Tan Chong International Limited

Annual Report 2009

Nanjing Business Centre, PRC, with Subaru Outback 3.6R in the foreground

Tan Chong International Limited (Stock Code 693),
listed on the Stock Exchange of Hong Kong Limited in 1998, is a major
motor distribution, property and trading group.

Contents

Enclosures

Nissan NV200

Subaru Building in Neihu Technology Park, Taiwan, with Subaru Forester 2.5XT in the foreground

Management Discussion and Analysis

RESULTS

The Group's profit attributable to shareholders for the financial year 2009 was HK$492.7 million after taking in the write back on and revaluation gain from listed securities and investment properties of HK$196.2 million and HK$209.0 million respectively. In line with the better results, dividend payments (both paid and declared) for year 2009 when compared to year 2008 are expected to be raised to HK$101 million from HK$60 million.

SALES

Vehicle sales improvements in the PRC cushioned the reduced sales volume in Singapore. Overall vehicle sales units were however down 13% year on year. Profitability and volume sales were undermined by reduced vehicle quota, intense price competition and the strong Japanese Yen. Regional sales volume contributions outside Singapore have been moving up from 12% in year 2006 to 55% in year 2009 and are expected to exceed 60% in year 2010 and beyond. In line with the gradual improvement in world financial and economic climate contributions from the other business sectors such as truck and forklift sales, vehicle and apartment rentals are picking up steadily.

FINANCE

The Group's NTA year on year improved from HK$2.94 to HK$3.23 per share. Net cash increased to HK$514 million. Capital commitments eased to HK$31 million from HK$67 million.

MITSUBISHI FUSO TRUCKS IN THAILAND

On 7 December 2009, the Company announced that the Company and its subsidiaries TC Manufacturing and Assembly (Thailand) Co., Ltd. and Fuso Truck (Thailand) Co., Ltd. concurrently entered into an asset purchase agreement and a series of distribution related agreements in each case with Mitsubishi Fuso Truck and Bus Corporation of Japan and its wholly owned subsidiary, Mitsubishi Fuso Truck (Thailand) Co., Ltd.. The agreements were to acquire their truck production plant at Lardkrabang Thailand and subsequently with effect from April 2010 to proceed with the production and distribution of Mitsubishi Fuso Trucks.

The proposed production and distribution of the Mitsubishi Fuso trucks is a distinct business of the Group in addition to the business of asse mbly and distribution of Nissan Diesel Trucks in Thailand presently carried on by Nissan Diesel (Thailand) Co., Ltd, another subsidiary of the Company.

NANJING TAN CHONG AUTOMOTIVE CO., LTD

In August 2009 the Company entered into an agreement with the Nanjing Lukou Airport Investment & Development Co, Ltd., to acquire approximately 50,000 square meters of land to build an automotive components factory to supply the region's growing vehicle manufacturers. The new factory which will be completed in 2010 will have an annual capacity of one million cars and bus seats. In the near future, the Nanjing factory will contribute to doubling our total seat production capacity in China. Existing facilities in Xiamen and Wuxi are now operating at full capacity.

With the rapidly expanding market for automobiles, trucks and buses this production expansion is necessary to keep pace with our customers demand projections. Currently the Group's seat manufacturing facilities supply to major truck, bus and car manufacturers such as Xiamen Golden Dragon Bus Company, Suzhou Golden Dragon Bus Company, Hua Lin Truck Company, and Changan Automobile Group.

PROSPECTS

The Board expects world financial and economic situation to continue improving and anticipate that sales performance will strengthen in the coming year and regional sales outside Singapore especially in the PRC are expected to occupy a bigger percentage of Group revenue.

Subaru Impreza WRX STI

Subaru Legacy 2.5GT Sedan

Corporate Governance Report

The Board of Directors ("the Board") is committed to the observance of good corporate governance to protect and enhance shareholders value and the financial performance of the Group. The Board has adopted the Code on Corporate Governance Practices ("CG Code") that forms part of the disclosure requirement under the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the year under review, the Company has complied with most of the code provisions set out in the CG Code. Where applicable various self-regulatory and monitoring measures were adopted for effective corporate governance practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code set out in Appendix 10 of the Listing Rules on dealing in securities. This has been made known to all the directors of the Company and each director has confirmed in writing that he or she has observed the Model Code for year 2009. The Group has its own in-house mechanism to guide its directors and relevant employees regarding dealing in the Company's securities including reminders on the law regarding insider trading.

BOARD OF DIRECTORS

The Board comprises eight directors, consisting of five executive directors and three independent non-executive directors. As the independent non-executive directors made up at least one-third of the Board, the current Board size is considered appropriate with regard to the nature and scope of the Group's operations. The Board members bring with them a wealth of knowledge, expertise and experience to contribute valuable direction and insight to the Group.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence.

The Board, which meets at least four times a year, manages the business and affairs of the Group, approves the Group's corporate and strategic direction, appoints directors and key personnel, approves annual budgets and major funding and investment proposals, and reviews the financial performance of the Group.

For effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the Board.

The Company has internal guidelines in regard to matters that require Board approval. Material transactions that need Board approval are as follows:

a. approval of interim results announcement;
b. approval of annual results and accounts;
c. declaration of interim dividends and proposal of final dividends;
d. convening of shareholders' meeting;
e. approval of corporate strategy;
f. authorization of merger and acquisition transactions; and
g. authorization of major transactions

BOARD MEETING

The Board meets at approximately quarterly intervals. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Bye-laws. The number of board meetings held in the year as well as the attendance of each Board member at those meetings and meetings of the various Board committees are disclosed below:

	Board of Directors Meetings			Remuneration Committee Meetings			Nomination Committee Meetings			Audit Committee Meetings			Independent Non-Executive Directors Meetings		
	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended
Executive Director															
Mr. Tan Eng Soon	C	4	4	-	-	-	-	-	-	-	-	-	C	1	1
Mr. Joseph Ong Yong Loke	M	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Tan Kheng Leong	M	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Mdm. Sng Chiew Huat	M	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Glenn Tan Chun Hong(1)	M	4	1	-	-	-	-	-	-	-	-	-	-	-	-
Independent Non-Executive Director															
Mr. Lee Han Yang	M	4	4	C	1	1	C	2	2	C	2	2	M	1	1
Mdm. Jeny Lau	M	4	4	M	1	1	-	-	-	M	2	2	M	1	1
Mr. Masatoshi Matsuo	M	4	4	-	-	-	M	2	2	M	2	2	M	1	1

Denotes:
C-Chairman, M-Member
Number of meetings held/attended during the financial year/period from 1 January 2009 (or date of appointment, where applicable) to 31 December 2009
(1) Appointed on 29 July 2009

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Tan Eng Soon currently holds the offices of Chairman and Chief Executive Officer. Mr. Tan had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

There is no service contract between the Company and the directors and they have no fixed term of service but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE ("RC")

The RC comprises two independent non-executive directors, namely, Mr. Lee Han Yang (Chairman of the Committee) and Mdm. Jeny Lau.

Members of the RC carried out their duties according to the following terms of reference:

a. to review and determine the employment terms and remuneration packages of the executive directors and senior management staff ;
b. to decide on annual incentives and bonuses to be paid to the said key executives in (a) in regard to the Group's performance and individual's contribution;
c. to approve employment contracts and other related contracts entered into with key executives; and
d. to determine the terms of any compensation package for early termination of the contract of key executives.

The RC has reviewed the remuneration packages of the key executives for the year under review. The remuneration of the directors will be determined by the Board with reference to job responsibility, prevailing market conditions and the Company's operating performance and profitability.

NOMINATION COMMITTEE ("NC")

The NC comprises two independent non-executive directors, namely, Mr. Lee Han Yang (Chairman of the Committee) and Mr. Masatoshi Matsuo. The NC, which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The NC's responsibilities include the following:

a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question; and
e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The external auditors' reporting responsibilities on the financial statements are stated in the company's Annual Report.

The Auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services for year 2009 is HK$3,041,000. There were no non-audit services.

AUDIT COMMITTEE ("AC")

The AC comprises three board members, namely Mr. Lee Han Yang, Mdm. Jeny Lau and Mr. Masatoshi Matsuo, all of whom are independent non-executive directors.

Corporate Governance Report

The chairman of the AC, Mr. Lee Han Yang, is a lawyer by profession. The other members of the AC have years of experience in business management, finance and legal services. The Board is of the view that the members of the AC have sufficient financial management, expertise and experience to discharge the AC functions.

The AC convened two meetings during the year for reviewing the Company's annual results and annual report for the year ended 31 December 2008 and interim results and interim report for the six months ended 30 June 2009. The AC also met up with both internal and external auditors, without the presence of the Company's management, at least once a year. Details of members and their attendance are provided in the above table.

The AC carries out its functions under the following terms of reference:

a. to review the audit plans of the internal auditors of the Company and ensures the adequacy of company's system of accounting controls and co-operation of the Company's management with the external and internal auditors;
b. to review the interim and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board;
c. to review effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management through reviews conducted by the internal auditors;
d. to ensure the duty is discharged by directors in relation to the responsibility of directors to conduct an annual review of the adequacy of resources, qualifications and experience of staff for the issuer's accounting and financial reporting function, and training programmes and budget;
e. to meet with the external auditors, other committees, and management in separate executive sessions regarding matters that these parties believe should be discussed privately with the AC;
f. to review the cost effectiveness and the independence and objectivity of the external auditors;
g. to recommend to the Board the compensation of the external auditors, and reviews the scope and results of the audit; and
h. to review connected transactions in accordance with the requirements of the Stock Exchange's Listing Rules.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

INTERNAL CONTROLS

The Company's internal auditors continually review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management according to their audit plans. Any material non-compliance or failures in internal controls together with recommendations for improvements were reported accordingly.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group and that was in place throughout the financial year and up to the date of this report, provides reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

COMMUNICATION WITH SHAREHOLDERS

The Board is obliged to provide regular, effective and fair communication with shareholders. Information is conveyed to the shareholders on a timely basis. The Company's Annual Report is sent to all shareholders and/or its nominees and accessible on the Company's website.

Shareholders' views on matters that affect the Company are welcomed by the Board at shareholders' meetings. Shareholders are notified of shareholders' meetings through notices published in the newspapers and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The chairman of the Audit and Remuneration Committee are normally available at the meeting to answer those questions in regard to the work of these committees. The external auditors are also present to assist the directors to address any relevant queries from the shareholders.

