TAN CHONG INTERNATIONAL LIMITED

Annual Report **2011**

Stock Code: 693

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

Wilby Bukit Timah

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Enclosures

DIVIDEND PAYMENT IS EXPECTED TO BE INCREASED FROM HK$131 MILLION IN YEAR 2010 TO HK$141 MILLION FOR 2011.

RESULTS

The Group's profit attributable to shareholders for the financial year 2011 was HK$599 Million. The contribution to group profit from revaluation gain on investment properties less the diminution in fair value of listed securities amounted to HK$12 Million.

FINANCE

Dividend payment is expected to be increased from HK$131 Million in year 2010 to HK$141 Million for 2011. Group NTA (Net Tangible Assets) year on year rose from HK$3.83 to HK$4.01 per share.

SALES

The Group's revenue at HK$6.35 Billion is a 3% improvement year on year. Overall vehicle sale units declined from 17,210 in year 2010 to 16,497 in year 2011.

For the year under review the Group managed to overcome many obstacles yet continue the rapid expansion of operating networks in the region:

1. The natural and nuclear disaster in Japan in early 2011 and countrywide floods in Thailand affected the supply of vehicles and component parts to the Asian countries where we operate.

2. The financial crises in Europe and USA had a negative effect on the demand and business sentiments in the Asia Pacific region.

3. We added more sale/service outlets in Indonesia, Thailand and China. This year we will add more sale/service outlets in Malaysia.

SINGAPORE

The reduced vehicle quota and very competitive prices from European and Korean brands caused the drastic decline of all Japanese brands, including Nissan. However in the light commercial vehicle market, Nissan achieved the Number one market share 2 years in a row despite competition from strong European and Korean brands.

In commercial truck business, major fleet customers continue to keep our workshop fully engaged. Increasingly customers are turning to rental rather than outright purchase of trucks.

In 2012, we will introduce Chinese trucks from Jianghuai Automotive Company (JAC) at competitive pricing to expand our traditional truck business.

For forklifts more units were sold despite the tsunami in Japan hindering delivery and affecting sales for the first part of the year under review.

THAILAND

The forklift operations have recovered significantly during the year despite the severe flooding in the last quarter of 2011. Implementation of improvement programs and training resulted in better service standards, higher sales growth and rental utilisation rate.

For 2012 we expect sales of trucks and forklifts to increase due to demand from the recovery after the severe flood situation in 2011.

PROSPECTS

The Board expects more volatility in the business environment for this year because of fast changing and unpredictable economic and political shifts going on in the world. Some of these geopolitical events are game changers for our existing business and at the same time opens up new opportunities. We believe Asia Pacific where we operate should have better growth prospects relative to other regions of the world. Barring unforeseen situations the group expects performance for 2012 to be satisfactory.

GROUP NTA (NET TANGIBLE ASSETS) YEAR ON YEAR ROSE FROM HK$3.83 TO HK$4.01 PER SHARE

THE BOARD OF DIRECTORS ("THE BOARD") IS COMMITTED TO THE OBSERVANCE OF GOOD CORPORATE GOVERNANCE TO PROTECT THE INTERESTS AND RIGHTS OF SHAREHOLDERS 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 RULES GOVERNING THE LISTING OF SECURITIES (THE "LISTING RULES") ON 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 for Securities Transactions by Directors of Listed Issuers ("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 2011. 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 nine directors, consisting of five executive directors, one non-executive director 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 relationships among the members of the Board are disclosed under Directors Profile on page 10.

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. Participation by means of telephone or video conference 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			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	M	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Independent Non-executive Director															
Mr. Lee Han Yang	M	4	4	C	2	2	C	2	2	C	2	2	M	1	1
Mr. Masatoshi Matsuo	M	4	4	-	-	-	M	2	2	M	2	2	M	1	1
Mr. Tan Ngiap Joo	M	4	4	M	2	2	-	-	-	M	2	2	M	1	1
Non-executive Director															
Mr. Ng Kim Tuck(1)	M	4	2	-	-	-	-	-	-	M	2	1	M	1	1

Denotes:
C-Chairman, M-Member
No.held/attended-Number of meetings held/attended during the financial year/period from 1 January 2011 (or date of appointment, where applicable) to 31 December 2011
(1) Appointed on 1 June 2011

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 RC) and Mr. Tan Ngiap Joo.

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 NC) 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 external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services for year 2011 is HK$4,514,000. There were no non-audit services.

AUDIT COMMITTEE ("AC")

The AC comprises four board members, namely Mr. Lee Han Yang, Mr. Masatoshi Matsuo, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck, all of whom are non-executive directors and majority members are independent non-executive directors.
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, accounting, finance and legal services. The Board is of the view that the members of the AC have sufficient accounting and 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 2010 and interim results and interim report for the six months ended 30 June 2011. 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 records 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 ensure the adequacy of the 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 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 review the scope and results of the audit;

h. to review connected transactions in accordance with the requirements of the Listing Rules.

The AC has the power to conduct or authorize 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 chairmen of the AC and RC 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 respond any relevant queries from the shareholders.

To safeguard the interests and rights of shareholders, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual directors.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

THE GROUP'S REVENUE AT HK$6.35 BILLION IS A 3% IMPROVEMENT YEAR ON YEAR.

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 * + ◆
Mr. Masatoshi Matsuo * +
Mr. Tan Ngiap Joo * ◆

Non-Executive Director
Mr. Ng Kim Tuck *

* Audit Committee Members
\+ Nomination Committee Members
◆ Remuneration Committee Members

HONORARY LIFE COUNSELLOR

Dato' Tan Kim Hor

JOINT SECRETARIES

Ms. Teo Siok Ghee
Ms. Liew Daphnie Pingyen

AUDITORS

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

Aged 63, 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. He is the father of Mr. Glenn Tan Chun Hong, an Executive Director of the Company.

DEPUTY CHAIRMAN AND MANAGING DIRECTOR

MR. JOSEPH ONG YONG LOKE

Aged 63, 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

Aged 69, 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 49 years, Mr. Tan has worked in all areas of the Group's motor and industrial business.

MDM. SNG CHIEW HUAT

Aged 64, 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

Aged 34, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LEE HAN YANG

Aged 80, B.A (Singapore) of Lincoln's Inn, Barrister-at-law. He was appointed as an Independent Non-executive 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 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.

Wilby Bukit Timah


CEFIRO
NISSAN
Tan Chong Motor
NAVARA

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

MR. MASATOSHI MATSUO

Aged 68, 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 an Independent Non-executive Director of the Company on 6 December 2004.

MR. TAN NGIAP JOO

Aged 66, was appointed as an Independent Non-executive Director of the Company in July 2010. Mr. Tan is the Chairman of United Engineers Limited, a listed company in Singapore. He is a director of three other listed companies in Singapore, namely China Fishery Group Limited, Mapletree Logistics Trust Management Ltd and Kian Ann Engineering Ltd. He was previously the Deputy President of Overseas-Chinese Banking Corporation Limited and was a director of British and Malayan Trustees Limited, a listed company in Singapore. Mr. Tan NJ holds a Bachelor of Arts degree from University of Western Australia.

NON-EXECUTIVE DIRECTORS

MR. NG KIM TUCK

Aged 57, was appointed as a Non-executive Director of the Company in June 2011. Mr. Ng is currently the Senior Audit Advisor to BDO Malaysia. He is a Council Member of the Malaysian Institute of Accountants ("MIA"), a Council Member of the Malaysian Institute of Certified Public Accountants ("MICPA"), and was previously a Member of the Malaysian Institute of Taxation. Mr. Ng also serves on various committees and working groups of the MIA and MICPA. He joined KPMG Malaysia in 1974 and was admitted as a partner of the firm in 1985. He had been the partner-in-charge of KPMG Malaysia's Audit Division, Finance as well as Risk Management and Ethics and Independence. He was also formerly the Chairman of KPMG Malaysia's Audit and Accounting Committee and retired from the firm in December 2010.

SENIOR MANAGEMENT

MR. YEONG YUE SUN

Aged 58, is the President of Mitsubishi Fuso Truck (Thailand) Co., Ltd. Mr. Yeong is a trained Automotive Engineer and a Member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Melbourne Institute of Technology in Australia.

MS. TEO SIOK GHEE

Aged 59, is the General Manager responsible for operations in P.R.China. Ms. Teo was also appointed as a Joint Company Secretary of the Company in August 2011. She joined the Group in 1981. Ms. Teo holds a Bachelor of Commerce (major in Accountancy) from Nanyang University and a non-practicing member of Institute of Certified Public Accountants of Singapore.

MR. GOH LENG KWANG

Aged 61, 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

Aged 46, 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.

