TAN CHONG INTERNATIONAL LIMITED
陳唱國際有限公司

Annual Report **2013**

Stock Code: 693

A Continuum of Growth

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

THE GROUP UNIT SALES AND REVENUE REACHED AN ALL-TIME HIGH OF 24,729 AND HK$9.1 BILLION RESPECTIVELY, WITH PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR THE FINANCIAL YEAR REACHING HK$2.1 BILLION.

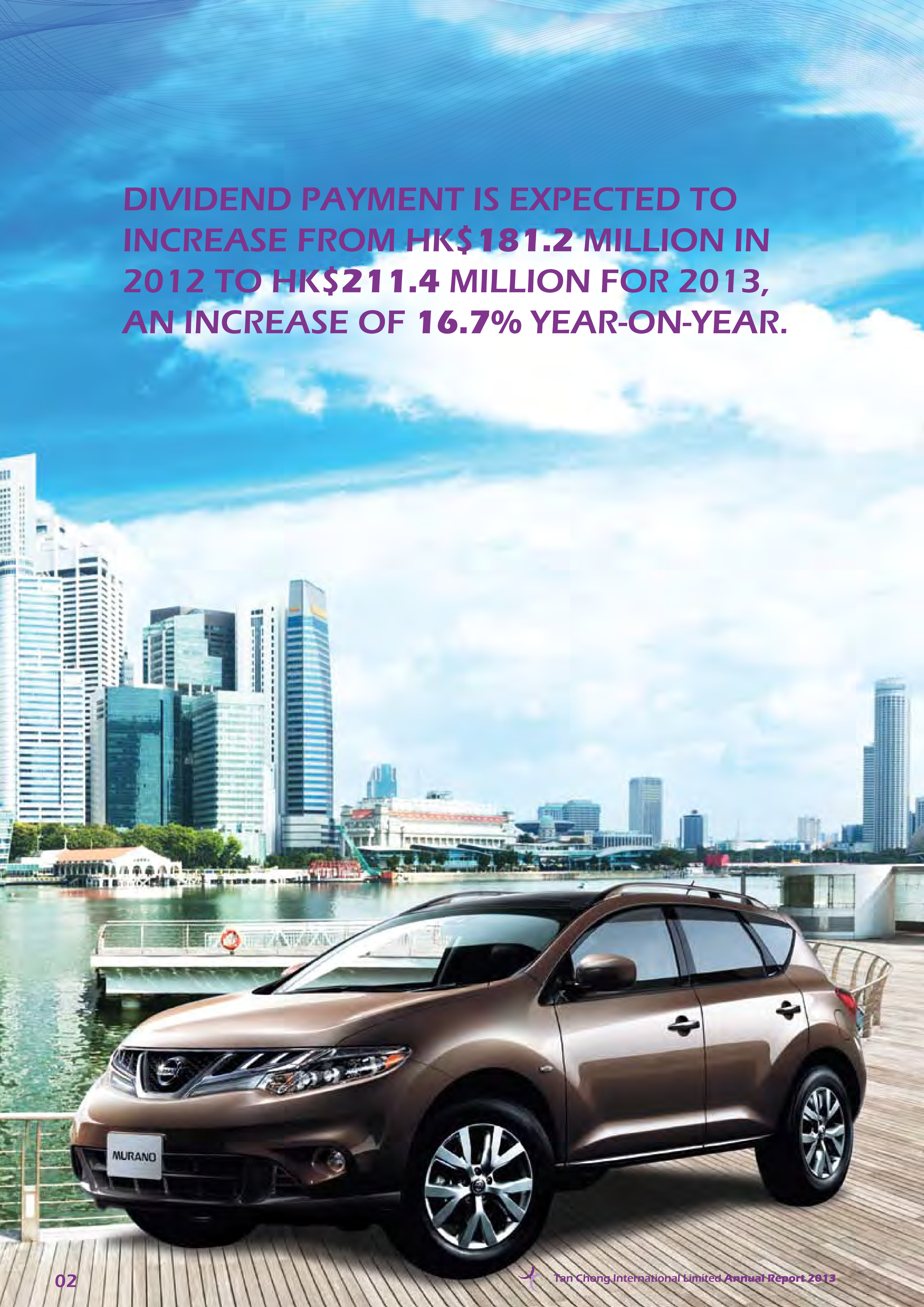
TABLE OF CONTENTS

03 Management Discussion and Analysis
04 Corporate Governance Report
09 Corporate Information
10 Directors and Senior Management Profile
14 Corporate Structure
16 Financial Highlights
17 Directors' Report
26 Independent Auditor's Report
27 Consolidated Income Statement
28 Consolidated Statement of Comprehensive Income
29 Consolidated Balance Sheet
31 Balance Sheet
32 Consolidated Statement of Changes in Equity
34 Consolidated Cash Flow Statement
36 Notes to the Financial Statements
88 Financial Summary
89 Group Properties

Enclosures

Proposed General Mandates to Issue Shares and Repurchase Shares and Re-election of Directors **1**
Notice of Annual General Meeting **10**
Form of Proxy

DIVIDEND PAYMENT IS EXPECTED TO INCREASE FROM HK$**181.2** MILLION IN 2012 TO HK$**211.4** MILLION FOR 2013, AN INCREASE OF **16.7%** YEAR-ON-YEAR.



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group unit sales and revenue reached an all-time high of 24,729 and HK$9.1 billion respectively, with profit attributable to shareholders for the financial year reaching HK$2.1 billion. Contribution to consolidated profit attributable to shareholders derived from an increase in fair values of listed securities amounted to HK$1.4 billion. Thus a significant portion of profit was obtained from investments.

Concurrently, distribution and administrative costs also increased substantially due mainly to rapid expansion of our regional marketing, distribution and service infrastructure development.

FINANCE

Dividend payment is expected to increase from HK$181.2 million in 2012 to HK$211.4 million for 2013, an increase of 16.7% year-on-year. Consolidated NTA (net tangible assets) year-on-year rose from HK$4.66 to HK$5.48 per share.

SINGAPORE

Despite an extremely challenging car market in 2013, Nissan managed to deliver better sales and market share compared to 2012, resulting in a 12% increase in sales units.

The property division did reasonably well in 2013 compared to 2012.

The industrial machinery division saw weaker performance when compared with 2012.

THAILAND – FUSO

Despite many challenges, trucks sales did reasonably well as a result of better sales and favourable exchange rates when compared to 2012.

MOTOR IMAGE GROUP

China

As a result of a change in business distribution model by the principal, from a wholesaler/retailer to direct retailer in September 2013, our sales in last quarter declined substantially and which is likely to continue into 2014.

Thailand/Malaysia/Indonesia

The CKD sales of Subaru in the 3 countries did reasonably well, but suffered from high start-up and distribution cost.

Taiwan/Philippines

These 2 countries continued to enjoy strong sales and high growth for 2013.

PROSPECTS

For 2014 we will face many economic and political challenges in our region and the slow tightening of monetary policy in the larger developed countries is likely to affect our region as well.

In Thailand the political climate continues to be very uncertain and thus will affect both the investment and consumer sentiments. This naturally is not good for trucks, industrial equipment and cars.

In China, we see a slowdown in the general business and consumer sentiments, thus our business is likely to be affected.

In Singapore we continue to enjoy strong sales of Nissan commercial vehicles and expect good sales performance for 2014.

In the CKD countries of Thailand, Malaysia and Indonesia a reasonable sales performance is expected.

In the CBU countries of Taiwan and Philippines we are likely to continue to enjoy strong sales.

Barring unforeseen circumstances, we expect to perform satisfactorily in 2014.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Tan Chong International Limited (the "Company") is committed to the observance of good corporate governance to protect the interests and rights of shareholders and the financial performance of the Company and its subsidiaries (collectively the "Group"). The Board has adopted the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that form part of the disclosure requirement under the Listing Rules. 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 2013. 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

During year 2013, the Board comprised nine directors, consisting of five executive directors, and four independent non-executive directors. Following the passing away of Mr. Masatoshi Matsuo, an independent non-executive director of the Company (the "late Mr. Matsuo") on 19 March 2014, the Board currently has three independent non-executive directors which still made up at least one-third of the Board. The current Board size is considered appropriate with regards 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 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.

Each member of the Board except for the late Mr. Matsuo participated in continuous professional development in the form of directors' training session which was arranged by the Company in May 2013 to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their record of training received during the year ended 2013 which includes directors' training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence except for Mr. Ng Kim Tuck ("Mr. Ng") who cannot satisfy Rule 3.13(7) of the Listing Rules. Although Mr. Ng has been a non-executive director of the Company from 1 June 2011 to 9 July 2012 prior to his re-designation as an independent non-executive director with effect from 10 July 2012, the Board is satisfied that Mr. Ng is independent from the Company for the following reasons:

(1) save as being a non-executive director of the Company, Mr. Ng:
   (a) does not hold any other position(s) within the Group;
   (b) is not a connected person (as defined under the Listing Rules) of the Company and is independent from its connected persons;
   (c) has confirmed his independence as regards each of the factors referred to in Rule 3.13(1) to (6) and (8) of the Listing Rules; and

(2) Mr. Ng does not have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)

The Board believes that Mr. Ng is able to exercise his professional judgment and draw upon his extensive knowledge in accounting, finance and corporate governance matters for the benefit of the Company and its shareholders as a whole, in particular, the independent shareholders.

In light of the above, notwithstanding Mr. Ng's relationship with the Company as a non-executive director prior to his re-designation as an independent non-executive director of the Company, the Board is in the opinion that Mr. Ng's current connection with the Company will not affect his independence as an independent non-executive director and he will be able to carry out his duties as an independent non-executive director impartially and independently.

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 Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Audit Committee Meeting		Non-Executive Directors Meeting		Annual General Meeting
	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	No. attended/ held
Executive Director											
Mr. Tan Eng Soon	C	4/4	-	-	-	-	-	-	C	1/1	1/1
Mr. Joseph Ong Yong Loke	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Tan Kheng Leong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mdm. Sng Chiew Huat	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Glenn Tan Chun Hong	M	4/4	-	-	-	-	-	-	-	-	1/1
Independent Non-executive Director											
Mr. Lee Han Yang	M	4/4	C	2/2	C	1/1	C	3/3	M	1/1	1/1
The late Mr. Masatoshi Matsuo*	M	3/4	-	-	M	1/1	M	2/3	M	1/1	0/1
Mr. Tan Ngiap Joo	M	4/4	M	2/2	-	-	M	3/3	M	1/1	1/1
Mr. Ng Kim Tuck	M	4/4	-	-	-	-	M	3/3	M	1/1	1/1

Denotes:
C-Chairman, M-Member
No.attended/held-Number of meetings attended/held during the financial year from 1 January 2013 to 31 December 2013
** The late Mr. Matsuo, the independent non-executive director of the Company, did not attend the general meeting of the Company due to illness. He passed away on 19 March 2014.*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Tan Eng Soon currently holds the offices of chairman of the Board ("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 (including independent non-executive 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. Details of members and their attendance records are provided in the above table.

The members of the RC with delegated responsibility from the Board, 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")

During 2013, the NC comprises two independent non-executive directors, namely, Mr. Lee Han Yang (chairman of the NC) and the late Mr. Matsuo. Following the passing away of the late Mr. Matsuo on 19 March 2014, the NC currently comprises one member only. The Board will consider the replacement to fill the vacancy of member of the NC held by the late Mr. Matsuo as soon as practicable. The NC, which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. Details of members and their attendance records during 2013 are provided in the above table.

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;
e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors; and
f. to review the Board Diversity Policy adopted by the Board on a regular basis, make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties under the following terms of reference:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
b. to review and monitor the training and continuous professional development of directors and senior management;
c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
d. to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
e. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE ("AC")

During 2013, the AC comprised four board members, namely Mr. Lee Han Yang, the late Mr. Matsuo, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck, all of whom are independent non-executive directors. After the late Mr. Matsuo had passed away on 19 March 2014, the AC currently comprises the remaining three board members.

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 three meetings during the year for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2012, (2) interim results and interim report for the six months ended 30 June 2013 and (3) external and internal auditors' plans. The AC met up with the internal and external auditors, without the presence of the Company's management, at least once and twice a year respectively. Details of members and their attendance records are provided in the above table.

The AC carried 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; and
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.

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 and tax services for year 2013 is HK$5,547,000 and HK$1,444,000 respectively.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive and/or inside information 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, NC 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.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send their enquiries or requests to the following:

Address: Unit 3001, 30/F Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong
(For the attention of the Company Secretary)
Fax: +852 27875099
Email: tcil_hk@tanchong.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at +852 28244473 for any assistance.

