	107	30,335	17,014
-	2,516	3,392	4,461	49,545	58,376
32,735	20,859	130,565	122,759	5,251,540	4,281,553
(9,035)	(2,081)	13,142	4,177	391,646	348,654
(4,265)	5,051	12,842	2,726	(9,119)	(5,081)
-	-	13,504	7,767	37,784	31,483
(1,435)	(2,117)	(18,262)	(12,811)	(82,019)	(87,351)
-	-	2,482	1,288	2,482	1,288
(14,735)	853	23,708	3,147	340,774	288,993
1,779,018	852,834	760,559	1,172,829	4,885,055	4,297,561
-	-	233,331	49,154	407,616	200,416
1,779,018	852,834	993,890	1,221,983	5,292,671	4,497,977
243,106	71,489	145,481	131,865	1,117,823	736,785
725,253	17,181	181,310	82,104	980,519	180,103
2,064	1,559	19,525	16,754	62,040	52,780
-	-	33,430	80,320	33,430	80,320
-	(66)	-	-	-	1,307

<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>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
90,117	54,770	551,987	415,150	5,251,540	4,281,553
108,737	59,209	382,129	880,455	4,885,055	4,297,561
2,104	594	19,997	22,054	980,519	180,103

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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> \$'000
Net assets acquired	
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)
	718,971
Net identifiable assets and liabilities	718,971
	718,971
Total consideration, satisfied in cash	718,971
	718,971
Less: cash of the subsidiary acquired	(91)
	(91)
Net cash outflow in respect of the purchase of a subsidiary	718,880

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Financial Summary

(Expressed in Hong Kong dollars)

Year ended 31 December

	2000 \$'000	2001 \$'000	2002 \$'000	2003 \$'000	2004 \$'000
Results					
Turnover	5,012,123	4,969,606	3,856,099	4,220,280	5,196,338
Profit from operations	660,037	415,001	282,519	348,654	391,646
Financing costs	(10,431)	(6,230)	(5,980)	(5,081)	(9,119)
Share of results of associates	24,586	29,718	30,546	31,483	37,784
Profit before taxation	674,192	438,489	307,085	375,056	420,311
Taxation	(187,655)	(119,825)	(69,271)	(87,351)	(82,019)
Minority interests	216	1,479	424	1,288	2,482
Profit attributable to shareholders	486,753	320,143	238,238	288,993	340,774
Assets and liabilities					
Investment properties, property under development, property, plant and equipment and lease prepayments	1,436,453	1,265,371	1,420,168	1,537,386	2,520,232
Interest in associates	141,018	148,169	176,544	200,416	407,616
Other assets	404,943	317,230	310,485	305,104	306,752
Net current assets	1,252,641	1,490,240	1,650,356	1,755,527	1,258,843
Total assets less current liabilities	3,235,055	3,221,010	3,557,553	3,798,433	4,493,443
Non-current liabilities	(179,702)	(35,757)	(33,866)	(37,241)	(318,595)
Minority interests	(11,428)	(9,274)	(8,851)	(7,171)	(16,290)
Shareholders' equity	3,043,925	3,175,979	3,514,836	3,754,021	4,158,558
Earnings per share - basic (cents)	24.2	15.9	11.8	14.4	16.9

Notes:

- (1) Turnover of \$5,196,338,000 (2003: \$4,220,280,000) represents sale of goods, rendering of services, hire purchase financing income and gross rentals from investment properties.
- (2) The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during those years.

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	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

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>
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

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>
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	20
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

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>
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
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

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tan Chong International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 693)

Proposed General Mandates to Issue Shares and Repurchase Shares AND Information on the Retiring Directors to be Re-elected at the 2005 AGM

A notice convening an annual general meeting of Tan Chong International Limited to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Friday, 13 May 2005 at 11:00 a.m. is set out in this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company in Hong Kong at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

6 April 2005

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held on 13 May 2005 at 11:00 a.m.
“Bye-laws”	the bye-laws of the Company
“Code”	the Code on Takeovers and Mergers
“Company”	Tan Chong International Limited, a company incorporated in Bermuda and currently listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong “	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	4 April 2005, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase shares not exceeding 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the Proposed Repurchase Mandate
“Share(s)”	ordinary share(s) of \$0.50 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCC”	Tan Chong Consolidated Sdn. Bhd., the controlling shareholder of the Company
“\$” and “cents”	Hong Kong dollars and cents

LETTER FROM THE BOARD

Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

Directors:

Dato' Tan Kim Hor
Mr. Tan Eng Soon
Mr. Joseph Ong Yong Loke
Mr. Tan Kheng Leong
Mr. Neo Ah Chap
Mdm. Sng Chiew Huat
Mr. Lee Han Yang*
Mr. Liu Kwei Ming*
Mr. Masatoshi Matsuo*
Mdm Jeny Lau**