CORPORATE STRUCTURE

CORPORATE STRUCTURE

Subaru Building, Taiwan

100% TC Autoworld Sdn Bhd
Malaysia

100% PT TC Autoworld
Indonesia

100% Tan Chong & Sons Motor Co (S) Pte Ltd
Singapore

100% Tan Chong Motor Sales Pte Ltd
Singapore

100% Waste Management Pte Ltd
Singapore

100% STI Motor Pte Ltd
Singapore

100% T8 Gallery Pte Ltd
Singapore

100% Zenith Logistics Pte Ltd
Singapore

21% Zero Co., Ltd
Japan

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

49% Eight Zero Limited 51%
Hong Kong

100% Advance Pacific Holdings Limited
Hong Kong

100% TC Autoclinic Pte Ltd
Singapore

100% TC Subaru Sdn Bhd
Malaysia

100% Motor Image Vietnam Co., Ltd
Vietnam

100% Motor Image (Cambodia) Ltd
Cambodia

100% TC International Limited
Bermuda

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% Motor Image (Guangzhou) Co. Ltd
PRC

100% Motor Image (Panyu) Company Ltd
PRC

100% Ekspres Auto Services Limited
Hong Kong

50% 50% Everwide Corporation Limited
Hong Kong

100% 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

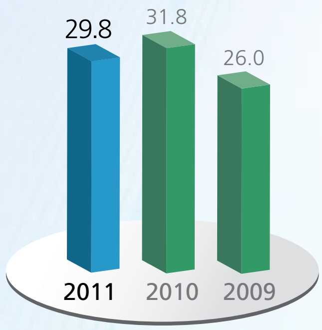
FINANCIAL HIGHLIGHTS

SHAREHOLDERS' FUND

(HK$ Millions)

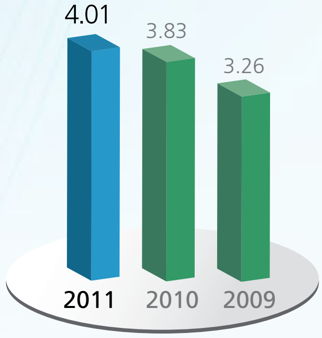
EARNINGS PER SHARE

(HK Cents)



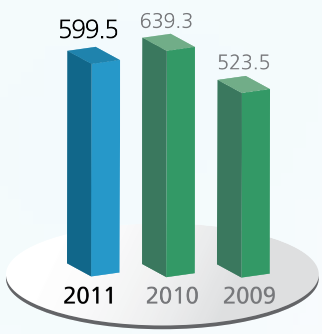
NET ASSET VALUE PER SHARE

(HK$)

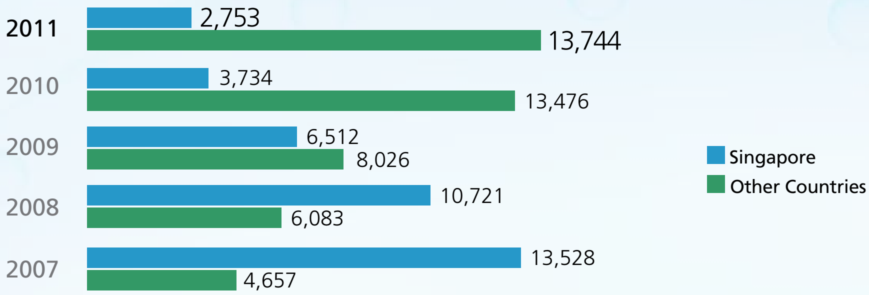


PROFIT ATTRIBUTABLE TO SHAREHOLDERS

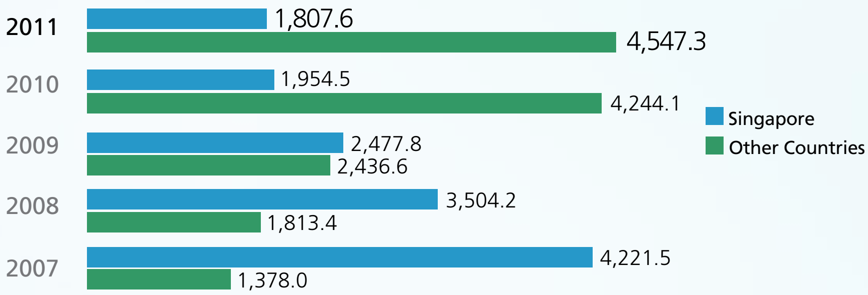
(HK$ Millions)



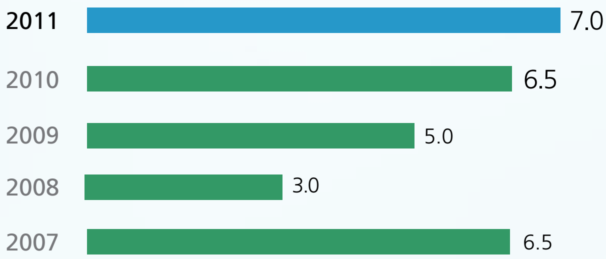
UNITS SOLD



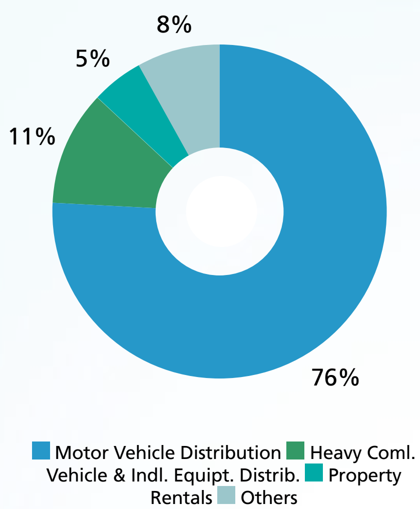
REVENUE (HK$ Millions)



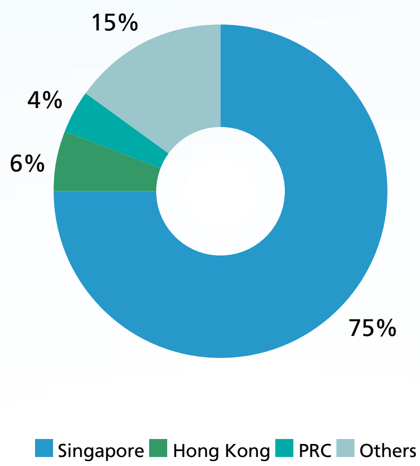
DIVIDENDS (HK Cents)



REVENUE BY BUSINESS TYPE



SPECIFIED NON-CURRENT ASSETS BY LOCATION



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 2011.

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 2011 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 23 to 79.

Transfer to reserves

Profits attributable to shareholders, before dividends, of HK$599,473,000 (2010: HK$639,265,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK1.5 cents (2010: HK1.5 cents) per share was paid on 6 September 2011. The directors now recommend the payment of a final dividend of HK5.5 cents (2010: HK5.0 cents) per share in respect of the year ended 31 December 2011.

Major customers and suppliers

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	11%	
Five largest customers in aggregate	32%	
The largest supplier		47%
Five largest suppliers in aggregate		61%

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 customers and suppliers.

Property, plant and equipment

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

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	

Independent non-executive directors

Lee Han Yang
Masatoshi Matsuo
Tan Ngiap Joo

Non-executive director

Ng Kim Tuck	(appointed on 1 June 2011)

In accordance with Bye-law 87(1), Mr. Lee Han Yang, Mr. Joseph Ong Yong Loke and Mr. Tan Kheng Leong will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 86(2), Mr. Ng Kim Tuck 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 on The Stock Exchange of Hong Kong Limited ("Listing Rules") with the Tan Chong Motor Holdings Berhad ("TCMH") Group, TCIM Sdn. Bhd., Focusone Asia Pacific Pte Ltd ("FAP") and Netrunner Systems Private Limited ("NSP"). Mr. Tan Eng Soon is the managing director of TCMH. Tan Chong Consolidated Sdn. Bhd. is a substantial shareholder of the TCMH Group and TCIM Sdn. Bhd.. Mr. Bryan Chow, the son-in-law of Mr. Tan Eng Soon and the brother-in-law of Mr. Glenn Tan Chun Hong, is a major shareholder of FAP and NSP.

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;

(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.

Connected transactions (continued)

The directors have received the auditors' letter on continuing connected transactions 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 2011 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)	Other Interests (Notes 3 and 4)	Total numbers of shares held	Percentage of total issued shares
Executive Directors:						
Tan Eng Soon	111,999,972	-	125,163,000	929,343,147	1,166,506,119	57.93%
Joseph Ong Yong Loke	684,000	795,000	940,536	-	2,419,536	0.12%
Tan Kheng Leong	2,205,000	210,000	-	1,164,091,119	1,166,506,119	57.93%
Sng Chiew Huat	849,000	-	-	-	849,000	0.04%
Glenn Tan Chun Hong	99,000	-	-	-	99,000	0.0049%

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.

(3) In addition to Tan Eng Soon's personal interest and corporate interests of 111,999,972 shares and 125,163,000 shares respectively, he is deemed to be interested in 929,343,147 shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,166,506,119 shares.

(4) In addition to Tan Kheng Leong's personal and family interests of 2,205,000 shares and 210,000 shares respectively, he is deemed to be interested in 1,164,091,119 shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,166,506,119 shares.