Mitsubishi Fuso Truck Plant, Thailand, with Fuso Truck in the foreground

Corporate Information

BOARD OF DIRECTORS

Chairman
Mr. Tan Eng Soon

Deputy Chairman and Managing Director
Mr. Joseph Ong Yong Loke

Executive Director
Mr. Tan Kheng Leong

Executive Director - Finance
Mdm. Sng Chiew Huat

Executive Director
Mr. Glenn Tan Chun Hong

Independent Non-Executive Directors
Mr. Lee Han Yang * + ♦
Mdm. Jeny Lau * ♦
Mr. Masatoshi Matsuo * +

** Audit Committee Members*
+ Nomination Committee Members
♦ Remuneration Committee Members

HONORARY LIFE COUNSELLOR

Dato' Tan Kim Hor

COMPANY SECRETARY

Mr. Navin Aggarwal

AUDITORS

KPMG
8/F, Prince's Building
10 Chater Road
Central, Hong Kong

SOLICITORS

Kirkpatrick & Lockhart 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 Fulcrum Group (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Hopewell Centre, 46th Floor
183 Queen's Road East,
Wanchai, Hong Kong

STOCK CODE

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Directors and Senior Management Profile

CHAIRMAN

MR. TAN ENG SOON, age 61, is the Chairman of the Company and is a Director of certain subsidiaries of the Group. He is also the Managing Director of Tan Chong Motor Holdings Berhad ("TCMH") and a Director of APM Automotive Holdings Berhad. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971.

DEPUTY CHAIRMAN AND MANAGING DIRECTOR

MR. JOSEPH ONG YONG LOKE, age 61, is the Deputy Chairman and 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 67, is the Deputy Managing Director of the Nissan motor operations in Singapore and a Director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 47 years, Mr. Tan has worked in all areas of the Group's motor business, specialising in marketing and after-sales service.

MDM. SNG CHIEW HUAT, age 62, 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 the Institute of Certified Public Accountants of Singapore as well as CPA Australia, and a member of the Association of Chartered Certified Accountants (ACCA).

MR. GLENN TAN CHUN HONG, age 32, was appointed as an Executive Director of the Company in July 2009, and is currently overseeing various operations in the Group and is a director of certain subsidiaries of the Group. He joined the Group in September 2001 and before joining the Board of the Company he was the Chief Executive Officer of the Group's Subaru motor distribution businesses that cover Singapore, Hong Kong, China, Philippines, Indonesia, Malaysia, Thailand, Taiwan, Vietnam and Cambodia. Mr. Glenn Tan graduated from Santa Clara University, USA with a Bachelor of Science in Commerce, Management, in 1998. He is the son of Mr. Tan Eng Soon, the Chairman of the Group.

Nissan Murano

Nissan Latio

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LEE HAN YANG, age 78, B.A (S'pore) of Lincoln's Inn, Barrister-at-law. He was appointed as an independent director of the Company in April 1998. Mr. Lee is a consultant in the law firm of Messrs Belinda Ang, Tang and Partners. He sits on the board of directors of two other public companies in Singapore, Wing Tai Holdings Limited and Low Keng Huat Holdings Ltd. Mr. Lee was until recently a member of the Board of National Council of Social Service. For many years he also chaired a Criminal Law Appeals Committee. Mr. Lee is an active member of the Law Society of Singapore and is a member of the Inquiry Panel. In August 2006 he was awarded the Public Service Star (BBM) by the President of the Republic of Singapore.

MDM. JENY LAU, age 51, was appointed as a Director of the Company in August 2003. She is currently the Chief Operating Officer of Phoenix Property Investors, a private equity fund. Prior to that, she was an Executive Director and the Chief Financial Officer of Shui On Construction and Materials Limited. Before that, she was the Director of Corporate Finance of Shun Tak Holdings Limited. She also has over ten years of investment banking experience and another ten years of experience with commercial banks 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 Institute of Certified Public Accountants and Hong Kong Securities Institute.

MR. MASATOSHI MATSUO, age 66, has over 18 years' experience in manufacturing and technical activities and another 18 years' experience in corporate and commercial activities in Overseas Market and was the Senior Managing Director of Nissan Diesel Motor Co Ltd, until his retirement in 2001. Mr. Matsuo was appointed as a Director of the Company on 6 December 2004.

SENIOR MANAGEMENT

MS. TEO SIOK GHEE, age 57, is the General Manager responsible for operations in P.R. China. She joined the Group in 1981. Ms. Teo holds a Bachelor of Commerce (major in Accountancy) from Nanyang University.

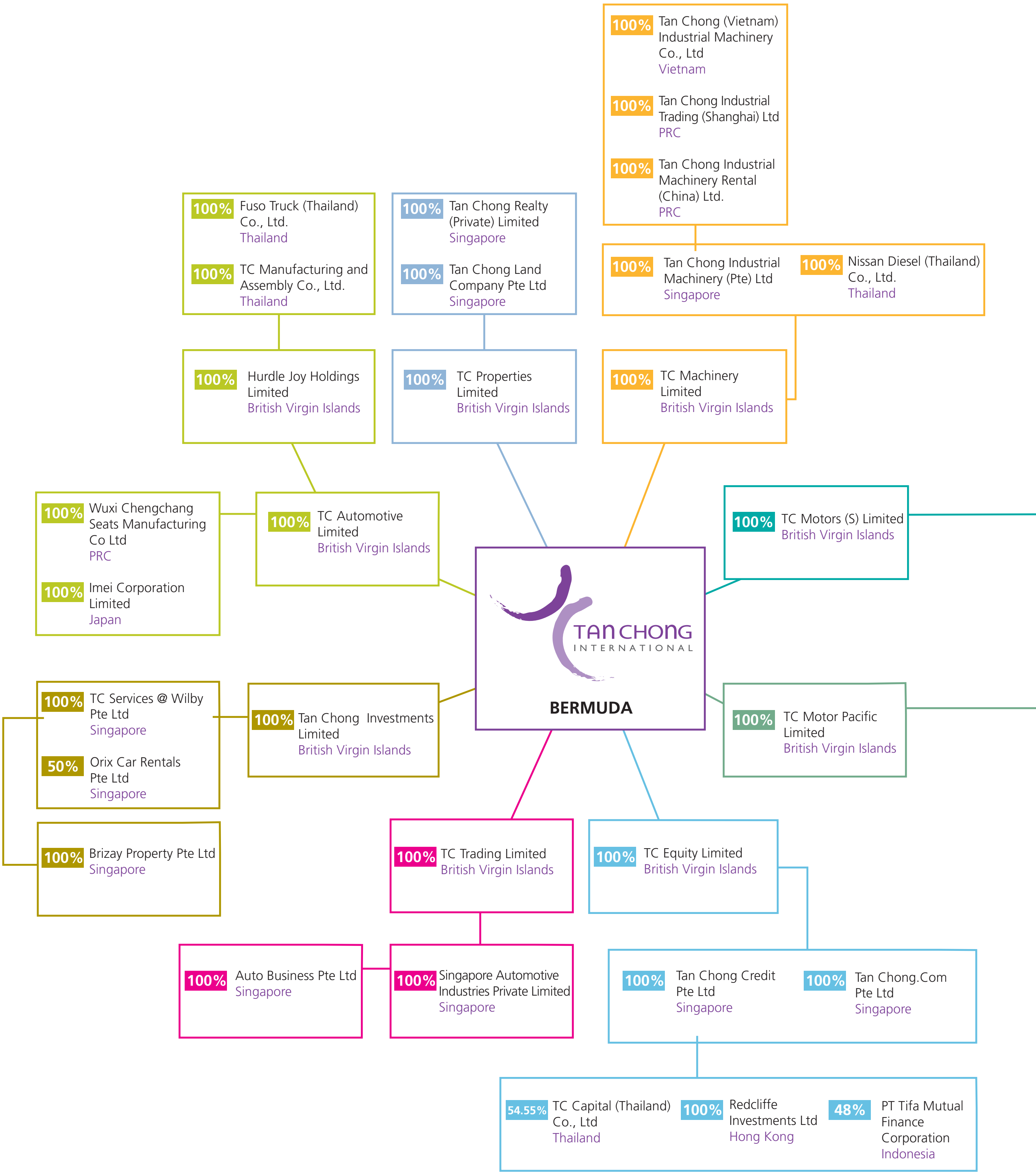
MR. GOH LENG KWANG, age 59, is the General Manager, HR and Corporate Affairs of the Group operations in Singapore. He joined the Group in 1982 and is a Director of several subsidiary companies within the Group. He graduated in 1976 from Singapore University with a degree in Bachelor of Accountancy.

MR. LEE CHOW YOKE SAMUEL, age 44, is a Director of the property division of the Group. Mr. Samuel Lee joined the Group in 1997. He holds a Bachelor of Civil & Structural Engineering (Hons) degree from the University of Sheffield, England.

Subaru Tribeca

Nissan Forklift

Corporate Structure



Nissan Teana

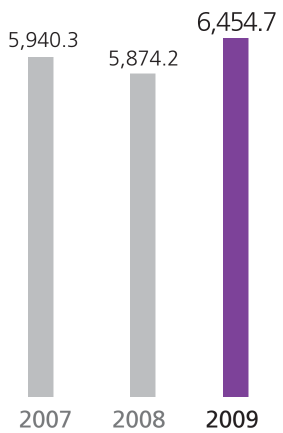
- 100% Tan Chong & Sons Motor Co (S) Pte Ltd — Singapore
  - 100% Waste Management Pte Ltd — Singapore
  - 100% STI Motor Pte Ltd — Singapore
  - 100% Zenith Logistics Pte Ltd — Singapore
    - 20% Zero Co., Ltd — Japan
- 100% Tan Chong Motor Sales Pte Ltd — Singapore

- 100% Advance Pacific Holdings Limited — Hong Kong
- 100% TC Autoclinic Pte Ltd — Singapore
  - 100% TC International Limited — Bermuda
  - 100% Comit Communication Technologies Pte Ltd — Singapore
  - 100% Motor Image (HK) Limited — Hong Kong
  - 60% Xiamen Golden Dragon Auto Seat Co Limited — PRC
  - 100% Motor Image China Limited — Hong Kong
  - 65% Jiangyin Chengchang Auto Parts Co Ltd — PRC
  - 100% Autolution Industrial Pte Ltd — Singapore
  - 50% Tyre Pacific (HK) Limited — Hong Kong
  - 100% Tan Chong Investments (HK) Limited — Hong Kong
    - 100% WRX Pte Ltd — Singapore
    - 100% Motor Image International Pte Ltd — British Virgin Islands
      - 65% Subaru of Taiwan Co., Ltd — Taiwan
      - 100% Taiwan Motor Image Co., Ltd — Taiwan
      - 100% Motor Image Enterprises Pte Ltd — Singapore
      - 100% Motor Image Pilipinas, Inc. — Philippines
      - 100% PT TC Subaru — Indonesia
    - 100% Motor Image (Guangzhou) Co. Ltd — PRC
    - 100% Ekspres Auto Services Limited — Hong Kong
    - 50% / 50% Everwide Corporation Limited — Hong Kong
      - 60% Motor Image Dongguan Limited — PRC
    - 100% Downtown Travel Services Pte Ltd — Singapore
    - 100% Real Courage Limited — Hong Kong
    - 40% SRITP Limited — British Virgin Islands
    - 100% Orizz (Shanghai) Ltd — PRC
    - 100% Nanjing Tan Chong International Trading Co., Ltd — PRC
      - 100% Nanjing Tan Chong Automotive Co., Ltd. — PRC

