



Tan Chong International Limited
Annual Report 2007

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.

About The Corporate Colour

-  Communicates the finest quality
-  Contributes to equilibrium - suggesting stability and control
-  Depicts wealth, sophistication, intelligence and dignity
-  Associated with royalty



Contents

02	Management Discussion and Analysis
05	Corporate Governance Report
09	Corporate Information
11	Directors and Senior Management Profile
14	Corporate Structure
16	Financial Highlights
17	Directors' Report
22	Independent Auditor's Report
23	Consolidated Income Statement
24	Consolidated Statement of Changes in Equity
25	Consolidated Balance Sheet
27	Balance Sheet
28	Consolidated Cash Flow Statement
30	Notes to the Financial Statements
81	Financial Summary
82	Group Properties

Enclosures

Proposed General Mandates to Issue Shares and Repurchase Shares and Amendments to Bye-laws and Information on the Retiring Directors to be Re-elected at the Annual General Meeting **1**

Notice of Annual General Meeting **10**

Form of Proxy

The Group recorded a marginal drop in revenue and profit for the year. NTA per share improved to HKD2.95 from HKD2.57.



Management Discussion and Analysis

The Group recorded a marginal drop in revenue and profit for the year. Drop in Nissan vehicle sales was cushioned by increased sale of Subaru cars, diesel trucks, forklifts and terraced houses; improved income from car and apartment rentals; and increased contributions from associates. The major contributors to group performance are :

VEHICLE SALES

Overall Nissan sales were down for the year as there were no supply of Euro 4 Emission compliant medium and light commercial vehicles. Traditionally, this commercial vehicle sector contributed to a significant portion of the Company unit sales. The supply resumed in early 2008 for a limited range of models. Passenger car sales were similarly down from a lack of fresh model launches that are usually the drivers of new demand. A substantial year on year decline of 42.8% was recorded for the Nissan overall sales.

Nissan Diesel truck sales were strong in 2007, registering increases in both Singapore and Thailand of 33% that reversed the decline in 2006. The introduction of Euro 3 Emission Standards in Thailand will increase prices of trucks with likely reduction in total sales for the new year. In preparation for the expansion of sales we have opened new full service outlets in Nakhon Sawan and Chiangmai.

Motorimage Group's effort to expand Subaru vehicle distribution regionally is starting to make an impact with sales increasing over 56% in each of the past two years. Fuji Heavy Industries has also appointed Motorimage Group to lead the distribution in Taiwan. We have therefore started construction of a new full service hub in Taipei City that will be operational by the end of 2008. The Bangkok flagship showroom and service centre was opened in March 2007.

CENTRAL PROVIDENT FUND

An industry-wide review by the Singapore Central Provident Fund ("CPF") Board last year raised an issue of whether payment to sale personnel from third party sources dated back several years constituted income for which the company was deemed liable for CPF contribution. We have consulted various relevant professionals and the Board considered it prudent to provide for a potential CPF shortfall of some HKD42.5 million.

FINANCE

Gain on revaluation of investment properties stood at HKD108 million in 2007 compared to HKD94 million gain in 2006. Translation gain of HKD368 million boosted NTA to HKD2.95 from HKD2.57 per share. Net cash declined to HKD535 million from HKD848 million because of additional capital commitment on new projects and regional expansion.

PROSPECTS

With its sound financial standing, the Group is confident that it can ride the waves of challenges from geopolitical risk, global financial turmoil, recessionary threats and reduced car quota certificates in Singapore.

Drop in Nissan vehicle sales was cushioned by increased sale of Subaru cars, diesel trucks, forklifts and terraced houses; improved income from car and apartment rentals; and increased contributions from associates.



Corporate Governance Report

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code set out in Appendix 10 of the Listing Rules on dealing in securities. This has been made known to all the directors of the Company and each director has confirmed in writing that he or she has observed the Model Code for year 2007. The Group has its own in-house mechanism to guide its directors regarding dealing in the Company's securities including reminders on the law regarding insider trading.

BOARD OF DIRECTORS

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

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

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

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

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

- approval of interim results announcement;
- approval of annual results and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meeting;
- approval of corporate strategy;
- authorization of merger and acquisition transactions; and
- authorization of major transactions

BOARD MEETING

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

	Board of Directors Meetings			Remuneration Committee Meetings			Audit Committee Meetings			Independent Non-Executive Directors Meetings		
	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended
Executive Director												
Mr. Tan Eng Soon	C	4	4	-	-	-	-	-	-	C	1	1
Mr. Joseph Ong Yong Loke	M	4	3	-	-	-	-	-	-	-	-	-
Mr. Tan Kheng Leong	M	4	4	-	-	-	-	-	-	-	-	-
Mr. Neo Ah Chap	M	4	4	-	-	-	-	-	-	-	-	-
Mdm. Sng Chiew Huat	M	4	4	-	-	-	-	-	-	-	-	-
Independent Non-Executive Director												
Mr. Lee Han Yang	M	4	3	C	2	2	C	2	2	M	1	-
Mdm. Jeny Lau	M	4	4	M	2	2	M	2	2	M	1	1
Mr. Masatoshi Matsuo	M	4	4	-	-	-	M	2	2	M	1	1

Denotes:

C-Chairman, M-Member

Number of meetings held/attended during the financial year/period from 1 January 2007 (or date of appointment, where applicable) to 31 December 2007

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

REMUNERATION COMMITTEE ("RC")

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

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

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

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

NOMINATION COMMITTEE ("NC")

The NC which was set up on 1 October 2007 comprises two independent non-executive directors, namely, Mr. Lee Han Yang (Chairman of the Committee) and Mr. Masatoshi Matsuo. The NC, which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The NC's responsibilities include the following:

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

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

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

The Auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services for year 2007 is HK\$2,633,000. There were no non-audit services.

AUDIT COMMITTEE ("AC")

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

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

Corporate Governance Report

The AC convened two meetings during the year for reviewing the Company's annual results and annual report for the year ended 31 December 2006 and interim results and interim report for the six months ended 30 June 2007. The AC also met up with both internal and external auditors, without the presence of the Company's management, at least once a year. Details of members and their attendance are provided in the above table.

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

- a. to review the audit plans of the internal auditors of the Company and ensures the adequacy of company's system of accounting controls and co-operation of the Company's management with the external and internal auditors;
- b. to review the interim and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board;
- c. to review effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management through reviews conducted by the internal auditors;
- d. to 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;
- e. to review the cost effectiveness and the independence and objectivity of the external auditors;
- f. to recommend to the Board the compensation of the external auditors, and reviews the scope and results of the audit;
- g. to review connected transactions in accordance with the requirements of the Stock Exchange's Listing Rules.

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

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

INTERNAL CONTROLS

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

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

COMMUNICATIONS WITH SHAREHOLDERS

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

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

The Board is committed to the observance of good corporate governance to protect and enhance shareholders value and the financial performance of the Group.



Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Tan Eng Soon

Managing Director

Mr. Joseph Ong Yong Loke

Executive Director

Mr. Tan Kheng Leong

Executive Director - Marketing

Mr. Neo Ah Chap

Executive Director - Finance

Mdm. Sng Chiew Huat

Independent Non-Executive Directors

Mr. Lee Han Yang **♦

Mdm. Jeny Lau *♦

Mr. Masatoshi Matsuo **

* Audit Committee Members

+ Nomination Committee Members

♦ Remuneration Committee Members

HONORARY LIFE COUNSELLOR

Dato' Tan Kim Hor

COMPANY SECRETARY

Mr. Navin Aggarwal

AUDITORS

KPMG

8/F, Prince's Building

10 Chater Road

Central, Hong Kong

SOLICITORS

Kirkpatrick & Lockhart Preston Gates Ellis

35/F Two International Finance Centre,

8 Finance Street,

Central, Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street, Hamilton HM 11

Bermuda

PRINCIPAL PLACES OF BUSINESS

HONG KONG

Unit 3001, 30th Floor,

Shui On Centre,

6-8 Harbour Road, Wanchai

Hong Kong

SINGAPORE

Tan Chong Motor Centre

911 Bukit Timah Road

Singapore 589622

BERMUDA RESIDENT REPRESENTATIVES

Mr. John C R Collis

Mr. Anthony D Whaley (Deputy)

PRINCIPAL BANKERS

Bank of America NA

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

11 Rosebank Centre, Bermudiana Road,

Hamilton, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Hopewell Centre, 46th Floor

183 Queen's Road East,

Wanchai, Hong Kong

STOCK CODE

693

MotorImage Group's effort to expand Subaru vehicle distribution regionally is starting to make an impact with sales increasing over 56% in each of the past two years.



Directors and Senior Management Profile

CHAIRMAN

Mr. Tan Eng Soon, age 59, is the Chairman of the Company and is a Director of many subsidiaries of the Group. He is also the Managing Director of Tan Chong Motor Holdings Berhad ("TCMH") and a Director of APM Automotive Holdings Berhad. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971.

MANAGING DIRECTOR

Mr. Joseph Ong Yong Loke, age 59, is the Managing Director of the Company. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr. Ong, a Chartered Surveyor, graduated with a BSc. (Building Economics) from the University of Reading in the United Kingdom in 1971. His previous work experience includes appointments with the Singapore Ministry of Defence and Straits Steamship Co Limited from 1976 to 1980.

EXECUTIVE DIRECTORS

Mr. Tan Kheng Leong, age 65, 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 45 years, Mr. Tan has worked in all areas of the Group's motor business, specializing in marketing and after-sales service. He is a brother-in-law of Mr. Neo Ah Chap.

Mr. Neo Ah Chap, age 64, is the Marketing Director of the motor operations in Singapore and a Director of several subsidiaries of the Group. Mr. Neo first joined the Group in Singapore in January 1971 as an Assistant Manager. In 1974, he assumed the position of Finance Director and subsequently the position of Marketing Director in 1977. He was trained as an Accountant in Perth, Australia, and is a member of the Institute of Certified Public Accountants of Singapore and CPA Australia.

Mdm. Sng Chiew Huat, age 60, is the Finance Director of the Company. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993. She is a Fellow of the Institute of Certified Public Accountants of Singapore as well as CPA Australia, and a member of the Association of Chartered Certified Accountants (ACCA).

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Han Yang, age 76, B.A (S'pore) of Lincoln's Inn, Barrister-at-law. He was appointed as an independent director of the Company in April 1998. Mr. Lee is a consultant in the law firm of Messrs Belinda Ang, Tang and Partners. He sits on the board of directors of several private and of two public companies, Wing Tai Holdings Limited and Low Keng Huat Holdings Ltd. Mr. Lee is also a member of the Board of National Council of Social Service. For many years he also chaired a Criminal Law Appeals Committee. Mr. Lee is an active member of the Law Society of Singapore and is a member of the Inquiry Panel. In August 2006 he was awarded the Public Service Star (BBM) by the President of the Republic of Singapore.

Mdm. Jeny Lau, age 49, was appointed as a Director of the Company in August 2003. She is currently the Executive Director and Chief Financial Officer of Shui On Construction and Materials Limited. Prior to that, she was Director of Corporate Finance of Shun Tak Holdings Limited. She has over ten years of investment banking experience and another ten years of commercial banking and major international accounting firm experience. Mdm. Lau holds a Master of Science degree in Accountancy and Systems and also a Bachelor of Science degree in Accounting. She is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants, Hong Kong Society of Accountants and Hong Kong Securities Institute.

Mr. Masatoshi Matsuo, age 64, 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, a renown world-wide truck and engine manufacturing and distribution company listed on the Tokyo Stock Exchange, until his retirement in 2001. Mr. Matsuo was appointed as a Director of the Company on 6 December 2004.