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

Unit 3001, 30th Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

* Independent non-executive director
** Non-executive director

6 April 2005

To Shareholders,

Dear Sir or Madam,

Proposed General Mandates to Issue Shares and Repurchase Shares and Information on the Retiring Directors to be Re-elected at the 2005 AGM

INTRODUCTION

On 16 March 2005 the Directors of the Company announced the audited consolidated results of the Company for the year ended 31 December 2004 and the proposals to seek general mandates at the Annual General Meeting to be held on 13 May 2005 for the Directors to issue Shares and repurchase Shares. This circular gives you details of those mandates and seeks your approval of such proposals at the Annual General Meeting.

GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and discretion to the Directors, in the event that it becomes desirable to issue any Share, approval is to be sought from the Shareholders, pursuant to the Listing Rules, for a general mandate to issue Shares. At the Annual General Meeting, an ordinary resolution No.1 will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to allot and issue new shares in the share capital of the Company up to 20 per cent of the aggregate nominal amount of the issued share capital of the Company immediately after the passing of the resolution in relation to such general mandate. In addition, subject to a separate approval of the ordinary resolution No.3, the number of Shares purchased by the Company under ordinary resolution No.2 will also be added to the 20 per cent general mandate as mentioned in the ordinary resolution No.1. The Directors wish to state that they have no immediate plans to issue any new shares of the Company pursuant to such general mandate.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

In addition, an ordinary resolution will be proposed to approve the granting of a Proposed Repurchase Mandate to the Directors to exercise the powers of the Company to repurchase shares representing up to 10 per cent of the aggregate nominal amount of the issued share capital of the Company immediately after the passing of the resolution in relation to such Proposed Repurchase Mandate.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in the Appendix to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

INFORMATION OF THE RETIRING DIRECTORS TO BE RE-ELECTED AT THE 2005 AGM

For your further information, we set out below the relevant details of the retiring directors proposed to be re-elected at the 2005 AGM:

Mr Joseph Ong Yong Loke (“Mr Ong”), aged 56, was appointed as executive director of the Company in March 1997. He is the Managing Director of the Company since its listing in July 1998. He is also a director of many subsidiaries of the Group. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr Ong, a Chartered Surveyor, graduated with a Bachelor of Science degree (Building Economics) from the University of Reading, United Kingdom in 1971. His previous work experience includes appointment with the Singapore Ministry of Defence and Straits Steamship Co. Limited from 1976 to 1980.

Mr Ong had been a non-executive director of Stamford Tyres Corporation Limited, a company listed on the Stock Exchange of Singapore till Mar 2003. Other than this and the directorship in the Company, he did not hold directorship in other listed public companies in the last three years. Mr Ong does not have any relationships with any directors, senior management, substantial or controlling Shareholder of the Company for the purpose of the Listing Rules. As at the latest Practicable Date, Mr Ong has the interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no fixed term of appointment of Mr Ong who is subject to retirement and re-election provisions in accordance with the Bye-laws of the Company. His director’s fee will be determined by the Board by reference to his job responsibility, prevailing market conditions and the Company’s operating and profitability.

Mr. Masatoshi Matsuo (“Mr Matsuo”), aged 61, was appointed as an independent non-executive director of the Company in December 2004. Mr Matsuo does not hold other position in the Group. He graduated from Yamaguchi National University in Japan with a degree in Mechanical Engineering. He has over 18 years’ experience in manufacturing and technical activities and another 18 years’ experience in corporate and commercial activities in Europe, South America, Middle East, Africa, South East Asia and China and was the Senior Managing Director of Nissan Diesel Motor Co Ltd, a renown world-wide truck and engine manufacturing and distribution company listed on the Tokyo Stock Exchange, until his retirement in 2001.

Mr Matsuo did not hold directorship in other listed public companies in the last three years other than the directorship in the Company. Mr Matsuo does not have any relationships with any directors, senior management, substantial or controlling Shareholder of the Company for the purpose of the Listing Rules. As at the latest Practicable Date, Mr Matsuo does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no fixed term of appointment of Mr Matsuo who is subject to retirement and re-election provisions in accordance with the Bye-laws of the Company. His director’s fee will be determined by the Board by reference to his job responsibility, prevailing market conditions and the Company’s operating and profitability.

LETTER FROM THE BOARD

RIGHT TO DEMAND A POLL

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

FORM OF PROXY

A form of proxy for use at the Annual General Meeting is enclosed in this circular . Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the Annual General Meeting if they so wish.