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non-beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 31 December 2011, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the year to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the year was the Company, any of its subsidiaries or 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 2011 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)	1,164,091,119	57.81%
Guoco Group Limited	Long	(2)	400,308,068	19.88%

Notes:

(1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company. The 1,164,091,119 shares referred to above include 665,562,720 shares beneficially held by Tan Chong Consolidated Sdn. Bhd. and 498,528,399 shares in which Tan Chong Consolidated Sdn. Bhd. is interested pursuant to sections 317 and 318 of the SFO.

(2) Based on the disclosure of interests filed, certain corporations/individuals namely Quek Leng Chan, HL Holdings Sdn Bhd, Kwek Leng Kee, Davos Investment Holdings Private Limited, Hong Leong Investment Holdings Pte Ltd, Hong Leong Company (Malaysia) Berhad, Guoline Capital Assets Limited and Guoline Overseas Limited, are deemed to be interested in all the shares in which Guoco Group Limited has an interest because of their direct/indirect interest in the entire/partial share capital of Guoco Group Limited. Guoco Group Limited is deemed to be interested in the 400,308,068 shares through its controlled corporations pursuant to the SFO, including Guocoequity Assets Limited and Capital Intelligence Limited in respect of 398,997,068 shares. Such 398,997,068 were held by Capital Intelligence Limited which was 100% controlled by Guocoequity Assets Limited.

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

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, which is a connected person merely because it is a substantial shareholder of the Company, and/or its controlled corporations. Guoco Group Limited 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.

Directors' interests in contracts

Save as disclosed in Connected Transactions above, no contract of significance to which the Company, any of its subsidiaries or 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 2011 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 80 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 81 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,
23 March, 2012

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") and its subsidiaries (together the "Group") set out on pages 23 to 79, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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 2011 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
23 March, 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Revenue	3	6,354,932	6,198,694
Cost of sales		(5,229,825)	(5,324,468)
Gross profit		1,125,107	874,226
Other net operating income	4	314,257	525,849
Distribution costs		(354,165)	(326,906)
Administrative expenses		(400,393)	(391,318)
Other operating expenses	5	(23,339)	(12,391)
Profit from operations		661,467	669,460
Financing costs	6	(51,255)	(23,865)
Share of profits less losses of associates		93,403	73,606
Profit before taxation	7	703,615	719,201
Income tax expense	10(a)	(97,638)	(72,394)
Profit for the year		605,977	646,807
Attributable to:			
Equity shareholders of the Company		599,473	639,265
Non-controlling interests		6,504	7,542
Profit for the year		605,977	646,807
Earnings per share (cents)	11		
Basic and diluted		29.8	31.8

The notes on pages 32 to 79 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 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Profit for the year		605,977	646,807
Other comprehensive income for the year (after tax and reclassification adjustments)			
Exchange differences on translation of financial statements of:			
– subsidiaries outside Hong Kong		(109,346)	534,083
– associates outside Hong Kong		8,811	65,628
		(100,535)	599,711
Available-for-sale securities:			
– Changes in fair value recognised during the year		3,264	5,623
– Reclassification adjustment for amounts transferred to profit and loss:			
– gain on disposal	4	-	(1,287)
		3,264	4,336
		(97,271)	604,047
Total comprehensive income for the year		508,706	1,250,854
Attributable to:			
Equity shareholders of the Company		504,091	1,237,919
Non-controlling interests		4,615	12,935
Total comprehensive income for the year		508,706	1,250,854

The notes on pages 32 to 79 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Investment properties	12	2,325,651	2,161,173
Interest in leasehold land	14	249,198	215,538
Other property, plant and equipment	13(a)	1,892,208	1,689,066
Interest in associates	16	894,349	767,922
Other financial assets	17	163,659	159,454
Hire purchase debtors and instalments receivable	22	203,381	130,334
Non-current prepayments		11,796	32,041
Deferred tax assets	10(b)	13,044	17,906
		5,753,286	5,173,434
Current assets			
Held-to-maturity debt securities	17	-	34,966
Investments designated as at fair value through profit or loss	18	565,535	713,645
Inventories	19	1,539,756	1,464,069
Properties held for sale	20	150,915	248,977
Trade debtors	21	413,782	409,764
Hire purchase debtors and instalments receivable	22	86,501	73,998
Other debtors, deposits and prepayments		294,690	165,758
Amounts due from related companies	26	12,678	12,832
Cash and cash equivalents	23	1,611,306	1,926,827
		4,675,163	5,050,836

The notes on pages 32 to 79 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Current liabilities			
Bank overdrafts (unsecured)	24	8,574	12,052
Bank loans	24	1,439,569	1,616,696
Trade creditors	25	366,959	402,995
Other creditors and accruals		400,041	350,607
Amounts due to related companies	26	4,539	3,494
Current taxation		67,305	53,702
Provisions	27	16,973	18,287
		2,303,960	2,457,833
Net current assets		2,371,203	2,593,003
Total assets less current liabilities		8,124,489	7,766,437
Non-current liabilities			
Deferred tax liabilities	10(b)	28,115	25,226
Bank loans	24	12,322	25,876
Provisions	27	9,735	12,696
		50,172	63,798
NET ASSETS		8,074,317	7,702,639
Capital and reserves			
Share capital	28(d)	1,006,655	1,006,655
Reserves		7,007,329	6,634,103
Total equity attributable to equity shareholders of the Company		8,013,984	7,640,758
Non-controlling interests		60,333	61,881
TOTAL EQUITY		8,074,317	7,702,639

Approved and authorised for issue by the board of directors on 23 March 2012.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 32 to 79 form part of these financial statements.

BALANCE SHEET

At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment	13(b)	211	332
Interest in subsidiaries	15	2,339,080	2,339,080
		2,339,291	2,339,412
Current assets			
Amounts due from subsidiaries	15	40,264	35,568
Other debtors, deposits and prepayments		710	686
Cash and cash equivalents	23	5,847	8,088
		46,821	44,342
Current liabilities			
Other creditors and accruals		7,704	7,181
Amounts due to subsidiaries	15	43,256	45,978
		50,960	53,159
Net current liabilities		(4,139)	(8,817)
NET ASSETS		2,335,152	2,330,595
CAPITAL AND RESERVES	28(b)		
Share capital		1,006,655	1,006,655
Reserves		1,328,497	1,323,940
TOTAL EQUITY		2,335,152	2,330,595

Approved and authorised for issue by the board of directors on 23 March 2012.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 32 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(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 2010	1,006,655	550,547	9,549
Changes in equity for 2010:			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Dividends declared and approved during the year	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-
Balance at 31 December 2010 and 1 January 2011	1,006,655	550,547	9,549
Changes in equity for 2011:			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Dividends declared and approved during the year	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-
Balance at 31 December 2011	1,006,655	550,547	9,549

The notes on pages 32 to 79 form part of these financial statements.

Attributable to equity shareholders of the Company						
Translation reserve (note 28(a)(iii)) $'000	Contributed surplus (note 28(b)(ii)) $'000	Fair value reserve (note 28(a)(iv)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
528,582	377,690	3,962	4,036,586	6,513,571	50,393	6,563,964
-	-	-	639,265	639,265	7,542	646,807
594,318	-	4,336	-	598,654	5,393	604,047
594,318	-	4,336	639,265	1,237,919	12,935	1,250,854
-	-	-	(110,732)	(110,732)	-	(110,732)
-	-	-	-	-	(1,447)	(1,447)
1,122,900	377,690	8,298	4,565,119	7,640,758	61,881	7,702,639
-	-	-	599,473	599,473	6,504	605,977
(98,646)	-	3,264	-	(95,382)	(1,889)	(97,271)
(98,646)	-	3,264	599,473	504,091	4,615	508,706
-	-	-	(130,865)	(130,865)	-	(130,865)
-	-	-	-	-	(6,163)	(6,163)
1,024,254	377,690	11,562	5,033,727	8,013,984	60,333	8,074,317

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Profit from operations		661,467	669,460
Adjustments for:			
Depreciation	7	139,606	117,913
Amortisation of interest in leasehold land	7	7,853	7,389
Gain on disposal of property, plant and equipment	4	(11,050)	(11,769)
Reversal of impairment loss on interests in an associate	4	(69,956)	-
Gain on disposal of available-for-sale debt securities	4	-	(1,287)
Valuation gains on investment properties	4	(170,694)	(200,741)
Decrease/(increase) in fair value of listed investments designated as at fair value through profit or loss	4	158,503	(255,016)
Interest income	4	(41,771)	(28,280)
Dividend income	4	(11,321)	(5,369)
Net foreign exchange (gain)/loss		(47,431)	60,566
Operating profit before changes in working capital		615,206	352,866
Decrease in properties held for sale		94,999	98,322
Increase in inventories		(68,061)	(176,283)
Increase in trade debtors		(8,340)	(86,431)
Increase in hire purchase debtors and instalments receivable		(88,715)	(21,956)
Increase in other debtors, deposits and prepayments		(126,354)	(12,932)
Decrease/(increase) in amounts due from related companies		154	(1,120)
(Decrease)/increase in trade creditors		(36,696)	44,819
Increase/(decrease) in other creditors and accruals		50,572	(1,298)
Increase in amounts due to related companies		1,045	298
(Decrease)/increase in provisions		(4,293)	692
Cash generated from operations		429,517	196,977
Interest paid		(51,255)	(23,865)
Taxes paid		(75,507)	(48,688)
Net cash generated from operating activities		302,755	124,424