SENIOR MANAGEMENT

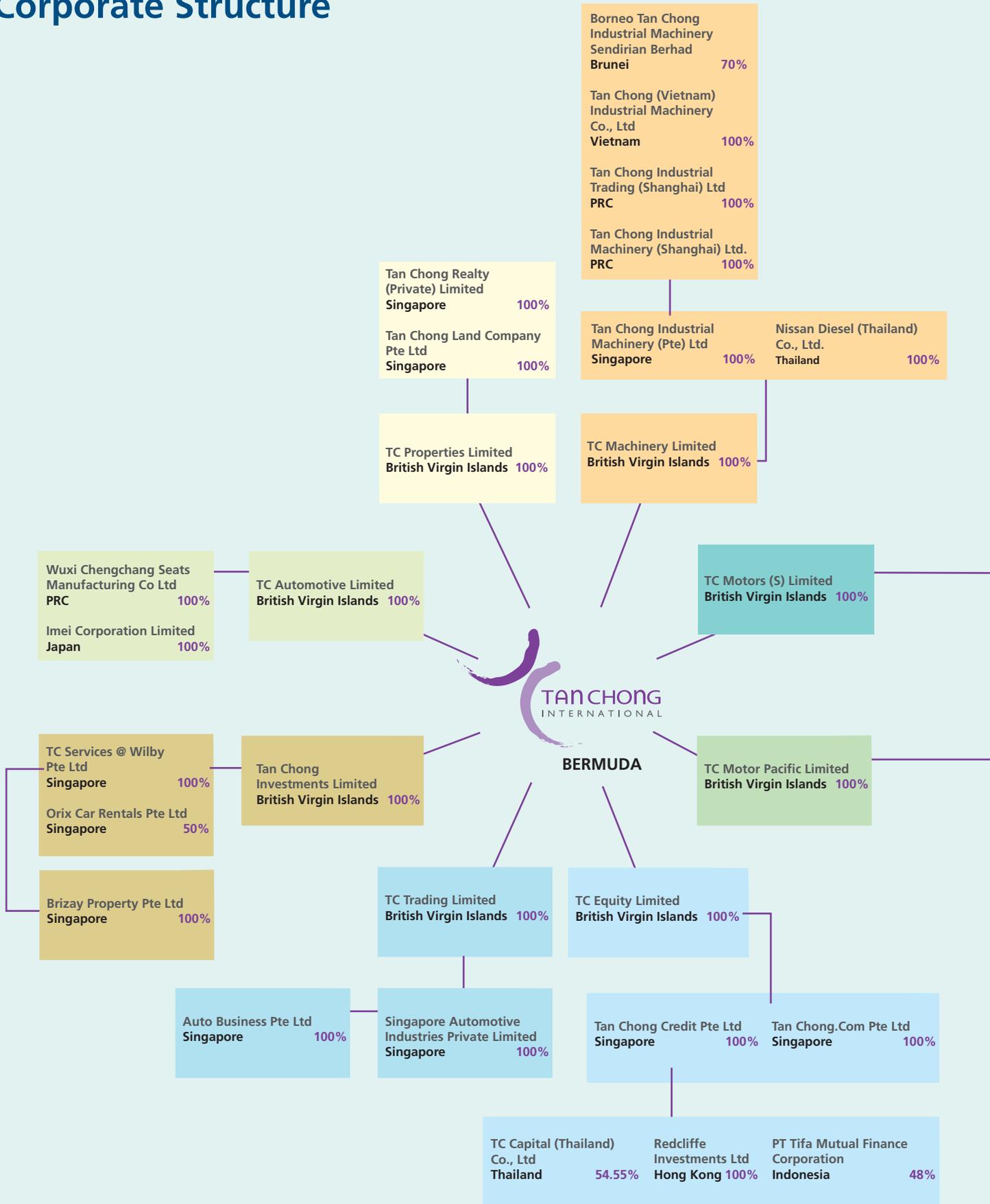
Mr. Glenn Tan Chun Hong, age 30, is the Chief Executive Officer of the Group's Subaru motor distribution businesses that cover Singapore, Hong Kong, China, Philippines, Indonesia, Malaysia, Thailand and Taiwan. Mr. Glenn Tan holds a Bachelor of Science in Commerce, Management degree from the Santa Clara University in the USA since 1998. He joined the Group in September 2001 as Manager of Tan Chong Realty (Private) Limited and was promoted to General Manager of Motor Image Enterprises Pte Ltd in January 2004. Prior to September 2001, he received on the job exposure to the property and trading businesses of the Group companies in Singapore. Mr. Glenn Tan is the only son of Mr. Tan Eng Soon the Chairman of the Group.

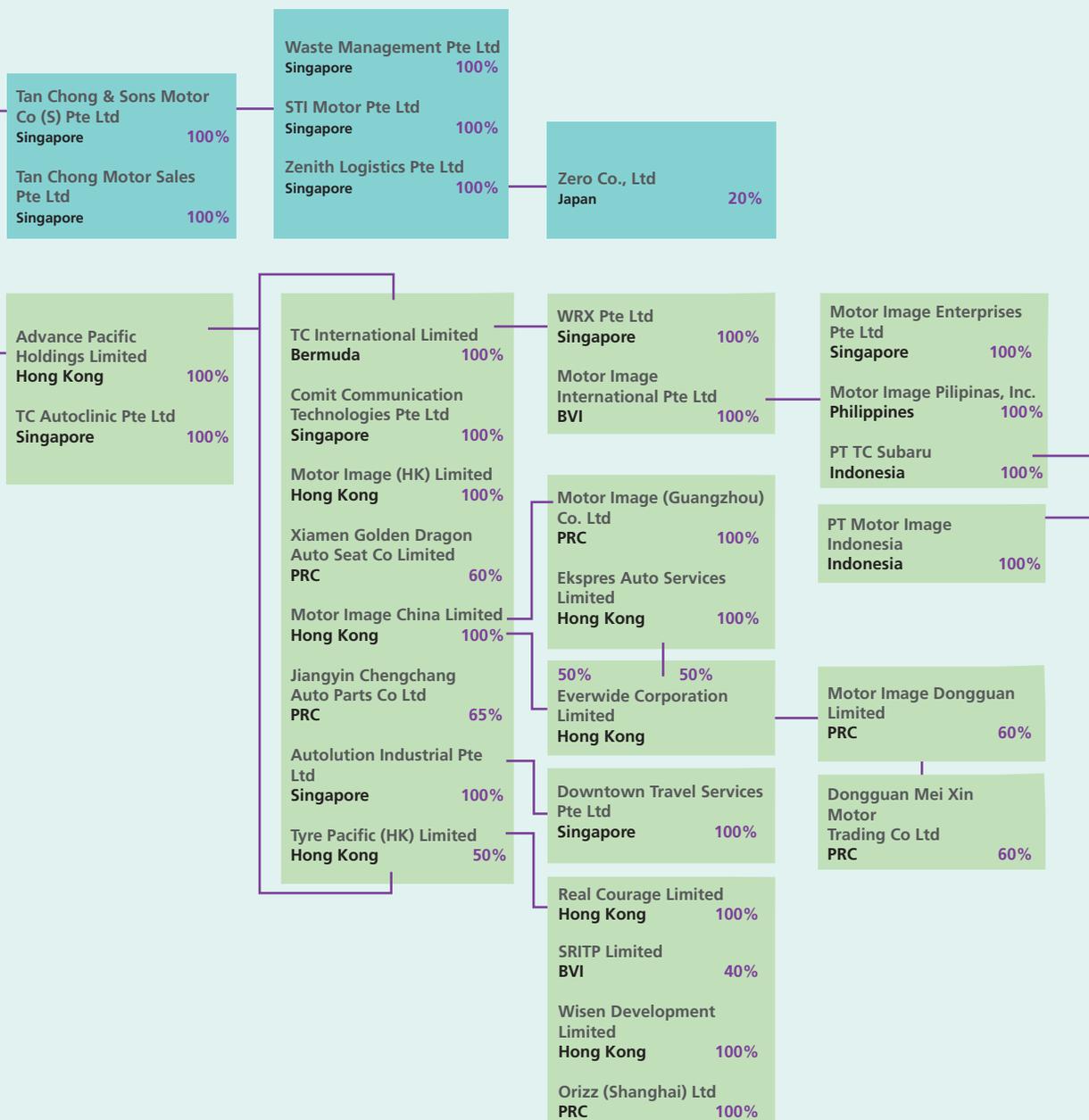
Mr. Chow Sheng Choy, age 60, is a Director of the heavy commercial vehicles and industrial equipment division of the Group. Mr. Chow joined the Group in 1989. He holds a Bachelor of Engineering degree from the University of Singapore.

Mr. Yeong Yue Sun, age 54, is the President of Nissan Diesel (Thailand) Co., Ltd.. Mr. Yeong is a trained Automotive Engineer and a Member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Melbourne Institute of Technology in Australia.

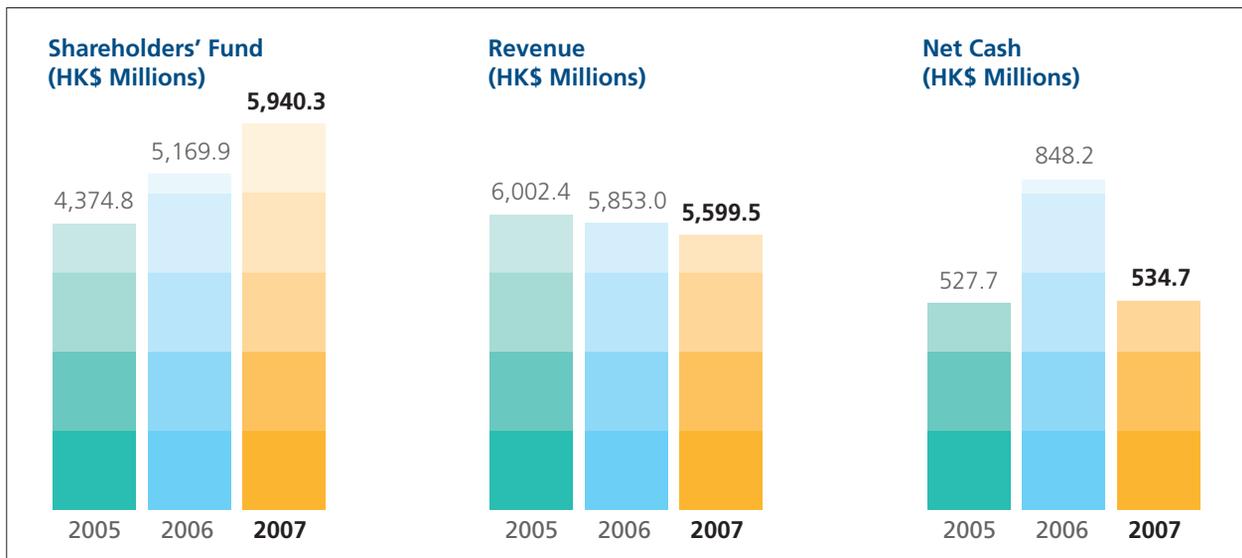


Corporate Structure



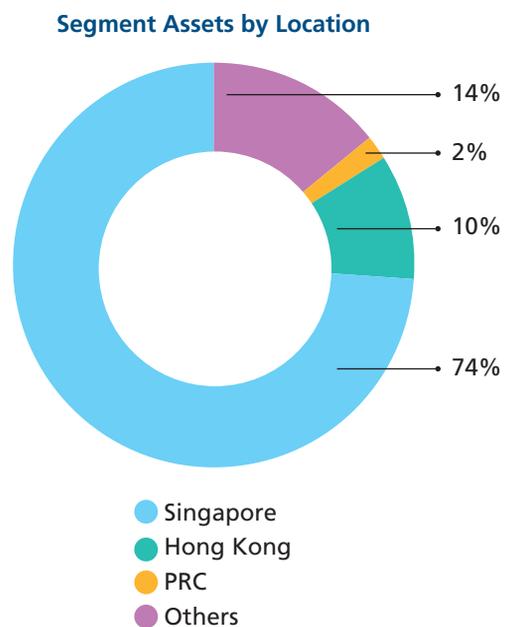
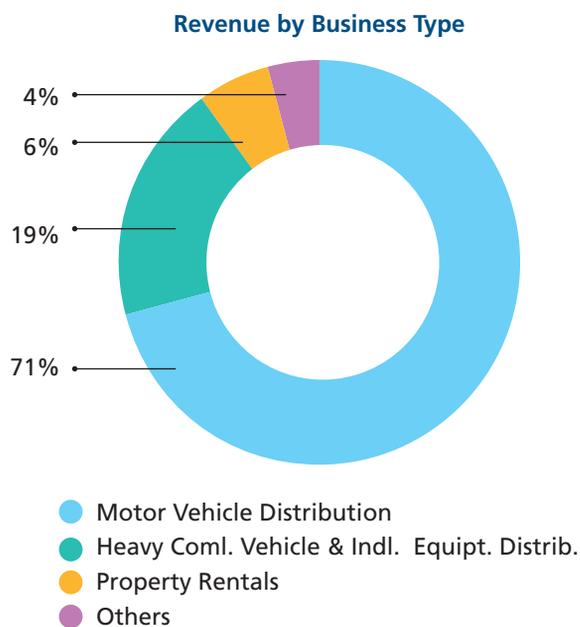


Financial Highlights



Units Sold		Earnings per Share (HK cents)	
2005	25,101	2005	22.1
2006	22,419	2006	28.5
2007	18,185	2007	26.5

Net Asset Value per Share (HK\$)		Profit Attributable to Shareholders (HK\$'millions)	
2005	2.17	2005	444.9
2006	2.57	2006	573.9
2007	2.95	2007	532.9



Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2007.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 16 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 33 to the financial statements.

Financial statements

The profit of the Group for the year ended 31 December 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 80.