RECOMMENDATION

The Directors consider that the proposed resolutions for the granting to the Directors of the general mandate to issue Shares and the Proposed Repurchase Mandate are in the interests of the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of the Board
Sng Chiew Huat
Finance Director

APPENDIX – EXPLANATORY STATEMENT

LISTING RULES FOR REPURCHASE OF SHARES

The relevant sections of the Listing Rules which permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange, subject to certain restrictions, are summarised below:

- **Shareholders approval**

The Listing Rules provide that all proposed repurchase of shares by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a particular transaction.

- **Source of funds**

Repurchases must be funded out of funds legally available for the purpose and in accordance with the company's memorandum of association, bye-laws and the applicable laws of Bermuda. Under Bermuda law, any repurchases by the company may be made out of capital paid up on the shares to be repurchased, or out of funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose and, in the case of premiums payable on repurchases, funds of the company which would otherwise be available for dividend or distribution or out of the share premium account of the company.

- **Trading restrictions**

The shares proposed to be repurchased by a company must be fully paid up.

A maximum of 10 per cent of the fully paid up issued share capital of the company as at the date of the passing of the relevant resolution may be repurchased on the Stock Exchange.

A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a company from repurchasing its shares on the Stock Exchange if the repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Listing Rules, being not less than 25 per cent. Furthermore, a company is not allowed to repurchase its shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

- **Subsequent issue of shares**

A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase, other than an issue of shares pursuant to an exercise of warrants, share options or similar instruments (if any) requiring the company to issue shares which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange.

- **Status of repurchased shares**

The Listing Rules provide that the listing of all repurchased shares are automatically cancelled and the company must ensure that the certificates for the repurchased shares are cancelled and destroyed as soon as reasonably practicable following the settlement of any such repurchase. Under Bermuda law, all shares repurchased shall be treated as cancelled.

APPENDIX – EXPLANATORY STATEMENT (CONTINUED)

LISTING RULES FOR REPURCHASE OF SHARES (Continued)

- **Suspension of repurchases**

The Listing Rules prohibit any repurchase of shares at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding either the approval of the preliminary announcement of a company's annual results or publication of a company's interim report, the company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a company has breached the Listing Rules.

- **Reporting requirements**

Under the Listing Rules, repurchases of shares on the Stock Exchange must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, the company's annual report is required to disclose details regarding repurchases of shares (on a monthly basis) made during the year, including the number of shares repurchased and the aggregate prices paid. The directors' report shall contain reference to the repurchases made during the year and the directors' reasons for making such repurchases. Furthermore, the company should make arrangements with its brokers to ensure that they provide to the company in a timely fashion the necessary information to enable the issuer to make the report to the Stock Exchange.

- **Connected parties**

The Listing Rules prohibit a company from knowingly repurchasing shares on the Stock Exchange from connected persons, which include directors, chief executives, substantial shareholders of the company or any of its subsidiaries or their associates, as defined in the Listing Rules. Also, a connected person shall not knowingly sell his shares to the company.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,013,309,000 Shares. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 201,330,900 Shares which represent 10% of the issued share capital of the Company during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. If such a repurchase is made, the Directors propose to use the Company's internal cash surplus to fund such repurchase.

APPENDIX – EXPLANATORY STATEMENT (CONTINUED)

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the current prevailing market value, it could have a material adverse impact on the working capital but not the gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at 31 December 2004, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the last twelve months.

Month	Highest trade price \$	Lowest trade price \$
2004		
April	1.660	1.550
May	1.610	1.450
June	1.520	1.450
July	1.530	1.450
August	1.520	1.480
September	1.520	1.490
October	1.530	1.480
November	1.610	1.430
December	1.590	1.450
2005		
January	1.570	1.500
February	1.580	1.550
March	1.590	1.470

Source: The Stock Exchange of Hong Kong Limited

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors or any of their associates currently intend to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Proposed Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

APPENDIX – EXPLANATORY STATEMENT (CONTINUED)

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, TCC is interested in approximately 45.34 per cent of the existing issued share capital of the Company. In the event that the Directors should exercise in full the Proposed Repurchase Mandate, the shareholding of TCC in the Company will be increased to approximately 50.38 per cent of the issued share capital of the Company. To the best knowledge and belief of the Directors, such increase would give rise to an obligation to make a mandatory offer under the Code. The Directors have no present intention to repurchase the Shares to the extent that it will trigger the obligations under the Code for TCC to make a mandatory offer.

The Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25 per cent (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

SHARE PURCHASE MADE BY THE COMPANY

The Company had not purchased any Share (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

Tan Chong International Limited
NOTICE OF ANNUAL GENERAL MEETING

We invite our shareholders to the Eighth Annual General Meeting of Tan Chong International Limited to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 13 May 2005 at 11:00 a.m.