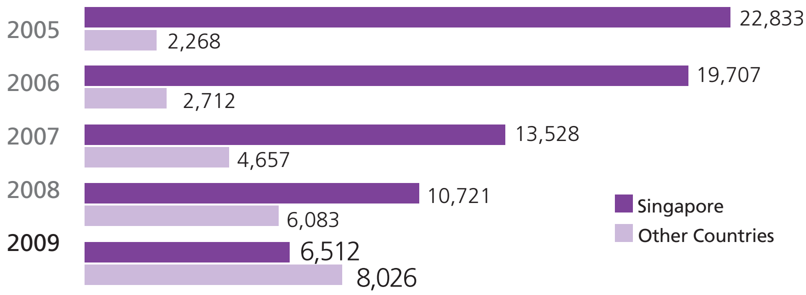
- 100% Motor Image Vietnam Co., Ltd — Vietnam
- 100% Motor Image (Cambodia) Ltd — Cambodia

Financial Highlights

SHAREHOLDERS' FUND
(HK$ Millions)

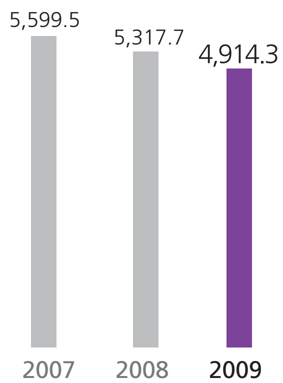


UNITS SOLD



NET ASSET VALUE PER SHARE (HK$)

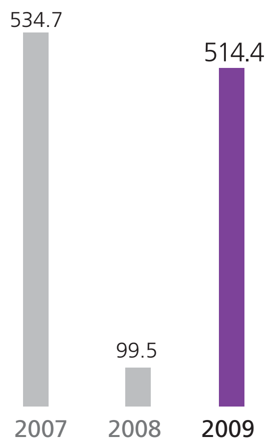
REVENUE
(HK$ Millions)



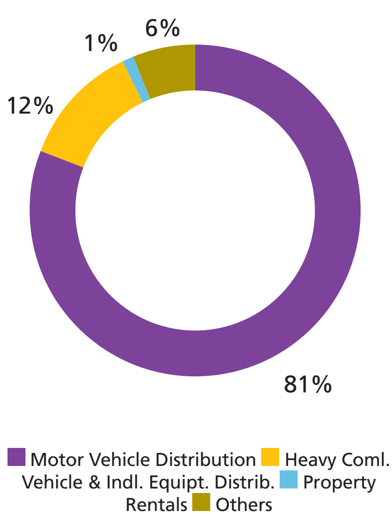
EARNINGS PER SHARE (HK Cents)

PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Millions)

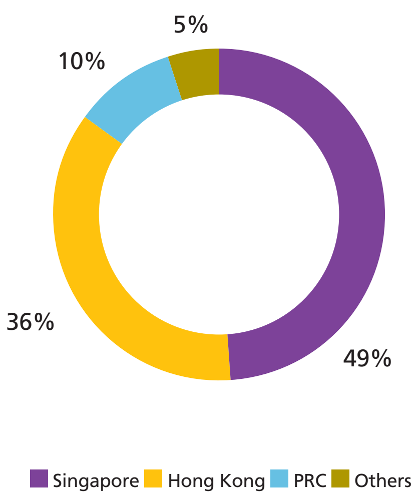
NET CASH
(HK$ Millions)



REVENUE BY BUSINESS TYPE



EBITDA BY LOCATION



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 2009.

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 15 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 32 to the financial statements.

Financial statements

The profit of the Group for the year ended 31 December 2009 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 24 to 80.

Transfer to reserves

Profits attributable to shareholders, before dividends, of HK$492,677,000 (2008: HK$61,461,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK1.0 cent (2008: HK2.0 cents) per share was paid on 9 September 2009. The directors now recommend the payment of a final dividend of HK4.0 cents (2008: HK1.0 cent) per share in respect of the year ended 31 December 2009.

Major suppliers and customers

The percentages of sales and purchases of inventories for sale attributable to the Group's major customers and suppliers respectively during the financial year are as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	7%	
Five largest customers in aggregate	22%	
The largest supplier		62%
Five largest suppliers in aggregate		81%

At no time during the year have the directors, their associates or any shareholders 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.

Property, plant and equipment

Movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

Directors' Report (continued)

Share capital

Details of share capital of the Company are set out in note 28(d) to the financial statements. There were no movements during the year.

Directors

The directors during the financial year were:

Executive directors

Tan Eng Soon	(Chairman)
Joseph Ong Yong Loke	(Deputy Chairman and Managing Director)
Tan Kheng Leong	
Sng Chiew Huat	
Glenn Tan Chun Hong	(appointed on 29 July 2009)

Independent non-executive directors

Lee Han Yang
Jeny Lau
Masatoshi Matsuo

In accordance with Bye-law 87(1), Mr. Tan Kheng Leong, Mdm. Jeny Lau and Mr. Joseph Ong Yong Loke will retire from the board by rotation at the forthcoming annual general meeting, and being eligible, Mr. Tan Kheng Leong and Mr. Joseph Ong Yong Loke offer themselves for re-election but Mdm. Jeny Lau will not offer herself for re-election. In accordance with Bye-law 86(2), Mr. Glenn Tan Chun Hong will hold office until the forthcoming annual general meeting, and 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 or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Connected transactions

During the year, the Group entered into continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") with the Tan Chong Motor Holdings Berhad ("TCMH") Group and APM Automotive Holdings Berhad ("APM") Group. Tan Eng Soon is the managing director of TCMH and a director of APM. Tan Chong Consolidated Sdn Bhd is a substantial shareholder of the TCMH Group and the APM Group.

A summary of the significant related party transactions undertaken by the Group during the year is set out in note 31 to the financial statements.

The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors have reviewed the continuing connected transactions and confirmed that they were conducted in the following manner:

(1) entered into by the Company in the ordinary and usual course of its business;

Directors' Report (continued)

Connected transactions (continued)

(2) entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) entered into either in accordance with the relevant agreements governing them or where there are no such agreements, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The directors have received the auditors' confirmation as required under Rule 14A.38 of Chapter 14A of the Listing Rules.

Directors' interests and short positions in shares

The directors who held office at 31 December 2009 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

	Ordinary shares of HK$0.50 each				
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Percentage of total issued shares	Total
Executive Directors:					
Tan Eng Soon	111,999,972	-	125,163,000	11.78%	237,162,972
Joseph Ong Yong Loke	684,000	795,000	940,536	0.12%	2,419,536
Tan Kheng Leong	2,205,000	210,000	-	0.12%	2,415,000
Sng Chiew Huat	849,000	-	-	0.04%	849,000
Glenn Tan Chun Hong	99,000	-	-	0.0049%	99,000

Notes:

(1) These shares are beneficially owned by the spouses of Joseph Ong Yong Loke and Tan Kheng Leong, respectively, and hence they are deemed to be interested in these shares.

(2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 31 December 2009, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the 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.

Directors' Report (continued)

Directors' interests and short positions in shares (continued)

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

Substantial interests in the share capital of the Company

The Company has been notified of the following interests (other than a director of the Company) in the Company's issued shares at 31 December 2009 amounting to 5% or more of the ordinary shares in issue:

Name	Long/short positions	Note	Ordinary shares held	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	Long	(1)	912,799,986	45.34%
	Short	(1)	247,237,266	12.28%
Guoco Group Limited	Long	(2)	364,344,068	18.10%

Notes:

(1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.

(2) Pursuant to the SFO, certain corporations/individuals namely Quek Leng Chan, HL Holdings Sdn Bhd, Kwek Leng Kee, Davos Investment Holdings Private Limited, Hong Leong Investment Holdings Pte Ltd and Hong Leong Company (Malaysia) Berhad, are deemed to be interested in all the shares in which Guoco Group Limited has an interest because of their direct/indirect interest in the entire/partial share capital of Guoco Group Limited. However, according to the Company's register, the reported interest of Capital Intelligence Limited, Guoline Capital Assets Limited and Guoline Overseas Limited is only 5.04%.

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.

Emolument policy

The emolument policy of the employees of the Group is based on their merit, qualification and experience, having regard to their individual performance and the Group's operating results.

The emolument policy of the directors and senior management is decided by the Remuneration Committee ("RC"), taking into account the Group's performance and individual contribution. Details of the functions of the RC are mentioned in the Corporate Governance Report.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has not, as at the date of this report, maintained the prescribed public float of at least 25% of the total issued share capital of the Company as required by the Listing Rules. This shortfall in the prescribed minimum percentage of public float arose purely from an increase in shareholding in the Company by Guoco Group Limited ("Guoco"), which is a connected person merely because it is a substantial shareholder of the Company, and/or its controlled corporations. Guoco is not the controlling or single largest shareholder of the Company nor does it have any representation on the board of directors of the Company. Furthermore, it has not been involved in the management of the Company at any time. Further details are set out in the announcement of the Company dated 4 January 2010.

Directors' Report (continued)

Directors' interests in contracts

Save as disclosed in Connected Transactions above, no contract of significance to which the Company, any of its subsidiaries or any of its fellow subsidiaries 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.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of 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 2009 are set out in note 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 81 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 82 to 84 of the annual report.