Transfer to reserves

Profits attributable to shareholders, before dividends, of HK\$532,948,000 (2006: HK\$573,932,000) have been transferred to reserves. Other movements in reserves are set out in note 29 to the financial statements.

An interim dividend of HK2.0 cents (2006: HK2.0 cents) per share was paid on 6 September 2007. The directors now recommend a final dividend of HK4.5 cents (2006: HK4.5 cents) per share in respect of the year ended 31 December 2007.

Major suppliers and customers

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

Purchases	
- the largest supplier	35%
- five largest suppliers in aggregate	77%

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

The aggregate percentage of sales attributable to the Group's five largest customers is less than 10% of total sales during the year and therefore no additional disclosures with regard to major customers are made.

Property, plant and equipment

Movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

Share capital

Details of share capital of the Company are set out in note 29(c) to the financial statements. There were no movements during the year.

Directors' Report (continued)

Directors

The directors during the year were:

Executive directors

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

Independent non-executive directors

Lee Han Yang
Jeny Lau
Masatoshi Matsuo

In accordance with Bye-law 87, Joseph Ong Yong Loke and Masatoshi Matsuo 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 continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") with the Tan Chong Motor Holdings Berhad ("TCMH") Group, APM Automotive Holdings Berhad ("APM") Group and Motor Ultima Pte Ltd ("Ultima") Group. Tan Eng Soon is the managing director of TCMH and a director of APM. The Ultima Group is controlled by members of the Tan family and Tan Chong Consolidated Sdn Bhd is a substantial shareholder of the TCMH Group and the APM Group.

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

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

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

- (1) entered into by the Company in the ordinary and usual course of its business;
- (2) entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) entered into either in accordance with the relevant agreements governing them or where there are no such agreements, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Directors' Report (continued)

Directors' interests and short positions in shares

The directors who held office at 31 December 2007 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

	Ordinary shares of HK\$0.50 each			Percentage of total issued shares	Total
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)		
Executive Directors:					
Tan Eng Soon	4,200,000	-	101,580,000	5.25%	105,780,000
Joseph Ong Yong Loke	639,000	795,000	940,536	0.12%	2,374,536
Tan Kheng Leong	2,205,000	210,000	-	0.12%	2,415,000
Neo Ah Chap	3,300,000	-	-	0.16%	3,300,000
Sng Chiew Huat	639,000	-	-	0.03%	639,000

Notes:

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

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 31 December 2007, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the year to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the year was the Company, any of its subsidiaries or any of its fellow subsidiaries 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.

Directors' Report (continued)

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 2007 amounting to 5% or more of the ordinary shares in issue:

Name	Note	Ordinary shares held	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	(1)	912,799,986	45.34
Guoco Group Limited	(2)	262,302,700	13.03

Notes:

- (1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 16.66 per cent and Tan Kheng Leong as to approximately 11.21 per cent. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.
- (2) Pursuant to the SFO, these corporations/individuals namely Quek Leng Chan, HL Holdings Sdn Bhd, Kwek Leng Kee, Davos Investment Holdings Private Limited, Hong Leong Investment Holdings Pte Ltd, Kwek Holdings Pte Ltd and Hong Leong Company (Malaysia) Berhad, are deemed to be interested in all the shares in which Guoco Group Limited has an interest because of their direct/indirect interest in the entire/partial share capital of Guoco Group Limited. However, according to the Company's register, Capital Intelligence Limited, Guoline Capital Assets Limited and Guoline Overseas Limited reported interest is only 5.04%.

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

Emolument policy

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

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

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under 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 any of its fellow subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' Report (continued)

Pre-emptive rights

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

Purchase, sale or redemption of the Company's listed securities

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

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2007 are set out in notes 24 and 25 to the financial statements.

Financial summary

A summary of the results of the Group and of the Group's assets and liabilities for the last five financial years is set out on page 81 of the annual report.

Properties

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

Retirement schemes

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

Confirmation of independence

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

For and on behalf of the Board

Tan Eng Soon
Chairman
Hong Kong,
6 March, 2008

Independent Auditor's Report

to the shareholders of Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tan Chong International Limited (the "Company") set out on pages 23 to 80, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

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 2007 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
6 March, 2008

Consolidated Income Statement

for the year ended 31 December 2007

(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Revenue	3	5,599,504	5,853,032
Cost of sales		(4,501,810)	(4,777,190)
Gross profit		1,097,694	1,075,842
Other operating income	4	233,013	224,398
Distribution costs		(307,696)	(293,754)
Administrative expenses		(346,576)	(297,581)
Other operating expenses	5	(40,566)	(17,548)
Profit from operations		635,869	691,357
Financing costs	6	(9,606)	(19,710)
Share of profits less losses of associates		63,813	39,731
Profit before taxation	7	690,076	711,378
Income tax expense	10(a)	(150,657)	(136,775)
Profit for the year		539,419	574,603
Attributable to:			
Equity shareholders of the Company		532,948	573,932
Minority interests		6,471	671
Profit for the year	29(a)	539,419	574,603
Dividends payable to equity shareholders of the Company attributable to the year:	11		
Interim dividend declared during the year		40,266	40,266
Final dividend proposed after the balance sheet date		90,599	90,599
		130,865	130,865
Earnings per share (cents)	12	26.5	28.5

The notes on pages 30 to 80 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Total equity at 1 January		5,204,258	4,404,834
Net income and expense recognised directly in equity:			
Exchange differences on translation of financial statements of foreign operations	29(a)	376,020	355,686
Net income recognised directly in equity	29(a)	376,020	355,686
Net profit for the year		539,419	574,603
Total recognised income for the year		915,439	930,289
Attributable to			
- Equity shareholders of the Company		901,296	926,019
- Minority interests		14,143	4,270
		915,439	930,289
Dividends declared and approved during the year		(130,865)	(130,865)
Total equity at 31 December		5,988,832	5,204,258

The notes on pages 30 to 80 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Non-current assets			
Investment properties	13	1,493,555	1,248,800
Property, plant and equipment	14(a)	1,215,421	1,089,616
Lease prepayments	15	214,693	207,440
Interest in associates	17	510,276	438,821
Investments	18	25,540	25,976
Hire purchase debtors and instalments receivable	23	89,294	142,352
Deferred tax assets	10(b)	20,200	19,094
		3,568,979	3,172,099
Current assets			
Trading equity securities – listed outside Hong Kong	19	418,298	85,805
Inventories	20	939,056	746,536
Properties held for sale	21	311,588	454,906
Trade debtors	22	740,350	348,095
Hire purchase debtors and instalments receivable	23	81,287	101,869
Other debtors, deposits and prepayments		169,239	128,448
Amounts due from related companies	27	684	-
Cash and cash equivalents	24	766,980	1,259,330
		3,427,482	3,124,989
Current liabilities			
Bank overdrafts (unsecured)	25	29,757	29,884
Bank loans (unsecured)	25	151,031	332,160
Trade creditors	26	244,955	235,506
Other creditors and accruals		354,858	224,856
Amounts due to related companies	27	-	613
Taxation		103,336	163,634
Provisions	28	7,506	10,356
		891,443	997,009
Net current assets		2,536,039	2,127,980
Total assets less current liabilities		6,105,018	5,300,079

Consolidated Balance Sheet (continued)

at 31 December 2007

(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Non- current liabilities			
Deferred tax liabilities	10(b)	55,761	31,624
Bank loans (unsecured)	25	51,521	49,072
Provisions	28	8,904	15,125
		116,186	95,821
NET ASSETS			
		5,988,832	5,204,258
Capital and reserves			
	29(a)		
Share capital		1,006,655	1,006,655
Reserves		4,933,668	4,163,237
Total equity attributable to equity shareholders of the Company			
		5,940,323	5,169,892
Minority interests			
		48,509	34,366
TOTAL EQUITY			
		5,988,832	5,204,258

Approved and authorised for issue by the board of directors on 6 March 2008.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 30 to 80 form part of these financial statements.

Balance Sheet

at 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Non-current assets			
Property, plant and equipment	14(b)	130	76
Interest in subsidiaries	16	2,339,080	2,339,080
		2,339,210	2,339,156
Current assets			
Amounts due from subsidiaries	16	32,377	31,364
Other debtors, deposits and prepayments		680	913
Cash and cash equivalents	24	8,760	3,934
		41,817	36,211
Current liabilities			
Other creditors and accruals		5,912	5,458
Amounts due to subsidiaries	16	36,251	28,471
		42,163	33,929
Net current (liabilities)/assets		(346)	2,282
NET ASSETS		2,338,864	2,341,438
Capital and reserves			
Share capital	29(b)	1,006,655	1,006,655
Reserves		1,332,209	1,334,783
TOTAL EQUITY		2,338,864	2,341,438

Approved and authorised for issue by the board of directors on 6 March 2008.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 30 to 80 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2007

(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Operating activities			
Profit from operations		635,869	691,357
Adjustments for:			
- Depreciation	14(a)	84,998	72,930
- Impairment of goodwill	5	-	7,370
- Amortisation of lease prepayments	15	5,030	4,773
- Gain on disposal of property, plant and equipment	4	(13,372)	(11,600)
- Loss on sale of listed trading equity securities	5	1,468	-
- Loss on sale of investment properties	5	-	1,018
- Valuation gains on investment properties	4	(131,472)	(111,216)
- Decrease in fair value of listed trading equity securities	5	30,423	2,822
- Interest income	4	(33,966)	(42,781)
- Dividend income	4	(6,473)	(21,065)
- Net foreign exchange loss		42,320	15,723
Operating profit before changes in working capital		614,825	609,331
Decrease in amounts due from associates		57	31
Decrease in hire purchase debtors and instalments receivable		91,666	43,310
(Increase)/decrease in inventories		(143,161)	84,092
Decrease in properties held for sale		168,341	29,960
(Increase)/decrease in trade debtors		(368,478)	5,870
(Increase)/decrease in other debtors, deposits and prepayments		(33,586)	94,227
Increase in amounts due from related companies		(684)	-
Decrease in trade creditors		(5,188)	(76,332)
Increase/(decrease) in other creditors and accruals		117,953	(66,617)
Decrease in amounts due to related companies		(618)	(1,212)
(Decrease)/increase in provisions		(9,071)	1,867
Cash generated from operations		432,056	724,527
Interest paid		(12,763)	(17,854)
Taxes paid		(199,038)	(116,748)
Net cash generated from operating activities		220,255	589,925

Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 \$'000	2006 \$'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		40,021	32,424
Proceeds from sale of investment properties		-	2,482
Payment for purchase of listed trading equity securities		(382,919)	(33,195)
Proceeds from sale of listed trading equity securities		18,535	-
Dividends received from associates		20,670	9,040
Dividends received from listed trading equity securities		5,550	801
Dividends received from unlisted equity securities		923	20,264
Purchase of property, plant and equipment		(161,958)	(239,046)
Purchase of investment property		(25,219)	-
Interest received		33,939	42,619
Net cash used in investing activities		(450,458)	(164,611)
Cash flows from financing activities			
Repayment of borrowings		(501,099)	(151,273)
Proceeds from drawdown of borrowings		294,577	50,356
Dividends paid to shareholders		(130,865)	(130,865)
Net cash used in financing activities		(337,387)	(231,782)
Net (decrease)/increase in cash and cash equivalents		(567,590)	193,532
Cash and cash equivalents at 1 January		1,229,446	972,348
Effect of foreign exchange rate changes		75,367	63,566
Cash and cash equivalents at 31 December	24	737,223	1,229,446

The notes on pages 30 to 80 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies

Tan Chong International Limited (the "Company") is a company incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company was listed on The Stock Exchange of Hong Kong Limited ("HKSE") on 7 July 1998. The place of business of its principal subsidiaries is Singapore.

The consolidated financial statements for the year ended 31 December 2007 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 6 March 2008.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Although it is not required to do so under the Bye-laws of the Company, the financial statements of the Company and the Group have been prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The financial statements are presented in Hong Kong dollars, rounded to the nearest thousand, because the Company is listed in Hong Kong although its principal activities are domiciled in Singapore.

The consolidated financial statements are prepared on the historical cost basis except as otherwise explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. 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.

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1 (a)

1 (b)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1 (b) (b) Basis of preparation of the financial statements (continued)

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 estimates with a significant risk of material adjustment in the next year are discussed in note 34.

1 (c) (c) Basis of consolidation

(i) Subsidiaries and minority interests

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(c) 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 participating in the financial and operating policy decisions. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Translation of foreign currencies

(i) Individual companies

Transactions in foreign currencies are translated 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 the income statement.

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.