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(416,244)	(185,524)
Payment for additions to interest in leasehold land		(44,397)	-
Payment for additions to investment properties		(21,131)	(138,521)
Decrease/(increase) in non-current prepayments		20,245	(31,017)
Decrease/(increase) in pledged bank deposits		239,953	(600,696)
Proceeds from disposal of property, plant and equipment		51,943	44,555
Payment for investment in an associate		-	(4,900)
Payment for the purchase of:			
– available-for-sale debt securities		(9,313)	-
– available-for-sale equity securities		-	(4,291)
– listed investments designated as at fair value through profit or loss		(10,546)	(24,805)
Proceeds from divestment of interests in an associate		22,069	-
Proceeds upon maturity of held-to-maturity debt securities		35,899	13,730
Proceeds from disposal of available-for-sale debt securities		-	12,042
Dividends received from associates		29,400	16,542
Dividends received from listed investments		9,490	4,603
Dividends received from unlisted investments		1,831	766
Interest received		41,771	28,280
Net cash used in investing activities		(49,030)	(869,236)
Cash flows from financing activities			
Repayment of bank loans		(7,496,922)	(6,133,493)
Proceeds from new bank loans		7,286,420	6,438,489
Dividends paid to shareholders		(130,865)	(110,732)
Dividends paid to non-controlling shareholders of subsidiaries		(6,163)	(1,447)
Net cash (used in)/generated from financing activities		(347,530)	192,817
Net decrease in cash and cash equivalents		(93,805)	(551,995)
Cash and cash equivalents at 1 January	23	1,314,079	1,759,318
Effect of foreign exchange rate changes		21,715	106,756
Cash and cash equivalents at 31 December	23	1,241,989	1,314,079

The notes on pages 32 to 79 form part of these financial statements.

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 and the People's Republic of China ("the PRC").

The consolidated financial statements for the year ended 31 December 2011 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 23 March 2012.

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 1(c) 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 and the PRC.

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 2.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

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

– IAS 24 (revised 2009), *Related party disclosures*

– Improvements to IFRSs (2010)

– IFRIC 19, *Extinguishing financial liabilities with equity instruments*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

– IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 29 is consistent with the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Basis of consolidation

(i) Subsidiaries and non-controlling 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling 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 non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

(i) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(j)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)(ii)).

Investments in subsidiaries in the Company's balance sheet are stated at cost less impairment losses (see note 1(v)).

(ii) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(v)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

(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 resulting from transactions with associates are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) 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 subsidiaries and associates outside Hong Kong 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.

1 Significant accounting policies (continued)

(f) Investment properties

Investment properties are held for their investment potential and rental income. Rental income from investment properties is accounted for as described in note 1(u)(iv). Investment properties are stated in the balance sheet at their fair value. 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.

(g) 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.

(h) Property, plant and equipment

Land and buildings other than investment properties are carried at purchase price or at the 1984 revalued amount, less accumulated depreciation and impairment losses (see note 1(v)).

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.

All other property, plant and equipment is carried at purchase price less accumulated depreciation and impairment losses (see note 1(v)) 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 situated on freehold land	2% - 4%
– Interest in leasehold land is depreciated over the unexpired term of the lease.	
– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 50 years after the date of completion.	
– 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.

1 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Construction in progress

Construction in progress represents buildings under construction and is stated at cost less impairment losses (see note 1(v)). 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 the relevant category within 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.

(i) 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(f).

(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(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(v).

(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.

(j) 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, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities are designated as 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. Any attributable transaction costs are recognised in profit or loss as incurred. 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.

1 Significant accounting policies (continued)

(j) Investments in debt and equity securities (continued)

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(v)).

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(v)).

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(u)(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(u)(iii). When these investments are disposed of or impaired (see note 1(v)), 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.

(k) 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.

(l) 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(v)).

(m) Income tax

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

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, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. No temporary differences are recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

1 Significant accounting policies (continued)

(m) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale. In all other cases, 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 reporting 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.

(n) 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.

(o) Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(v)), 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.

(p) 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.

1 Significant accounting policies (continued)

(q) Trade and other creditors

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

(r) 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.

(s) Provisions and contingent liabilities

Provisions are recognised for 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.

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.

(t) Warranties

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

(u) 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 profit or loss 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) Service fees, 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 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 execution of the sale and purchase agreement 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.

1 Significant accounting policies (continued)

(v) Impairment

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

Investments in debt and equity securities 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 is not limited to the following events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; 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 interests in subsidiaries and associates recognised using the equity method (see note 1(d)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(v)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(v)(ii).

– For unquoted equity securities and current receivables carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. 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.

– For trade and other 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.

1 Significant accounting policies (continued)

(v) Impairment (continued)

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

– 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, the recovery of which 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.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property, plant and equipment may be impaired.

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 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 profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(w) 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.

(x) 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.

(y) Dividends

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

(z) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 Significant accounting estimates and judgements

(a) *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.

(b) *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. Determination of the amount of deferred tax assets to be recognised involves estimation of future taxable profits. Such estimates are reviewed on each reporting date and adjusted if necessary.

(c) *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.

(d) *Valuation of investment properties*

As described in note 12, investment properties are stated at fair value based on the valuation performed by a director of the Company. In determining the fair value, the director has 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.

(e) *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 profit or loss in future accounting periods could be affected by differences in this estimation.

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:

	2011 $'000	2010 $'000
Sale of goods	5,523,128	5,503,121
Rendering of services	437,375	375,975
Hire purchase financing income	40,744	32,758
Gross rentals from investment properties	106,920	63,460
Gross proceeds from properties sold	215,561	183,561
Management service fees	1,880	3,390
Agency commission and handling fees	17,771	21,783
Warranty reimbursements	11,553	14,646
	6,354,932	6,198,694

3 Revenue (continued)

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2011 revenue from sales of vehicle and spare parts to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately $668,488,000 (2010: $658,254,000) and arose in the geographical region of the PRC. Details of concentrations of credit risk arising from this customer are set out in note 29(b).

Further details regarding the Group's principal activities are disclosed in note 32 to these financial statements.

4 Other net operating income

	2011 $'000	2010 $'000
Bank and other interest income	41,771	28,280
Dividend income		
– listed investments	9,490	4,603
– unlisted investments	1,831	766
Gain on disposal of property, plant and equipment	11,050	11,769
Gain on disposal of available-for-sale debt securities	-	1,287
Valuation gains on investment properties	170,694	200,741
(Decrease)/increase in fair value of listed investments designated as at fair value through profit or loss	(158,503)	255,016
Reversal of impairment loss on interests in an associate	69,956	-
Compensation income (note)	116,550	-
Reversal of over-provision for retirement benefit costs in prior years	12,630	-
Reversal of impairment losses on trade receivables and hire purchase debtors and instalments receivables	1,259	3,491
Others	37,529	19,896
	314,257	525,849

Note: In 2011, the Group received a compensation income of United States Dollars ("USD") 15 million from a third party as a settlement sum in relation to legal proceedings in Thailand, in which the Group was the plaintiff, to compensate the Group for damages in relation to the defendant's breach of a distribution agreement and a technical assistance agreement. The Group does not have any obligations in respect of the agreed settlement with this third party.

5 Other operating expenses

	2011 $'000	2010 $'000
Bank charges	8,854	8,728
Impairment losses on trade receivables and hire purchase debtors and instalments receivable	7,608	1,664
Others	6,877	1,999
	23,339	12,391

6 Financing costs

	2011 $'000	2010 $'000
Interest expense		
– on bank loans wholly repayable within five years	51,184	23,763
– on bank overdrafts	71	102
	51,255	23,865

7 Profit before taxation

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

	2011 $'000	2010 $'000
Cost of goods sold	4,644,681	4,732,062
Depreciation		
– assets held for use under operating leases	53,645	44,552
– other assets	85,961	73,361
Amortisation of interest in leasehold land	7,853	7,389
Impairment losses/(reversal of impairment losses) on		
– trade debtors	901	(2,241)
– hire purchase debtors and instalments receivable	5,448	414
Auditors' remuneration	4,514	4,147
Provision for warranties made	2,475	11,241
Net foreign exchange losses	49,519	99,919
Operating lease rental expenses in respect of properties	31,478	24,873
Rentals receivable from investment properties less direct outgoings of $27,427,000 (2010: $23,695,000)	(79,493)	(39,765)

8 Personnel expenses

	2011 $'000	2010 $'000
Wages and salaries	186,940	154,897
Retirement benefit costs	17,344	14,520
Others	18,915	15,533
	223,199	184,950

The number of employees at the end of 2011 was 2,078 (2010: 1,963).