Retirement schemes

Details of retirement schemes to which the Group contributes are set out in note 8 to the financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

For and on behalf of the Board

Tan Eng Soon
Chairman
Hong Kong,
18 March, 2010

Independent Auditor's Report

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

We have audited the consolidated financial statements of Tan Chong International Limited (the "Company") set out on pages 24 to 80, which comprise the consolidated and company balance sheets as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
18 March, 2010

Consolidated Income Statement

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Revenue	3	4,914,396	5,317,670
Cost of sales		(4,213,016)	(4,333,761)
Gross profit		701,380	983,909
Other operating income	4	453,241	68,327
Distribution costs		(316,747)	(314,898)
Administrative expenses		(352,700)	(383,975)
Other operating expenses	5	(10,076)	(266,889)
Profit from operations		475,098	86,474
Financing costs	6	(18,967)	(11,960)
Share of profits less losses of associates		41,088	57,766
Profit before taxation	7	497,219	132,280
Income tax expense	10(a)	(3,028)	(70,118)
Profit for the year		494,191	62,162
Attributable to:			
Equity shareholders of the Company		492,677	61,461
Minority interests		1,514	701
Profit for the year		494,191	62,162
Earnings per share (cents)	11		
Basic and diluted		24.5	3.1

The notes on pages 33 to 80 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009 $'000	2008 $'000
Profit for the year	494,191	62,162
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of:		
- overseas subsidiaries	121,369	(37,062)
- overseas associates	4,642	40,746
	126,011	3,684
Available-for-sale securities:		
- net movement in the fair value reserve	3,962	-
	129,973	3,684
Total comprehensive income for the year	624,164	65,846
Attributable to:		
Equity shareholders of the company	620,822	64,746
Minority interests	3,342	1,100
Total comprehensive income for the year	624,164	65,846

The notes on pages 33 to 80 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the company		
	Share capital	Share premium (note 28 (a)(i))	Capital reserve (note 28 (a)(ii))
	$'000	$'000	$'000
Balance at 1 January 2008	1,006,655	550,547	9,549
Changes in equity for 2008:			
Dividends declared and approved during the year	-	-	-
Dividends paid by non-wholly owned subsidiaries to minority shareholders of subsidiaries	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2008 and 1 January 2009	1,006,655	550,547	9,549
Changes in equity for 2009:			
Dividends declared and approved during the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2009	1,006,655	550,547	9,549

The notes on pages 33 to 80 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the company						
Translation reserve (note 28 (a)(iii))	Contributed surplus (note 28 (b)(ii))	Fair value reserve (note 28 (a)(iv))	Retained profits	Total	Minority interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
400,420	377,690	-	3,595,462	5,940,323	48,509	5,988,832
-	-	-	(130,865)	(130,865)	-	(130,865)
-	-	-	-	-	(2,558)	(2,558)
3,285	-	-	61,461	64,746	1,100	65,846
403,705	377,690	-	3,526,058	5,874,204	47,051	5,921,255
-	-	-	(40,266)	(40,266)	-	(40,266)
124,183	-	3,962	492,677	620,822	3,342	624,164
527,888	377,690	3,962	3,978,469	6,454,760	50,393	6,505,153

Consolidated Balance Sheet

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Investment properties	12	1,662,039	1,415,002
Property, plant and equipment	13(a)	1,510,389	1,381,216
Lease prepayments	14	202,889	208,280
Interest in associates	16	640,330	600,945
Other financial assets	17	194,577	179,721
Hire purchase debtors and instalments receivable	22	92,447	95,419
Deferred tax assets	10(b)	15,187	9,891
		4,317,858	3,890,474
Current assets			
Investments	18	432,419	236,203
Inventories	19	1,201,709	1,538,811
Properties held for sale	20	317,094	309,239
Trade debtors	21	298,127	281,008
Hire purchase debtors and instalments receivable	22	72,967	78,152
Other debtors, deposits and prepayments		143,522	192,841
Amounts due from related companies	26	11,712	12,240
Cash and cash equivalents	23	1,773,876	934,204
		4,251,426	3,582,698
Current liabilities			
Bank overdrafts (unsecured)	24	14,558	13,162
Bank loans (unsecured)	24	783,372	372,081
Trade creditors	25	339,336	268,503
Other creditors and accruals		325,478	323,599
Amounts due to related companies	26	3,196	3,161
Taxation		32,278	55,036
Provisions	27	16,318	9,278
		1,514,536	1,044,820
Net current assets		2,736,890	2,537,878
Total assets less current liabilities		7,054,748	6,428,352

Consolidated Balance Sheet (continued)
at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current liabilities			
Deferred tax liabilities	10(b)	76,109	44,886
Bank loans (unsecured)	24	461,512	449,428
Provisions	27	11,974	12,783
		549,595	507,097
NET ASSETS		6,505,153	5,921,255
Capital and reserves			
Share capital	28(d)	1,006,655	1,006,655
Reserves		5,448,105	4,867,549
Total equity attributable to equity shareholders of the Company		6,454,760	5,874,204
Minority interests		50,393	47,051
TOTAL EQUITY		6,505,153	5,921,255

Approved and authorised for issue by the board of directors on 18 March 2010.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 33 to 80 form part of these financial statements.

Balance Sheet

at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	13(b)	433	520
Interest in subsidiaries	15	2,339,080	2,339,080
		2,339,513	2,339,600
Current assets			
Amounts due from subsidiaries	15	35,000	32,476
Other debtors, deposits and prepayments		601	695
Cash and cash equivalents	23	8,355	9,344
		43,956	42,515
Current liabilities			
Other creditors and accruals		6,211	6,033
Amounts due to subsidiaries	15	40,732	38,472
		46,943	44,505
Net current liabilities		(2,987)	(1,990)
NET ASSETS		2,336,526	2,337,610
Capital and reserves	28(b)		
Share capital		1,006,655	1,006,655
Reserves		1,329,871	1,330,955
TOTAL EQUITY		2,336,526	2,337,610

Approved and authorised for issue by the board of directors on 18 March 2010.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 33 to 80 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
Profit from operations		475,098	86,474
Adjustments for:			
- Depreciation	7	98,978	98,355
- Amortisation of lease prepayments	7	6,795	5,485
- Gain on disposal of property, plant and equipment	4	(11,349)	(13,113)
- Valuation (gains)/losses on investment properties	4/5	(208,991)	69,049
- (Increase)/decrease in fair value of listed investments	4/5	(196,216)	182,095
- Interest income	4	(21,108)	(21,982)
- Dividend income	4	(1,691)	(10,783)
- Net foreign exchange loss		1,086	11,985
Operating profit before changes in working capital		142,602	407,565
Decrease/(increase) in inventories		374,286	(611,344)
(Increase)/decrease in trade debtors		(10,138)	449,092
Decrease/(increase) in hire purchase debtors and instalments receivable		13,911	(6,727)
Decrease/(increase) in other debtors, deposits and prepayments		53,027	(25,066)
Decrease/(increase) in amounts due from related companies		1,059	(11,556)
Increase in trade creditors		66,321	26,483
Decrease in other creditors and accruals		(7,152)	(27,305)
(Decrease)/increase in amounts due to related companies		(71)	3,161
Increase in provisions		5,789	5,651
Cash generated from operations		639,634	209,954
Interest paid		(18,967)	(11,960)
Taxes paid		(68,928)	(117,815)
Tax refunded		66,889	-
Net cash generated from operating activities		618,628	80,179

Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(241,493)	(321,346)
Proceeds from disposal of property, plant and equipment		56,790	47,124
Payment for the purchase of:			
- held-to-maturity debt securities		(10,690)	(98,825)
- available-for-sale equity securities		-	(56,543)
Proceeds upon maturity of held-to-maturity debt securities		5,345	-
Dividends received from associates		6,345	7,843
Dividends received from listed investments		41	7,598
Dividends received from unlisted investments		1,650	3,185
Interest received		21,108	21,982
Net cash used in investing activities		(160,904)	(388,982)
Cash flows from financing activities			
Repayment of bank loans		(2,260,358)	(783,749)
Proceeds from new bank loans		2,666,985	1,407,759
Dividends paid to shareholders		(40,266)	(130,865)
Dividends paid to minority shareholders of subsidiaries		-	(2,558)
Net cash generated from financing activities		366,361	490,587
Net increase in cash and cash equivalents		824,085	181,784
Cash and cash equivalents at 1 January	23	921,042	737,223
Effect of foreign exchange rate changes		14,191	2,035
Cash and cash equivalents at 31 December	23	1,759,318	921,042

The notes on pages 33 to 80 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

General information

Tan Chong International Limited (the "Company") 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 for the year ended 31 December 2009 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 18 March 2010.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued 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. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(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 as otherwise explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(c) Basis of consolidation

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

An investment in a subsidiary in the Company's balance sheet is stated at cost less impairment losses (see note 1(u)).

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over its management, including participating in the financial and operating policy decisions.

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. 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 legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate in the Company's balance sheet is stated at cost less impairment losses (see note 1(u)).

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in full 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 associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Individual companies

Transactions in foreign currencies during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(ii) On consolidation

The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

(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(t)(iv). Investment properties are stated in the balance sheet 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 profit or loss.

(f) Completed property held for sale

Completed property held for sale is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties sold is determined by the apportionment of the total development cost of the project. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion, borrowing costs and other costs incurred in bringing the properties to their present condition.

(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 (see note 1(u)).

The surplus which arose on the 1984 valuation was taken to the capital reserve and may only be transferred to retained profits as and when the relevant property is disposed of.

Freehold land is not amortised.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

All other property, plant and equipment is carried at purchase price less accumulated depreciation and impairment losses (see note 1(u)) and is depreciated on a straight-line basis to write off the cost, less estimated residual value, if any, 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% - 20%
Motor vehicles	$12^{1}/_{2}$% - 40%

The useful life and the amount of residual value of an asset are reviewed annually.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss 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 (see note 1(u)). 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 depreciation policies.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property which is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease as set out in note 1(e).

(ii) Assets held for rental

Where the Group rents out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(u).

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(h) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(iv) Lease prepayments

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(e)).

(i) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities are designated at fair value through profit or loss upon initial recognition when these financial instruments are managed, evaluated and reported internally on a fair value basis.

Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in profit or loss.

Debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 1(u)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(u)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities and are carried at fair value, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t)(vi) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(t)(iii). When these investments are disposed or impaired (see note 1(u)), the gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(j) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(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 and impairment losses (see note 1(u)).

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised directly to equity or in other comprehensive income.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No temporary differences are recognised on 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 substantively 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.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(u)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturity of less than three months when placed. 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 cash flow statement.

(p) Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(r) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) 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.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Revenue arising from the sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Services fee, agency commission and handling fees are recognised upon the conclusion of the related services provided.

(iii) Interest and hire purchase financing income is recognised as it accrues using the effective interest method.

(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) Revenue arising from the sale of properties held for sale is recognised upon the exercising of the option to purchase by the buyer which is the time when the risks and rewards of ownership have been transferred. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under other creditors and accruals.