Note: The Company will not normally deal with verbal or anonymous enquiries.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Sections 79 and 80 of the Companies Act 1981 of Bermuda, the Company shall, on the requisition in writing of such number of shareholders as is hereinafter specified, at the expense of the requisitionists:

1. give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
2. circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of shareholders necessary for a requisition specified above shall be:

a. either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
b. not less than one hundred shareholders.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

CONVENING A SPECIAL GENERAL MEETING BY SHAREHOLDERS

The Board may whenever it thinks fit call special general meetings, and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.


Life Fitness

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Mr. Tan Eng Soon

Deputy Chairman and Managing Director
Mr. Joseph Ong Yong Loke

Executive Director
Mr. Tan Kheng Leong

Executive Director - Finance
Mdm. Sng Chiew Huat

Executive Director
Mr. Glenn Tan Chun Hong

Independent Non-Executive Directors
Mr. Lee Han Yang * + ◆
Mr. Tan Ngiap Joo * ◆
Mr. Ng Kim Tuck *

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

HONORARY LIFE COUNSELLOR

Tan Sri 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 REPRESENTATIVE

Codan Services Limited

PRINCIPAL BANKERS

Bank of America NA
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

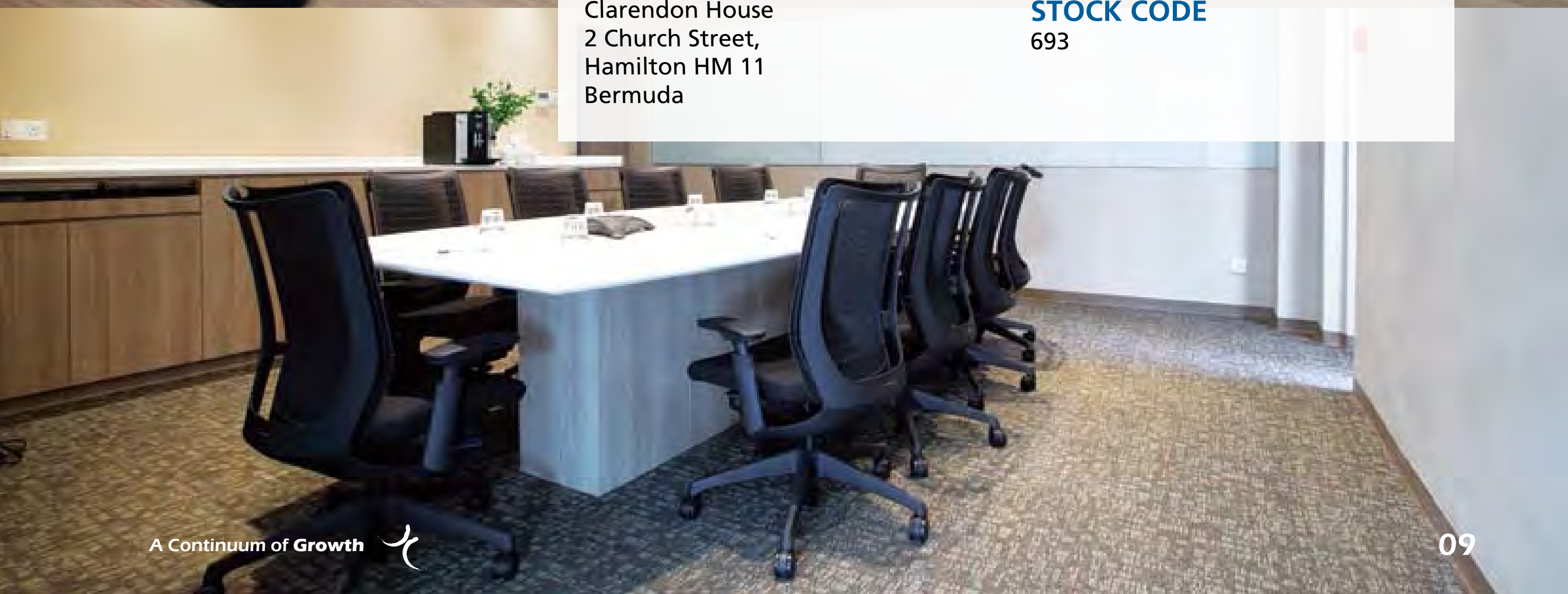
MUFG fund Services (Bermuda) Limited
26 Burnaby Street,
Hamilton HM 11, Bermuda

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

693



DIRECTORS AND SENIOR MANAGEMENT PROFILE

Chairman

Mr. Tan Eng Soon

Aged 65, is the Chairman of the Company and is a director of certain subsidiaries of the Group. He is also a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange. Mr. Tan was the director of Tan Chong Motor Holdings Berhad ("TCMH") and APM Automotive Holdings Berhad ("APM"), listed companies on Bursa Malaysia. He ceased to act as the director of TCMH and APM on 30 June 2012 and 22 May 2013 respectively. 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 65, 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 71, 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 50 years, Mr. Tan has worked in all areas of the Group's motor and industrial business.

Mdm. Sng Chiew Huat

Aged 66, 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 Singapore Chartered Accountants as well as CPA Australia, and a member of the Association of Chartered Certified Accountants (ACCA).

Mr. Glenn Tan Chun Hong

Aged 36, is the Executive Director of the Company, and is currently in charge of the Group vehicle distribution business in the region and is a director of certain subsidiaries of the Group. He joined the Group in September 2001. 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 82, 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 a public company in Singapore, Low Keng Huat Holdings Ltd. He was a director of Wing Tai Holdings Limited, a public company in Singapore until 25 October 2013 and has been appointed Senior Advisor of the company. Mr. Lee was until recently a member of the Board of National Council of Social Service. He is on the Board of the Society for the Physically Disabled. 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.

Mr. Masatoshi Matsuo

Aged 70, 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. He passed away on 19 March 2014.

Mr. Tan Ngiap Joo

Aged 68, 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 Overseas-Chinese Banking Corporation Limited ("OCBC"). He was a director of Kian Ann Engineering Ltd, a listed company in Singapore which was privatized on 14 February 2013. He was previously the Deputy President of OCBC 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.

Mr. Ng Kim Tuck

Aged 59, was appointed as a Non-executive Director of the Company in June 2011 and re-designated as an Independent Non-executive Director of the Company in July 2012. Mr. Ng is currently the Senior Audit Advisor to BDO Malaysia. He is a Council Member of the Malaysian Institute of Certified Public Accountants ("MICPA") and was previously a Council Member of the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Taxation. Mr. Ng also serves on various committees and working groups of the 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.

4S Centre at Petaling Jaya, Malaysia


SUBARU XV

Senior Management

Mr. Yeong Yue Sun

Aged 60, is the President of Fuso Truck (Thailand) Co., Ltd, a subsidiary of the Company. 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 61, 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 the Institute of Singapore Chartered Accountants.

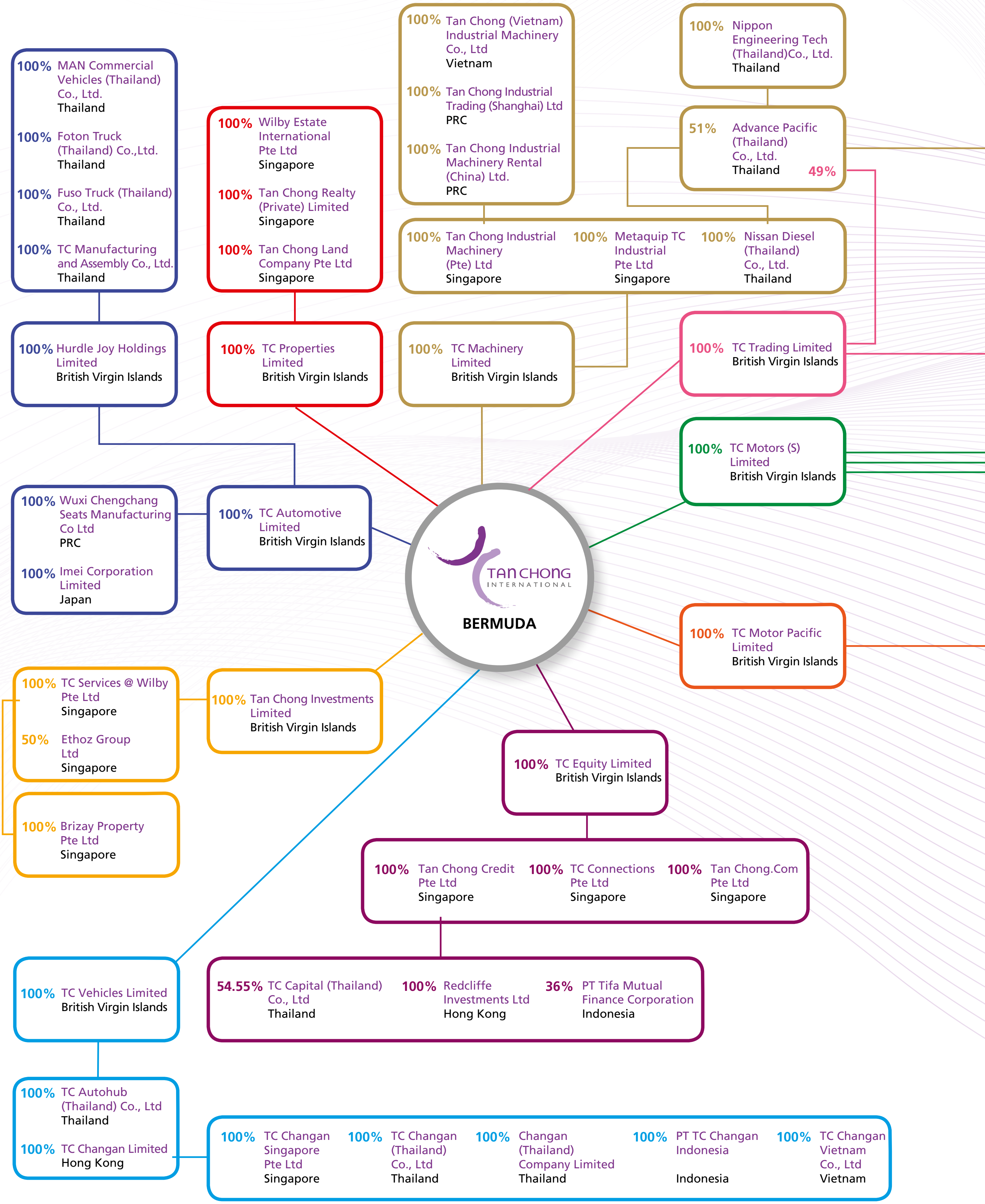
Mr. Goh Leng Kwang

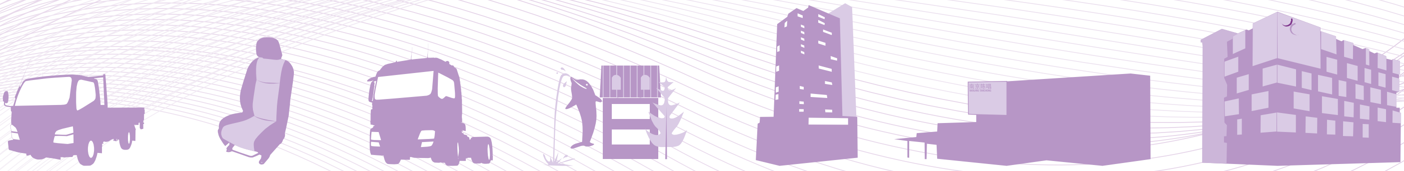
Aged 63, is the General Manager, Human Resource and Corporate Affairs of the Group operations in Singapore. He joined the Group in 1982 and is a director of several subsidiary companies within the Group. He graduated in 1976 from Singapore University with a degree in Bachelor of Accountancy.