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
2011					
Executive directors					
Tan Eng Soon	140	9,275	7,869	29	17,313
Joseph Ong Yong Loke	390	3,129	2,299	29	5,847
Tan Kheng Leong	80	3,054	691	29	3,854
Sng Chiew Huat	80	2,849	1,878	29	4,836
Glenn Tan Chun Hong	80	1,549	962	75	2,666
Independent non- executive directors					
Lee Han Yang	155	-	-	-	155
Masatoshi Matsuo	85	-	-	-	85
Tan Ngiap Joo	60	-	-	-	60
Non-executive director					
Ng Kim Tuck (appointed on 1 June 2011)	-	-	-	-	-
	1,070	19,856	13,699	191	34,816
2010					
Executive directors					
Tan Eng Soon	140	7,769	5,611	22	13,542
Joseph Ong Yong Loke	390	2,621	1,602	22	4,635
Tan Kheng Leong	80	2,758	472	22	3,332
Sng Chiew Huat	80	2,386	1,326	22	3,814
Glenn Tan Chun Hong	40	1,297	649	64	2,050
Independent non- executive directors					
Lee Han Yang	150	-	-	-	150
Masatoshi Matsuo	85	-	-	-	85
Tan Ngiap Joo	-	-	-	-	-
Jeny Lau	85	-	-	-	85
	1,050	16,831	9,660	152	27,693

(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:

	2011 $'000	2010 $'000
Current tax expense		
Provision for the year	89,945	73,606
Over-provision in respect of prior years	(58)	(6,037)
	89,887	67,569
Deferred tax expense		
Origination and reversal of temporary differences	7,751	4,825
Total income tax expense in the consolidated income statement	97,638	72,394

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 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% (2010: 17%). Taxation for subsidiaries other than in Hong Kong or Singapore 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:

	2011 $'000	2010 $'000
Profit before taxation	703,615	719,201
Computed tax using the applicable corporation tax rates	125,332	72,960
Adjustments resulting from:		
– Tax effect of non-deductible expenses	16,309	14,126
– Tax effect of non-taxable income	(55,426)	(39,008)
– Tax effect of tax losses not recognised	26,238	37,534
– Tax effect of previously unrecognised tax losses or deductible temporary differences utilised	(14,757)	(7,181)
– Over-provision in respect of prior years	(58)	(6,037)
Income tax expense	97,638	72,394

10 Taxation (continued)

(b) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2011 and 2010 are attributable to the items detailed in the table below:

	2011 Assets $'000	2011 Liabilities $'000	2011 Net $'000	2010 Assets $'000	2010 Liabilities $'000	2010 Net $'000
Property, plant and equipment	5,335	(28,978)	(23,643)	7,880	(28,595)	(20,715)
Investment properties	-	(1,662)	(1,662)	-	(2,159)	(2,159)
Inventories	7,316	-	7,316	7,729	-	7,729
Trade debtors	669	-	669	109	-	109
Creditors and accruals	3,503	(3,120)	383	3,223	-	3,223
Provisions	1,824	-	1,824	3,648	-	3,648
Tax losses carried-forward	42	-	42	845	-	845
Deferred tax assets/(liabilities)	18,689	(33,760)	(15,071)	23,434	(30,754)	(7,320)
Set-off within legal tax units and jurisdictions	(5,645)	5,645	-	(5,528)	5,528	-
Net deferred tax assets (liabilities)	13,044	(28,115)	(15,071)	17,906	(25,226)	(7,320)

Potential deferred tax assets of approximately $106,115,000 (2010: $96,364,000) 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. The tax losses do not expire under the current tax legislation except for tax losses of certain subsidiaries of $122,613,000 (2010: $111,202,000), equivalent to deferred tax assets of $27,684,000 (2010: $29,439,000) which will expire from 2011 to 2020.

At 31 December 2011, temporary differences relating to the undistributed profits of subsidiaries amounted to $139,345,000 (2010: $111,648,000). Deferred tax liabilities of $16,857,000 (2010: $13,509,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits 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.

10 Taxation (continued)

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

	Balance at 1 January 2010 $'000	Exchange adjustment $'000	Recognised in profit or loss $'000	Balance at 31 December 2010 $'000
Property, plant and equipment	(15,544)	(1,706)	(3,465)	(20,715)
Investment properties	(608)	-	(1,551)	(2,159)
Inventories	6,814	649	266	7,729
Trade debtors	464	44	(399)	109
Creditors and accruals	3,217	307	(301)	3,223
Provisions	2,768	264	616	3,648
Tax losses carried-forward	778	58	9	845
	(2,111)	(384)	(4,825)	(7,320)

	Balance at 1 January 2011 $'000	Exchange adjustment $'000	Recognised in profit or loss $'000	Balance at 31 December 2011 $'000
Property, plant and equipment	(20,715)	171	(3,099)	(23,643)
Investment properties	(2,159)	-	497	(1,662)
Inventories	7,729	(85)	(328)	7,316
Trade debtors	109	(1)	561	669
Creditors and accruals	3,223	(36)	(2,804)	383
Provisions	3,648	(40)	(1,784)	1,824
Tax losses carried-forward	845	(9)	(794)	42
	(7,320)	-	(7,751)	(15,071)

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 $599,473,000 (2010: $639,265,000) and the number of ordinary shares outstanding during the year of 2,013,309,000 (2010: 2,013,309,000) shares.

Diluted earnings per share for the years ended 31 December 2011 and 2010 is the same as 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 2010	1,451,013	211,026	1,662,039
Exchange adjustments	156,728	3,144	159,872
Additions	138,521	-	138,521
Valuation adjustment	185,199	15,542	200,741
At 31 December 2010	1,931,461	229,712	2,161,173
At 1 January 2011	1,931,461	229,712	2,161,173
Exchange adjustments	(26,850)	(497)	(27,347)
Additions	21,131	-	21,131
Valuation adjustment	128,450	42,244	170,694
At 31 December 2011	2,054,192	271,459	2,325,651

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

	Freehold land and buildings		Leasehold land and buildings	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
In Hong Kong				
– Medium lease	-	-	220,388	180,585
Outside Hong Kong				
– Freehold	2,054,192	1,931,461	-	-
– Long lease	-	-	38,744	36,800
– Short term lease	-	-	12,327	12,327
	2,054,192	1,931,461	271,459	229,712

The investment properties of the Group were revalued at 31 December 2011 by a director of the Company, who is an Associate of The Royal Institution of Chartered Surveyors, on an open market value basis in their existing state and use by reference to comparable market transactions.

At 31 December 2011, an increase in fair value of $170,694,000 (2010: $200,741,000) was recognised in profit or loss for the year ended 31 December 2011.

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

13 Other 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 2011	505,557	1,009,029	307,833	155,440	276,531	37,507	2,291,897
Exchange adjustments	(12,318)	(20,962)	(4,257)	(555)	(1,983)	(3,657)	(43,732)
Additions	-	116,062	53,680	28,036	93,226	125,240	416,244
Disposals	-	(1,911)	(26,374)	(16,211)	(63,698)	-	(108,194)
At 31 December 2011	493,239	1,102,218	330,882	166,710	304,076	159,090	2,556,215
Representing:							
Cost	257,956	1,038,091	330,882	166,710	304,076	159,090	2,256,805
Valuation - 1984	235,283	64,127	-	-	-	-	299,410
	493,239	1,102,218	330,882	166,710	304,076	159,090	2,556,215
Accumulated depreciation:							
At 1 January 2011	-	252,054	145,935	113,614	91,228	-	602,831
Exchange adjustments	-	(4,921)	(3,641)	(1,402)	(1,165)	-	(11,129)
Charge for the year	-	34,758	44,477	21,861	38,510	-	139,606
Written back on disposal	-	(1,492)	(21,230)	(13,017)	(31,562)	-	(67,301)
At 31 December 2011	-	280,399	165,541	121,056	97,011	-	664,007
Net book value:							
At 31 December 2011	493,239	821,819	165,341	45,654	207,065	159,090	1,892,208

13 Other 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
Cost or valuation:							
At 1 January 2010	459,936	913,072	269,417	136,033	225,838	-	2,004,296
Exchange adjustments	45,621	85,016	23,284	11,509	21,628	619	187,677
Additions	-	10,941	46,519	12,845	78,331	36,888	185,524
Disposals	-	-	(31,387)	(4,947)	(49,266)	-	(85,600)
At 31 December 2010	505,557	1,009,029	307,833	155,440	276,531	37,507	2,291,897
Representing:							
Cost	267,643	944,184	307,833	155,440	276,531	37,507	1,989,138
Valuation - 1984	237,914	64,845	-	-	-	-	302,759
	505,557	1,009,029	307,833	155,440	276,531	37,507	2,291,897
Accumulated depreciation:							
At 1 January 2010	-	205,628	118,809	92,727	76,743	-	493,907
Exchange adjustments	-	16,561	12,610	8,003	6,651	-	43,825
Charge for the year	-	29,865	39,635	17,467	30,946	-	117,913
Written back on disposal	-	-	(25,119)	(4,583)	(23,112)	-	(52,814)
At 31 December 2010	-	252,054	145,935	113,614	91,228	-	602,831
Net book value:							
At 31 December 2010	505,557	756,975	161,898	41,826	185,303	37,507	1,689,066