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1 (c)

1 (d)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

- 1 Significant accounting policies (continued)
- 1 (d) (d) Translation of foreign currencies (continued)
- (ii) On consolidation
- The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.
- 1 (e) (e) Investment properties
- Investment properties are held for their investment potential and rental income. Rental income from investment properties is accounted for as described in accounting policy 1(u)(iv). Investment properties are stated in the balance sheet at their fair value determined annually. Fair value is based on current prices in an active market for similar properties in the same location and condition. It is the Group's policy to undertake valuations at intervals of not more than three years by independent professional valuers on an open market value basis. In the intervening years, investment properties are valued by appropriately qualified persons within the Group on an annual basis. Any gain or loss arising from a change in fair value is recognised in the income statement.
- 1 (f) (f) Completed property held for sale
- Completed property held for sale is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.
- The cost of properties sold is determined by the apportionment of the total development cost of the project. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present condition.
- 1 (g) (g) Property, plant and equipment
- Land and buildings other than investment properties are carried at purchase price or at 1984 revalued amount, less accumulated depreciation and impairment losses (see note 1(v)).
- The surplus which arose on the 1984 valuation was taken to capital reserve and may only be transferred to retained profits as and when the relevant property is disposed of.
- Freehold land is not amortised.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

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(g) Property, plant and equipment (continued)

1 (g)

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	2% - 4%
Plant, machinery and equipment	
- engines, construction equipment and forklifts for hire	20% on cost less residual value
- others	10%
Furniture, fixtures, fittings and office equipment	10% - 15%
Motor vehicles	12 $\frac{1}{2}$ % - 40%

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

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

Construction in progress

Construction in progress represents buildings under construction and is stated at cost less impairment losses (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 property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's depreciation policies.

(h) Leased assets

1 (h)

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 regardless of whether the arrangement takes the legal form of a lease.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1 (h) (h) Leased assets (continued)

(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 an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease as set out in note 1(e).

(ii) Assets held for rental

Where the Group rents out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(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 the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(iv) Lease prepayments

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

1 (i) (i) Goodwill

Goodwill arising on acquisition of subsidiaries and associates, represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired.

Goodwill is stated at cost less accumulated impairment losses (see note 1(v)). Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in associates.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(j) Investments

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

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

Securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date, the fair value is remeasured with any resultant gain or loss being recognised in the income statement. The net gain or loss recognised in the income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(u)(iii) and (vi).

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

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

(k) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

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

(l) Hire purchase contracts

The amounts due from hirers in respect of hire purchase contracts are recorded in the balance sheet as hire purchase debtors which represent the total rentals receivable under hire purchase contracts less unearned interest income and impairment losses (see note 1(v)).

(m) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

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1 (j)

1 (k)

1 (l)

1 (m)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1 (m) Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No temporary differences are recognised on initial recognition of goodwill and assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they related to income taxes levied by the same taxation authority on the same taxable entity.

1 (n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of motor vehicles is determined primarily on an actual cost basis while cost of inventories other than motor vehicles is accounted for on an average cost basis. Cost comprises the purchase price including import duties (where applicable) and other directly attributable costs of acquisition.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions.

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

1 (o) Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(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.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1	Significant accounting policies (continued)	1
(p)	Cash and cash equivalents	1 (p)
	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 statement of cash flows.	
(q)	Trade and other creditors	1 (q)
	Trade and other creditors are initially recognised at fair value and thereafter stated at cost as the effect of discounting is immaterial.	
(r)	Interest-bearing borrowings	1 (r)
	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 the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.	
(s)	Provisions	1 (s)
	A provision is recognised in the balance sheet when the Company or the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation 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.	
	At 31 December 2007 and 2006, the Company and the Group have no contingent liabilities.	
(t)	Warranties	1 (t)
	A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.	
(u)	Revenue recognition	1 (u)
	Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:	
(i)	Revenue arising from sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership.	
(ii)	Services fee, agency commission and handling fees are recognised upon the conclusion of the related services provided.	
(iii)	Interest and hire purchase financing income is recognised as it accrues using the effective interest method.	
(iv)	Rental income from investment properties is recognised in the income statement on a straight-line basis over the periods of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.	

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1 (u) (u) Revenue recognition (continued)

- (v) Revenue arising from the sale of properties held for sale is recognised upon the exercising of the option to purchase by the buyer which is the time when the risks and rewards of ownership have been transferred. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under other creditors and accruals.
- (vi) Dividend income from unlisted investments is recognised when the Group's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 (v) (v) Impairment

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

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

- significant financial difficulty of the debtor; and
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation.

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

- For unquoted equity securities and current receivables carried at cost, the impairment loss is measured as the difference between the carrying amount and its estimated recoverable amount. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and its estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(v) Impairment (continued)

(ii) Impairment of other assets

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

- property, plant and equipment (other than properties carried at revalued amounts);
- lease prepayments; and
- investments in subsidiaries and associates.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset.

- Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

No impairment losses were recognised in the interim period for the six months ended 30 June 2007 and 2006 in respect of unquoted equity securities.

1

1 (v)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1 (w) (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.

1 (x) (x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1 (y) (y) Dividends

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

1 (z) (z) Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

2 Changes in accounting policies

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.

There have been no significant changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, Financial instruments: Disclosures and the amendment to IAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

With the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 30.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 29(d).

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

3 Revenue

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

	2007 \$'000	2006 \$'000
Sale of goods	4,889,977	5,403,085
Rendering of services	286,975	250,866
Hire purchase financing income	44,643	44,607
Gross rentals from investment properties	60,717	42,991
Gross proceeds from properties sold	248,929	37,501
Management service fees	3,390	3,390
Agency commission and handling fees	44,695	44,870
Warranty reimbursements	20,178	25,722
	<u>5,599,504</u>	<u>5,853,032</u>

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

4

4 Other operating income

	2007 \$'000	2006 \$'000
Bank and other interest income	33,966	42,781
Dividend income		
- listed equity securities	5,550	801
- unlisted investments	923	20,264
Gain on disposal of property, plant and equipment	13,372	11,600
Valuation gains on investment properties	131,472	111,216
Others	47,730	37,736
	233,013	224,398

5

5 Other operating expenses

	2007 \$'000	2006 \$'000
Decrease in fair value of listed trading equity securities	30,423	2,822
Bank charges	6,852	6,324
Impairment of goodwill	-	7,370
Loss on sale of investment properties	-	1,018
Loss on sale of listed trading equity securities	1,468	-
Others	1,823	14
	40,566	17,548

6

6 Financing costs

	2007 \$'000	2006 \$'000
Interest expense		
- on bank loans wholly repayable within five years	9,238	19,240
- on bank overdrafts	368	470
	9,606	19,710

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

7 Profit before taxation

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

	2007 \$'000	2006 \$'000
Cost of goods sold	4,539,077	4,603,705
Depreciation		
- assets held for use under operating leases	41,538	35,786
- other assets	43,460	37,144
Amortisation of lease prepayments	5,030	4,773
Impairment losses/(reversal of impairment losses) on		
- trade and other debtors	2,234	3,941
- hire purchase debtors and instalments receivables	(13,854)	(9,744)
Auditors' remuneration	2,633	2,382
Net (decrease)/increase in provision for warranties	(8,794)	2,112
Net foreign exchange loss/(gain)	19,722	(10,640)
Operating lease rental expenses in respect of properties	18,550	14,413
Rentals receivable from investment properties less direct outgoings of \$9,629,000 (2006: \$8,218,000)	(51,088)	(34,773)

8 Personnel expenses

	2007 \$'000	2006 \$'000
Wages and salaries	193,506	160,460
Retirement benefit costs	65,489	13,389
Others	9,809	10,581
	268,804	184,430

The number of employees at the end of 2007 was 1,629 (2006: 1,414).

The Group makes contributions to defined contribution plans pursuant to the rules and regulations applicable to the Group in the countries where the Group operates. The Group has no obligation for the payment of retirement benefits beyond the contributions.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

9

9 Directors' and senior executives' remuneration

9 (a)

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

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2007					
Executive directors					
Tan Eng Soon	100	6,089	5,626	26	11,841
Joseph Ong Yong Loke	390	2,376	1,587	26	4,379
Tan Kheng Leong	80	2,377	1,069	16	3,542
Neo Ah Chap	80	4,262	3,131	16	7,489
Sng Chiew Huat	80	1,905	1,346	25	3,356
Independent non-executive directors					
Lee Han Yang	105	-	-	-	105
Jeny Lau	85	-	-	-	85
Masatoshi Matsuo	60	-	-	-	60
	980	17,009	12,759	109	30,857
2006					
Executive directors					
Tan Eng Soon	100	5,242	4,583	23	9,948
Joseph Ong Yong Loke	390	2,513	1,269	23	4,195
Tan Kheng Leong	80	2,186	984	13	3,263
Neo Ah Chap	80	3,932	2,819	13	6,844
Sng Chiew Huat	80	1,671	1,198	23	2,972
Independent non-executive directors					
Lee Han Yang	105	-	-	-	105
Jeny Lau	85	-	-	-	85
Masatoshi Matsuo	60	-	-	-	60
	980	15,544	10,853	95	27,472

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

9 Directors' and senior executives' remuneration (continued)

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

10 Taxation

- (a) Income tax expense:

	2007 \$'000	2006 \$'000
Current tax expense		
Provision for the year	108,343	116,068
Under/(over)-provision in prior years	19,283	(3,641)
	127,626	112,427
Deferred tax expense		
Origination and reversal of temporary differences	25,792	22,012
Benefits of tax (gains) / losses recognised	(1,510)	2,336
Effects of decrease in tax rate on deferred tax balances at 1 January	(1,251)	-
	23,031	24,348
Total income tax expense in the consolidated income statement	150,657	136,775

An analysis of the income tax expense is as follows:

	2007 \$'000	2006 \$'000
Hong Kong	3,652	697
Singapore	113,044	124,985
Elsewhere	33,961	11,093
	150,657	136,775

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006:17.5%) of the estimated assessable profits for the year. The statutory corporate income tax rate for the Group's operations in Singapore is 18% in 2007 (2006: 20%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9

9 (b)

10

10 (a)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

10

10 Taxation (continued)

10 (a)

(a) Income tax expense: (continued)

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

	2007 \$'000	2006 \$'000
Profit before taxation	690,076	711,378
Computed tax using the applicable corporation tax rate		
- in Hong Kong	1,774	7,665
- in Singapore	97,636	116,806
- in other jurisdictions	31,380	13,579
Adjustments resulting from:		
- Non-deductible expenses	8,549	10,366
- Non-taxable income	(5,957)	(8,127)
- Effect of tax losses not recognised	4,770	7,887
- Unrecognised tax losses/deductible temporary differences utilised	(5,527)	(7,760)
- Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	(1,251)	-
- Under/(over)-provision in respect of prior years	19,283	(3,641)
Income tax expense	150,657	136,775

10 (b)

(b) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2007 and 2006 are attributable to the items detailed in the table below:

	2007			2006		
	Assets \$'000	Liabilities \$'000	Net \$'000	Assets \$'000	Liabilities \$'000	Net \$'000
Property, plant and equipment	949	(19,721)	(18,772)	45	(19,249)	(19,204)
Investment properties	-	(42,361)	(42,361)	-	(17,582)	(17,582)
Inventories	5,821	-	5,821	6,295	-	6,295
Trade debtors	5,335	-	5,335	4,867	-	4,867
Creditors and accruals	6,148	-	6,148	6,217	-	6,217
Provisions	4,330	-	4,330	4,388	-	4,388
Tax value of loss carry-forwards	3,938	-	3,938	2,489	-	2,489
Tax assets/(liabilities) Set-off within legal tax units and jurisdictions	26,521	(62,082)	(35,561)	24,301	(36,831)	(12,530)
Net tax assets/(liabilities)	20,200	(55,761)	(35,561)	19,094	(31,624)	(12,530)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

10 Taxation (continued)

(b) Deferred tax assets and liabilities (continued)

Potential deferred tax assets of approximately \$25,037,000 (2006: \$29,967,000) relating to the future benefits of tax losses and deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom before the ability to realise such potential benefits expires.