Mr. Lee Chow Yoke Samuel

Aged 48, 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





51% Motor Image Subaru (Thailand) Co., Ltd.
Thailand
49%

51% Tan Chong Industrial Service (Thailand) Co., Ltd.
Thailand
49%

100% Auto Business Pte Ltd
Singapore

100% Singapore Automotive Industries Pte Ltd
Singapore

100% TC Autoworld Sdn Bhd
Malaysia

100% PT TC Autoworld
Indonesia

100% Motor Infiniti Enterprises Pte Ltd
Singapore

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

100% PT T Eight Gallery
Indonesia

22% Zero Co., Ltd
Japan

100% WRX Pte Ltd
Singapore

100% Motor Image International Pte Ltd
British Virgin Islands

100% Motor Image (HK) Ltd
Hong Kong

100% Motor Image Manila Inc.
Philippines

100% TC Subaru Sdn Bhd
Malaysia

65% Subaru of Taiwan Co., Ltd
Taiwan

100% Taiwan Motor Image Co., Ltd
Taiwan

100% Motor Image Vietnam Co., Ltd
Vietnam

100% Motor Image Malaysia Sdn Bhd
Malaysia

100% TC Subaru (Thailand) Co., Ltd
Thailand

100% Motor Image (Thailand) Co., Ltd
Thailand

100% Motor Image Enterprises Pte Ltd
Singapore

100% Motor Image Pilipinas, Inc.
Philippines

100% PT TC Subaru
Indonesia

50% Eight Zero Limited 50%
Hong Kong

100% Guangzhou Eight Zero Auto Services Co., Ltd
PRC

100% Motor Image (Guangzhou) Co. Ltd
PRC

100% Motor Image (Panyu) Company Ltd
PRC

51% Changsha Mei Hua Subaru Sales & Service Co., Ltd
PRC

51% Hengyang Mei Hua Subaru Sales & Service Co., Ltd
PRC

100% Motor Image Kowloon Limited
Hong Kong

100% Advance Pacific Holdings Limited
Hong Kong

100% TC Autoclinic Pte Ltd
Singapore

50% Motor Image (Cambodia) Ltd 50%
Cambodia

100% TC International Limited
Bermuda

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% Autolution Industrial Sdn Bhd
Malaysia

50% 50% Everwide Corporation Limited
Hong Kong

100% Motor Image Dongguan Limited
PRC

60% Global Link Limited
Hong Kong

100% Dongguan Mei Xing Motor Co., Ltd
PRC

100% Downtown Travel Services Pte Ltd
Singapore

100% Real Courage Limited
Hong Kong

100% Orizz (Shanghai) Ltd
PRC

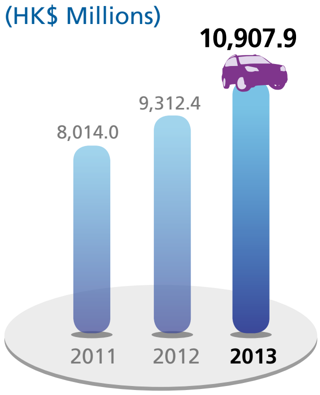
100% Nanjing Tan Chong International Trading Co., Ltd
PRC

100% Nanjing Tan Chong Automotive Co., Ltd.
PRC

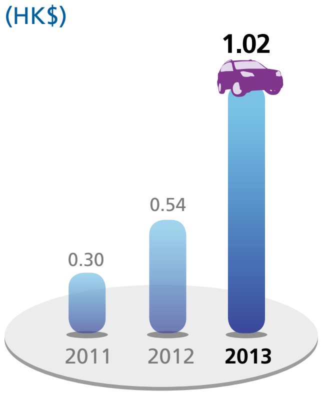
60% Y & L (HK) International Limited
Hong Kong

FINANCIAL HIGHLIGHTS

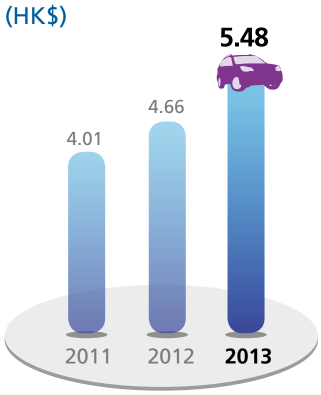
SHAREHOLDERS' FUND
(HK$ Millions)



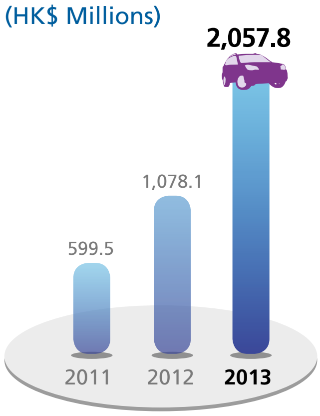
EARNINGS PER SHARE
(HK$)



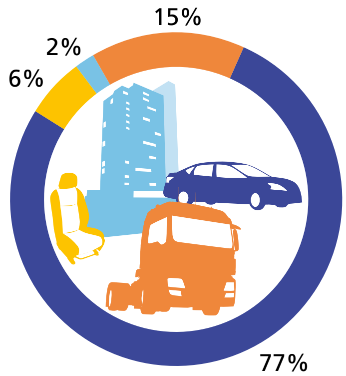
NET ASSET VALUE PER SHARE
(HK$)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Millions)

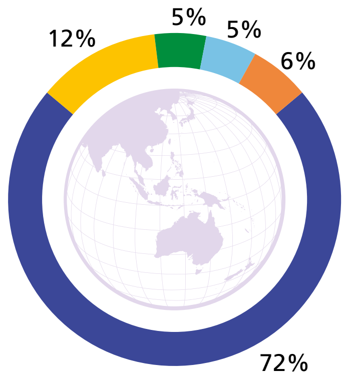


REVENUE BY BUSINESS TYPE



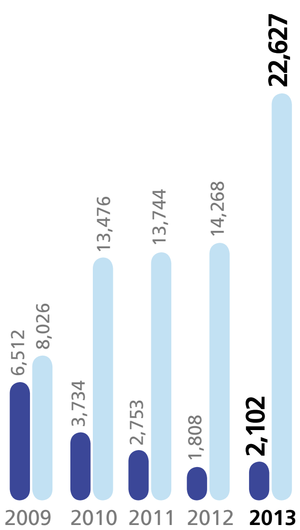
Motor Vehicle Distribution Heavy Coml. Vehicle & Indl. Equipt. Distrib. Property Rentals Others

SPECIFIED NON-CURRENT ASSETS BY LOCATION



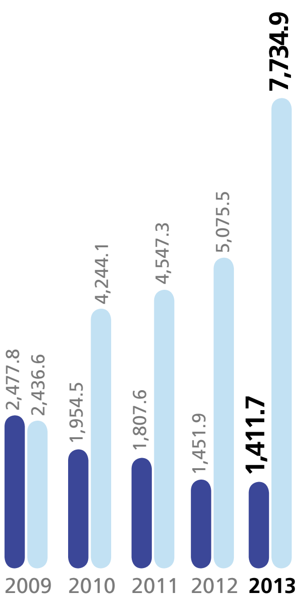
Singapore Hong Kong PRC Thailand Others

UNITS SOLD



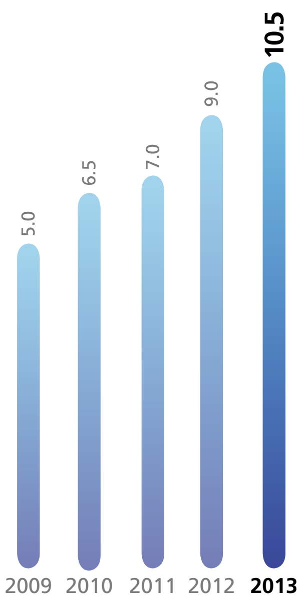
Singapore Other Countries

REVENUE (HK$ Millions)



Singapore Other Countries

DIVIDENDS (HK Cents)



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 2013.

Principal activities

The principal activity of Tan Chong International Limited (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 2013 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 27 to 87.

Transfer to reserves

Profits attributable to shareholders, before dividends, of HK$2,057,786,000 (2012: HK$1,078,101,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity and in note 28 to the financial statements.

An interim dividend of HK2.5 cents (2012: HK2.0 cents) per share was paid on 12 September 2013. The directors now recommend the payment of a final dividend of HK8.0 cents (2012: HK7.0 cents) per share in respect of the year ended 31 December 2013.

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	5%	
Five largest customers in aggregate	14%	
The largest supplier		40%
Five largest suppliers in aggregate		57%

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 notes 12 and 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 and up to date of approval of the financial statements 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	
Tan Ngiap Joo	
Ng Kim Tuck	(Re-designated from Non-executive Director to Independent Non-executive Director on 10 July 2012)
Masatoshi Matsuo	(Deceased on 19 March 2014)

In accordance with Bye-law 87(1), Mr. Tan Eng Soon, Madam Sng Chiew Huat 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.

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 the following 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").

(i) Sale and purchase of motor parts and accessories, provision of vehicle related services and IT services with TCMH Group, TCIM, FAP and NSP (as defined below)

On 22 December 2010, the Group entered into the following agreements for various transactions (the "Existing Transactions") with the relevant counterparties for a term of three years from 1 January 2011 to 31 December 2013:

(a) 13 agreements with Tan Chong Motor Holdings Berhad ("TCMH") and its subsidiaries (collectively, the "TCMH Group") in relation to the sale and purchase of motor parts and accessories and the provision of vehicle related services between the Group and the TCMH Group;

(b) an agreement with TCIM Sdn Bhd ("TCIM") in relation to the sale and purchase of motor parts and accessories and the provision of vehicle related services between the Group and TCIM;

(c) an agreement with Focusone Asia Pacific Pte Ltd ("FAP") in relation to the sale and purchase of motor parts and accessories between the Group and FAP; and

(d) an agreement with Netrunner Systems Private Limited ("NSP") in relation to the provision of application software repair and maintenance services by NSP to the Group.

Tan Chong Consolidated Sdn Bhd ("TCC") is interested in more than 30% of the equity interests of each of TCMH and TCIM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each of TCMH (and other members of the TCMH Group) and TCIM is a connected person of the Company.

Connected transactions (continued)

In addition, Mr. Bryan Chow, being the son-in-law of Mr. Tan Eng Soon (an executive director of the Company and the chairman of the Board) and the brother-in-law of Mr. Glenn Tan Chun Hong (an executive director of the Company) owns more than 50% of each of FAP and NSP, respectively. Therefore, each of FAP and NSP is a connected person of the Company.

Based on the above, the Existing Transactions constituted continuing connected transactions of the Company. As the Existing Transactions were entered into by the Group with parties connected or otherwise associated with one another, the Existing Transactions were aggregated pursuant to Rule 14A.25 of the Listing Rules.

The annual cap for the Existing Transactions for the years ended 31 December 2011, 2012 and 2013 was set at HK$24,000,000, HK$25,000,000 and HK$26,000,000, respectively.

On 30 May 2012, taking into account the estimated increase in the transaction amount for the sale and purchase of parts and accessories for motor vehicles between the Group and TCMH Group, the annual cap for the Existing Transactions for each of the two years ended 31 December 2012 and 2013 was revised to HK$33,200,000 and HK$33,700,000, respectively.

For the year ended 31 December 2013, the aggregate annual transaction amount under the Existing Transactions amounted to HK$28,722,000 which was within the applicable annual cap of HK$33,700,000.

(ii) Provision of technical consultancy service to the Group

On 24 February 2012, Nanjing Tan Chong Automotive Co., Ltd. (南京陳唱交通器材有限公司) ("NJTC"), a wholly-owned subsidiary of the Company, entered into a technical service agreement with APM Engineering & Research Sdn Bhd ("APMER"), pursuant to which APMER would provide technical consultancy service to NJTC for setting up plant's facilities and product development for the manufacture of automotive seating systems (the "APM Technical Transactions") for a term from 1 July 2011 to 31 December 2013.

TCC is interested in more than 30% of the equity interests of APM Automotive Holdings Berhad ("APM") and APMER is a subsidiary of APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, APMER is a connected person of the Company. Accordingly, the APM Technical Transactions constituted continuing connected transactions of the Company.

The annual cap for the APM Technical Transactions for each of the two years ended 31 December 2012 and 2013 was set at HK$17,200,000 and HK$3,100,000, respectively. On 4 October 2013, in consideration of the required additional technical consultancy services from APMER by the Group, the annual cap for the APM Technical Transactions for the year ended 31 December 2013 was revised to HK$4,000,000.

For the year ended 31 December 2013, the aggregate annual transaction amount under the APM Technical Transactions amounted to HK$3,977,000 which was within the applicable annual cap of HK$4,000,000.