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

(u) Impairment

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries and associates: see note 1(u)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes but not limited to the following events:

- significant financial difficulty of the debtor;

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(u) Impairment (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities and current receivables carried at cost, the impairment loss is measured as the difference between the carrying amount and its estimated recoverable amount. Impairment losses for equity securities carried at cost are not reversed. The impairment loss for current receivables carried at cost is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(u)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses in respect of hire purchase debtors and trade debtors, whose recovery is considered doubtful. In this case, the impairment losses are recorded using an allowance account. Recovery of amounts previously charged to the allowance account is reversed against the allowance account. Recovery of amounts previously written off is recognised in profit or loss.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(u) Impairment (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired:

- property, plant and equipment;
- lease prepayments; and
- investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount except for the land and buildings which were revalued in 1984.

  When an impairment loss arises on the land and buildings which were revalued in 1984, it will first be charged against the attributable balance relating to the properties included in the capital reserve and any excess will be charged to profit or loss.

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(v) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Dividends

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

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Amendments to IFRS 7, Financial instruments: Disclosures - improving disclosures about financial instruments
- Improvements to IFRSs (2008)
- IAS 23 (revised 2007), Borrowing costs

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 32). Corresponding amounts have been provided on a basis consistent with the revised segment information.

  In addition, the Group has early adopted the amendments to IFRS 8, Operating segments, in respect of disclosures of financial information on segment assets and liabilities for each reportable segment.

  As a result of early adoption of amendments to IFRS 8, an entity is only required to report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. As no information on segment assets and liabilities is prepared for review by the Group's chief operating decision maker, no such information is disclosed in these financial statements.

- As a result of the adoption to IAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 29(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been presented.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  As a result of amendments to IAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

Apart from early adopting the amendments to IFRS 8, Operating segments, as discussed above, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

3 Revenue

Revenue represents the sales value of goods sold, services supplied to customers, hire purchase financing income, rental income, income from sale of properties, management service fees, agency commission and handling fees and warranty reimbursements, net of goods and services taxes where applicable, analysed as follows:

	2009 $'000	2008 $'000
Sale of goods	4,434,995	4,800,840
Rendering of services	328,765	330,075
Hire purchase financing income	36,861	41,212
Gross rentals from investment properties	64,973	81,263
Management service fees	3,390	3,390
Agency commission and handling fees	27,811	44,428
Warranty reimbursements	17,601	16,462
	4,914,396	5,317,670

4 Other operating income

	2009 $'000	2008 $'000
Bank and other interest income	21,108	21,982
Dividend income		
- listed investments	41	7,598
- unlisted investments	1,650	3,185
Gain on disposal of property, plant and equipment	11,349	13,113
Valuation gains on investment properties	208,991	-
Increase in fair value of listed investments	196,216	-
Others	13,886	22,449
	453,241	68,327

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Other operating expenses

	2009 $'000	2008 $'000
Decrease in fair value of listed investments	-	182,095
Bank charges	7,887	9,524
Valuation losses on investment properties	-	69,049
Others	2,189	6,221
	10,076	266,889

6 Financing costs

	2009 $'000	2008 $'000
Interest expense		
- on bank loans wholly repayable within five years	18,790	11,366
- on bank overdrafts	177	594
	18,967	11,960

7 Profit before taxation

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

	2009 $'000	2008 $'000
Cost of goods sold	3,387,225	3,231,702
Depreciation		
- assets held for use under operating leases	37,538	46,292
- other assets	61,440	52,063
Amortisation of lease prepayments	6,795	5,485
Impairment losses/(reversal of impairment losses) on		
- trade debtors	386	(1,930)
- hire purchase debtors and instalments receivable	(3,998)	-
Auditors' remuneration	3,041	3,334
Provision for warranties made	11,282	8,880
Net foreign exchange losses	1,488	12,486
Operating lease rental expenses in respect of properties	22,416	22,824
Rentals receivable from investment properties less direct outgoings of $10,742,000 (2008: $10,339,000)	(54,231)	(70,924)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Personnel expenses

	2009 $'000	2008 $'000
Wages and salaries	142,193	193,944
Retirement benefit costs	13,368	16,382
Others	10,395	18,407
	165,956	228,733

The number of employees at the end of 2009 was 1,736 (2008: 1,711).

The Group makes contributions to defined contribution retirement 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 such contributions.

9 Directors' and senior executives' remuneration

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2009					
Executive directors					
Tan Eng Soon	120	6,905	1,151	20	8,196
Joseph Ong Yong Loke	390	2,617	388	22	3,417
Tan Kheng Leong	80	2,524	210	20	2,834
Sng Chiew Huat	80	2,121	354	20	2,575
Glenn Tan Chun Hong	-	1,153	58	50	1,261
Independent non-executive directors					
Lee Han Yang	130	-	-	-	130
Jeny Lau	85	-	-	-	85
Masatoshi Matsuo	85	-	-	-	85
	970	15,320	2,161	132	18,583

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Directors' and senior executives' remuneration (continued)

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	$'000	$'000	$'000	$'000	$'000
2008					
Executive directors					
Tan Eng Soon	120	7,139	6,003	29	13,291
Joseph Ong Yong Loke	390	2,696	1,660	32	4,778
Tan Kheng Leong	60	2,609	640	21	3,330
Neo Ah Chap	80	4,543	1,893	21	6,537
Sng Chiew Huat	80	2,193	1,367	21	3,661
Independent non-executive directors					
Lee Han Yang	111	-	-	-	111
Jeny Lau	85	-	-	-	85
Masatoshi Matsuo	66	-	-	-	66
	992	19,180	11,563	124	31,859

(b) Of the five individuals with the highest emoluments, all are directors whose emoluments are disclosed in note 9(a) above.

10 Taxation

(a) Income tax expense:

	2009 $'000	2008 $'000
Current tax credit		
Provision for the year	48,742	76,393
Over-provision in respect of prior years	(70,831)	(5,709)
	(22,089)	70,684
Deferred tax expense		
Origination and reversal of temporary differences	27,053	(566)
Effects on deferred tax balances at 1 January resulting from a change in tax rate	(1,936)	-
	25,117	(566)
Total income tax expense in the consolidated income statement	3,028	70,118

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Taxation (continued)

(a) Income tax expense:(continued)

An analysis of the income tax expense/(credit) is as follows:

	2009 $'000	2008 $'000
Hong Kong	9,624	2,724
Singapore	(18,670)	58,214
Elsewhere	12,074	9,180
	3,028	70,118

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

The statutory corporate income tax rate for the Group's operations in Singapore is 17% (2008: 18%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2009 $'000	2008 $'000
Profit before taxation	497,219	132,280
Computed tax using the applicable corporation tax rate		
- in Hong Kong	12,066	3,954
- in Singapore	36,074	48,674
- in other jurisdictions	4,224	7,339
Adjustments resulting from:		
- Tax effect of non-deductible expenses	12,756	8,920
- Tax effect of non-taxable income	(3,301)	(1,790)
- Tax effect of tax losses not recognised	17,590	12,123
- Tax effect of unrecognised tax losses/deductible temporary differences utilised	(3,614)	(3,393)
- Effect on deferred tax balances at 1 January resulting from a change in tax rate	(1,936)	-
- Over-provision in respect of prior years	(70,831)	(5,709)
Income tax expense	3,028	70,118

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Taxation (continued)

(b) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2009 and 2008 are attributable to the items detailed in the table below:

	2009			2008		
	Assets $'000	Liabilities $'000	Net $'000	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	5,828	(21,372)	(15,544)	788	(20,913)	(20,125)
Investment properties	-	(59,419)	(59,419)	-	(30,226)	(30,226)
Inventories	6,814	-	6,814	5,973	-	5,973
Trade debtors	464	-	464	400	-	400
Creditors and accruals	3,217	-	3,217	3,075	-	3,075
Provisions	2,768	-	2,768	2,412	-	2,412
Tax losses carried-forward	778	-	778	3,496	-	3,496
Tax assets/(liabilities)	19,869	(80,791)	(60,922)	16,144	(51,139)	(34,995)
Set-off within legal tax units and jurisdictions	(4,682)	4,682	-	(6,253)	6,253	-
Net tax assets/ (liabilities)	15,187	(76,109)	(60,922)	9,891	(44,886)	(34,995)

Potential deferred tax assets of approximately $61,201,000 (2008: $45,485,000) 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 before the ability to realise such potential benefits expires.

In addition, distributions of dividends from certain subsidiaries are subject to withholding taxes according to the relevant tax jurisdictions. No provision has been made for the potential deferred tax arising on the future distribution of retained profits of these subsidiaries as the Company controls the dividend policy of these subsidiaries and it is of the opinion that the profits will not be distributed in the foreseeable future.

(c) Movement in deferred tax assets/(liabilities) during the year:

	Balance at 1 January 2008 $'000	Exchange adjustments $'000	Effect of change in tax rate on deferred tax balances at 1 January $'000	Recognised in profit or loss $'000	Balance at 31 December 2008 $'000
Property, plant and equipment	(18,772)	-	-	(1,353)	(20,125)
Investment properties	(42,361)	-	147	11,988	(30,226)
Inventories	5,821	-	-	152	5,973
Trade debtors	5,335	-	-	(4,935)	400
Creditors and accruals	6,148	-	-	(3,073)	3,075
Provisions	4,330	-	-	(1,918)	2,412
Tax losses carried-forward	3,938	-	(147)	(295)	3,496
	(35,561)	-	-	566	(34,995)

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

10 Taxation (continued)

(c) Movement in deferred tax assets/(liabilities) during the year: (continued)

	Balance at 1 January 2009 $'000	Exchange adjustments $'000	Effect of change in tax rate on deferred tax balances at 1 January $'000	Recognised in profit or loss $'000	Balance at 31 December 2009 $'000
Property, plant and equipment	(20,125)	(432)	1,110	3,903	(15,544)
Investment properties	(30,226)	(694)	1,517	(30,016)	(59,419)
Inventories	5,973	152	(332)	1,021	6,814
Trade debtors	400	10	(22)	76	464
Creditors and accruals	3,075	78	(171)	235	3,217
Provisions	2,412	61	(134)	429	2,768
Tax losses carried-forward	3,496	15	(32)	(2,701)	778
	(34,995)	(810)	1,936	(27,053)	(60,922)

11 Earnings per share

The calculation of basic earnings per share is based on net profit for the year attributable to equity shareholders of the Company of $492,677,000 (2008: $61,461,000) and the number of ordinary shares outstanding during the year of 2,013,309,000 (2008: 2,013,309,000) shares.