13 Other property, plant and equipment (continued)

(a) The Group (continued)

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

	Land		Buildings	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
In Hong Kong				
– Medium term lease	-	-	175	-
Outside Hong Kong				
– Freehold	493,239	505,557	216,326	220,428
– Long lease	-	-	3,851	5,009
– Medium term lease	-	-	600,138	530,424
– Short term lease	-	-	1,329	1,114
	493,239	505,557	821,819	756,975

(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 totalling $299,410,000 (2010: $302,759,000) as their deemed cost, as the amount of the adjustments relating to prior periods could not be reasonably determined when IFRSs were first adopted for the purpose of preparing financial statements prior to the listing of the Company. 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 cost of motor vehicles, machinery and equipment of the Group held for rental amounted to a total of $393,308,000 (2010: $361,024,000) and the related accumulated depreciation charges amounted to a total of $131,897,000 (2010: $122,249,000).

13 Other property, plant and equipment (continued)

(b) The Company

	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Total $'000
Cost:				
At 1 January 2011	228	497	380	1,105
Additions	2	-	-	2
At 31 December 2011	230	497	380	1,107
Accumulated depreciation:				
At 1 January 2011	193	384	196	773
Charge for the year	7	40	76	123
At 31 December 2011	200	424	272	896
Net book value:				
At 31 December 2011	30	73	108	211
Cost:				
At 1 January 2010	222	484	380	1,086
Additions	6	13	-	19
At 31 December 2010	228	497	380	1,105
Accumulated depreciation:				
At 1 January 2010	186	347	120	653
Charge for the year	7	37	76	120
At 31 December 2010	193	384	196	773
Net book value:				
At 31 December 2010	35	113	184	332

14 Interest in leasehold land

	The Group	
	2011 $'000	2010 $'000
At 1 January	215,538	202,889
Exchange adjustments	(2,884)	20,038
Additions	44,397	-
Amortisation	(7,853)	(7,389)
At 31 December	249,198	215,538

All interest in leasehold land relates to owner-occupied properties. An analysis of interest in leasehold land is as follows:

	2011 $'000	2010 $'000
Outside Hong Kong		
– Long lease	159,028	161,571
– Medium term lease	90,170	53,967
	249,198	215,538

15 Interest in subsidiaries

	The Company	
	2011 $'000	2010 $'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 but the Company will not demand repayment within 12 months of the balance sheet date.

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

Loan to and amounts due from subsidiaries are neither past due nor impaired.

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Interest in subsidiaries (continued)

The following list contains particulars of the subsidiaries as at 31 December 2011 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")	Ordinary shares of SGD150,000,000 Redeemable preference shares of SGD50,000,000	100%	Treasury management
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	SGD4,000,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD50,000	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	Ordinary shares of SGD46,600,000 Redeemable preference shares of SGD12,500,000	100%	Hire purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	Ordinary shares of SGD57,900,000 Redeemable preference shares of SGD25,000,000	100%	Property holding and letting
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	$8,500,000	100%	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Interest in subsidiaries (continued)

The following list contains particulars of the subsidiaries as at 31 December 2011 which principally affected the results or assets of the Group: (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
Motor Image China Limited	Hong Kong	$10,000,000	100%	Distribution of motor vehicles
Motor Image (HK) Limited	Hong Kong	$8,000,000	100%	Distribution of motor vehicles
Nissan Diesel (Thailand) Company Limited	Thailand	Ordinary shares of Baht 1,646,456,000 Redeemable preference shares of 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 of $10,000,000	100%	Distribution of motor vehicles
Motor Image Pilipinas, Inc.	Republic of the Philippines	Peso137,625,000	100%	Distribution of motor vehicles
Taiwan Motor Image Co., Ltd.	Taiwan	NT5,000,000	100%	Distribution of motor vehicles
Fuso Truck (Thailand) Co., Ltd.	Thailand	Baht100,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services

16 Interest in associates

	The Group 2011 $'000	The Group 2010 $'000
Share of net assets	894,349	767,922
Associates listed outside Hong Kong	320,895	230,416
Unlisted associates	573,454	537,506
	894,349	767,922
Market value of listed associates	144,157	64,639

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
Ethoz Group Limited (formerly known as "Orix Car Rentals Pte Ltd")	Singapore	50%	Car rental
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres
Zero Co., Ltd	Japan	21%	Provision of logistic services
Eight Zero Limited	Hong Kong	49%	Investment holding
Tifa Finance Tbk PT	Indonesia	36%	Provision of leasing and financing services

Summary of financial information on associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000
2011					
100 per cent	7,260,279	4,694,382	2,565,897	6,154,755	243,750
Group's effective interest	2,607,828	1,713,479	894,349	1,527,593	93,403
2010					
100 per cent	6,139,209	3,953,032	2,186,177	5,576,410	163,684
Group's effective interest	2,190,404	1,422,482	767,922	1,395,272	73,606

17 Other financial assets

	The Group	
	2011 $'000	2010 $'000
Non-current		
Available-for-sale equity securities		
Listed outside Hong Kong, at market value	67,068	67,160
Unlisted equity securities, at cost	20,964	27,416
	88,032	94,576
Available-for-sale debt securities		
Listed outside Hong Kong, at market value	75,627	64,878
	163,659	159,454
Current		
Held-to-maturity debt securities		
Listed outside Hong Kong	-	34,966

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

	The Group	
	2011 $'000	2010 $'000
Market value of listed securities	142,695	167,004
Carrying value of individually impaired available-for-sale equity securities	-	708

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 2010, 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 operate which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in note 1(v)(i).

18 Investments designated as at fair value through profit or loss

	The Group	
	2011 $'000	2010 $'000
Equity securities		
Listed outside Hong Kong, designated as at fair value through profit or loss	565,535	713,645

19 Inventories

(a) *Inventories in the consolidated balance sheet comprise:*

	The Group	
	2011 $'000	2010 $'000
Raw materials	150,423	63,599
Work-in-progress	9,204	17,204
Spare parts and others	175,090	170,751
Finished goods	1,092,016	1,182,595
Goods in transit	113,023	29,920
	1,539,756	1,464,069

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

	The Group	
	2011 $'000	2010 $'000
Carrying amount of inventories sold	4,652,163	4,730,898
(Reversal of)/provision for write-down of inventories	(7,482)	1,164
	4,644,681	4,732,062

20 Properties held for sale

	The Group	
	2011 $'000	2010 $'000
Completed properties held for sale	150,915	248,977

The analysis of the amount of completed properties held for sale recognised as an expense is as follows:

	The Group	
	2011 $'000	2010 $'000
Carrying amount of completed properties sold	98,937	93,009

21 Trade debtors

	The Group 2011 $'000	The Group 2010 $'000
Trade debtors	428,213	423,401
Less: Allowance for doubtful debts (note 21(b))	(14,431)	(13,637)
	413,782	409,764

(a) Ageing analysis

Ageing of trade debtors (net of impairment losses) is analysed as follows:

	The Group 2011 $'000	The Group 2010 $'000
0 - 30 days	327,863	368,505
31 - 90 days	39,938	20,958
Over 90 days	45,981	20,301
	413,782	409,764

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(v)(i)).

As at 31 December 2011, allowance for doubtful debts has been made for trade debtors of $14,431,000 (2010: $13,637,000). The movement in the allowance for doubtful debts during the year is as follows:

	The Group 2011 $'000	The Group 2010 $'000
At 1 January	13,637	16,615
Exchange adjustment	110	1,447
Impairment loss/(reversal of impairment loss) recognised	901	(2,241)
Uncollectible amounts written off	(217)	(2,184)
At 31 December	14,431	13,637

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	
	2011 $'000	2010 $'000
Neither past due nor impaired	255,530	281,140
1 - 30 days past due	72,333	87,365
31 to 90 days past due	39,938	20,958
Over 90 days past due	45,981	20,301
	158,252	128,624
	413,782	409,764

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	
	2011 $'000	2010 $'000
Balance due		
– within one year	118,789	102,007
– between one and five years	229,128	161,577
– after more than five years	28,740	13,461
Hire purchase debtors and instalments receivable	376,657	277,045
Unearned interest charges	(47,566)	(37,597)
	329,091	239,448
Less: allowance for doubtful debts	(39,209)	(35,116)
	289,882	204,332
Balance due		
– within one year	86,501	73,998
– between one year and five years	177,558	118,374
– after more than five years	25,823	11,960
	203,381	130,334
	289,882	204,332

22 Hire purchase debtors and instalments receivable (continued)

Impairment of hire purchase debtors and instalments 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(v)(i)).