(iii) Vehicle assembly

On 6 March 2012, a wholly-owned subsidiary of the Company, TC Subaru Sdn Bhd ("TC Subaru"), entered into an assembly agreement (the "Assembly Agreement") with Tan Chong Motor Assemblies Sdn Bhd ("TCMA"), pursuant to which TC Subaru has appointed TCMA as its assembler to assemble Subaru Compact SUV for a term from 6 March 2012 to 31 December 2013. On the same day, in view of the appointment of TCMA by TC Subaru as its assembler, TC Subaru, TCMA and Fuji Heavy Industries Limited ("Fuji") entered into two memoranda, pursuant to which Fuji has agreed to provide TCMA with Fuji's information and intellectual property, quality standards and quality management services which are required for the assembly of Subaru Compact SUV (together with the transactions contemplated under the Assembly Agreement, the "Assembly Transactions").

TCC is interested in more than 30% of the equity interests of TCMH, and TCMA is a subsidiary of TCMH. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, TCMA is a connected person of the Company. Accordingly, the Assembly Transactions constituted continuing connected transactions of the Company.

Connected transactions (continued)

(iii) Vehicle assembly (continued)

The annual cap for the Assembly Transactions for each of the two years ended 31 December 2012 and 2013 was set at HK$300,000 and HK$75,300,000, respectively. Such annual caps were determined based on the original plan that TCMA would start the assembly operation under the Assembly Transactions in 2013. As the Group and TCMA later decided to start the assembly operation in 2012, the annual cap for the Assembly Transactions for the year ended 31 December 2012 was revised to HK$2,292,000 on 26 November 2012.

On 4 October 2013, due to a reduction in the price of the assembly services provided by TCMA to TC Subaru pursuant to the Assembly Agreement, the annual cap for the Assembly Transactions for the year ended 31 December 2013 was revised downwards to HK$71,000,000.

For the year ended 31 December 2013, the aggregate annual transaction amount under the Assembly Transactions amounted to HK$64,564,000 which was within the applicable annual cap of HK$71,000,000.

(iv) Purchase of parts by the Group

To provide necessary raw materials to TCMA for the assembly of vehicles under the Assembly Transactions, on 30 May 2012, TC Subaru entered into a separate parts purchase agreement (the “Parts Purchase Agreements”) with each of Auto Parts Manufacturers Co. Sdn Bhd, APM Climate Control Sdn Bhd, APM Auto Electrics Sdn Bhd and APM Coil Springs Sdn Bhd (collectively, the “Suppliers”), pursuant to which the Suppliers have agreed to sell certain parts including components and various kinds of materials for Subaru motor vehicles (the “Parts Purchases”). The Parts Purchase Agreements are for a term from 30 May 2012 to 31 December 2013.

Each of the Suppliers is a subsidiary of APM, and TCC is interested in more than 30% of the equity interests of APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each of the Suppliers is a connected person of the Company. Accordingly, the Parts Purchases constituted continuing connected transactions of the Company.

The annual cap for the Parts Purchases for each of the two years ended 31 December 2012 and 2013 was set at HK$5,220,000 and HK$72,500,000 respectively. On 4 October 2013, due to a reduction in the price of parts purchased by TC Subaru from the Suppliers pursuant to the Parts Purchase Agreements, the annual cap for the Parts Purchases for the year ended 31 December 2013 was revised downwards to HK$64,000,000.

For the year ended 31 December 2013, the aggregate annual transaction amount under the Parts Purchases amounted to HK$59,533,000, which was within the applicable annual cap of HK$64,000,000.

(v) New parts purchase agreements

On 26 November 2012, TC Subaru entered into a new parts purchase agreement (the “New Parts Purchase Agreement”) with APM Automotive Modules Sdn. Bhd. (“APM Modules”), pursuant to which APM Modules has agreed to sell to TC Subaru certain parts including components and various kinds of materials for Subaru motor vehicles (the “Parts”) for a term from 26 November 2012 to 25 May 2013 (the “APMMD Purchases”). TC Subaru and APM Modules have on 15 May 2013 entered into an agreement supplemental to the New Parts Purchase Agreement pursuant to the extension of the expiration date of the term of the New Parts Purchase Agreement from 25 May 2013 to 31 December 2013.

APM Modules is a subsidiary of APM, and TCC is interested in more than 30% of the equity interests of APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, APM Modules is a connected person of the Company. Accordingly, the APMMD Purchases constituted continuing connected transactions of the Company.

The annual cap for the APMMD Purchases for each of the two years ended 31 December 2012 and 2013 was set at HK$8,538,000 and HK$23,715,000, respectively.

Connected transactions (continued)

(v) New parts purchase agreements (continued)

As the customers' response for the vehicles assembled under the Assembly Transactions is better than the originally anticipated, the Group would have to purchase more Parts to satisfy the extra demand for vehicles assembled under the Assembly Transactions. Accordingly, the annual cap for the APMMD Purchases for the year ended 31 December 2013 was revised to HK$57,106,000, HK$97,800,000 and HK$119,000,000 on 15 January 2013, 4 October 2013 and 4 December 2013 respectively.

For the year ended 31 December 2013, the aggregate annual transaction amount under the APMMD Purchases amounted to HK$109,073,000 which was within the applicable annual cap of HK$119,000,000.

(vi) Purchase of seat parts by the Group

On 4 October 2013, NJTC entered into a purchase agreement (the "APMS Purchase Agreement") with APM Seatings Sdn. Bhd. ("APMS"), pursuant to which APMS has agreed to sell to NJTC the seat parts necessary for the manufacture of automotive seats by NJTC (the "Seat Parts Purchases") for a term from 4 October 2013 to 31 December 2013.

APMS is a subsidiary of APM, and TCC is interested in more than 30% of the equity interests of APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, APMS is a connected person of the Company. Accordingly, the Seat Parts Purchases constituted continuing connected transactions of the Company.

The annual cap for the Seat Parts Purchases for the year ended 31 December 2013 was set at HK$9,500,000.

For the year ended 31 December 2013, the aggregate annual transaction amount under the Seat Parts Purchases amounted to HK$9,298,000 which was within the applicable annual cap of HK$9,500,000.

Listing Rules Implications

Since the Seat Parts Purchases, the APMMD Purchases, the Parts Purchases, the Assembly Transactions, the APM Technical Transactions and the Existing Transactions (collectively the "Transactions") were all entered into by the Group with parties connected or otherwise associated with one another, the Transactions were aggregated pursuant to Rule 14A.25 of the Listing Rules.

The aggregated annual cap for the Transactions for each of the three years ended 31 December 2011, 2012 and 2013 was set at HK$24,000,000, HK$66,450,000 and HK$301,200,000 respectively.

As each of the relevant percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions, is more than 0.1% but less than 5%, the Transactions constituted continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2013, the aggregate annual transaction amount under the Transactions amounted to HK$275,167,000 which was within the applicable annual cap of HK$301,200,000.

The Company has complied with the disclosure requirements, where applicable, in accordance with 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)

Listing Rules Implications (continued)

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Listing Rules.

Save as disclosed above, there was no connected transaction or contract of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2013 or at any time during the year ended 31 December 2013.

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.

Directors' interests and short positions in shares

The directors who held office at 31 December 2013 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 number of shares held	Percentage of total issued shares
Executive Directors:						
Tan Eng Soon	111,999,972	-	430,779,000	1,027,584,147	1,570,363,119	78.00%
Joseph Ong Yong Loke	684,000	795,000	940,536	-	2,419,536	0.12%
Tan Kheng Leong	2,205,000	210,000	-	1,567,948,119	1,570,363,119	78.00%
Sng Chiew Huat	900,000	-	-	-	900,000	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 interested in these shares.

(2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively. Subsequent to 31 December 2013, the corporate interests of Tan Eng Soon has increased to 431,376,000 shares, making his total of interests in respect of 1,570,960,119 shares as at the date of this annual report.

(3) In addition to Tan Eng Soon's personal interest and corporate interests of 111,999,972 shares and 430,779,000 shares respectively, he is deemed interested in 1,027,584,147 shares pursuant to sections 317 and 318 of the SFO, making a total interests of 1,570,363,119 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 interested in 1,567,948,119 shares pursuant to sections 317 and 318 of the SFO, making a total interests of 1,570,363,119 shares. Subsequent to 31 December 2013, the deemed interests of Tan Kheng Leong increased to 1,568,545,119 shares making his total of interests in respect of 1,570,960,119 shares as at the date of this annual report.

Directors' interests and short positions in shares (continued)

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non-beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 31 December 2013, 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 2013 amounting to 5% (2012: 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)	1,570,363,119	78.00%
Dato' Tan Heng Chew	Long	(2)	1,568,986,119	77.93%
Promenade Group Limited	Long	(3)	302,067,000	15.00%

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 1,570,363,119 shares referred to above include 705,819,720 shares beneficially held by Tan Chong Consolidated Sdn. Bhd. and 864,543,399 shares in which Tan Chong Consolidated Sdn. Bhd. is interested pursuant to sections 317 and 318 of the SFO. Subsequent to 31 December 2013, the interests of Tan Chong Consolidated Sdn. Bhd. pursuant to sections 317 and 318 of the SFO increased to 865,140,399 shares, making its total of interests in respect of 1,570,960,119 shares as at the date of this annual report.

(2) Based on the disclosure of interests filed, Dato' Tan Heng Chew has personal, family and corporate interests of 28,990,986 shares, 328,170 shares and 37,848,000 shares respectively. He is also deemed interested in 1,501,818,963 shares pursuant to sections 317 and 318 of the SFO, making a total interests of 1,568,986,119 shares.

(3) Tan Eng Soon is the controlling shareholder of Promenade Group 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.

Emolument policy (continued)

Details of remuneration paid to members of senior management fell within the following bands:

	Number of individuals
HK$1,500,001 – HK$2,000,000	1
HK$2,000,001 – HK$2,500,000	1
HK$2,500,001 – HK$3,000,000	1
HK$3,000,001 – HK$3,500,000	1

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 maintained the prescribed public float of at least 25% of the total issued share capital of the Company as required by the Listing Rules.

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 2013 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 88 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 89 to 92 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 except for Mr. Ng Kim Tuck who cannot satisfy rule 3.13(7) of the Listing Rules. The Board considers all the independent non-executive directors to be independent and provides reasons for Mr. Ng Kim Tuck's non-compliance with rule 3.13(7) of the Listing Rules in the Corporate Governance Report.

For and on behalf of the Board

Tan Eng Soon
Chairman
Hong Kong,
31 March 2014

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 27 to 87, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 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 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 2013 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

31 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Revenue	3	9,146,542	6,527,365
Cost of sales		(7,389,526)	(5,435,637)
Gross profit		1,757,016	1,091,728
Other net operating income	4	1,783,222	964,682
Distribution costs		(644,789)	(424,093)
Administrative expenses		(672,927)	(551,387)
Other operating expenses	5	(24,205)	(41,793)
Profit from operations		2,198,317	1,039,137
Financing costs	6	(31,640)	(35,573)
Share of profits less losses of associates		82,416	167,712
Profit before taxation	7	2,249,093	1,171,276
Income tax expense	10(a)	(166,212)	(86,850)
Profit for the year		2,082,881	1,084,426
Attributable to:			
Equity shareholders of the Company		2,057,786	1,078,101
Non-controlling interests		25,095	6,325
Profit for the year		2,082,881	1,084,426
Earnings per share	11		
Basic and diluted		$1.02	$0.54

The notes on pages 36 to 87 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 2013
(Expressed in Hong Kong dollars)

	2013 $'000	2012 $'000
Profit for the year	2,082,881	1,084,426
Other comprehensive income for the year that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(196,052)	382,420
– associates outside Hong Kong	(74,611)	(8,027)
	(270,663)	374,393
Available-for-sale securities:		
– Changes in fair value recognised during the year	(4,936)	(1,480)
Other comprehensive income for the year	(275,599)	372,913
Total comprehensive income for the year	1,807,282	1,457,339
Attributable to:		
Equity shareholders of the Company	1,786,751	1,449,414
Non-controlling interests	20,531	7,925
Total comprehensive income for the year	1,807,282	1,457,339

The notes on pages 36 to 87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Investment properties	12	2,654,853	2,736,092
Other property, plant and equipment	13(a)	2,451,794	2,155,422
Interest in leasehold land	14	261,897	254,997
Interest in associates	16	914,435	924,694
Other financial assets	17	97,114	172,163
Hire purchase debtors and instalments receivable	22	198,528	200,055
Non-current prepayments		23,053	13,651
Deferred tax assets	10(c)	37,431	26,342
		6,639,105	6,483,416
Current assets			
Investments designated as at fair value through profit or loss	18	2,576,625	1,150,456
Inventories	19	1,959,204	2,150,811
Properties held for sale	20	61,256	80,299
Trade debtors	21	905,522	712,395
Hire purchase debtors and instalments receivable	22	91,795	94,679
Other debtors, deposits and prepayments		337,594	387,062
Amounts due from related companies	26	3,641	912
Cash and cash equivalents	23	2,228,857	1,357,680
		8,164,494	5,934,294

The notes on pages 36 to 87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Current liabilities			
Unsecured bank overdrafts	24	370	7,737
Bank loans	24	2,098,553	1,272,961
Trade creditors	25	767,551	651,538
Other creditors and accruals		581,916	481,475
Amounts due to related companies	26	14,046	7,074
Current taxation		114,778	80,681
Provisions	27	28,271	25,203
		3,605,485	2,526,669
Net current assets		4,559,009	3,407,625
Total assets less current liabilities		11,198,114	9,891,041
Non-current liabilities			
Bank loans	24	103,947	456,563
Deferred tax liabilities	10(c)	23,966	28,491
Provisions	27	46,796	22,472
		174,709	507,526
NET ASSETS		11,023,405	9,383,515
Capital and reserves			
Share capital	28(d)	1,006,655	1,006,655
Reserves		9,901,232	8,305,745
Total equity attributable to equity shareholders of the Company		10,907,887	9,312,400
Non-controlling interests		115,518	71,115
TOTAL EQUITY		11,023,405	9,383,515

Approved and authorised for issue by the board of directors on 31 March 2014.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 36 to 87 form part of these financial statements.