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

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

	Balance at 1 January 2006 \$'000	Recognised in the income statement \$'000	Balance at 31 December 2006 \$'000
Property, plant and equipment	(16,340)	(2,864)	(19,204)
Investment properties	-	(17,582)	(17,582)
Inventories	6,451	(156)	6,295
Trade debtors	7,745	(2,878)	4,867
Creditors and accruals	5,099	1,118	6,217
Provisions	4,038	350	4,388
Tax value of loss carry-forwards	4,825	(2,336)	2,489
	<u>11,818</u>	<u>(24,348)</u>	<u>(12,530)</u>

	Balance at 1 January 2007 \$'000	Effects of decrease in tax rate on deferred tax balances at 1 January \$'000	Recognised in the income statement \$'000	Balance at 31 December 2007 \$'000
Property, plant and equipment	(19,204)	1,920	(1,488)	(18,772)
Investment properties	(17,582)	1,570	(26,349)	(42,361)
Inventories	6,295	(630)	156	5,821
Trade debtors	4,867	(487)	955	5,335
Creditors and accruals	6,217	(622)	553	6,148
Provisions	4,388	(439)	381	4,330
Tax value of loss carry-forwards	2,489	(61)	1,510	3,938
	<u>(12,530)</u>	<u>1,251</u>	<u>(24,282)</u>	<u>(35,561)</u>

10

10 (b)

10 (c)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

11

11 Dividends

11 (a)

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

	2007 \$'000	2006 \$'000
Interim dividend paid of 2.0 cents per ordinary share (2006: 2.0 cents per ordinary share)	40,266	40,266
Final dividend proposed after the balance sheet date of 4.5 cents per ordinary share (2006: 4.5 cents per ordinary share)	90,599	90,599
	130,865	130,865

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

11 (b)

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

	2007 \$'000	2006 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 4.5 cents per ordinary share (2006: 4.5 cents per ordinary share)	90,599	90,599

12

12 Earnings per share

The calculation of basic earnings per share is based on net profit for the year attributable to equity shareholders of the Company of \$532,948,000 (2006: \$573,932,000) and the number of ordinary shares outstanding during the year of 2,013,309,000 (2006: 2,013,309,000) shares.

Diluted earnings per share is not presented as there were no dilutive securities outstanding during the years presented.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

13

13 Investment properties

The Group

	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Total \$'000
At 1 January 2006	995,616	224,397	1,220,013
Exchange adjustments	84,622	1,684	86,306
Transfer to property, plant and equipment and lease prepayment	(41,013)	(124,222)	(165,235)
Disposals	-	(3,500)	(3,500)
Valuation adjustment	65,748	45,468	111,216
At 31 December 2006	<u>1,104,973</u>	<u>143,827</u>	<u>1,248,800</u>
At 1 January 2007	1,104,973	143,827	1,248,800
Exchange adjustments	85,902	2,162	88,064
Additions	-	25,219	25,219
Valuation adjustment	124,363	7,109	131,472
At 31 December 2007	<u>1,315,238</u>	<u>178,317</u>	<u>1,493,555</u>

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

	Freehold land and buildings		Leasehold land and buildings	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
In Hong Kong				
- Long lease	-	-	135,219	108,000
Outside Hong Kong				
- Freehold	1,315,238	1,104,973	-	-
- Long lease	-	-	33,098	25,827
- Short term lease	-	-	10,000	10,000
	<u>1,315,238</u>	<u>1,104,973</u>	<u>178,317</u>	<u>143,827</u>

The investment properties of the Group were revalued at 31 December 2007 by a director of the Company, who is an Associate of The Royal Institution of Chartered Surveyors, on an open market value basis in their existing state and use by reference to comparable market transactions.

At 31 December 2007, a increase in fair value of \$131,472,000 was dealt with in the income statement for the year ended 31 December 2007 (2006: \$111,216,000).

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

14

14 Property, plant and equipment

14 (a)

(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 2007	367,860	575,975	182,751	100,852	200,363	27,209	1,455,010
Exchange adjustments	25,291	40,816	18,074	5,709	13,818	2,087	105,795
Additions	-	19,221	32,377	13,784	61,443	35,133	161,958
Disposals	-	(11,640)	(29,185)	(6,608)	(29,133)	-	(76,566)
Transfer	-	29,296	-	-	-	(29,296)	-
At 31 December 2007	393,151	653,668	204,017	113,737	246,491	35,133	1,646,197
Representing:							
Cost	179,702	595,492	204,017	113,737	246,491	35,133	1,374,572
Valuation – 1984	213,449	58,176	-	-	-	-	271,625
	393,151	653,668	204,017	113,737	246,491	35,133	1,646,197
Accumulated depreciation:							
At 1 January 2007	-	139,779	86,283	70,023	69,309	-	365,394
Exchange adjustments	-	9,232	9,574	4,615	6,880	-	30,301
Charge for the year	-	20,674	27,376	10,955	25,993	-	84,998
Written back on disposal	-	(4,389)	(22,533)	(6,340)	(16,655)	-	(49,917)
At 31 December 2007	-	165,296	100,700	79,253	85,527	-	430,776
Net book value:							
At 31 December 2007	393,151	488,372	103,317	34,484	160,964	35,133	1,215,421

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

14 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 2006	238,284	489,168	156,297	81,989	161,052	8,160	1,134,950
Exchange adjustments	26,269	37,544	17,336	6,240	13,355	980	101,724
Additions	62,294	43,852	45,288	12,644	47,759	27,209	239,046
Disposals	-	(2,307)	(36,170)	(1,443)	(21,803)	-	(61,723)
Transfer from investment properties	41,013	-	-	-	-	-	41,013
Transfer	-	7,718	-	1,422	-	(9,140)	-
At 31 December 2006	<u>367,860</u>	<u>575,975</u>	<u>182,751</u>	<u>100,852</u>	<u>200,363</u>	<u>27,209</u>	<u>1,455,010</u>
Representing:							
Cost	168,828	521,728	182,751	100,852	200,363	27,209	1,201,731
Valuation - 1984	<u>199,032</u>	<u>54,247</u>	-	-	-	-	<u>253,279</u>
	<u>367,860</u>	<u>575,975</u>	<u>182,751</u>	<u>100,852</u>	<u>200,363</u>	<u>27,209</u>	<u>1,455,010</u>
Accumulated depreciation:							
At 1 January 2006	-	114,425	73,749	58,058	57,551	-	303,783
Exchange adjustments	-	8,832	11,229	4,465	5,054	-	29,580
Charge for the year	-	17,119	25,719	8,900	21,192	-	72,930
Written back on disposal	-	(597)	(24,414)	(1,400)	(14,488)	-	(40,899)
At 31 December 2006	-	<u>139,779</u>	<u>86,283</u>	<u>70,023</u>	<u>69,309</u>	-	<u>365,394</u>
Net book value:							
At 31 December 2006	<u>367,860</u>	<u>436,196</u>	<u>96,468</u>	<u>30,829</u>	<u>131,054</u>	<u>27,209</u>	<u>1,089,616</u>

14

14 (a)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

14

14 Property, plant and equipment (continued)

14 (a)

(a) The Group (continued)

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

	Land		Buildings	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
In Hong Kong				
- Medium term lease	-	-	1,346	7,051
Outside Hong Kong				
- Freehold	393,151	367,860	123,394	82,556
- Long lease	-	-	190,947	177,534
- Medium term lease	-	-	166,612	162,750
- Short term lease	-	-	6,073	6,305
	<u>393,151</u>	<u>367,860</u>	<u>488,372</u>	<u>436,196</u>

(ii) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts (or deemed cost) totalling \$271,625,000 (2006: \$253,279,000) as the amount of the adjustments relating to prior periods could not be reasonably determined when International Financial Reporting Standards were adopted for the purpose of preparing financial statements prior to listing. The requirements of IAS 16 "Property, plant and equipment" with respect to carrying assets at amounts other than cost less accumulated depreciation are therefore not applicable.

(iii) The Group rents out certain motor vehicles, machinery and equipment. The rental period typically runs for an initial period of one to three years, with an option to renew after that date at which time all terms are renegotiated. None of the rental agreements includes contingent rentals.

The gross carrying amounts of motor vehicles, machinery and equipment of the Group held for rental were \$326,692,000 (2006: \$282,889,000) and the related accumulated depreciation charges were \$114,949,000 (2006: \$98,914,000).

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

14 Property, plant and equipment (continued)

(b) The Company

	Office equipment \$'000	Furniture and Fittings \$'000	Motor vehicles \$'000	Total \$'000
Cost:				
At 1 January 2007	184	288	239	711
Additions	10	110	-	120
Disposals	(3)	(2)	-	(5)
At 31 December 2007	191	396	239	826
Accumulated depreciation:				
At 1 January 2007	179	265	191	635
Charge for the year	4	11	48	63
Written back on disposal	(2)	-	-	(2)
At 31 December 2007	181	276	239	696
Net book value:				
At 31 December 2007	10	120	-	130
Cost:				
At 1 January 2006	184	264	239	687
Additions	-	24	-	24
At 31 December 2006	184	288	239	711
Accumulated depreciation:				
At 1 January 2006	171	262	143	576
Charge for the year	8	3	48	59
At 31 December 2006	179	265	191	635
Net book value:				
At 31 December 2006	5	23	48	76

14

14 (b)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

15

15 Lease prepayments

	The Group	
	2007 \$'000	2006 \$'000
At 1 January	207,440	71,566
Exchange adjustments	12,283	16,425
Transfer from investment properties	-	124,222
Amortisation	(5,030)	(4,773)
At 31 December	214,693	207,440

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

	2007 \$'000	2006 \$'000
In Hong Kong		
- Medium term lease	-	2,348
Outside Hong Kong		
- Long lease	165,635	157,117
- Medium term lease	49,058	47,975
	214,693	207,440

16

16 Interest in subsidiaries

	The Company	
	2007 \$'000	2006 \$'000
Unlisted shares, at cost	2,292,080	2,292,080
Loan to a subsidiary	47,000	47,000
	2,339,080	2,339,080

The loan to a subsidiary is unsecured, interest free and has no fixed repayment terms.

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

16

16 Interest in subsidiaries (continued)

The following list contains particulars of the subsidiaries as at 31 December 2007 which principally affected the results or assets of the Group:

Name	Place of incorporation and operation	Particulars of issued and paid up capital (All being ordinary unless otherwise stated)	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong & Sons Motor Company (Singapore) Private Limited	Republic of Singapore ("Singapore")	SGD150,000,000 Redeemable preference SGD50,000,000	100%	Treasury management
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	SGD16,500,000 Redeemable preference SGD12,500,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD8	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	SGD46,600,000 Redeemable preference SGD12,500,000	100%	Hire-purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	SGD57,900,000 Redeemable preference SGD25,000,000	100%	Property holding
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property holding and letting
Tan Chong Land Company Pte Ltd	Singapore	SGD1,000,000	100%	Sale of properties and property development
Advance Pacific Holdings Limited	Hong Kong	HK\$8,500,000	100%	Investment holding
Motor Image China Limited	Hong Kong	HK\$10,000,000	100%	Distribution of motor vehicles

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

16

16 Interest in subsidiaries (continued)

Name	Place of incorporation and operation	Particulars of issued and paid up capital (All being ordinary unless otherwise stated)	Percentage of equity indirectly held through subsidiaries	Principal activities
Motor Image (HK) Limited	Hong Kong	HK\$8,000,000	100%	Distribution of motor vehicles
Nissan Diesel (Thailand) Company Limited	Thailand	BAHT 1,646,456,000 Redeemable preference BAHT 250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services

17

17 Interest in associates

	The Group	
	2007 \$'000	2006 \$'000
Share of net assets	510,276	438,764
Amounts due from associates	-	57
	<u>510,276</u>	<u>438,821</u>
Associates listed outside Hong Kong	162,544	142,058
Unlisted associate	347,732	296,763
	<u>510,276</u>	<u>438,821</u>
Market value of listed associates	145,095	99,676

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

17 Interest in associates (continued)

Details of the major associates are as follows:

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

Summary of financial information on associates:

	Assets \$'000	Liabilities \$'000	Equity \$'000	Revenue \$'000	Profit \$'000
2007					
100 per cent	4,626,830	3,137,041	1,489,789	4,138,596	164,052
Group's effective interest	<u>1,771,440</u>	<u>1,261,164</u>	<u>510,276</u>	<u>1,010,874</u>	<u>63,813</u>
2006					
100 per cent	4,190,129	2,886,427	1,303,702	4,079,152	79,255
Group's effective interest	<u>1,529,278</u>	<u>1,090,514</u>	<u>438,764</u>	<u>1,000,228</u>	<u>39,731</u>

18 Investments

Non-current financial assets

	The Group	
	2007 \$'000	2006 \$'000
Unlisted equity securities	<u>25,540</u>	<u>25,976</u>

The unlisted equity securities are stated at cost less impairment losses because their fair values cannot be measured reliably. The unlisted equity securities are not traded in an open market.

As at 31 December 2007, the Group's unlisted equity securities were individually determined to be impaired on the basis of a decline in their recoverable amount below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses in these investment were recognised in the income statement in accordance with the policy set out in note 1(v)(i).