As at 31 December 2011, allowance for doubtful debts has been made for hire purchase debtors and instalments receivable of $39,209,000 (2010: $35,116,000). The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2011 $'000	2010 $'000
At 1 January	35,116	31,382
Exchange adjustment	(1,355)	3,320
Impairment loss recognised	5,448	414
At 31 December	39,209	35,116

23 Cash and cash equivalents

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Bank deposits	1,240,425	711,451	800	3,501
Cash at bank	369,623	1,214,514	5,047	4,587
Cash in hand	1,258	862	-	-
Cash and cash equivalents in the balance sheet	1,611,306	1,926,827	5,847	8,088
Bank overdrafts (unsecured) (note 24)	(8,574)	(12,052)	-	-
Less: pledged bank deposits	(360,743)	(600,696)	-	-
Cash and cash equivalents in the consolidated cash flow statement	1,241,989	1,314,079	5,847	8,088

The Group's effective interest rate for deposits ranged from 0.01% to 7.75% (2010: 0.01% to 2.38%) per annum.

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

Bank overdrafts bear interest at rates ranging from 5.00% to 9.00% (2010: 5.00% to 16.00%) per annum.

24 Bank loans and overdrafts

At 31 December 2011, the bank loans and overdrafts were payable as follows:

	The Group	
	2011 $'000	2010 $'000
Within one year		
– bank overdrafts (note 23)	8,574	12,052
– bank loans	1,439,569	1,616,696
	1,448,143	1,628,748
Bank loans:		
– After one year but within two years	12,322	12,938
– After two years but within five years	-	12,938
	12,322	25,876
	1,460,465	1,654,624

At 31 December 2011, the bank loans and overdrafts were secured as follows:

	The Group	
	2011 $'000	2010 $'000
Unsecured bank overdrafts	8,574	12,052
Bank loans		
– Secured	526,185	735,336
– Unsecured	925,706	907,236
	1,460,465	1,654,624

At 31 December 2011, certain freehold land and buildings, inventories and pledged bank deposits of the Group with net book values of $92,430,000 (2010: $82,381,000), $Nil (2010: $226,947,000) and $360,743,000 (2010: $600,696,000), respectively, have been pledged to banks to secure banking facilities totalling $810,951,000 (2010: $735,336,000) granted to the Group.

At 31 December 2011, the bank loans bore interest at floating rates which ranged from 0.78% to 7.11% (2010: 0.71% to 5.35%) per annum.

25 Trade creditors

Ageing analysis of trade creditors is as follows:

	The Group	
	2011 $'000	2010 $'000
0 - 30 days	258,354	315,098
31 - 90 days	85,648	76,450
91 - 180 days	12,998	2,404
Over 180 days	9,959	9,043
	366,959	402,995

26 Amounts due from/to related companies

The amounts due from/to related companies are unsecured, interest-free and recoverable/repayable on demand. Amounts due from related companies are neither past due nor impaired.

27 Provisions

	The Group	
	2011 $'000	2010 $'000
Provisions for warranties		
Balance at 1 January	30,983	28,292
Provisions made	2,475	11,241
Provisions utilised	(6,750)	(8,550)
Balance at 31 December	26,708	30,983
Current	16,973	18,287
Non-current	9,735	12,696
	26,708	30,983

Provisions for warranties relate mainly to motor vehicles sold and are calculated based on estimates made from historical warranty claim experience 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 subsidiaries and associates outside Hong Kong.

(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(j) and 1(v)(i).

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 2010	1,006,655	550,547	623,313	156,011	2,336,526
Changes in equity in 2010:					
Total comprehensive income for the year	-	-	-	104,801	104,801
Dividends to equity shareholders	-	-	-	(110,732)	(110,732)
Balance at 31 December 2010 and 1 January 2011	1,006,655	550,547	623,313	150,080	2,330,595
Changes in equity in 2011:					
Total comprehensive income for the year	-	-	-	135,422	135,422
Dividends to equity shareholders	-	-	-	(130,865)	(130,865)
Balance at 31 December 2011	1,006,655	550,547	623,313	154,637	2,335,152

(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.

The Company's reserves available for distribution to equity shareholders at 31 December 2011 are as follows:

	2011 $'000	2010 $'000
Contributed surplus	623,313	623,313
Retained profits	154,637	150,080
	777,950	773,393

28 Capital, reserves and dividends (continued)

(b) The Company (continued)

(iii) The consolidated profit attributable to equity shareholders of the Company includes the Company's profit of $111,255,000 (2010: $53,254,000) 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

	2011 $'000	2010 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	111,255	53,254
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	24,167	51,547
Company's profit for the year	135,422	104,801

(c) Dividends

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

	2011 $'000	2010 $'000
Interim dividend paid of 1.5 cents per ordinary share (2010: 1.5 cents per ordinary share)	30,200	30,200
Final dividend proposed after the balance sheet date of 5.5 cents per ordinary share (2010: 5.0 cents per ordinary share)	110,732	100,665
	140,932	130,865

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

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

	2011 $'000	2010 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents per ordinary share (2010: 4.0 cents per ordinary share)	100,665	80,532

28 Capital, reserves and dividends (continued)

(d) *Share capital*

	2011 $'000	2010 $'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, being consolidated total equity, 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 2011 and 2010, 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.

(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 2011 and 2010. 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.

29 Financial risk management and fair values (continued)

(a) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2011, 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 $11,169,000 (2010: $12,591,000) and decreased/increased the Group's fair value reserve by approximately $9,994,000/$12,772,000 (2010: $8,865,000/$11,411,000).

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 2010.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and listed debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within seven days to six months from the date of billing. The Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 7% (2010: 6%) of the total trade and other receivables was due from the Group's largest debtor.

The Group does not provide any other guarantees which would expose the Group or the company to credit risk.

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 investments, bank loans and other monetary assets and liabilites that are denominated in a currency other than the functional currency of the operations to which they relate, which is the Japanese Yen ("JPY"), United States Dollar ("USD") and Renminbi ("RMB").

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. For presentation purpose, the amounts of the exposure are shown in Hong Kong Dollars. Differences resulting from the translation of the financial statements of subsidiaries and associates outside Hong Kong into the Group's presentation currency are excluded.

29 Financial risk management and fair values (continued)

(c) Currency risk (continued)

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2011			2010		
	JPY $'000	USD $'000	RMB $'000	JPY $'000	USD $'000	RMB $'000
Investments designated as at fair value through profit or loss	532,764	-	-	687,574	-	-
Trade debtors	5,163	-	-	4,621	-	-
Cash and cash equivalents	32,075	83,372	238,013	265,913	80,879	-
Trade creditors	(3,754)	(60,249)	-	(216,702)	(467)	-
Bank loans	(283,128)	(315,462)	-	(715,077)	(110,501)	-
	283,120	(292,339)	238,013	26,329	(30,089)	-

The Group's operating subsidiaries regularly monitor their foreign exchange exposure and may hedge their position 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 2011 and 2010.

Sensitivity analysis

The following table indicates the instantaneous change on the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
JPY	10%	28,312	10%	2,633
	(10)%	(28,312)	(10)%	(2,633)
USD	10%	(29,234)	10%	(3,009)
	(10)%	29,234	(10)%	3,009
RMB	10%	23,801	10%	-
	(10)%	(23,801)	(10)%	(-)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of subsidiaries and associates outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2010.

29 Financial risk management and fair values (continued)

(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 of the Group's and the Company's financial liabilities at the balance sheet date, 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:

The Group

2011

	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	8,574	-	-	8,574	8,574
Bank loans	1,479,616	3,602	9,772	1,492,990	1,451,891
Trade creditors	366,959	-	-	366,959	366,959
Other creditors and accruals	400,041	-	-	400,041	400,041
Amounts due to related companies	4,539	-	-	4,539	4,539
	2,259,729	3,602	9,772	2,273,103	2,232,004

2010

	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	12,052	-	-	12,052	12,052
Bank loans	1,652,605	14,167	13,553	1,680,325	1,642,572
Trade creditors	402,995	-	-	402,995	402,995
Other creditors and accruals	350,607	-	-	350,607	350,607
Amounts due to related companies	3,494	-	-	3,494	3,494
	2,421,753	14,167	13,553	2,449,473	2,411,720

29 Financial risk management and fair values (continued)

(d) Liquidity management (continued)

The Company

2011

	Contractual undiscounted cash outflow	
	Within 1 year or on demand $'000	Balance sheet carrying amount $'000
Other creditors and accruals	7,704	7,704
Amounts due to subsidiaries	43,256	43,256
	50,960	50,960

2010

	Contractual undiscounted cash outflow	
	Within 1 year or on demand $'000	Balance sheet carrying amount $'000
Other creditors and accruals	7,181	7,181
Amounts due to subsidiaries	45,978	45,978
	53,159	53,159

29 Financial risk management and fair values (continued)

(e) Equity price risk

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

Listed investments held as financial assets designated as 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.