BALANCE SHEET

At 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Property, plant and equipment	13(b)	44	89
Interest in subsidiaries	15	2,342,961	2,342,961
		2,343,005	2,343,050
Current assets			
Amounts due from subsidiaries	15	39,397	38,552
Other debtors, deposits and prepayments		671	666
Cash and cash equivalents	23	7,086	5,792
		47,154	45,010
Current liabilities			
Other creditors and accruals		11,417	7,916
Amounts due to subsidiaries	15	59,049	55,104
		70,466	63,020
Net current liabilities		(23,312)	(18,010)
NET ASSETS		2,319,693	2,325,040
Capital and reserves	28(b)		
Share capital		1,006,655	1,006,655
Reserves		1,313,038	1,318,385
TOTAL EQUITY		2,319,693	2,325,040

Approved and authorised for issue by the board of directors on 31 March 2014.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 36 to 87 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(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 2012	1,006,655	550,547	9,549
Changes in equity for 2012:			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-
Dividends declared and approved during the year	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-
Balance at 31 December 2012 and 1 January 2013	1,006,655	550,547	9,549
Changes in equity for 2013:			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-
Dividends declared and approved during the year	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-
Balance at 31 December 2013	1,006,655	550,547	9,549

The notes on pages 36 to 87 form part of these financial statements.

Attributable to equity shareholders of the Company						
Translation reserve (note 28(a)(iii))	Contributed surplus (note 28(b)(ii))	Fair value reserve (note 28(a)(iv))	Retained profits	Total	Non-controlling interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
1,024,254	377,690	11,562	5,033,727	8,013,984	60,333	8,074,317
-	-	-	1,078,101	1,078,101	6,325	1,084,426
372,793	-	(1,480)	-	371,313	1,600	372,913
372,793	-	(1,480)	1,078,101	1,449,414	7,925	1,457,339
-	-	-	-	-	6,029	6,029
-	-	-	(150,998)	(150,998)	-	(150,998)
-	-	-	-	-	(3,172)	(3,172)
1,397,047	377,690	10,082	5,960,830	9,312,400	71,115	9,383,515
-	-	-	2,057,786	2,057,786	25,095	2,082,881
(266,099)	-	(4,936)	-	(271,035)	(4,564)	(275,599)
(266,099)	-	(4,936)	2,057,786	1,786,751	20,531	1,807,282
-	-	-	-	-	26,935	26,935
-	-	-	(191,264)	(191,264)	-	(191,264)
-	-	-	-	-	(3,063)	(3,063)
1,130,948	377,690	5,146	7,827,352	10,907,887	115,518	11,023,405

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Operating activities			
Profit from operations		2,198,317	1,039,137
Adjustments for:			
Depreciation	7	176,258	152,410
Amortisation of interest in leasehold land	7	8,618	8,172
Gain on disposal of property, plant and equipment	4	(44,251)	(27,434)
Valuation gains on investment properties	4	-	(271,690)
Increase in fair value of listed investments designated as at fair value through profit or loss	4	(1,431,781)	(574,530)
Interest income	4	(24,247)	(28,853)
Dividend income	4	(25,000)	(11,480)
Net foreign exchange loss		2,823	112,554
Operating profit before changes in working capital		860,737	398,286
Decrease in properties held for sale		16,085	79,708
Decrease/(increase) in inventories		116,839	(570,238)
Increase in trade debtors		(212,269)	(283,785)
(Increase)/decrease in hire purchase debtors and instalments receivable		(7,536)	10,591
Decrease/(increase) in other debtors, deposits and prepayments		34,556	(86,969)
(Increase)/decrease in amounts due from related companies		(2,810)	12,103
Increase in trade creditors		135,058	274,646
Increase in other creditors and accruals		117,132	65,675
Increase in amounts due to related companies		7,235	2,287
Increase in provisions		27,368	19,840
Cash generated from/(used in) operations		1,092,395	(77,856)
Interest paid		(31,640)	(35,573)
Taxes paid		(144,676)	(89,669)
Net cash generated from/(used in) operating activities		916,079	(203,098)

The notes on pages 36 to 87 form part of these financial statements.

	Note	2013 $'000	2012 $'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(669,099)	(376,155)
Payment for additions to interest in leasehold land		(27,211)	(4,699)
Payment for additions to investment properties		-	(8,832)
Increase in non-current prepayments		(11,455)	(1,855)
Decrease in pledged bank deposits		43,699	316,825
Proceeds from disposal of property, plant and equipment		142,578	61,990
Payment for investments in associates		(6,931)	(5,148)
Payment for the purchase of listed investments designated as at fair value through profit or loss		-	(9,084)
Proceeds from disposal of other non-current financial assets		65,022	-
Dividends received from associates		24,995	134,488
Dividends received from listed investments		24,404	10,820
Dividends received from unlisted investments		596	660
Interest received		24,247	28,853
Net cash (used in)/generated from investing activities		(389,155)	147,863
Cash flows from financing activities			
Repayment of bank loans		(3,506,125)	(3,563,968)
Proceeds from new bank loans		4,094,407	3,797,834
Dividends paid to shareholders		(191,264)	(150,998)
Dividends paid to non-controlling shareholders of subsidiaries		(3,063)	(3,172)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		26,935	6,029
Net cash generated from financing activities		420,890	85,725
Net increase in cash and cash equivalents		947,814	30,490
Cash and cash equivalents at 1 January	23	1,305,585	1,241,989
Effect of foreign exchange rate changes		(24,912)	33,106
Cash and cash equivalents at 31 December	23	2,228,487	1,305,585

The notes on pages 36 to 87 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 consolidated financial statements for the year ended 31 December 2013 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 31 March 2014.

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 not required 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.

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 new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to IAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*

– IFRS 10, *Consolidated financial statements*

– IFRS 12, *Disclosure of interests in other entities*

– IFRS 13, *Fair value measurement*

– *Annual Improvements to IFRSs 2009-2011 Cycle*

– Amendments to IFRS 7 - *Disclosures - Offsetting financial assets and financial liabilities*

The impacts of the adoption of these new or amended IFRSs are discussed below:

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 16.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 12 and 29. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such statement is presented. The adoption of the amendments does not have a material impact on these financial statements.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into a master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the periods presented.

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

(d) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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 gain or loss is recognised.

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)).

In the company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 1(v)).

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

(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.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(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 resulting from intra-group transactions 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 into the respective entity's functional currency 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.

1 Significant accounting policies (continued)

(e) Translation of foreign currencies (continued)

(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.

(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. 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	$12\frac{1}{2}$% - 40%

1 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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

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

Construction in progress

Construction in progress represents buildings under construction and is stated at cost less impairment losses (see note 1(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.

1 Significant accounting policies (continued)

(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 it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses 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.

Investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise 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 hire purchase debtors 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.

1 Significant accounting policies (continued)

(m) Income tax (continued)

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.

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 balance sheet 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 balance sheet date.

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

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

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

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

(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), costs of conversion and other directly attributable costs of acquisition in bringing the inventories to their present location and condition.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the 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.

1 Significant accounting policies (continued)

(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.

(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 motor vehicles 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 (excluding sale of properties (see note 1(u)(v)) 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.

1 Significant accounting policies (continued)

(u) Revenue recognition (continued)

(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.

(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 interest in associates accounted for under the equity method in the consolidated financial statements (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.

1 Significant accounting policies (continued)

(v) Impairment (continued)

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

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

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

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses in respect of hire purchase debtors and trade debtors, 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 the following assets may be impaired:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries in the Company's balance sheet.

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 of disposal 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.

1 Significant accounting policies (continued)

(v) Impairment (continued)

(ii) Impairment of other assets (continued)

– 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.

(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.

1 Significant accounting policies (continued)

(z) Related parties (continued)

(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 an independent firm of surveyors or a director of the Company. In determining the fair value, a method of valuation is used which involves certain estimates including adjustment on the quality of the buildings against comparable properties.

2 Significant accounting estimates and judgements (continued)

(e) Allowances for obsolescence of inventories

The Group determines the allowances for obsolescence of inventories based on current market conditions and 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.

(f) Impairment of fixed assets

If circumstances indicate that carrying value of other property, plant and equipment and interest in leasehold land may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS 36, *Impairment of assets*. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

3 Revenue

Revenue, which is also the Group's turnover, represents the sales value of goods sold, services provided 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:

	2013 $'000	2012 $'000
Sale of goods	8,310,214	5,696,376
Rendering of services	586,340	475,209
Hire purchase financing income	43,130	41,041
Gross rentals from investment properties	131,861	111,641
Gross proceeds from properties sold	44,016	178,887
Management service fees	1,000	1,000
Agency commission and handling fees	27,175	16,263
Warranty reimbursements	2,806	6,948
	9,146,542	6,527,365

The Group's customer base is diversified and includes no customer (2012: Nil) with whom transactions have exceeded 10% of the Group's revenue.

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

4 Other net operating income

	2013 $'000	2012 $'000
Bank and other interest income	24,247	28,853
Dividend income		
– listed investments	24,404	10,820
– unlisted investments	596	660
Gain on disposal of property, plant and equipment	44,251	27,434
Valuation gains on investment properties	-	271,690
Increase in fair value of listed investments designated as at fair value through profit or loss	1,431,781	574,530
Cash compensation (note)	174,552	-
Incentive income	20,604	-
Reversal of impairment losses on trade receivables and hire purchase debtors and instalments receivable	571	872
Others	62,216	49,823
	1,783,222	964,682

Note: In 2013, the Group received cash compensation of RMB140,000,000 (equivalent to $174,552,000) in relation to a change in the distribution arrangement for motor vehicles in the PRC.

5 Other operating expenses

	2013 $'000	2012 $'000
Bank charges	10,682	8,781
Impairment losses on trade receivables and hire purchase debtors and instalments receivable	9,483	26,705
Others	4,040	6,307
	24,205	41,793

6 Financing costs

	2013 $'000	2012 $'000
Interest expense		
– on bank loans wholly repayable within five years	30,568	35,086
– on bank overdrafts	1,072	487
	31,640	35,573

7 Profit before taxation

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

	2013 $'000	2012 $'000
Cost of goods sold	6,863,176	4,914,632
Depreciation		
– assets held for use under operating leases	58,735	54,839
– other assets	117,523	97,571
Amortisation of interest in leasehold land	8,618	8,172
Impairment losses on		
– trade debtors	8,902	21,142
– hire purchase debtors and instalments receivable	10	4,691
Auditors' remuneration		
– audit services	5,547	5,038
– tax services	1,444	859
Provision for warranties made	46,499	34,987
Net foreign exchange losses	32,945	57,615
Operating lease rental expenses in respect of properties	55,601	44,980
Rentals receivable from investment properties less direct outgoings of $33,991,000 (2012: $27,383,000)	(97,870)	(84,258)

8 Personnel expenses

	2013 $'000	2012 $'000
Wages and salaries	336,684	260,307
Retirement benefit costs	28,454	22,349
Others	15,733	28,962
	380,871	311,618

The number of employees at the end of 2013 was 3,317 (2012: 2,826).