AGENDA

As ordinary business

1. To receive and adopt the audited consolidated financial statements for the year ended 31 December 2004 and the reports of the Directors and Auditors thereon.
2. To declare a final dividend.
3. To re-elect Directors.
4. To authorise the Directors to fix Directors Fees.
5. To re-appoint KPMG as Auditors and authorise the Directors to fix their remuneration.

As special business

6. To consider and, if thought fit, pass the following resolutions :-

(A) As Ordinary Resolution No. 1

“That :-

- (i) Subject to paragraph (iii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with any unissued shares in the capital of the Company and to make or grant offers, agreements and/or options which may require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate nominal amount of unissued shares in the capital of the Company which may be allotted, issued or otherwise dealt with by the Directors of the Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to a Rights Issue or the exercise of subscription rights attaching to any warrants issued by the Company, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of shares in the capital of the Company in issue as at the date of passing this Resolution;
- (iv) for the purpose of this Resolution :-
 - (a) “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of :-
 - (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
 - (3) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
 - (b) “Rights Issue” means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares in the capital of the Company whose names appear on the Register of Members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

Tan Chong International Limited
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(B) As Ordinary Resolution No. 2

“That :-

- (i) Subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares may be listed and recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Code on Share Repurchases and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the Shares which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (i) and (ii) of this Resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (iv) for the purpose of this Resolution :-
“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of :-
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
 - (c) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

(C) As Ordinary Resolution No. 3

“That the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company pursuant to the Ordinary Resolution numbered 1 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution numbered 2 above, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”
(Note i)

By Order of the Board

Teo Siok Ghee

Company Secretary

Hong Kong, 21 April 2005

Registered Office : Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Principal Office in Hong Kong : Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong

Tan Chong International Limited
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Notes :

- (i) This resolution will be proposed to Shareholders for approval provided that Ordinary Resolutions Nos. 1 and 2 are passed by the Shareholders.
- (ii) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote for him in accordance with the bye-laws of the Company; a proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
- (iv) In order to be valid, a form of proxy must be deposited at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof.
- (v) The Transfer Books and Register of Members will be closed from 28 April 2005 to 13 May 2005, both days inclusive, during which period no share transfers can be registered.

Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

FORM OF PROXY

I / We (Name) _____ (Block capitals, please)

of (Address) _____

being the holder(s) of _____

(see Note 1) Shares in Tan Chong International Limited hereby appoint

(Name) _____

of (Address) _____ or failing him

(Name) _____

of (Address) _____

or failing him, the Chairman of the Meeting (see Note 2) as my/our proxy to attend and vote for me/us and on my/our behalf at the Eighth Annual General Meeting of the Company to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 13 May 2005 at 11.00 a.m., and at any adjournment thereof or on any resolution or motion which is proposed thereat.

My/our proxy is authorised and instructed to vote as indicated (see Note 3) in respect of the undermentioned resolutions :-

	Resolution (see Note 3)	For	Against
1.	To receive and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2004 and the reports of the Directors and Auditors thereon.		
2.	To declare a final dividend.		
3.	To re-elect the following persons as Directors of the Company :-		
	(i) Mr. Joseph Ong Yong Loke		
	(ii) Mr. Masatoshi Matsuo		
4.	To authorise Directors to fix Directors Fees.		
5.	To re-appoint KPMG as Auditors and authorise the Directors to fix their remuneration.		
6.	(A) As Ordinary Resolution No. 1 To give a general mandate to the Directors to allot, issue and deal with unissued shares of the Company.		
	(B) As Ordinary Resolution No. 2 To give a general mandate to the Directors to repurchase the shares of the Company.		
	(C) As Ordinary Resolution No. 3 To add repurchased shares to the shares issue general mandate of the Company.		

Signature (s)

Dated this _____ day of _____, 2005



Notes :

1. Please insert the number of shares registered in your name(s); if no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
2. A member may appoint more than one proxy of his own choice. If such an appointment is made, delete the words “the Chairman of the Meeting”, and insert the name(s) of the person(s) appointed proxy in space provided. Any alteration made to this form of proxy must be initialled by the person who signs it.
3. IMPORTANT : IF YOU WISH TO VOTE FOR ANY RESOLUTION, PLEASE TICK IN THE BOX MARKED “For”. IF YOU WISH TO VOTE AGAINST ANY RESOLUTION, PLEASE TICK THE BOX MARKED “Against”. Failure to tick a box will entitle your proxy to cast your vote at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
4. If the appointor is a corporation, this form must be under common seal or under the hand of an officer, attorney, or other person duly authorised on that behalf.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
6. To be valid, this proxy form must be completed, signed and deposited at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), not less than 48 hours before the time for holding the Meeting.
7. A proxy need not be a member of the Company.

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Tan Chong International Limited

Unit 3001, 30th Floor, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

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