17

18

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

19 19 Trading equity securities – listed outside Hong Kong

	The Group	
	2007 \$'000	2006 \$'000
Trading equity securities (at market value)		
Listed trading equity securities – outside Hong Kong	418,298	85,805

20 20 Inventories

20 (a) (a) Inventories in the balance sheet comprise:

	The Group	
	2007 \$'000	2006 \$'000
Raw materials	58,971	16,202
Work-in-progress	14,108	8,250
Spare parts and others	157,262	112,838
Finished goods	682,633	605,032
Goods in transit	26,082	4,214
	939,056	746,536

20 (b) (b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007 \$'000	2006 \$'000
Carrying amount of inventories sold	4,364,400	4,573,659
Write-down of inventories	6,336	3,302
Reversal of write-down of inventories	-	(4,663)
	4,370,736	4,572,298

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

21 Properties held for sale

	The Group	
	2007	2006
	\$'000	\$'000
Completed properties held for sale	311,588	454,906

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

	The Group	
	2007	2006
	\$'000	\$'000
Carrying amount of completed properties sold	168,341	31,407

22 Trade debtors

	The Group	
	2007	2006
	\$'000	\$'000
Trade debtors	764,312	372,264
Less: Allowance for doubtful debts (note 22(b))	(23,962)	(24,169)
	740,350	348,095

(a) Ageing analysis

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

	The Group	
	2007	2006
	\$'000	\$'000
0 - 30 days	663,695	308,887
31 - 90 days	59,412	33,922
Over 90 days	17,243	5,286
	740,350	348,095

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 30(b).

21

22

22 (a)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

22

22 Trade debtors (continued)

22 (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)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007 \$'000	2006 \$'000
At 1 January	24,169	20,148
Exchange adjustment	1,713	2,336
Impairment loss recognised	2,234	3,941
Uncollectible amounts written off	(4,154)	(2,256)
	<hr/>	<hr/>
At 31 December	<u>23,962</u>	<u>24,169</u>

22 (c)

(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	
	2007 \$'000	2006 \$'000
Neither past due nor impaired	570,028	291,762
1- 30 days past due	93,667	17,125
31 - 90 days past due	59,412	33,922
Over 90 days past due	17,243	5,286
	<hr/>	<hr/>
	170,322	56,333
	<hr/>	<hr/>
	<u>740,350</u>	<u>348,095</u>

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.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

23 Hire purchase debtors and instalments receivable

23

	The Group	
	2007	2006
	\$'000	\$'000
Balance due		
- within one year	119,294	153,457
- between one year and five years	127,835	191,344
- more than five years	738	3,810
Hire purchase debtors and instalments receivable	247,867	348,611
Unearned interest charges	(33,223)	(46,046)
	214,644	302,565
Less: impairment losses	(44,063)	(58,344)
	170,581	244,221
Balance due		
- within one year	81,287	101,869
- between one year and five years	88,730	139,109
- more than five years	564	3,243
	89,294	142,352
	170,581	244,221

Impairment of hire purchase debtors and instalment receivable

Impairment losses in respect of hire purchase debtors and instalment receivable is recorded using an allowance method 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)).

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

23

23 Hire purchase debtors and instalments receivable (continued)

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007 \$'000	2006 \$'000
At 1 January	58,344	78,377
Exchange adjustment	3,932	8,186
Reversal of impairment loss recognised	(13,854)	(9,744)
Uncollectible amounts written off	(4,359)	(18,475)
At 31 December	<u>44,063</u>	<u>58,344</u>

24

24 Cash and cash equivalents

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bank deposits	600,933	1,170,837	5,342	1,131
Bank balances	165,373	88,177	3,418	2,803
Cash in hand	674	316	-	-
Cash and cash equivalents	<u>766,980</u>	<u>1,259,330</u>	<u>8,760</u>	<u>3,934</u>
Bank overdrafts (unsecured) (note 25)	<u>(29,757)</u>	<u>(29,884)</u>		
Cash and cash equivalents in the consolidated statement of cash flows	<u>737,223</u>	<u>1,229,446</u>		

The effective interest rate of deposits ranged from 0.25% to 7.15% (2006: 0.25% to 5.86%) per annum. The tenor of such deposits placed ranges from one day to three months.

Bank overdrafts bear interest at rates ranging from 2.93% to 8.00% (2006: 4.25% to 19.00%) per annum.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

25 Bank loans and overdrafts (unsecured)

At 31 December 2007, the bank loans and overdrafts were payable as follows:

	The Group	
	2007 \$'000	2006 \$'000
Within 1 year		
- bank overdrafts (note 24)	29,757	29,884
- bank loans	151,031	332,160
	180,788	362,044
Bank loans:		
After 1 year but within 2 years	48,694	1,283
After 2 years but within 5 years	2,827	47,789
	51,521	49,072
	232,309	411,116

At 31 December 2007, the bank loans bear interest at floating rates which ranged from 2.93% to 8% per annum.

At 31 December 2006, bank loans totalling \$5,903,000 bear interest at the Hong Kong Inter Bank Offered Rate plus 1.50% per annum or at the bank's cost of funding plus 1.50% per annum, whichever is the higher and bank loans totalling \$303,564,000 bear interest at a fixed rate of 2.85% to 4.00% per annum. The above bank loans were repaid during the year ended 31 December 2007. The remaining portion of the bank loans bears interest at floating rates which ranged from 1.05% to 9.25% per annum as at 31 December 2006.

26 Trade creditors

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

	The Group	
	2007 \$'000	2006 \$'000
0 - 30 days	103,220	124,867
31 - 90 days	132,684	98,097
91 - 180 days	3,658	6,969
Over 180 days	5,393	5,573
	244,955	235,506

25

26

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

27 27 Amounts due from/(to) related companies

The Group	
2007	2006
\$'000	\$'000
Trading balances	(613)

28 28 Provisions

The Group	
2007	2006
\$'000	\$'000
Provisions for warranties	
Balance at 1 January	23,614
Provisions (reversed)/made	2,112
Provisions used	(245)
Balance at 31 December	25,481
Current	10,356
Non-current	15,125
16,410	25,481

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

29 Capital and reserves

(a) The Group

	Attributable to equity shareholders of the Company		
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000
Balance at 1 January 2006	1,006,655	550,547	9,549
Exchange differences on translation of financial statements of overseas operations	-	-	-
Profit for the year	-	-	-
Dividends to shareholders	-	-	-
Balance at 31 December 2006	1,006,655	550,547	9,549
Balance at 1 January 2007	1,006,655	550,547	9,549
Exchange differences on translation of financial statements of overseas operations	-	-	-
Profit for the year	-	-	-
Dividends to shareholders	-	-	-
Balance at 31 December 2007	1,006,655	550,547	9,549

Share premium

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

Capital reserve

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

Translation reserve

The translation reserve mainly comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

29

29 (a)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

29

29 (a)

Attributable to equity shareholders of the Company					
Translation reserve \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
(320,015)	377,690	2,750,312	4,374,738	30,096	4,404,834
352,087	-	-	352,087	3,599	355,686
-	-	573,932	573,932	671	574,603
-	-	(130,865)	(130,865)	-	(130,865)
32,072	377,690	3,193,379	5,169,892	34,366	5,204,258
32,072	377,690	3,193,379	5,169,892	34,366	5,204,258
368,348	-	-	368,348	7,672	376,020
-	-	532,948	532,948	6,471	539,419
-	-	(130,865)	(130,865)	-	(130,865)
400,420	377,690	3,595,462	5,940,323	48,509	5,988,832

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

29 Capital and reserves (continued)

(b) The Company

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2006	1,006,655	550,547	623,313	167,423	2,347,938
Profit for the year	-	-	-	124,365	124,365
Dividends to shareholders	-	-	-	(130,865)	(130,865)
At 31 December 2006	<u>1,006,655</u>	<u>550,547</u>	<u>623,313</u>	<u>160,923</u>	<u>2,341,438</u>
Balance at 1 January 2007	1,006,655	550,547	623,313	160,923	2,341,438
Profit for the year	-	-	-	128,291	128,291
Dividends to shareholders	-	-	-	(130,865)	(130,865)
At 31 December 2007	<u>1,006,655</u>	<u>550,547</u>	<u>623,313</u>	<u>158,349</u>	<u>2,338,864</u>

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:

- the Company is, or would after the payment, be unable to pay its liabilities as they become due; or
- 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 shareholders at 31 December 2007 are as follows:

	2007 \$'000	2006 \$'000
Contributed surplus	623,313	623,313
Retained profits	158,349	160,923
	<u>781,662</u>	<u>784,236</u>

The consolidated profit attributable to equity shareholders of the Company includes the Company's profit of \$55,936,000 (2006: \$64,283,000) which has been dealt with in the financial statements of the Company.

29

29 (b)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

29 29 Capital and reserves (continued)

29 (b) (b) The Company (continued)

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

	2007 \$'000	2006 \$'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	55,936	64,283
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	72,355	60,082
Company's profit for the year	<u>128,291</u>	<u>124,365</u>

29 (c) (c) Share capital

	The Group and the Company	
	2007 \$'000	2006 \$'000
Authorised:		
3,000,000,000 ordinary shares of \$0.50 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
2,013,309,000 ordinary shares of \$0.50 each	<u>1,006,655</u>	<u>1,006,655</u>

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.

29 (d) (d) Capital management

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

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

At 31 December 2007 and 2006, the Group was in net cash position. For this purpose, the Group defines net cash as cash and cash equivalents less bank overdrafts and bank loans.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

30 Financial instruments

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

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. The Group has no fair value interest rate risk as there are no borrowings which bear fixed interest rates as at 31 December 2007. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of bank overdrafts and loans of the Group are disclosed in notes 24 and 25.

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately \$3,505,000 (2006: \$6,409,000). Other components of consolidated equity would not be affected (2006: \$Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The Group does not have a significant exposure to any individual customer. The Group invests available cash and cash equivalents with various banks with high credit ratings.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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30 (a)

30 (b)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

30

30 Financial instruments (continued)

30 (c)

(c) Currency risk

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

Sensitivity analysis

	2007 ¥'000	2006 ¥'000
Trade creditors	469,146	397,206

The Group's operating subsidiaries regularly monitor their exchange exposure and may hedge their position discriminately, depending on the size of the exposure and the future outlook of the particular currency unit. There were no material forward exchange contracts outstanding as at 31 December 2006 and 2007.

30 (d)

d) Liquidity management

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

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

30 Financial instruments (continued)

d) Liquidity management (continued)

The Group

	2007				
	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	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
Bank overdrafts	29,757	29,757	29,757	-	-
Bank loans	202,552	213,660	159,632	50,871	3,157
Trade creditors	244,955	244,955	244,955	-	-
Other creditors and accruals	354,858	354,858	354,858	-	-
Amounts due to related companies	-	-	-	-	-
	<u>832,122</u>	<u>843,230</u>	<u>789,202</u>	<u>50,871</u>	<u>3,157</u>

	2006				
	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	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
Bank overdrafts	29,884	29,884	29,884	-	-
Bank loans	381,232	401,291	347,841	3,385	50,065
Trade creditors	235,506	235,506	235,506	-	-
Other creditors and accruals	224,856	224,856	224,856	-	-
Amounts due to related companies	613	613	613	-	-
	<u>872,091</u>	<u>892,150</u>	<u>838,700</u>	<u>3,385</u>	<u>50,065</u>

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30 (d)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

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30 Financial instruments (continued)

30 (d)

d) Liquidity management (continued)

The Company

	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	2007		
			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
Other creditors and accruals	5,912	5,912	5,912	-	-
Amounts due to subsidiaries	36,251	36,251	36,251	-	-
	<u>42,163</u>	<u>42,163</u>	<u>42,163</u>	<u>-</u>	<u>-</u>

	Carrying amount \$'000	Total contractual undiscounted cash flow \$'000	2006		
			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
Other creditors and accruals	5,458	5,458	5,458	-	-
Amounts due to subsidiaries	28,471	28,471	28,471	-	-
	<u>33,929</u>	<u>33,929</u>	<u>33,929</u>	<u>-</u>	<u>-</u>

30 (e)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19) which are listed.

The Group's listed investments are listed on the Tokyo Stock Exchange and are included in the Nikkei 225. Decisions to buy or sell trading securities based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs.

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

30 Financial instruments (continued)

(e) Equity price risk (continued)

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the relevant stock market index (for listed investments), to which the Group has significant exposure at the balance sheet date.

The Group

	2007		2006	
	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax and retained profits \$'000	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax and retained profits \$'000
Stock market index in respect of listed investments:				
- Nikkei 225	10%	41,822	10%	8,573
	(10)%	(41,822)	(10)%	(8,573)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(f) Fair value

The fair values of listed equity securities are shown in notes 17 and 19.

The fair values of cash and cash equivalents, trade, hire purchase and other debtors, amounts due from related companies, trade and other creditors, amounts due to related companies, bank overdrafts and loans are not materially different from their carrying amounts.

Fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

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30 (e)

30 (f)

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

31

31 Commitments

31 (a)

- (a) Capital commitments outstanding at 31 December 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Authorised and contracted for:		
- construction of properties	224,018	37,935

31 (b)

- (b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Less than one year	14,834	8,679
Between one and five years	30,997	19,298
More than five years	97,107	91,038
	142,938	119,015

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

32

32 Material related party transactions

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

32 (a)

- (a) Key management personnel remuneration

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

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

32 Material related party transactions (continued)

(b) Transactions with related companies

	Note	2007 \$'000	2006 \$'000
Sales of goods and services to the TCMH Group	(i)	7,102	5,376
Sales of goods and services to the Ultima Group	(i)	219	315
Services rendered by the Ultima Group	(i)	2,885	6,277
Purchase of inventories from the TCMH Group	(i)	2,275	1,457
Purchase of inventories from the APM Group	(i)	301	4,772
Hire purchase financing income from the Ultima Group	(ii)	-	382

Notes:

- (i) Tan Eng Soon is the managing director of Tan Chong Motor Holdings Berhad ("TCMH") and a director of APM Automotive Holdings Berhad ("APM"). The Motor Ultima Pte Ltd ("Ultima") Group is controlled by members of the Tan family and Tan Chong Consolidated Sdn. Bhd. is a substantial shareholder of the TCMH Group and the APM Group.
- (ii) Hire purchase financing income represents interest charges on hire purchase financing on motor vehicles to the Ultima Group. Interest on the hire purchase financing was charged at a fixed interest rate with a fixed repayment term similar to other customers.

(c) Transactions with an associate

Management service fees received from an associate of the Group amounted to HK\$3,390,000 (2006: HK\$3,390,000).

33 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

32

32 (b)

32 (c)

33

33 Segment reporting (continued)

Business segments

The Group comprises the following main business segments:

(i) Motor vehicle distribution

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

(ii) Heavy commercial vehicle and industrial equipment distribution

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

(iii) Property rentals and development

The Group has significant property interests located in Singapore and is engaged in the gradual development of various operating and investment properties in order to meet the property needs of the Group as well as for sales and rental income.

(iv) Other operations

Other operations include investment holding and hire-purchase financing.

Geographical segments

The business segments detailed above operate in three principal geographical areas. Singapore is a major market for the Group's businesses. In Hong Kong, the Group is engaged in the distribution of Subaru vehicles, the provision of workshop services and investment in property in return for rental income and in the PRC, the Group is engaged in the distribution of Subaru vehicles, the manufacture of vehicle seats and shock absorbers.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

33 Segment reporting (continued)

Business segments

	Motor vehicle distribution		Heavy commercial vehicle and industrial equipment distribution	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from external customers:				
- sales	3,843,200	4,643,673	960,968	706,260
- services	105,130	103,566	82,211	69,181
- hire purchase financing	-	-	-	-
- rentals	2,497	2,590	1,733	402
- others	62,195	68,610	2,677	1,977
Total revenue	4,013,022	4,818,439	1,047,589	777,820
Segment result :				
Profit from operations	184,025	390,058	166,473	103,472
Net financing (costs)/ income	(24,298)	(26,294)	(3,838)	(5,754)
Share of profits less losses of associates	37,705	29,248	-	-
Income tax expense	(36,264)	(80,088)	(38,558)	(18,833)
Net profit for the year	161,168	312,924	124,077	78,885
Segment assets	2,139,488	2,459,526	911,186	644,810
Interest in associates	278,536	235,571	-	-
Consolidated total assets	2,418,024	2,695,097	911,186	644,810
Consolidated total liabilities	474,642	726,300	272,606	130,221
Capital expenditure	47,806	144,987	68,219	51,260
Depreciation and amortisation expense	21,719	16,516	37,625	35,380
Impairment losses	-	-	-	-
Significant non-cash income/(expenses)	-	(2,000)	-	-

Geographical segments

In addition to the information on business segments based on the structure of the Group, the figures below present information for geographical segments.

	Singapore		Hong Kong	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from external customers	4,221,491	4,998,003	87,290	60,711
Segment assets	4,786,391	4,768,486	657,480	300,297
Capital expenditure	98,551	118,239	3,536	636

33

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

33

Property rentals and development		Other operations		Consolidated	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
248,929	37,501	85,809	53,152	5,138,906	5,440,586
9,830	12,379	89,804	65,740	286,975	250,866
-	-	44,643	44,607	44,643	44,607
56,487	39,883	-	116	60,717	42,991
-	-	3,391	3,395	68,263	73,982
315,246	89,763	223,647	167,010	5,599,504	5,853,032
237,984	140,035	47,387	57,792	635,869	691,357
(20,498)	(27,914)	39,028	40,252	(9,606)	(19,710)
-	-	26,108	10,483	63,813	39,731
(49,330)	(16,623)	(26,505)	(21,231)	(150,657)	(136,775)
168,156	95,498	86,018	87,296	539,419	574,603
2,284,200	1,986,175	1,151,311	767,756	6,486,185	5,858,267
-	-	231,740	203,250	510,276	438,821
2,284,200	1,986,175	1,383,051	971,006	6,996,461	6,297,088
90,671	98,229	169,710	138,080	1,007,629	1,092,830
1,606	1,154	44,327	41,645	161,958	239,046
3,648	3,717	27,036	22,090	90,028	77,703
-	-	-	7,370	-	7,370
131,472	113,216	(30,423)	(2,822)	101,049	108,394

PRC		Others		Consolidated	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
439,302	248,653	851,421	545,665	5,599,504	5,853,032
143,461	115,375	898,853	674,109	6,486,185	5,858,267
14,830	2,359	45,041	117,812	161,958	239,046

Notes to the financial statements (continued)

(Expressed in Hong Kong dollars)

34 Significant accounting estimates and judgements

(i) Impairment of hire purchase and trade debtors

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

(ii) Recognition of deferred tax assets

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

(iii) Warranty provisions

As explained in note 28, the Group makes provisions under the warranties it gives on sale of its motor vehicles taking into account the Group's claim experience which might not be indicative of future claims. Any increase or decrease in the provision would affect profit or loss in future years.

(iv) Valuation of investment properties

As described in note 13, investment properties are stated at fair value based on the valuation performed by a director of the Company. In determining the fair value, the director has used a method of valuation which involves certain estimates including current market rental rates for similar properties, appropriate discount rates and expected future rental rates.

34

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2007

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations and will adopt them accordingly where applicable.

35

Financial summary

(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000
Results					
Turnover	4,220,280	5,196,338	5,927,959	5,779,050	5,531,241
Profit from operations	348,654	391,646	545,919	691,357	635,869
Financing costs	(5,081)	(9,119)	(15,637)	(19,710)	(9,606)
Share of profits less losses of associates	25,408	28,230	30,239	39,731	63,813
Profit before taxation	368,981	410,757	560,521	711,378	690,076
Taxation	(81,276)	(72,465)	(115,586)	(136,775)	(150,657)
Profit for the year	287,705	338,292	444,935	574,603	539,419
Attributable to:					
Equity shareholders of the Company	288,993	340,774	444,918	573,932	532,948
Minority interests	(1,288)	(2,482)	17	671	6,471
Profit for the year	287,705	338,292	444,935	574,603	539,419
Assets and liabilities					
Investment properties, property under development, property, plant and equipment and lease prepayments	1,537,386	2,520,232	2,122,746	2,545,856	2,923,669
Interest in associates	200,416	407,616	401,282	438,821	510,276
Other assets	305,104	306,752	258,767	187,422	135,034
Net current assets	1,755,527	1,258,843	1,791,803	2,127,980	2,536,039
Total assets less current liabilities	3,798,433	4,493,443	4,574,598	5,300,079	6,105,018
Non-current liabilities	(37,241)	(318,595)	(169,764)	(95,821)	(116,186)
Total equity	3,761,192	4,174,848	4,404,834	5,204,258	5,988,832
Earnings per share - basic (cents)	14.4	16.9	22.1	28.5	26.5

Notes:

- (1) Turnover of \$5,531,241,000 (2006: \$5,779,050,000) represents sale of goods, rendering of services, hire purchase financing income, gross rentals from investment properties and gross proceeds from properties sold.
- (2) The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during the years presented.

Group properties

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
Unit A on Ground Floor, Phase 1 Nan Fung Industrial Building 431-487 Avenida do Dr Francisco Vieira Machado and 354-408 Rua dos Pescadores Macau	Showroom and workshop (investment)	8,805	Leasehold	29 November 2012	35
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	22
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060	22
Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	10
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	25
14 Upper Aljunied Road Singapore 367843	Property held for sale	222,876	Freehold	-	N/A
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	22
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058	48

Group properties (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	12
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	25
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (own use)	44,794 1,141 168,046	Freehold Leasehold Leasehold	- 16 April 2874 6 April 2082	17
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	28
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	23
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-	10
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	24
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	12
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2092	4

Group properties (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date	Age of building (years)
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030	5
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	223,908	Leasehold	15 April 2033	34
59 Moo 1, Rangsit-Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	20
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062	4
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	-	3
Neihu District, Jiouzhong Section Plot 0010-0003 & 0010-0004 Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	-	N/A
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	-	2
12/17 Moo 2, Seri Thai Road Khlom Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	-	N/A
59/3 Moo 10, Nongkrod, Muang District, Nakhon Sawan, Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	-	15
388, Moo 5, Chiangmai-Lampang Road, Yangnueng, Sarapee District, Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	-	1

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

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

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



Tan Chong International Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 693)

**Proposed General Mandates to Issue Shares and Repurchase Shares
AND
Amendments to Bye-laws
AND
Information on the Retiring Directors to be Re-elected at the
Annual General Meeting
AND
Notice of Annual General Meeting**

A notice convening an annual general meeting of Tan Chong International Limited to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Wednesday, 30 April 2008 at 11:00 a.m. is set out on pages 10 to 14 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company in Hong Kong at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

7 April 2008

DEFINITIONS

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

“Annual General Meeting”	annual general meeting of the Company to be held on 30 April 2008 at 11:00 a.m.
“Board”	the board of Directors
“Bye-laws”	bye-laws of the Company
“CG Code”	Code on Corporate Governance Practices
“Code”	Code on Takeovers and Mergers
“Company”	Tan Chong International Limited, a company incorporated in Bermuda and currently listed on the Stock Exchange
“Companies Act”	Companies Act 1981 of Bermuda
“Directors”	directors of the Company
“Group”	Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	26 March 2008, being the latest practicable date prior to the printing of this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the Proposed Repurchase Mandate
“Securities and Futures Ordinance”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Share(s)”	ordinary share(s) of \$0.50 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCC”	Tan Chong Consolidated Sdn. Bhd., the controlling shareholder of the Company
“\$” and “cents”	Hong Kong dollars and cents

LETTER FROM THE BOARD

Tan Chong International Limited (Incorporated in Bermuda with limited liability)

Directors:

Mr. Tan Eng Soon
Mr. Joseph Ong Yong Loke
Mr. Tan Kheng Leong
Mr. Neo Ah Chap
Mdm. Sng Chiew Huat
Mr. Lee Han Yang*
Mdm. Jeny Lau*
Mr. Masatoshi Matsuo*

Honorary Life Counsellor:

Dato' Tan Kim Hor

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

* Independent non-executive director

7 April 2008

To Shareholders,

Dear Sir or Madam,

**Proposed General Mandates to Issue Shares and Repurchase Shares
AND
Amendments to the Bye-laws
AND
Information on the Retiring Directors to be
Re-elected at the Annual General Meeting
AND
Notice of Annual General Meeting**

INTRODUCTION

The purpose of this circular is to give you information regarding resolutions to be proposed at the Annual General Meeting relating to the granting to the Directors of general mandates to issue and repurchase Shares, amendments to the Bye-laws and the re-election of the retiring directors and the notice of the Annual General Meeting.

GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and discretion to the Directors, in the event that it becomes desirable to issue any Share, approval is to be sought from the Shareholders, pursuant to the Listing Rules, for a general mandate to issue Shares. At the Annual General Meeting, an ordinary resolution No.6(A) will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to allot and issue new shares in the share capital of the Company up to 20 per cent. of the aggregate nominal amount of the issued share capital of the Company immediately after the passing of the resolution in relation to such general mandate. In addition, subject to a separate approval of the ordinary resolution No.6(C), the number of Shares purchased by the Company under ordinary resolution No.6(B) will also be added to the 20 per cent general mandate as mentioned in the ordinary resolution No.6(A). The Directors wish to state that they have no immediate plans to issue any new shares of the Company pursuant to such general mandate.