Diluted earnings per share for the years ended 31 December 2009 and 2008 is the same as the basic earnings per share as there were no dilutive securities outstanding during the years presented.

12 Investment properties

The Group

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Total $'000
At 1 January 2008	1,315,238	178,317	1,493,555
Exchange adjustments	(9,194)	(310)	(9,504)
Valuation adjustment	(67,494)	(1,555)	(69,049)
At 31 December 2008	1,238,550	176,452	1,415,002
At 1 January 2009	1,238,550	176,452	1,415,002
Exchange adjustments	37,253	793	38,046
Valuation adjustment	175,210	33,781	208,991
At 31 December 2009	1,451,013	211,026	1,662,039

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (continued)

The Group (continued)

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

	Freehold land and buildings		Leasehold land and buildings	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
In Hong Kong				
- Long lease	-	-	168,000	135,219
Outside Hong Kong				
- Freehold	1,451,013	1,238,550	-	-
- Long lease	-	-	32,026	31,233
- Short term lease	-	-	11,000	10,000
	1,451,013	1,238,550	211,026	176,452

The investment properties of the Group were revalued at 31 December 2009 on an open market value basis in their existing state and use by reference to comparable market transactions. The valuation were carried out by independent firms of surveyors, Landscope Surveyors Limited and CB Richard Ellis (Pte) Limited, who have among their staff Members of the Hong Kong Institute of Surveyors and Fellows of the Singapore Institute of Surveyors and Valuers respectively. Both surveyors have amongst their staff with the appropriate qualification and experience.

At 31 December 2009, an increase in fair value of $208,991,000 was recognised in profit or loss for the year ended 31 December 2009 (2008: a decrease in fair value of $69,049,000).

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

13 Property, plant and equipment

(a) The Group

	Freehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost or valuation:							
At 1 January 2009	388,472	726,561	226,031	127,149	245,647	119,596	1,833,456
Exchange adjustments	6,385	23,292	6,083	4,382	3,598	-	43,740
Additions	65,079	38,909	45,523	18,832	42,832	30,318	241,493
Disposals	-	-	(33,824)	(14,330)	(66,239)	-	(114,393)
Transfer	-	124,310	25,604	-	-	(149,914)	-
At 31 December 2009	459,936	913,072	269,417	136,033	225,838	-	2,004,296

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Property, plant and equipment (continued)

(a) The Group (continued)

	Freehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Representing:							
Cost	242,714	853,867	269,417	136,033	225,838	-	1,727,869
Valuation - 1984	217,222	59,205	-	-	-	-	276,427
	459,936	913,072	269,417	136,033	225,838	-	2,004,296
Accumulated depreciation:							
At 1 January 2009	-	176,177	106,898	88,079	81,086	-	452,240
Exchange adjustments	-	4,359	3,446	2,124	1,712	-	11,641
Charge for the year	-	25,092	34,929	15,616	23,341	-	98,978
Written back on disposals	-	-	(26,464)	(13,092)	(29,396)	-	(68,952)
At 31 December 2009	-	205,628	118,809	92,727	76,743	-	493,907
Net book value:							
At 31 December 2009	459,936	707,444	150,608	43,306	149,095	-	1,510,389
Cost or valuation:							
At 1 January 2008	393,151	653,668	204,017	113,737	246,491	35,133	1,646,197
Exchange adjustments	(4,679)	(11,666)	(3,613)	(2,532)	(2,314)	(4,135)	(28,939)
Additions	-	3,122	54,544	21,590	62,234	179,856	321,346
Disposals	-	(9,821)	(28,917)	(5,646)	(60,764)	-	(105,148)
Transfer	-	91,258	-	-	-	(91,258)	-
At 31 December 2008	388,472	726,561	226,031	127,149	245,647	119,596	1,833,456
Representing:							
Cost	176,631	668,823	226,031	127,149	245,647	119,596	1,563,877
Valuation - 1984	211,841	57,738	-	-	-	-	269,579
	388,472	726,561	226,031	127,149	245,647	119,596	1,833,456

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Property, plant and equipment (continued)

(a) The Group (continued)

	Freehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Accumulated depreciation:							
At 1 January 2008	-	165,296	100,700	79,253	85,527	-	430,776
Exchange adjustments	-	(1,225)	(2,524)	(1,149)	(856)	-	(5,754)
Charge for the year	-	19,764	32,455	15,206	30,930	-	98,355
Written back on disposals	-	(7,658)	(23,733)	(5,231)	(34,515)	-	(71,137)
At 31 December 2008	-	176,177	106,898	88,079	81,086	-	452,240
Net book value:							
At 31 December 2008	388,472	550,384	119,133	39,070	164,561	119,596	1,381,216

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

	Land 2009 $'000	Land 2008 $'000	Buildings 2009 $'000	Buildings 2008 $'000
In Hong Kong				
- Medium term lease	-	-	366	856
Outside Hong Kong				
- Freehold	459,936	388,472	208,804	205,014
- Long lease	-	-	116,966	181,974
- Medium term lease	-	-	380,050	159,236
- Short term lease	-	-	1,258	3,304
	459,936	388,472	707,444	550,384

(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 $276,427,000 (2008: $269,579,000) 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 assets carried 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 runs for an initial period of one to three years, with an option to renew upon expiry 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 amounted to a total of $305,846,000 (2008: $331,731,000) and the related accumulated depreciation charges amounted to a total of $111,150,000 (2008: $113,134,000).

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Property, plant and equipment (continued)

(b) The Company

	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Total $'000
Cost:				
At 1 January 2009	194	484	619	1,297
Additions	28	-	-	28
Disposals	-	-	(239)	(239)
At 31 December 2009	222	484	380	1,086
Accumulated depreciation:				
At 1 January 2009	183	311	283	777
Charge for the year	3	36	76	115
Written back on disposals	-	-	(239)	(239)
At 31 December 2009	186	347	120	653
Net book value:				
At 31 December 2009	36	137	260	433
Cost:				
At 1 January 2008	191	396	239	826
Additions	3	88	380	471
At 31 December 2008	194	484	619	1,297
Accumulated depreciation:				
At 1 January 2008	181	276	239	696
Charge for the year	2	35	44	81
At 31 December 2008	183	311	283	777
Net book value:				
At 31 December 2008	11	173	336	520

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Lease prepayments

	The Group	
	2009 $'000	2008 $'000
At 1 January	208,280	214,693
Exchange adjustments	1,404	(928)
Amortisation	(6,795)	(5,485)
At 31 December	202,889	208,280

All lease prepayments relate to owner-occupied properties. An analysis of lease prepayments is as follows:

	2009 $'000	2008 $'000
Outside Hong Kong		
- Long lease	148,742	162,600
- Medium term lease	54,147	45,680
	202,889	208,280

15 Interest in subsidiaries

	The Company	
	2009 $'000	2008 $'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.

The amounts due from/to subsidiaries are unsecured, interest free and have no fixed repayment terms.

The following list contains particulars of the subsidiaries as at 31 December 2009 which principally affected the results or assets of the Group:

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital (all being ordinary unless otherwise stated)	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong & Sons Motor Company (Singapore) Private Limited	Republic of Singapore ("Singapore")	SGD150,000,000 Redeemable preference SGD50,000,000	100%	Treasury management
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital (all being ordinary unless otherwise stated)	Percentage of equity indirectly held through subsidiaries	Principal activities
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	SGD16,500,000 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	SGD46,600,000 Redeemable preference SGD12,500,000	100%	Hire-purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	SGD57,900,000 Redeemable preference SGD25,000,000	100%	Property holding
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property holding and letting
Tan Chong Land Company Pte Ltd	Singapore	SGD1,000,000	100%	Sales of properties and property development
Advance Pacific Holdings Limited	Hong Kong	HK$8,500,000	100%	Investment holding
Motor Image China Limited	Hong Kong	HK$10,000,000	100%	Distribution of motor vehicles
Motor Image (HK) 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
Motor Image (Guangzhou) Co. Ltd	The People's Republic of China	Registered and paid up capital HK$10,000,000	100%	Distribution of motor vehicles

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in associates

	The Group 2009 $'000	The Group 2008 $'000
Share of net assets	640,330	600,945
Associate listed outside Hong Kong	194,517	208,477
Unlisted associates	445,813	392,468
	640,330	600,945
Market value of listed associate	53,465	58,284

The Group's share of the net assets of the listed associate as at 31 December 2009 was $194,517,000 (2008:$208,477,000).

Details of the major associates are as follows:

Name of company	Place of incorporation and operation	Percentage of equity held by the Group	Principal activities
Orix Car Rentals Pte Ltd	Singapore	50%	Car rental
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres
Zero Co., Ltd	Japan	20%	Provision of logistic services

Summary of financial information on associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000
2009					
100 per cent	5,616,549	3,774,668	1,841,881	4,873,717	55,430
Group's effective interest	2,009,128	1,368,798	640,330	1,173,027	41,088
2008					
100 per cent	5,692,315	3,888,924	1,803,391	4,726,375	131,463
Group's effective interest	2,068,651	1,467,706	600,945	1,132,517	57,766

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Other non-current financial assets

	The Group	
	2009	2008
	$'000	$'000
Held-to-maturity debt securities		
Listed outside Hong Kong	45,561	98,825
Available-for-sale equity securities		
Listed outside Hong Kong	59,407	56,543
Unlisted equity securities	26,130	24,353
	85,537	80,896
Available-for-sale debt securities		
Listed outside Hong Kong	63,479	-
	194,577	179,721

The held-to-maturity debt securities are not past due or impaired.

	The Group	
	2009	2008
	$'000	$'000
Market value of listed securities	167,934	160,210
Carrying value of individually impaired available-for-sale equity securities	646	629

The unlisted available-for-sale equity securities are stated at cost less impairment losses because their fair values cannot be measured reliably. As at 31 December 2009, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a decline in their recoverable amount below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses in these investments were recognised in profit or loss in accordance with the policy set out in note 1(u)(i).

18 Investments

	The Group	
	2009	2008
	$'000	$'000
Equity securities		
Listed outside Hong Kong, designated at fair value through profit or loss	432,419	236,203

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

19 Inventories

(a) Inventories in the balance sheet comprise:

	The Group	
	2009 $'000	2008 $'000
Raw materials	16,952	148,955
Work-in-progress	782	13,057
Spare parts and others	154,037	178,421
Finished goods	976,423	1,156,647
Goods in transit	53,515	41,731
	1,201,709	1,538,811

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2009 $'000	2008 $'000
Carrying amount of inventories sold	3,384,388	3,234,024
Write-down/(reversal of write-down) of inventories	2,837	(2,322)
	3,387,225	3,231,702

In 2008, the reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain inventories as a result of changes in market conditions.