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
2013					
Executive directors					
Tan Eng Soon	180	11,082	10,243	36	21,541
Joseph Ong Yong Loke	410	3,739	2,889	36	7,074
Tan Kheng Leong	100	3,137	710	34	3,981
Sng Chiew Huat	100	3,404	2,372	34	5,910
Glenn Tan Chun Hong	100	2,299	1,655	83	4,137
Independent non- executive directors					
Lee Han Yang	180	-	-	-	180
Masatoshi Matsuo	100	-	-	-	100
Tan Ngiap Joo	140	-	-	-	140
Ng Kim Tuck	100	-	-	-	100
	1,410	23,661	17,869	223	43,163

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2012					
Executive directors					
Tan Eng Soon	140	10,240	8,688	35	19,103
Joseph Ong Yong Loke	390	3,455	2,539	35	6,419
Tan Kheng Leong	80	3,126	707	34	3,947
Sng Chiew Huat	80	3,145	2,073	35	5,333
Glenn Tan Chun Hong	80	1,869	1,218	85	3,252
Independent non- executive directors					
Lee Han Yang	155	-	-	-	155
Masatoshi Matsuo	85	-	-	-	85
Tan Ngiap Joo	120	-	-	-	120
Ng Kim Tuck	53	-	-	-	53
	1,183	21,835	15,225	224	38,467

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

10 Taxation

(a) *Taxation in the consolidated income statement represents:*

	2013 $'000	2012 $'000
Current tax expense		
Provision for the year	182,590	103,559
Over-provision in respect of prior years	(940)	(3,616)
	181,650	99,943
Deferred tax expense		
Origination and reversal of temporary differences	(15,438)	(13,093)
Total income tax expense in the consolidated income statement	166,212	86,850

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

The statutory corporate income tax rate for the Group's operations in Singapore and the People's Republic of China ("PRC") is 17% (2012: 17%) and 25% (2012: 25%) respectively. Taxation for other subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2013 $'000	2012 $'000
Profit before taxation	2,249,093	1,171,276
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	118,087	94,821
Adjustments resulting from:		
Tax effect of non-deductible expenses	17,656	20,764
Tax effect of non-taxable income	(44,858)	(65,171)
Tax effect of tax losses not recognised	84,242	54,743
Tax effect of previously unrecognised tax losses or deductible temporary differences utilised	(7,975)	(14,691)
Over-provision in respect of prior years	(940)	(3,616)
Actual tax expense	166,212	86,850

10 Taxation (continued)

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2013 are attributable to the items detailed in the table below:

	2013			2012		
	Assets $'000	Liabilities $'000	Net $'000	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	6,629	(25,400)	(18,771)	6,596	(30,898)	(24,302)
Investment properties	-	(3,773)	(3,773)	-	(2,682)	(2,682)
Inventories	8,251	-	8,251	7,592	-	7,592
Trade debtors	11,306	-	11,306	6,373	-	6,373
Creditors and accruals	2,530	-	2,530	1,519	(297)	1,222
Provisions	13,621	-	13,621	9,312	-	9,312
Tax losses carried-forward	301	-	301	336	-	336
Deferred tax assets/(liabilities)	42,638	(29,173)	13,465	31,728	(33,877)	(2,149)
Set-off within legal tax units and jurisdictions	(5,207)	5,207	-	(5,386)	5,386	-
Net deferred tax assets/(liabilities)	37,431	(23,966)	13,465	26,342	(28,491)	(2,149)

Potential deferred tax assets of approximately $214,641,000 (2012: $150,751,000) 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 amounting to $416,762,000 (2012: $192,712,000) which will expire during the years from 2014 to 2023.

At 31 December 2013, temporary differences relating to the undistributed profits of subsidiaries amounted to $710,829,000 (2012: $268,475,000). Deferred tax liabilities of $86,883,000 (2012: $30,840,000) 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 of the directors that the profits will not be distributed in the foreseeable future.

10 Taxation (continued)

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

	Balance at 1 January 2012 $'000	Exchange adjustment $'000	Recognised in profit or loss $'000	Balance at 31 December 2012 $'000
Property, plant and equipment	(23,643)	(824)	165	(24,302)
Investment properties	(1,662)	-	(1,020)	(2,682)
Inventories	7,316	441	(165)	7,592
Trade debtors	669	37	5,667	6,373
Creditors and accruals	383	65	774	1,222
Provisions	1,824	110	7,378	9,312
Tax losses carried-forward	42	-	294	336
	(15,071)	(171)	13,093	(2,149)

	Balance at 1 January 2013 $'000	Exchange adjustment $'000	Recognised in profit or loss $'000	Balance at 31 December 2013 $'000
Property, plant and equipment	(24,302)	437	5,094	(18,771)
Investment properties	(2,682)	89	(1,180)	(3,773)
Inventories	7,592	(251)	910	8,251
Trade debtors	6,373	(6)	4,939	11,306
Creditors and accruals	1,222	(38)	1,346	2,530
Provisions	9,312	(45)	4,354	13,621
Tax losses carried-forward	336	(10)	(25)	301
	(2,149)	176	15,438	13,465

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $2,057,786,000 (2012: $1,078,101,000) and the number of 2,013,309,000 ordinary shares (2012: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2013 and 2012 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 2012	2,054,192	271,459	2,325,651
Exchange adjustments	127,259	2,660	129,919
Additions	8,832	-	8,832
Valuation adjustment	202,568	69,122	271,690
At 31 December 2012	2,392,851	343,241	2,736,092
At 1 January 2013	2,392,851	343,241	2,736,092
Exchange adjustments	(79,244)	(1,995)	(81,239)
At 31 December 2013	2,313,607	341,246	2,654,853

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2013 categorised into		
	Fair value at 31 December 2013 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
– Freehold land and buildings				
– Singapore	2,313,607	-	-	2,313,607
– Leasehold land and buildings				
– Hong Kong	270,000	-	-	270,000
– Macau	13,000	-	-	13,000
– Singapore	58,246	-	-	58,246
	341,246	-	-	341,246
	2,654,853	-	-	2,654,853

12 Investment properties (continued)

The Group (continued)

(a) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2013, there were no transfers between levels. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

All of the Group's investment properties were revalued as at 31 December 2013. The valuations were carried out by a director of the Company, who is a member of The Royal Institution of Chartered Surveyors, on a market value basis in their existing state and use by references to comparable market transactions.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
– Freehold land and buildings in Singapore	Market comparison approach	(Discount)/premium on quality of the buildings	-16% to 4%
– Leasehold land and buildings			
– Hong Kong	Market comparison approach	(Discount)/premium on quality of the buildings	-25% to 3%
– Macau	Market comparison approach	Discount on quality of the buildings	-10%
– Singapore	Market comparison approach	Discount on quality of the buildings	-20%

The fair value of investment properties located in Singapore, Hong Kong and Macau is determined by using the market comparison approach by reference to recent sales prices of comparable properties, adjusted for a premium or a discount specific to the quality of the Group's investment properties compared to recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

12 Investment properties (continued)

The Group (continued)

(a) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	$'000
Freehold land and buildings - Singapore	
At 1 January 2013	2,392,851
Exchange adjustments	(79,244)
At 31 December 2013	2,313,607
Leasehold land and buildings - Hong Kong and Macau	
At 1 January and 31 December 2013	283,000
Leasehold land and buildings - Singapore	
At 1 January 2013	60,241
Exchange adjustments	(1,995)
At 31 December 2013	58,246

No fair value adjustment of investment properties is recognised during the year ended 31 December 2013. In 2012, an increase in fair value of investment properties of $271,690,000 was recognised in profit or loss.

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

	Freehold land and buildings		Leasehold land and buildings	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
In Hong Kong				
- Medium lease	-	-	270,000	270,000
Outside Hong Kong				
- Freehold	2,313,607	2,392,851	-	-
- Long lease	-	-	58,246	60,241
- Short term lease	-	-	13,000	13,000
	2,313,607	2,392,851	341,246	343,241

Investment properties comprise a number of commercial and residential properties that are leased to third party tenants. 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 2013	528,093	1,338,311	413,284	204,503	380,797	79,736	2,944,724
Exchange adjustments	(26,618)	(49,229)	(14,443)	(8,890)	(18,615)	(13,175)	(130,970)
Additions	20,000	36,103	67,803	38,439	150,740	356,014	669,099
Disposals	-	(2,387)	(120,602)	(6,100)	(86,675)	-	(215,764)
Transfer	-	14,396	209	17,507	-	(32,112)	-
At 31 December 2013	521,475	1,337,194	346,251	245,459	426,247	390,463	3,267,089
Representing:							
Cost	280,280	1,271,455	346,251	245,459	426,247	390,463	2,960,155
Valuation - 1984	241,195	65,739	-	-	-	-	306,934
	521,475	1,337,194	346,251	245,459	426,247	390,463	3,267,089
Accumulated depreciation:							
At 1 January 2013	-	329,376	202,722	146,297	110,907	-	789,302
Exchange adjustments	-	(12,288)	(8,758)	(5,990)	(5,792)	-	(32,828)
Charge for the year	-	40,414	47,102	24,480	64,262	-	176,258
Written back on disposal	-	(2,363)	(80,116)	(3,023)	(31,935)	-	(117,437)
At 31 December 2013	-	355,139	160,950	161,764	137,442	-	815,295
Net book value:							
At 31 December 2013	521,475	982,055	185,301	83,695	288,805	390,463	2,451,794

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 2012	493,239	1,102,218	330,882	166,710	304,076	159,090	2,556,215
Exchange adjustments	25,577	53,200	17,371	7,279	15,233	(14,085)	104,575
Additions	9,277	57,616	53,911	34,581	124,818	95,952	376,155
Disposals	-	-	(24,099)	(4,792)	(63,330)	-	(92,221)
Transfer	-	125,277	35,219	725	-	(161,221)	-
At 31 December 2012	528,093	1,338,311	413,284	204,503	380,797	79,736	2,944,724
Representing:							
Cost	278,636	1,270,321	413,284	204,503	380,797	79,736	2,627,277
Valuation - 1984	249,457	67,990	-	-	-	-	317,447
	528,093	1,338,311	413,284	204,503	380,797	79,736	2,944,724
Accumulated depreciation:							
At 1 January 2012	-	280,399	165,541	121,056	97,011	-	664,007
Exchange adjustments	-	12,510	9,115	5,038	3,887	-	30,550
Charge for the year	-	36,467	48,229	23,874	43,840	-	152,410
Written back on disposal	-	-	(20,163)	(3,671)	(33,831)	-	(57,665)
At 31 December 2012	-	329,376	202,722	146,297	110,907	-	789,302
Net book value:							
At 31 December 2012	528,093	1,008,935	210,562	58,206	269,890	79,736	2,155,422

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Outside Hong Kong				
– Freehold	521,475	528,093	209,672	217,397
– Medium term lease	-	-	766,537	784,252
– Short term lease	-	-	5,846	7,286
	521,475	528,093	982,055	1,008,935

(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 $306,934,000 (2012: $317,447,000) 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 initial public offering 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, trucks and forklifts (included in plant, 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 and machineries of the Group held for rental amounted to a total of $356,420,000 (2012: $453,768,000) and the related accumulated depreciation charges amounted to a total of $123,978,000 (2012: $154,545,000).