LETTER FROM THE BOARD (CONTINUED)

GENERAL MANDATE TO REPURCHASE SHARES

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

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

AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

On 1 January 2005, the Listing Rules were amended by, among others, replacing the Code of Best Practice in Appendix 14 with a new CG Code, and on 17 February 2006, the Stock Exchange has announced amendments to the Listing Rules which include, among other things, amendments to Appendix 3 of the Listing Rules that came into effect on 1 March 2006. To bring the constitution of the Company in alignment with certain provisions of the CG Code and Appendix 3 of the Listing Rules, the Directors propose to seek approval from the Shareholders at the Annual General Meeting a special resolution to amend the Bye-laws. These amendments, for the purpose of complying with the CG Code and Appendix 3 of the Listing Rules, are summarized below:-

- (i) Bye-law 86(2) is amended to provide that all Directors appointed by the Directors as an addition to the Board of Directors or to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting, instead of the next following annual general meeting after their appointment.
- (ii) Bye-law 86(4) is amended to provide that a director of the Company may be removed by an ordinary resolution in general meeting instead of a special resolution.
- (iii) Bye-law 87 is amended to provide that every Director shall be subject to retirement by rotation at least once every three years in accordance with the CG Code and that the Directors holding office as chairman or managing director shall also be subject to retirement by rotation.

Besides, the Securities and Futures (Clearing Houses) Ordinance has been repealed upon the commencement of Securities and Futures Ordinance on 1 April 2003. The Definition of "clearing house" under Bye-law 1 is to be amended to delete the relevant provision of the Securities and Futures (Clearing Houses) Ordinance.

In addition, Bye-laws 66 and 68 are amended to include the requirements for demanding poll and disclosure of voting figures under the Listing Rules.

Taking advantage of flexibility now permitted under the Listing Rules, the Company is allowed to send notice, document or other corporate communications to Shareholders by electronic means. Therefore, Bye-laws 160(a) and 161(b) are amended to conform with the Listing Rules.

The proposed amendments to the Bye-laws are stated in the proposed special resolution no. 7 in the notice convening the Annual General Meeting as set out on pages 10 to 14 of this Circular.

LETTER FROM THE BOARD (CONTINUED)

INFORMATION OF THE RETIRING DIRECTORS TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING

Pursuant to Bye-law 87 (1) of the Bye-laws, Mr. Joseph Ong Yong Loke and Mr. Masatoshi Matsuo will retire from the board by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election. For your further information, we set out below the relevant details of the retiring Directors proposed to be re-elected at the Annual General Meeting:

Mr. Joseph Ong Yong Loke (“Mr. Ong”), aged 59, was appointed as executive director of the Company in March 1997. He is the Managing Director of the Company since its listing in July 1998. He is also a director of many subsidiaries of the Group. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr. Ong, a Chartered Surveyor, graduated with a Bachelor of Science degree (Building Economics) from the University of Reading, United Kingdom in 1971. His previous work experience includes appointment with the Singapore Ministry of Defence and Straits Steamship Co. Limited from 1976 to 1980.

Mr. Ong does not hold any other directorships in any listed public companies in the last three years. He does not have any relationships with any directors, senior management, substantial or controlling Shareholder of the Company. As at the Latest Practicable Date, Mr. Ong, his family and corporations under his control are interested in 639,000 Shares, 795,000 Shares and 940,536 Shares of the Company respectively.

There is no service contract between the Company and Mr. Ong. Mr. Ong has no fixed term of director’s service but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. His director’s fee will be determined by the Board by reference to his job responsibility, prevailing market conditions and the Company’s operating performance and profitability.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is discloseable under Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Masatoshi Matsuo (“Mr. Matsuo”), aged 64, was appointed as an independent non-executive Director of the Company in December 2004. He has been appointed a member of audit committee and nomination committee of the Company. Mr. Matsuo 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, a renown world-wide truck and engine manufacturing and distribution company until his retirement in 2001. Save as disclosed above, Mr. Matsuo does not hold any other positions with the Group, and does not hold any other directorships in listed public companies in the last three years.

Mr. Matsuo does not have any relationships with any directors, senior management, substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Matsuo does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract between the Company and Mr. Matsuo. Mr. Matsuo has no fixed term of director’s service but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. His director’s fee will be determined by the Board by reference to his job responsibility, prevailing market conditions and the Company’s operating performance and profitability.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is discloseable under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD (CONTINUED)

RIGHT TO DEMAND A POLL

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

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

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

FORM OF PROXY

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

RECOMMENDATION

The Directors consider that the proposed resolutions for the re-election of the retiring Directors, the granting to the Directors of the general mandate to issue Shares, the Proposed Repurchase Mandate and the amendments to the Company's Bye-laws are in the interests of the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,

For and on behalf of the Board

Sng Chiew Huat

Finance Director

APPENDIX – EXPLANATORY STATEMENT

The following is the explanatory statement required to be sent to Shareholders under the Listing Rules in connection with the Proposed Repurchase Mandate.

SHARE CAPITAL

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

REASONS AND FUNDING OF REPURCHASES

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

Repurchases of Shares will be financed out of funds legally available for the purpose and in accordance with the Bye-laws and the applicable laws of Bermuda. Under Bermuda law, any repurchases by the Company may be made out of capital paid up on the Shares to be repurchased, or out of funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose and, in the case of premiums payable on repurchases, funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the current prevailing market value, it could have a material adverse impact on the working capital but not the gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at 31 December 2007, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

APPENDIX – EXPLANATORY STATEMENT (CONTINUED)

SHARE PRICES

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

Month	Highest trade price \$	Lowest trade price \$
2007		
March	1.960	1.820
April	2.600	1.900
May	2.810	2.410
June	2.900	2.450
July	3.410	2.750
August	2.850	2.000
September	2.980	2.100
October	2.720	1.510
November	2.800	2.550
December	3.600	2.550
2008		
January	2.850	2.200
February	2.490	2.350
March (up to the Latest Practicable Date)	2.350	2.100

Source: The Stock Exchange of Hong Kong Limited

GENERAL

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

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

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

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

APPENDIX – EXPLANATORY STATEMENT (CONTINUED)

GENERAL (continued)

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, TCC was interested in 912,799,986 Shares representing approximately 45.34 per cent. of the existing issued share capital of the Company. In the event that the Directors should exercise in full the Proposed Repurchase Mandate, the shareholding of TCC in the Company will be increased to approximately 50.38 per cent. of the issued share capital of the Company. To the best knowledge and belief of the Directors, such increase would give rise to an obligation to make a mandatory offer under the Code. The Directors have no present intention to repurchase the Shares to the extent that it will trigger the obligations under the Code for TCC to make a mandatory offer.

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

SHARE PURCHASE MADE BY THE COMPANY

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

TAN CHONG INTERNATIONAL LIMITED

NOTICE OF ANNUAL GENERAL MEETING

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



Tan Chong International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 693)

Notice of Annual General Meeting AND Amendments to the Bye-laws

The eleventh annual general meeting of Tan Chong International Limited will be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 April 2008 at 11:00 a.m..

AGENDA

As ordinary business

1. To receive and adopt the audited consolidated financial statements for the year ended 31 December 2007 and the reports of the directors and auditors.
2. To declare a final dividend.
3. To re-elect retiring directors.
4. To authorise the board of directors to fix directors' fees.
5. To re-appoint KPMG as auditors and authorise the board of directors to fix their remuneration.

As special business

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

(A) "That :-

- (i) Subject to paragraph (iii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into Shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;

TAN CHONG INTERNATIONAL LIMITED
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined) or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly;
- (iv) for the purpose of this Resolution :-
- (a) “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of :
- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
 - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (b) “Rights Issue” means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the capital of the Company whose names appear on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company.”

(B) “That :-

- (i) Subject to paragraph (ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Code on Share Repurchases and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the shares of the Company, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

TAN CHONG INTERNATIONAL LIMITED
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (iv) for the purpose of this Resolution :-
“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of :-
- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
 - (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**That** conditional upon resolutions numbered 6(A) and 6(B) set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution numbered 6(A) set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 6(B) set out in the notice convening this meeting, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the said resolutions.”

7. To consider and, if thought fit, pass the following resolution as a Special Resolution:-

“**THAT** the Bye-laws of the Company be amended in the following manner:-

- (a) By deleting the definition of “clearing house” in Bye-law 1 in its entirety and substituting therefor the following:-
“clearing house” a recognised clearing house within the meaning of Part I of Schedule I to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any amendments thereto or re-enactments thereof for the time being in force or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”
- (b) By deleting the existing Bye-law 66 in its entirety and substituting therefor the following:-
“66 Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:
- (a) by the chairman of such meeting; or
 - (b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
 - (c) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
 - (d) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

TAN CHONG INTERNATIONAL LIMITED
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights of all Members having the right to vote at such meeting.

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

- (c) By deleting the existing Bye-law 68 in its entirety and substituting therefor the following:-

“68 If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The voting figures of a poll shall be recorded in the Minutes of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the Listing Rules.”

- (d) By deleting the existing Bye-law 86(2) in its entirety and substituting therefor the following:-

“86(2) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Any Director so appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and any Director so appointed as an addition to the Board shall hold office only until the next following general meeting, and in each case shall then be eligible for re-election at that meeting.”

- (e) By deleting the existing Bye-law 86(4) in its entirety and substituting therefor the following:-

“86(4) Subject to any provision to the contrary in these Bye-laws the Members may, at any general meeting convened and held in accordance with these Bye-laws, by ordinary resolution remove a director at any time before the expiration of his period of office notwithstanding anything in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.”

- (f) By deleting the existing Bye-law 87 in its entirety and substituting therefor the following:-

“87(1) Notwithstanding any other provisions in the Bye-laws or any contractual or other terms on which any Directors may be appointed or engaged, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specified term or holding office as chairman or managing director) shall be subject to retirement by rotation at least once every three years or within such other period as a stock exchange may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.”

- (2) Subject to the provision in Bye-law 87(1), the Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed pursuant to Bye-law 86(2) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at an annual general meeting pursuant to Bye-law 87.”

TAN CHONG INTERNATIONAL LIMITED
NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(g) By deleting the existing Bye-law 160(a) in its entirety and substituting therefor the following:-

“160(a) Any Notice from the Company to a Member shall be given in writing or by an electronic communication or by cable, telex or facsimile transmission message and any such Notice and (where appropriate) any other document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or by sending it in accordance with the rules of any Designated Stock Exchange as an electronic communication to the Member at his electronic address or by publishing it in accordance with the rules of any Designated Stock Exchange on the Company’s computer network or, to the extent permitted by the applicable laws, by placing it on the Company’s website and the website of the Designated Stock Exchange and giving to the Member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices or documents shall be given to that one of the joint holders whose name stands first in the Register and notice or document so given shall be deemed a sufficient service on or delivery to all the joint holders.”

(h) By deleting the existing Bye-law 161(b) in its entirety and substituting therefor the following:-

“161(b) if served or sent as an electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s computer network or the Company’s website or the website of the Designated Stock Exchange is deemed given by the Company to the Member on the day following that on which a notice of availability is deemed served on the Member; and”

By Order of the Board

Navin Aggarwal

Company Secretary

Hong Kong, 7 April 2008

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

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

Notes :

- (i) Resolution 6 (C) will be proposed to the shareholders for approval provided that ordinary resolutions nos. 6(A) and 6(B) are passed by the shareholders.
- (ii) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote for him in accordance with the Bye-laws of the Company; a proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (iv) In order to be valid, a form of proxy must be deposited at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof.
- (v) The transfer books and register of members will be closed from 25 April 2008 to 30 April 2008, both days inclusive, during which period no share transfers can be registered.

As at the date of this notice, the directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mr. Neo Ah Chap and Mdm. Sng Chiew Huat. Independent non-executive directors are Mr. Lee Han Yang, Mdm. Jeny Lau and Mr. Masatoshi Matsuo.

TAN CHONG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

FORM OF PROXY

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

of (Address) _____

being the holder(s) of _____

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

(Name) _____

of (Address) _____ or failing him

(Name) _____

of (Address) _____

or failing him, the chairman of the meeting (see Note 2) as my/our proxy to attend and vote for me/us and on my/our behalf at the eleventh annual general meeting of the Company to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 April 2008 at 11:00 a.m., and at any adjournment thereof or on any resolution or motion which is proposed thereat.

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

	Resolution (see Note 3)	For	Against
1.	To receive and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2007 and the reports of the directors and auditors thereon.		
2.	To declare a final dividend.		
3.	To re-elect the following persons as directors of the Company :-		
	(i) Mr. Joseph Ong Yong Loke		
	(ii) Mr. Masatoshi Matsuo		
4.	To authorise the board of directors to fix directors' fees.		
5.	To re-appoint KPMG as auditors and authorise the board of directors to fix their remuneration.		
6.	(A) To give a general mandate to the directors to allot, issue and deal with unissued shares of the Company.		
	(B) To give a general mandate to the directors to repurchase the shares of the Company.		
	(C) To extend the general mandate to the directors pursuant to ordinary resolution no. 6(A).		
7.	To amend the Bye-laws of the Company.		

Signature (s)

Dated this _____ day of _____, 2008

Notes :

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

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

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