20 Properties held for sale

	The Group	
	2009 $'000	2008 $'000
Completed properties held for sale	317,094	309,239

21 Trade debtors

	The Group	
	2009 $'000	2008 $'000
Trade debtors	314,742	296,945
Less: allowance for doubtful debts (note 21(b))	(16,615)	(15,937)
	298,127	281,008

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Trade debtors (continued)

(a) Ageing analysis

Included in trade debtors are debtors (net of impairment losses) with the following ageing analysis:

	The Group	
	2009 $'000	2008 $'000
0 - 30 days	265,495	220,390
31 - 90 days	21,774	37,060
Over 90 days	10,858	23,558
	298,127	281,008

The Group allows credit periods ranging from seven days to six months. Further details on the Group's credit policy are set out in note 29(b).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(u)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2009 $'000	2008 $'000
At 1 January	15,937	23,962
Exchange adjustment	626	(68)
Impairment loss/(reversal of impairment loss) recognised	386	(1,930)
Uncollectible amounts written off	(334)	(6,027)
At 31 December	16,615	15,937

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Trade debtors (continued)

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009 $'000	2008 $'000
Neither past due nor impaired	181,355	147,051
1 - 30 days past due	84,140	73,339
31 - 90 days past due	21,774	37,060
Over 90 days past due	10,858	23,558
	116,772	133,957
	298,127	281,008

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22 Hire purchase debtors and instalments receivable

	The Group	
	2009 $'000	2008 $'000
Balance due		
- within one year	103,634	108,478
- between one year and five years	121,923	128,038
- after more than five years	5,497	5,339
Hire purchase debtors and instalments receivable	231,054	241,855
Unearned interest charges	(34,258)	(34,474)
	196,796	207,381
Less: allowance for doubtful debts	(31,382)	(33,810)
	165,414	173,571
Balance due		
- within one year	72,967	78,152
- between one year and five years	87,773	91,032
- after more than five years	4,674	4,387
	92,447	95,419
	165,414	173,571

22 Hire purchase debtors and instalments receivable (continued)

Impairment of hire purchase debtors and instalment receivable

Impairment losses in respect of hire purchase debtors and instalment receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against hire purchase debtors directly (see note 1(u)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2009 $'000	2008 $'000
At 1 January	33,810	44,063
Exchange adjustment	1,570	(864)
Reversal of impairment loss	(3,998)	-
Uncollectible amounts written off	-	(9,389)
At 31 December	31,382	33,810

23 Cash and cash equivalents

	The Group		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Bank deposits	998,585	733,548	3,701	5,327
Cash at bank	774,513	195,753	4,654	4,017
Cash in hand	778	4,903	-	-
Cash and cash equivalents in the balance sheet	1,773,876	934,204	8,355	9,344
Bank overdrafts (unsecured) (note 24)	(14,558)	(13,162)		
Cash and cash equivalents in the consolidated cash flow statement	1,759,318	921,042		

The Group's effective interest rate for deposits ranged from 0.01% to 2.80% (2008: 0.01% to 5.00%) per annum.

The terms of such deposits placed ranges from one day to three months.

Bank overdrafts bear interest at rates ranging from 4.25% to 16.00% (2008: 4.25% to 16.00%) per annum.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24 Bank loans and overdrafts (unsecured)

At 31 December 2009, the bank loans and overdrafts were payable as follows:

	The Group	
	2009	2008
	$'000	$'000
Within one year		
- bank overdrafts (note 23)	14,558	13,162
- bank loans	783,372	372,081
	797,930	385,243
Bank loans:		
After one year but within two years	281,581	5,380
After two years but within five years	179,931	444,048
	461,512	449,428
	1,259,442	834,671

At 31 December 2009, the bank loans bore interest at floating rates which ranged from 0.59% to 5.10% (2008: 1.61% to 6.43%) per annum.

25 Trade creditors

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

	The Group	
	2009	2008
	$'000	$'000
0 - 30 days	242,540	137,109
31 - 90 days	57,242	77,472
91 - 180 days	20,604	26,842
Over 180 days	18,950	27,080
	339,336	268,503

26 Amounts due from/to related companies

The amounts due from/to related companies are unsecured, interest-free and recoverable/repayable on demand.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Provisions

	The Group	
	2009	2008
	$'000	$'000
Provisions for warranties		
Balance at 1 January	22,061	16,410
Provisions made	11,282	8,880
Provisions used	(5,051)	(3,229)
Balance at 31 December	28,292	22,061
Current	16,318	9,278
Non-current	11,974	12,783
	28,292	22,061

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

28 Capital, reserves and dividends

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(i) Share premium

The application of the share premium account is governed by sections 150 and 157 of the Company's Bye-Laws and Companies Act 1981 of Bermuda.

(ii) Capital reserve

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

(iii) Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of overseas subsidiaries and associates.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in notes 1(i) and 1(u)(i).

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital, reserves and dividends (continued)

(b) The Company

(i) Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
Balance at 1 January 2008	1,006,655	550,547	623,313	158,349	2,338,864
Changes in equity in 2008:					
Total comprehensive income for the year	-	-	-	129,611	129,611
Dividends to equity shareholders	-	-	-	(130,865)	(130,865)
Balance at 31 December 2008 and 1 January 2009	1,006,655	550,547	623,313	157,095	2,337,610
Changes in equity in 2009:					
Total comprehensive income for the year	-	-	-	39,182	39,182
Dividends to equity shareholders	-	-	-	(40,266)	(40,266)
Balance at 31 December 2009	1,006,655	550,547	623,313	156,011	2,336,526

(ii) 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 account.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital, reserves and dividends (continued)

(b) The Company (continued)

(ii) Contributed surplus (continued)

The Company's reserves available for distribution to equity shareholders at 31 December 2009 are as follows:

	2009 $'000	2008 $'000
Contributed surplus	623,313	623,313
Retained profits	156,011	157,095
	779,324	780,408

(iii) The consolidated profit attributable to equity shareholders of the Company includes the Company's profit of $17,533,000 (2008: $96,920,000) which has been dealt with in the financial statements of the Company.

Reconciliation of profit attributable to equity shareholders of the Company to the Company's profit for the year

	2009 $'000	2008 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	17,533	96,920
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	21,649	32,691
Company's profit for the year	39,182	129,611

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2009 $'000	2008 $'000
Interim dividend paid of 1.0 cent per ordinary share (2008: 2.0 cents per ordinary share)	20,133	40,266
Final dividend proposed after the balance sheet date of 4.0 cents per ordinary share (2008: 1.0 cent per ordinary share)	80,532	20,133
	100,665	60,399

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital, reserves and dividends (continued)

(c) Dividends (continued)

(ii) Dividends paid to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009 $'000	2008 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 cent per ordinary share (2008: 4.5 cents per ordinary share)	20,133	90,599

(d) Share capital

	The Group and the Company	
	2009 $'000	2008 $'000
Authorised:		
3,000,000,000 ordinary shares of $0.50 each	1,500,000	1,500,000
Issued and fully paid:		
2,013,309,000 ordinary shares of $0.50 each	1,006,655	1,006,655

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2009 and 2008, the Group was in net cash position. For this purpose, the Group defines net cash as cash and cash equivalents less bank overdrafts and bank loans.

29 Financial risk management and fair values

Financial assets of the Group include cash and cash equivalents, debt and equity securities, trade, hire purchase and other debtors and amounts due from related companies. Financial liabilities of the Group include bank overdrafts and loans, trade and other creditors and amounts due to related companies. Accounting policies for financial assets and liabilities are set out in note 1. Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Financial risk management and fair values (continued)

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. The Group has no fair value interest rate risk as there are no borrowings which bear fixed interest rates as at 31 December 2009 and 2008. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates of bank deposits and bank borrowings of the Group are disclosed in notes 23 and 24 respectively.

Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $2,609,000 (2008: $6,158,000). Other components of consolidated equity would not be affected (2008: $Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date. The analysis has been performed on the same basis for 2008.

(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 principally invests available cash and cash equivalents with various banks with high credit ratings and in liquid securities quoted on recognised stock exchanges.

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) Currency risk

The Group is exposed to currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they relate, which is the Japanese Yen ("JPY").

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of overseas subsidiaries into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies	
	2009	2008
	JPY'000	JPY'000
Trade creditors	4,427,590	1,809,540

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

29 Financial risk management and fair values (continued)

(c) Currency risk (continued)

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 material forward exchange contracts outstanding as at 31 December 2009 and 2008.

Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 10% in the JPY/Hong Kong dollar ("HKD") exchange rate, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $37,144,000 (2008: $15,523,000). Other components of consolidated equity would not be affected (2008: $Nil) by the changes in the JPY/HKD exchange rate.

The sensitivity analysis above has been determined assuming that the change in the JPY/HKD exchange rate had occurred at the balance sheet date. The analysis has been performed on the same basis for 2008.

(d) Liquidity management

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Financial risk management and fair values (continued)

(d) Liquidity management (continued)

The Group

2009

	Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Bank overdrafts	14,558	-	-	14,558	14,558
Bank loans	802,571	286,612	182,161	1,271,344	1,244,884
Trade creditors	339,336	-	-	339,336	339,336
Other creditors and accruals	325,478	-	-	325,478	325,478
Amounts due to related companies	3,196	-	-	3,196	3,196
	1,485,139	286,612	182,161	1,953,912	1,927,452

2008

	Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Bank overdrafts	13,162	-	-	13,162	13,162
Bank loans	395,355	10,430	466,407	872,192	821,509
Trade creditors	268,503	-	-	268,503	268,503
Other creditors and accruals	323,599	-	-	323,599	323,599
Amounts due to related companies	3,161	-	-	3,161	3,161
	1,003,780	10,430	466,407	1,480,617	1,429,934

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 Financial risk management and fair values (continued)

(d) Liquidity management (continued)

The Company

2009

	Contractual undiscounted cash outflow Within 1 year or on demand $'000	Balance sheet carrying amount $'000
Other creditors and accruals	6,211	6,211
Amounts due to subsidiaries	40,732	40,732
	46,943	46,943

2008

	Contractual undiscounted cash outflow Within 1 year or on demand $'000	Balance sheet carrying amount $'000
Other creditors and accruals	6,033	6,033
Amounts due to subsidiaries	38,472	38,472
	44,505	44,505

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets designated at fair value through profit or loss (see note 18) and available-for-sale equity securities (see note 17) which are listed.