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 2013	230	497	380	1,107
Additions	19	-	-	19
At 31 December 2013	249	497	380	1,126
Accumulated depreciation:				
At 1 January 2013	207	463	348	1,018
Charge for the year	8	24	32	64
At 31 December 2013	215	487	380	1,082
Net book value:				
At 31 December 2013	34	10	-	44
Cost:				
At 1 January 2012 and 31 December 2012	230	497	380	1,107
Accumulated depreciation:				
At 1 January 2012	200	424	272	896
Charge for the year	7	39	76	122
At 31 December 2012	207	463	348	1,018
Net book value:				
At 31 December 2012	23	34	32	89

14 Interest in leasehold land

	The Group	
	2013 $'000	2012 $'000
At 1 January	254,997	249,198
Exchange adjustments	(11,693)	9,272
Additions	27,211	4,699
Amortisation	(8,618)	(8,172)
At 31 December	261,897	254,997

14 Interest in leasehold land (continued)

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

	The Group	
	2013 $'000	2012 $'000
Outside Hong Kong		
– Long lease	170,958	150,672
– Medium term lease	90,939	104,325
	261,897	254,997

15 Interest in subsidiaries

	The Company	
	2013 $'000	2012 $'000
Unlisted shares, at cost	2,295,961	2,295,961
Loan to a subsidiary	47,000	47,000
	2,342,961	2,342,961

The loan to a subsidiary is unsecured, interest free and has no fixed repayment terms but the Company does not intend to 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 only the particulars of subsidiaries as at 31 December 2013 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong & Sons Motor Company (Singapore) Private Limited	Singapore	Ordinary shares of SGD150,000,000 Redeemable preference shares of SGD50,000,000	100%	Treasury management for group entities
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	Ordinary shares of SGD4,000,000 Redeemable preference shares of SGD25,000,000	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 investment
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property investment
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

15 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
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 $120,000,000	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	NTD5,000,000	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	
	2013 $'000	2012 $'000
Share of net assets	914,435	924,694
Associates listed outside Hong Kong	292,703	324,054
Unlisted associates	621,732	600,640
	914,435	924,694
Market value of listed associates	225,440	189,804

16 Interest in associates (continued)

Details of the associates are as follows:

Name of Company	Place of incorporation and operation	Percentage of equity held by the Group	Principal activities
Ethoz Group Limited	Singapore	50%	Car rental
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres
Zero Co., Ltd	Japan	22%	Provision of logistic services
Eight Zero Limited	Hong Kong	50%	Investment holding
Tifa Finance Tbk PT	Indonesia	36%	Provision of leasing and financing services

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	2013 $'000	2012 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	914,435	924,694
Aggregate amounts of the Group's share of those associates'		
- Profit from continuing operations	82,416	167,712
- Other comprehensive income	(74,611)	(8,027)
- Total comprehensive income	7,805	159,685

17 Other financial assets

	The Group	
	2013	2012
	$'000	$'000
Available-for-sale equity securities		
Listed outside Hong Kong, at market value	-	69,699
Unlisted equity securities, at cost	21,555	22,381
	21,555	92,080
Available-for-sale debt securities		
Listed outside Hong Kong, at market value	75,559	80,083
	97,114	172,163

	The Group	
	2013	2012
	$'000	$'000
Market value of listed securities	75,559	149,782

The unlisted available-for-sale equity securities are stated at cost less impairment losses because their fair values cannot be measured reliably.

18 Investments designated as at fair value through profit or loss

	The Group	
	2013	2012
	$'000	$'000
Equity securities		
Listed outside Hong Kong, designated as at fair value through profit or loss	2,576,625	1,150,456

19 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2013	2012
	$'000	$'000
Raw materials	147,688	300,271
Work-in-progress	218,580	74,893
Spare parts and others	142,759	167,566
Finished goods	1,284,849	1,431,989
Goods in transit	165,328	176,092
	1,959,204	2,150,811

19 Inventories (continued)

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

	The Group	
	2013 $'000	2012 $'000
Carrying amount of inventories sold	6,861,637	4,912,375
Provision for write-down of inventories	1,539	2,257
	6,863,176	4,914,632

20 Properties held for sale

	The Group	
	2013 $'000	2012 $'000
Completed properties held for sale	61,256	80,299

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

	The Group	
	2013 $'000	2012 $'000
Carrying amount of completed properties sold	16,559	78,349

21 Trade debtors

	The Group	
	2013 $'000	2012 $'000
Trade debtors	947,911	748,017
Less: Allowance for doubtful debts (note 21(b))	(42,389)	(35,622)
	905,522	712,395

(a) Ageing analysis

As of the balance sheet date, the ageing analysis of trade debtors (net of impairment losses), based on due date, is as follows:

	The Group	
	2013 $'000	2012 $'000
0 - 30 days	727,777	546,999
31 - 90 days	90,950	97,321
Over 90 days	86,795	68,075
	905,522	712,395

21 Trade debtors (continued)

(a) Ageing analysis (continued)

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 2013, allowance for doubtful debts has been made for trade debtors of $42,389,000 (2012: $35,622,000). The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2013 $'000	2012 $'000
At 1 January	35,622	14,431
Exchange adjustments	(43)	567
Impairment loss recognised	8,902	21,142
Uncollectible amounts written off	(2,092)	(518)
At 31 December	42,389	35,622

(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	
	2013 $'000	2012 $'000
Neither past due nor impaired	612,481	441,500
1 - 30 days past due	115,296	105,499
31 to 90 days past due	90,950	97,321
Over 90 days past due	86,795	68,075
	293,041	270,895
	905,522	712,395

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	
	2013 $'000	2012 $'000
Balance due		
– within one year	118,247	126,233
– between one and five years	212,645	215,030
– after more than five years	19,580	19,293
Hire purchase debtors and instalments receivable	350,472	360,556
Unearned interest charges	(33,831)	(33,345)
	316,641	327,211
Less: Allowance for doubtful debts	(26,318)	(32,477)
	290,323	294,734
Balance due		
– within one year	91,795	94,679
– between one year and five years	181,242	182,872
– after more than five years	17,286	17,183
	198,528	200,055
	290,323	294,734

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 2013, allowance for doubtful debts has been made for hire purchase debtors and instalments receivable of $26,318,000 (2012: $32,477,000). The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2013 $'000	2012 $'000
At 1 January	32,477	39,209
Exchange adjustments	(1,523)	1,392
Impairment loss recognised	10	4,691
Uncollectible amounts written off	(4,646)	(12,815)
At 31 December	26,318	32,477

23 Cash and cash equivalents

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Bank deposits	518,855	355,406	-	-
Cash at bank	1,708,549	1,000,885	7,086	5,792
Cash in hand	1,453	1,389	-	-
Cash and cash equivalents in the balance sheet	2,228,857	1,357,680	7,086	5,792
Unsecured bank overdrafts (note 24)	(370)	(7,737)		
Less: Pledged bank deposits	-	(44,358)		
Cash and cash equivalents in the consolidated cash flow statement	2,228,487	1,305,585		

The Group's effective interest rate for deposits ranged from 0.40% to 7.25% (2012: 0.01% to 6.30%) per annum.

The terms of such deposits placed range from seven days to two months.

Bank overdrafts bear interest at rates ranging from 4.25% to 5.25% (2012: 5.00% to 12.00%) per annum.

24 Bank loans and overdrafts

At 31 December 2013, the bank loans and overdrafts were payable as follows:

	The Group	
	2013 $'000	2012 $'000
Within one year		
– bank overdrafts (note 23)	370	7,737
– bank loans	2,098,553	1,272,961
	2,098,923	1,280,698
Bank loans:		
– After one year but within two years	60,450	456,563
– After two years but within five years	43,497	-
	103,947	456,563
	2,202,870	1,737,261

At 31 December 2013, the bank loans and overdrafts were secured as follows:

	The Group	
	2013 $'000	2012 $'000
Unsecured bank overdrafts	370	7,737
Bank loans		
– Secured	8,966	135,614
– Unsecured	2,193,534	1,593,910
	2,202,870	1,737,261

24 Bank loans and overdrafts (continued)

At 31 December 2013, certain property, plant and equipment, inventories and pledged bank deposits of the Group with carrying values of $12,918,000 (2012: $97,629,000), $Nil (2012: $163,208,000) and $Nil (2012: $44,358,000), respectively, have been pledged to banks to secure bank loans totalling $8,966,000 (2012: $135,614,000) granted to the Group.

At 31 December 2013, the bank loans bore interest at floating rates which ranged from 0.79% to 7.80% (2012: 0.78% to 6.16%) per annum.

25 Trade creditors

Ageing analysis of trade creditors, based on the invoice date, is as follows:

	The Group	
	2013 $'000	2012 $'000
0 - 30 days	581,890	384,278
31 - 90 days	124,730	216,241
91 - 180 days	42,734	21,358
Over 180 days	18,197	29,661
	767,551	651,538

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	
	2013 $'000	2012 $'000
Provisions for warranties		
At 1 January	47,675	26,708
Provisions made	46,499	34,987
Provisions utilised	(19,107)	(14,020)
At 31 December	75,067	47,675
Current	28,271	25,203
Non-current	46,796	22,472
	75,067	47,675

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.

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).

(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 2012	1,006,655	550,547	623,313	154,637	2,335,152
Changes in equity in 2012:					
Total comprehensive income for the year	-	-	-	140,886	140,886
Dividends to equity shareholders	-	-	-	(150,998)	(150,998)
Balance at 31 December 2012 and 1 January 2013	1,006,655	550,547	623,313	144,525	2,325,040
Changes in equity in 2013:					
Total comprehensive income for the year	-	-	-	185,917	185,917
Dividends to equity shareholders	-	-	-	(191,264)	(191,264)
Balance at 31 December 2013	1,006,655	550,547	623,313	139,178	2,319,693

28 Capital, reserves and dividends (continued)

(b) The Company (continued)

(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 2013 are as follows:

	2013 $'000	2012 $'000
Contributed surplus	623,313	623,313
Retained profits	139,178	144,525
	762,491	767,838

(iii) The consolidated profit attributable to equity shareholders of the Company includes the Company's profit of $185,917,000 (2012: $103,162,000) 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

	2013 $'000	2012 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	185,917	103,162
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	-	37,724
Company's profit for the year	185,917	140,886

(c) Dividends

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

	2013 $'000	2012 $'000
Interim dividend paid of 2.5 cents per ordinary share (2012: 2.0 cents per ordinary share)	50,332	40,266
Final dividend proposed after the balance sheet date of 8.0 cents per ordinary share (2012: 7.0 cents per ordinary share)	161,065	140,932
	211,397	181,198

28 Capital, reserves and dividends (continued)

(c) Dividends (continued)

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

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

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

	2013 $'000	2012 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 7.0 cents per ordinary share (2012: 5.5 cents per ordinary share)	140,932	110,732

(d) Share capital

	2013 $'000	2012 $'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.

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total borrowings over its total assets, was 15% at 31 December 2013 (2012: 14%).

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 interest rate, credit, currency and liquidity 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 2013 (2012: Nil).

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

Sensitivity analysis

At 31 December 2013, 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 $18,564,000 (2012: $14,558,000) and decreased/increased the Group's fair value reserve by approximately $9,233,000/$11,660,000 (2012: $10,418,000/$13,053,000).

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 2012.

(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.

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 liabilities 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").

29 Financial risk management and fair values (continued)

(c) Currency risk (continued)

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.

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2013			2012		
	JPY $'000	USD $'000	RMB $'000	JPY $'000	USD $'000	RMB $'000
Investments designated as at fair value through profit or loss	2,540,997	-	-	1,106,478	-	-
Trade debtors	9,213	473	-	10,579	264	-
Cash and cash equivalents	168,587	550,146	363,432	37,438	467,130	335
Trade creditors	-	-	-	(6,566)	(97,156)	-
Bank loans	(646,049)	(92,818)	-	(353,621)	(46,811)	-
	2,072,748	457,801	363,432	794,308	323,427	335

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 2013 (2012: Nil).

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.

	2013		2012	
	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%	207,275	10%	79,431
	(10)%	(207,275)	(10)%	(79,431)
USD	10%	45,780	10%	32,343
	(10)%	(45,780)	(10)%	(32,343)
RMB	10%	36,343	10%	34
	(10)%	(36,343)	(10)%	(34)

29 Financial risk management and fair values (continued)

(c) Currency risk (continued)

Sensitivity analysis (continued)

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 2012.

(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

2013	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	370	-	-	370	370
Bank loans	2,130,936	60,951	43,922	2,235,809	2,202,500
Trade creditors	767,551	-	-	767,551	767,551
Other creditors and accruals	581,916	-	-	581,916	581,916
Amounts due to related companies	14,046	-	-	14,046	14,046
	3,494,819	60,951	43,922	3,599,692	3,566,383

2012	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	7,737	-	-	7,737	7,737
Bank loans	1,303,046	460,001	-	1,763,047	1,729,524
Trade creditors	651,538	-	-	651,538	651,538
Other creditors and accruals	481,475	-	-	481,475	481,475
Amounts due to related companies	7,074	-	-	7,074	7,074
	2,450,870	460,001	-	2,910,871	2,877,348

29 Financial risk management and fair values (continued)

(d) Liquidity management (continued)

The Company

2013

	Contractual undiscounted cash outflow	
	Within 1 year or on demand $'000	Balance sheet carrying amount $'000
Other creditors and accruals	11,417	11,417
Amounts due to subsidiaries	59,049	59,049
	70,466	70,466

2012

	Contractual undiscounted cash outflow	
	Within 1 year or on demand $'000	Balance sheet carrying amount $'000
Other creditors and accruals	7,916	7,916
Amounts due to subsidiaries	55,104	55,104
	63,020	63,020

(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 Group's unquoted investments are all held for long term strategic purposes. Their performance is assessed at regular time interval, where applicable, against performance of similar entities, together with an assessment of their relevance to the Group's long term strategic plans.