At 31 December 2011, it is estimated that an increase/(decrease) of 10% in the relevant stock price, 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

	2011			2010		
		Effect on profit after taxation and retained profits $'000	Effect on other components of equity $'000		Effect on profit after taxation and retained profits $'000	Effect on other components of equity $'000
Change in the relevant equity price risk variable:						
Increase	10%	56,554	6,707	10%	71,365	6,716
Decrease	(10)%	(56,554)	(6,707)	(10)%	(71,365)	(6,716)

The sensitivity analysis has been determined assuming that the changes in the stock prices 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 all other variables remain constant. The analysis has been performed on the same basis for 2010.

29 Financial risk management and fair values (continued)

(f) Fair value

(i) Financial instruments carried at fair value

IFRS 7, *Financial instruments: Disclosures*, requires 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 2011, the financial instruments of the Group carried at fair value were available-for-sale equity securities of $67,068,000 (2010: $67,160,000), available-for-sale debt securities of $75,627,000 (2010: $64,878,000) and equity securities designated as at fair value through profit or loss of $565,535,000 (2010: $713,645,000) 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.

(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 2011 and 2010.

(g) Estimation of fair value

Fair values of securities are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair values of interest-bearing loans and borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

30 Commitments

(a) Capital commitments

At 31 December 2011, outstanding capital commitments not provided for in the financial statements are as follows:

	The Group	
	2011 $'000	2010 $'000
Authorised and contracted for	38,147	156,307

30 Commitments (continued)

(b) Operating lease commitments

At 31 December 2011, non-cancellable operating lease rentals are payable as follows:

	The Group	
	2011 $'000	2010 $'000
Within one year	27,095	15,987
Between one and five years	58,280	43,005
More than five years	118,829	114,326
	204,204	173,318

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 except for one lease agreement with initial period of nineteen 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.

(b) Transactions with related companies

	2011 $'000	2010 $'000
Sales of goods and services to the TCMH Group (Note)	8,694	8,913
Purchase of inventories from the TCMH Group (Note)	12,778	176
Loan interest expense to the TCMH Group (Note)	792	608
Purchase of inventories from TCIM Sdn. Bhd. (Note)	23	-
Provision of IT services from NSP (Note)	1,024	-

Note: Tan Eng Soon is the managing director of Tan Chong Motor Holdings Berhad ("TCMH"). Tan Chong Consolidated Sdn. Bhd., a substantial shareholder of the Company, is a substantial shareholder of the TCMH Group and TCIM Sdn. Bhd.. Mr. Bryan Chow, the son-in-law of Tan Eng Soon and the brother-in-law of Glenn Tan Chun Hong, is a major shareholder of Netrunner Systems Private Limited ("NSP").

Amounts due from/to related parties are disclosed in the consolidated balance sheet and note 26.

(c) Transaction with an associate

Management service fees received from an associate of the Group amounted to $1,880,000 (2010: $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 geographical areas. 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 distributor for Nissan vehicles in Singapore and for Subaru vehicles in Singapore, Hong Kong, certain provinces of the PRC and some countries in the Association of Southeast Asia Nations ("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 forklift trucks in Singapore and Thailand and Mitsubishi Fuso trucks in Thailand. The Group markets and distributes a wide range of both 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 mainly 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.

(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 years ended 31 December 2011 and 2010 is set out below.

32 Segment reporting (continued)

(b) Segment results (continued)

	Motor vehicle distribution		Heavy commercial vehicle and industrial equipment distribution		Property rentals and development		Other operations		Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue from external customers:										
– Singapore	1,091,523	1,363,865	236,271	224,941	312,287	245,114	167,561	120,627	1,807,642	1,954,547
– Hong Kong	49,822	61,733	-	-	6,713	6,525	14,296	12,855	70,831	81,113
– PRC	2,873,876	2,566,532	8,730	7,986	-	-	296,344	297,714	3,178,950	2,872,232
– Others	846,239	719,190	443,032	566,489	-	-	8,238	5,123	1,297,509	1,290,802
	4,861,460	4,711,320	688,033	799,416	319,000	251,639	486,439	436,319	6,354,932	6,198,694
EBITDA:										
– Singapore	74,864	(11,791)	68,880	60,343	273,484	296,042	160,840	67,274	578,068	411,868
– Hong Kong	(1,271)	(25,122)	-	-	48,253	4,773	(144,861)	236,274	(97,879)	215,925
– PRC	121,114	(1,542)	4,422	3,774	-	-	21,917	21,270	147,453	23,502
– Others	(4,863)	66,572	27,152	51,926	-	-	117,224	(3,311)	139,513	115,187
	189,844	28,117	100,454	116,043	321,737	300,815	155,120	321,507	767,155	766,482
Share of profits less losses of associates:										
– Singapore	47,224	50,698	-	-	-	-	-	-	47,224	50,698
– Hong Kong	-	-	-	-	-	-	18,018	11,745	18,018	11,745
– Others	-	-	-	-	-	-	28,161	11,163	28,161	11,163
	47,224	50,698	-	-	-	-	46,179	22,908	93,403	73,606

32 Segment reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	2011 $'000	2010 $'000
Total segment EBITDA	767,155	766,482
Depreciation and amortisation	(147,459)	(125,302)
Interest income	41,771	28,280
Finance costs	(51,255)	(23,865)
Share of profits less losses of associates	93,403	73,606
Consolidated profit before taxation	703,615	719,201

(d) Geographic information

The following table sets out information about the geographical location of the Group's investment properties, other property, plant and equipment, interest in leasehold land and interest in associates ("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, other property, plant and equipment and interest in leasehold land and the location of operations, in the case of interests in associates.

	Singapore		Hong Kong		PRC		Others		Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Specified non-current assets	3,992,286	3,798,649	314,537	265,803	233,360	89,753	821,223	679,494	5,361,406	4,833,699

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures - Transfers of financial assets*	1 July 2011
Amendments to IAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRS 9, *Financial instruments*	1 January 2015

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)

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Results					
Turnover (Sale of goods, rendering of services, hire purchase financing income, gross rentals from investment properties and gross proceeds from properties sold)	5,531,241	5,253,390	4,865,594	6,158,875	6,323,728
Profit from operations	635,869	86,474	475,098	669,460	661,467
Financing costs	(9,606)	(11,960)	(18,967)	(23,865)	(51,255)
Share of profits less losses of associates	63,813	57,766	41,088	73,606	93,403
Profit before taxation	690,076	132,280	497,219	719,201	703,615
Income tax (expense)/credit	(150,657)	(82,253)	27,783	(72,394)	(97,638)
Profit for the year	539,419	50,027	525,002	646,807	605,977
Attributable to:					
Equity shareholders of the Company	532,948	49,326	523,488	639,265	599,473
Non-controlling interests	6,471	701	1,514	7,542	6,504
Profit for the year	539,419	50,027	525,002	646,807	605,977
Assets and liabilities					
Investment properties, property, plant and equipment and interest in leasehold land	2,923,669	3,004,498	3,375,317	4,065,777	4,467,057
Interest in associates	510,276	600,945	640,330	767,922	894,349
Other assets	135,034	285,031	302,211	339,735	391,880
Net current assets	2,536,039	2,537,878	2,736,890	2,593,003	2,371,203
Total assets less current liabilities	6,105,018	6,428,352	7,054,748	7,766,437	8,124,489
Non-current liabilities	(116,186)	(479,791)	(490,784)	(63,798)	(50,172)
Total equity	5,988,832	5,948,561	6,563,964	7,702,639	8,074,317
Earnings per share					
– basic (cents)	26.5	2.4	26.0	31.8	29.8
– diluted (cents)	26.5	2.4	26.0	31.8	29.8

Notes:

(1) Turnover of $6,323,728,000 (2010: $6,158,875,000) represents sale of goods, rendering of services, hire purchase financing income, gross rentals from investment properties and gross proceeds from properties sold.

(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.

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	39
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	26
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060	26
Jiangyin Building Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	14
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	29
14 Upper Aljunied Road Singapore 367843	Property held for sale	96,054	Freehold	-	N/A
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	26
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058	52
25 LengKee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	16
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	29
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	21

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	32
23 JalanBuroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	27
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-	14
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	28
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	16
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023	8
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030	9
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	223,908	Leasehold	15 April 2033	38
59 Moo 1, Rangsit-Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	24
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor DarulEhsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062	8
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	-	7

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	-	4
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	-	6
12/17 Moo 2, Seri Thai Road KhlongKum Sub-District BuengKum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	-	5
59/3 Moo 10, Nongkrod Muang District, NakhonSawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	-	19
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	-	5
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048	27
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Production plant (own use)	1,130,211	Freehold	-	8
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053	57
Jalan Iskandar Muda RT.0012 RW.02 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041	1
KomplekRukoMahkota Raya Blok D No. 9-13A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032	1

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
Jalan Raden Patah Komplek Sumber Jaya B9 – B10 Indonesia	Shophouse (own use)	1,550	Leasehold	21 November 2015	18
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062	1