Listed investments held as financial assets designated at fair value through profit or loss and available-for-sale portfolios have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, together with an assessment of their relevance to the Group's long term strategic plans.

29 Financial risk management and fair values (continued)

(e) Equity price risk (continued)

At 31 December 2009, it is estimated that an increase/(decrease) of 10% (2008: 10%) in the relevant stock market index for listed equity securities, with all other variables held constant, would have increased/decreased the Group's profit after taxation (and retained profits) and other components of consolidated equity as follows:

The Group

	2009			2008		
		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Change in the relevant equity price risk variable:						
Increase	10%	43,242	5,941	10%	23,620	5,654
Decrease	(10)%	(43,242)	(5,941)	(10)%	(23,620)	(5,654)

The sensitivity analysis has been determined assuming that the changes in the stock market index had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index and that all other variables remain constant. The analysis has been performed on the same basis for 2008.

(f) Fair value

(i) Financial instruments carried at fair value

The amendments to IFRS 7, Financial Instruments: Disclosures, require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2009, the financial instruments of the Group carried at fair value were available-for-sale equity securities of $59,407,000, available-for-sale debt securities of $63,479,000 and equity securities designated at fair value through profit or loss of $432,419,000 respectively which are listed outside Hong Kong (see notes 17 and 18). These instruments fall into Level 1 of the fair value hierarchy described above.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

29 Financial risk management and fair values (continued)

(f) Fair value (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

30 Commitments

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009	2008
	$'000	$'000
Authorised and contracted for	31,452	67,232

(b) Operating lease commitments

At 31 December 2009, non-cancellable operating lease rentals are payable as follows:

	The Group	
	2009	2008
	$'000	$'000
Less than one year	19,659	15,425
Between one and five years	45,182	30,866
More than five years	107,760	70,487
	172,601	116,778

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of between one and six years, with an option to renew the lease upon expiry at which point all terms will be re-negotiated. None of the leases includes contingent rentals.

31 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 9.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Material related party transactions (continued)

(b) Transactions with related companies

	2009 $'000	2008 $'000
Sales of goods and services to the TCMH Group (Note)	1,489	8,218
Purchase of inventories from the TCMH Group (Note)	743	1,259
Purchase of inventories from the APM Group (Note)	139	145

Note: Tan Eng Soon is the managing director of Tan Chong Motor Holdings Berhad ("TCMH") and a director of APM Automotive Holdings Berhad ("APM"). Tan Chong Consolidated Sdn. Bhd. is a substantial shareholder of the TCMH Group and the APM Group.

(c) Transaction with an associate

Management service fees received from an associate of the Group amounted to $3,390,000 (2008: $3,390,000).

32 Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the reportable segments as set out in note (b) below. No operating segments have been aggregated to form the reportable segments.

(a) Business lines

(i) Motor vehicle distribution

The Group is the exclusive distributor for Nissan vehicles in Singapore and for Subaru vehicles in Singapore, Hong Kong, certain provinces of the People's Republic of China ("PRC") and some countries in ASEAN. The Group distributes all models of Nissan and Subaru passenger and Nissan light commercial vehicles.

(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 and Thailand. The Group markets and distributes a wide range of both Nissan Diesel heavy commercial vehicles and industrial equipment.

(iii) Property rental and development

The Group has significant property interests 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. Currently the Group's activities in this regard are carried out in Singapore and Hong Kong.

(iv) Other operations

Other operations mainly include investment holding, hire-purchase financing, provision of workshop services and the manufacturing of vehicles seats and shock absorbers.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Segment reporting (continued)

(b) Segment results

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measures used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including bank and other interest income.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2009 and 2008 is set out below.

	Motor vehicle distribution		Heavy commercial vehicle and industrial equipment distribution	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue from external customers:				
- Singapore	2,117,498	2,926,404	195,890	374,712
- Hong Kong	61,395	85,998	-	-
- PRC	1,397,518	752,607	6,181	5,985
- Others	384,246	315,443	387,309	510,542
	3,960,657	4,080,452	589,380	891,239
EBITDA:				
- Singapore	(51,841)	169,925	55,497	76,418
- Hong Kong	(14,179)	(8,055)	-	-
- PRC	43,918	18,560	2,336	963
- Others	(3,171)	(26,780)	26,000	60,873
	(25,273)	153,650	83,833	138,254
Share of profits less losses of associates:				
- Singapore	37,331	46,405	-	-
- Hong Kong	-	-	-	-
- Others	-	-	-	-
	37,331	46,405	-	-

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

Property rental and development		Other operations		Consolidated	
2009	2008	2009	2008	2009	2008
$'000	$'000	$'000	$'000	$'000	$'000
63,832	79,573	100,583	123,530	2,477,803	3,504,219
6,318	5,154	14,169	13,619	81,882	104,771
-	-	174,637	115,606	1,578,336	874,198
-	-	4,820	8,497	776,375	834,482
70,150	84,727	294,209	261,252	4,914,396	5,317,670
193,100	(43,807)	77,292	87,604	274,048	290,140
35,368	6,522	182,075	(177,090)	203,264	(178,623)
-	-	12,255	1,747	58,509	21,270
-	-	1,113	1,452	23,942	35,545
228,468	(37,285)	272,735	(86,287)	559,763	168,332
-	-	-	-	37,331	46,405
-	-	13,027	5,840	13,027	5,840
-	-	(9,270)	5,521	(9,270)	5,521
-	-	3,757	11,361	41,088	57,766

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Segment reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	For the year ended 31 December 2009 $'000	2008 $'000
EBITDA	559,763	168,332
Depreciation and amortisation	(105,773)	(103,840)
Interest income	21,108	21,982
Finance costs	(18,967)	(11,960)
Share of profits less losses of associates	41,088	57,766
Consolidated profit before taxation	497,219	132,280

(d) Geographic information

The following table sets out information about the geographical location of the Group's investment properties, property, plant and equipment, lease prepayments, interest in associates and non-current hire purchase debtors and instalments receivable ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties, property, plant and equipment and lease prepayments, and the location of operations, in the case of interest in associates and non-current hire purchase debtors and instalments receivable.

	Singapore		Hong Kong		PRC		Others		Consolidated	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Specified non-current assets	3,182,324	2,898,978	235,804	190,094	40,603	35,552	649,363	576,238	4,108,094	3,700,862

33 Comparative figures

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

34 Significant accounting estimates and judgements

(i) Impairment of hire purchase and trade debtors

Hire purchase and trade debtors are reviewed periodically to assess whether impairment losses exist and if they exist, impairment losses are recognised. The estimate is based on historical loss experience for debtors with similar credit risk. The methodology and assumptions used are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

(ii) Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. They are reviewed constantly and adjusted if necessary.

(iii) Warranty provisions

As explained in note 27, the Group makes provisions for the warranties it gives on sale of its motor vehicles taking into account the Group's historical claims experience which might not be indicative of future claims. Any increase or decrease in the provision would affect profit or loss in future years.

(iv) Valuation of investment properties

As described in note 12, investment properties are stated at fair value based on the valuation performed by independent firms of professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain estimates including current market rental rates for similar properties, appropriate discount rates and expected future rental rates.

(v) Allowances for obsolescence of inventories

The Group determines the allowances for obsolescence of inventories based on the current market condition and the historical experience of selling goods of similar nature. Due to changes in customers' preferences, actual saleability of goods may be different from estimation and the profit or loss account in future accounting periods could be affected by differences in this estimation.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements except for the amendments to IFRS 8, Operating segments, which have been early adopted by the Group as discussed in note 2 to these financial statements.

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), Business combinations	1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39, Financial instruments: Recognition and measurement - Eligible hedged items	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

Financial summary
(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2005	2006	2007	2008	2009
	$'000	$'000	$'000	$'000	$'000
Results					
Turnover	5,927,959	5,779,050	5,531,241	5,253,390	4,865,594
Profit from operations	545,919	691,357	635,869	86,474	475,098
Financing costs	(15,637)	(19,710)	(9,606)	(11,960)	(18,967)
Share of profit less losses of associates	30,239	39,731	63,813	57,766	41,088
Profit before taxation	560,521	711,378	690,076	132,280	497,219
Taxation	(115,586)	(136,775)	(150,657)	(70,118)	(3,028)
Profit for the year	444,935	574,603	539,419	62,162	494,191
Attributable to:					
Equity shareholders of the Company	444,918	573,932	532,948	61,461	492,677
Minority interests	17	671	6,471	701	1,514
Profit for the year	444,935	574,603	539,419	62,162	494,191
Assets and liabilities					
Investment properties, construction in progress, property, plant and equipment and lease prepayments	2,122,746	2,545,856	2,923,669	3,004,498	3,375,317
Interest in associates	401,282	438,821	510,276	600,945	640,330
Other assets	258,767	187,422	135,034	285,031	302,211
Net current assets	1,791,803	2,127,980	2,536,039	2,537,878	2,736,890
Total assets less current liabilities	4,574,598	5,300,079	6,105,018	6,428,352	7,054,748
Non-current liabilities	(169,764)	(95,821)	(116,186)	(507,097)	(549,595)
Total equity	4,404,834	5,204,258	5,988,832	5,921,255	6,505,153
Earnings per share					
- basic (cents)	22.1	28.5	26.5	3.1	24.5
- diluted (cents)	22.1	28.5	26.5	3.1	24.5

Notes:

(1) Turnover of $4,865,594,000 (2008: $5,253,390,000) 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 the same as the basic earnings per share as there were no dilutive securities outstanding during the years presented.

Group Properties

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
Unit A on Ground Floor, Phase 1 Nan Fung Industrial Building 431-487 Avenida do Dr Francisco Vieira Machado and 354-408 Rua dos Pescadores Macau	Showroom and workshop (investment)	8,805	Leasehold	29 November 2012	37
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	24
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060	24
Jiangyin Building Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	12
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	27
14 Upper Aljunied Road Singapore 367843	Property held for sale	222,876	Freehold	-	N/A
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	24
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058	50
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	14
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	27

Group Properties (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (own use)	44,794 1,141 168,046	Freehold Leasehold Leasehold	- 16 April 2874 6 April 2082	19
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	30
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	25
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-	12
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	26
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	14
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2092	6
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030	7
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	223,908	Leasehold	15 April 2033	36
59 Moo 1, Rangsit-Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	22
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062	6

Group Properties (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	-	5
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	-	2
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop office and warehouse (own use)	18,891	Freehold	-	4
12/17 Moo 2, Seri Thai Road Khlong Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	-	3
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	-	17
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	-	3
Qinyang Town Nam Huan Road 10 Jiangyin Jiangyin Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048	25
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Production plant (own use)	1,130,211	Freehold	-	6