29 Financial risk management and fair values (continued)

(e) Equity price risk (continued)

At 31 December 2013, 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

	2013			2012		
		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%	257,662	-	10%	115,046	6,970
Decrease	(10)%	(257,662)	-	(10)%	(115,046)	(6,970)

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 2012.

(f) Fair value

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

29 Financial risk management and fair values (continued)

(f) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

	Fair value at 31 December 2013 $'000	Fair value measurement as at 31 December 2013 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value at 31 December 2012 $'000	Fair value measurements as at 31 December 2012 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
The Group								
Recurring fair value measurements								
Assets								
Available-for-sale equity securities, listed outside Hong Kong	-	-	-	-	69,699	69,699	-	-
Available-for-sale debt securities, listed outside Hong Kong	75,559	75,559	-	-	80,083	80,083	-	-
Equity securities designated as at fair value through profit or loss, listed outside Hong Kong	2,576,625	2,576,625	-	-	1,150,456	1,150,456	-	-
	2,652,184	2,652,184	-	-	1,300,238	1,300,238	-	-

During the years ended 31 December 2013 and 2012, there was no transfer among Level 1, Level 2 and Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

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

Except for the unlisted equity securities, which are stated at cost as their fair values cannot be reliably measured (see note 17), 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 2013 and 2012.

(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 outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	The Group	
	2013 $'000	2012 $'000
Authorised and contracted for	228,804	136,204

(b) Operating lease commitments

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013 $'000	2012 $'000
Within one year	43,618	44,787
After one year but within five years	132,433	71,217
After five years	148,366	143,365
	324,417	259,369

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 which has an 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 has entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel represent amounts paid to the Company's directors and is disclosed in note 9.

31 Material related party transactions (continued)

(b) Transactions with related companies

	Note	2013 $'000	2012 $'000
Transactions with TCMH Group:	(i)		
– Sales of goods and services		5,663	4,445
– Receiving assembly services		64,564	3,072
– Purchase of inventories		22,502	25,061
– Loan interest income received		-	483
Transactions with APM Group:	(ii)		
– Receiving technical consultancy services		3,977	7,450
– Purchase of inventories		177,904	2,766
Purchase of inventories from TCIM Sdn. Bhd.	(iii)	50	53
Purchase of inventories from Focusone	(iv)	200	1,708
Receiving IT services from NSP	(v)	307	524

Notes:

(i) Tan Chong Consolidated Sdn. Bhd. ("TCC"), a substantial shareholder of the Company, is also a substantial shareholder of Tan Chong Motor Holdings Berhad ("TCMH") Group. Various subsidiaries of the Group have been conducting sales and purchases of motor parts and accessories and vehicle servicing transactions with TCMH Group. On 22 December 2010, 13 new agreements were signed in relation to the sales and purchases of motor parts and accessories and vehicle servicing for the period from 1 January 2011 to 31 December 2013.

On 6 March 2012, a subsidiary of the Group entered into an assembly agreement with Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA"), a subsidiary of TCMH, pursuant to which TCMA was appointed as the subsidiary's assembler to assemble vehicles for the period from 6 March 2012 to 31 December 2013. The principal business of TCMA is the assembly of motor vehicles and engines and trading of parts.

(ii) On 24 February 2012, a subsidiary of the Group entered into a technical service agreement with APM Engineering & Research Sdn. Bhd. ("APMER"). APMER is a subsidiary of APM Automotive Holdings Berhad ("APM"), and TCC is interested in more than 30% of the equity interests of APM Group.

31 Material related party transactions (continued)

(b) Transactions with related companies (continued)

On 30 May 2012, 26 November 2012 and 15 May 2013, a subsidiary of the Group entered into parts purchase agreements with certain subsidiaries of APM. Pursuant to the agreements, the APM Group will supply motor parts to a subsidiary of the Group for the purpose of assembly of vehicles by TCMA for the period from 30 May 2012 to 31 December 2013.

On 4 October 2013, a subsidiary of the Group entered into a parts purchase agreement with APM Seatings Sdn. Bhd. ("APMS"), a wholly owned subsidiary of APM Group. Pursuant to the agreement, APMS will provide the necessary parts and components for the manufacture of automotive seats to a subsidiary of the Group for the period from 4 October 2013 to 31 December 2013.

(iii) On 22 December 2010, a subsidiary of the Company entered into a written agreement with TCIM Sdn. Bhd. in relation to the sales and purchases of motor parts and accessories and vehicles for the period from 1 January 2011 to 31 December 2013. TCC is a substantial shareholder of TCIM Sdn. Bhd.

(iv) Focusone Asia Pacific Pte Ltd ("Focusone") imports and distributes motor parts and accessories, of which 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. On 22 December 2010, a subsidiary of the Group entered into a written agreement with Focusone in relation to the sales and purchases of motor parts and accessories for the period from 1 January 2011 to 31 December 2013.

(v) Netrunner Systems Private Limited ("NSP") provides IT services, of which Mr. Bryan Chow is a major shareholder. On 22 December 2010, a subsidiary of the Group entered into an agreement with NSP in relation to the provision of IT services for the period from 1 January 2011 to 31 December 2013.

All the above transactions have been entered in the ordinary and usual course of business of the Group and either on normal commercial terms or on terms no less favourable than those available to or from independent third parties.

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

(c) Transaction with an associate

Management service fees received from an associate of the Group amounted to $1,000,000 (2012: $1,000,000).

(d) Transaction with an independent non-executive director

On 11 May 2012, the Group granted Mr. Tan Ngiap Joo, an independent non-executive director of the Company, a right to purchase a completed property held for sale at a consideration of SGD3,289,000 (equivalent to $20,391,000) on normal commercial terms. Mr. Tan Ngiap Joo purchased the property on 25 May 2012.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (b) and (d) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Report of the directors.

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). No operating segments have been aggregated to form the reportable segments.

(a) Business lines

(i) Motor vehicle distribution and dealership business

The Group is the distributor for Nissan vehicles in Singapore and for Subaru vehicles in Singapore, Guangdong Province of the PRC, Hong Kong, Taiwan, Thailand and certain other Southeast Asia countries. The Group distributes various models of Nissan and Subaru passenger cars and Nissan light commercial vehicles.

(ii) Heavy commercial vehicle and industrial equipment distribution and dealership business

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

(iii) Property rentals and development

The Group has significant property interests and is engaged in the development of various investment properties for sales or rental income. At present, the Group's activities in this segment 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 vehicle seats.

32 Segment reporting (continued)

(b) Segment results

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2013 is set out below.

	Motor vehicle distribution		Heavy commercial vehicle and industrial equipment distribution		Property rentals and development		Other operations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers:										
– Singapore	931,509	838,777	149,207	189,337	163,041	280,036	167,915	143,707	1,411,672	1,451,857
– Hong Kong	72,617	70,733	-	-	6,868	6,376	13,132	13,269	92,617	90,378
– PRC	2,825,701	2,310,116	3,050	6,569	-	-	332,463	292,072	3,161,214	2,608,757
– Thailand	549,207	61,111	1,177,239	1,229,194	-	-	14,862	9,615	1,741,308	1,299,920
– Others	2,727,614	1,066,197	12,117	10,256	-	-	-	-	2,739,731	1,076,453
	7,106,648	4,346,934	1,341,613	1,435,356	169,909	286,412	528,372	458,663	9,146,542	6,527,365
EBITDA:										
– Singapore	6,789	(23,043)	33,079	54,988	60,808	360,051	91,328	74,637	192,004	466,633
– Hong Kong	74,624	(19,524)	-	-	11,623	46,000	1,453,216	557,580	1,539,463	584,056
– PRC	399,906	58,266	(196)	2,919	-	-	(20,507)	(4,933)	379,203	56,252
– Thailand	13,752	(16,496)	157,652	142,875	-	-	9,824	4,415	181,228	130,794
– Others	15,526	(62,124)	4,854	78	-	-	46,668	(4,823)	67,048	(66,869)
	510,597	(62,921)	195,389	200,860	72,431	406,051	1,580,529	626,876	2,358,946	1,170,866
Share of profits less losses of associates:										
– Singapore	43,175	46,436	-	-	-	-	-	-	43,175	46,436
– Hong Kong	-	-	-	-	-	-	5,812	88,345	5,812	88,345
– PRC	-	-	-	-	-	-	-	-	-	-
– Thailand	-	-	-	-	-	-	-	-	-	-
– Others	-	-	-	-	-	-	33,429	32,931	33,429	32,931
	43,175	46,436	-	-	-	-	39,241	121,276	82,416	167,712

32 Segment reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	2013 $'000	2012 $'000
Total segment EBITDA	2,358,946	1,170,866
Depreciation and amortisation	(184,876)	(160,582)
Interest income	24,247	28,853
Finance costs	(31,640)	(35,573)
Share of profits less losses of associates	82,416	167,712
Consolidated profit before taxation	2,249,093	1,171,276

(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 interest in associates.

	Singapore		Hong Kong		PRC		Thailand		Others		Consolidated	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Specified non-current assets	4,497,210	4,492,938	346,914	334,328	331,110	282,788	341,820	255,538	765,925	705,613	6,282,979	6,071,205

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 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 IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	Not yet established by IASB

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 have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000
Results					
Revenue	4,914,396	6,198,694	6,354,932	6,527,365	9,146,542
Profit from operations	475,098	669,460	661,467	1,039,137	2,198,317
Financing costs	(18,967)	(23,865)	(51,255)	(35,573)	(31,640)
Share of profits less losses of associates	41,088	73,606	93,403	167,712	82,416
Profit before taxation	497,219	719,201	703,615	1,171,276	2,249,093
Income tax credit/(expense)	27,783	(72,394)	(97,638)	(86,850)	(166,212)
Profit for the year	525,002	646,807	605,977	1,084,426	2,082,881
Attributable to:					
Equity shareholders of the Company	523,488	639,265	599,473	1,078,101	2,057,786
Non-controlling interests	1,514	7,542	6,504	6,325	25,095
Profit for the year	525,002	646,807	605,977	1,084,426	2,082,881
Assets and liabilities					
Investment properties, property, plant and equipment and interest in leasehold land	3,375,317	4,065,777	4,467,057	5,146,511	5,368,544
Interest in associates	640,330	767,922	894,349	924,694	914,435
Other non-current assets	302,211	339,735	391,880	412,211	356,126
Net current assets	2,736,890	2,593,003	2,371,203	3,407,625	4,559,009
Total assets less current liabilities	7,054,748	7,766,437	8,124,489	9,891,041	11,198,114
Non-current liabilities	(490,784)	(63,798)	(50,172)	(507,526)	(174,709)
Total equity	6,563,964	7,702,639	8,074,317	9,383,515	11,023,405
Earnings per share					
– basic (cents)	26.0	31.8	29.8	53.5	102.2
– diluted (cents)	26.0	31.8	29.8	53.5	102.2

Note:

(1) 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	28 November 2022	41
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	28
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060	28
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622/3	Showroom, workshop and office (own use)	198,606	Freehold	-	31
14 Upper Aljunied Road Singapore 367843	Property held for sale	18,004	Freehold	-	N/A
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	28
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058	N/A
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	18
15 Queen Street Tan Chong Tower Singapore 188537	Office, restaurant and apartments for rental (investment)	22,193	Freehold	-	31
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (own use)	198,976	Leasehold	6 April 2078	23
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	34

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	29
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-	16
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	18
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023	10
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030	11
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	131,750 92,158	Leasehold Leasehold	15 April 2036 15 April 2036	5 40
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053	N/A
816 & 818 Upper Bukit Timah Road, Singapore 678149/50	Shophouses (own use)	2,155	Leasehold	15 April 2874	58
59 Moo 1, Rangsit-Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	26
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	-	9
12/17 Moo 2, Seri Thai Road Khlong Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	-	7

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	-	21
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	-	7
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520, Thailand	Production plant (own use)	1,130,211	Freehold	-	10
Jalan Sultan Iskandar Muda No 24 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041	1
Komplek Ruko Mahkota Raya Blok D No. 9-12A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032	3
Jalan Raden Patah Komplek Sumber Jaya B9 – B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2015	20
Lembar K-8-4 Kotak F-G/1 Teluk Tering Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028	N/A
Jalan Bypass, Ngurah Rai No 643, Desa Pemogan, Denpasar, Bali, Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043	N/A
Jiangyin Building Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	16
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048	29

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062	3
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062	1
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	-	6
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	-	8
212 Vietnam-Singapore, Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046	18