

Annual  
Report  
2001

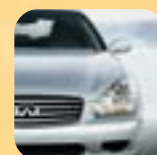


TAN CHONG  
International



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## Enclosures:

Circular on Mandates to Issue and Repurchase Shares

01

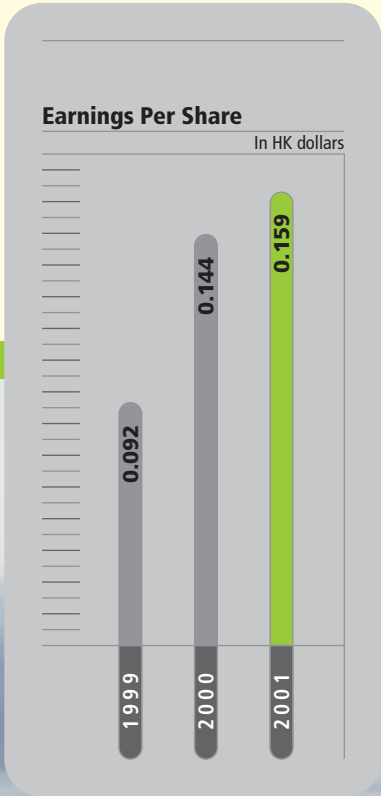
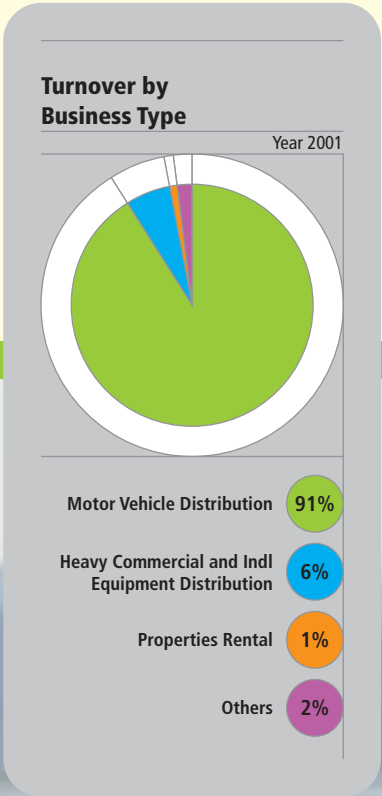
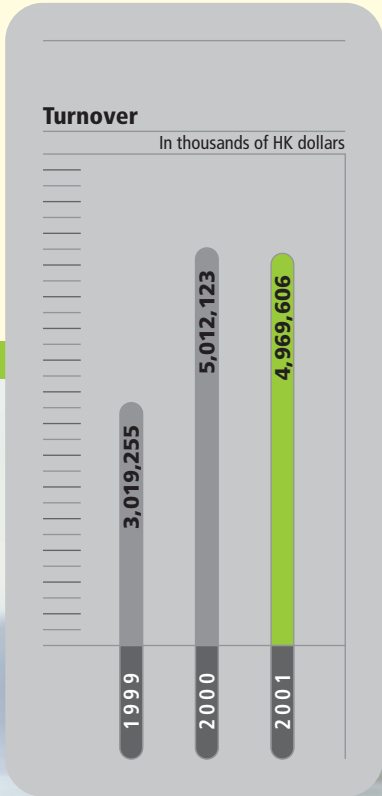
Notice of Annual General Meeting

07

Form of Proxy

# *Chairman's Statement*





Motor division in Singapore repeated its best selling performance by gaining **5.9%** year on year with Sunny and Cefiro models improving by **32.6%** and **15.6%** respectively.

## Chairman's Statement



pix from left to right:

### Nissan Sunny

A volume seller in Singapore, it has increased its market share by 32.6% year on year.

### Nissan Cefiro 2.0

The best seller in its class in Singapore it is powered by a V6 engine that gives a smooth, silent performance.

### Inside the Nissan Sunny

Luxurious leather and walnut centre-console and side rests in the luxury edition add to comfort and class.

## Results

The Group's strong revenue growth in the beginning of the year lost much of its momentum in the later half when the global economy took a sharp reversal particularly in Singapore. Nevertheless, despite 4% weakening of the SGD against HKD revenues reached HKD 5,021 million comparable with HKD 5,057 million last year. Adjusting for the exceptional item in the disposal of Wilby Residence in 2000, comparable profit attributable to shareholders increased by 10.7% in spite of further provisions for the diminution in investment properties values.

## Vehicle Sales

Motor division in Singapore repeated its best selling performance by gaining 5.9% over the previous year's unit sales. In Singapore, Nissan passenger vehicles continued to increase market share with Sunny and Cefiro models improving by 32.6% and 15.6% respectively over 2000. The robust Sunny and Cefiro sales helped lift market share for

Nissan to 25.6%. Our light commercial vehicle sales saw volume declined by 39% very much in line with the reduction of COE supply. Still, at 2,231 units, it occupied the largest market share.

Subaru sales in Singapore again improved with a rise of 27% demonstrating the strength of the brand with its unique all-wheel-drive technology. Hong Kong made sales gain of 11% in a flat market. The Subaru model lineup for Hong Kong and Singapore has now completed the transition to marketing only all-wheel-drive vehicles.

## Heavy Commercial and Industrial Equipment

The slow down experienced in the first half of the year carried well into the second half resulting in a year-on-year reduced volume of sales by some 30% and 28% for trucks and forklifts respectively. The foreseeable economic restructuring in Singapore into a more service rather than manufacturing base will have significant long-term implications

# Chairman's Statement



for the division. Whilst still profitable, the division plans to move decisively into regional expansion and enlarge product lines. In this respect, the Division now has offices in Vietnam, and also a Shanghai office for Nissan Forklift distribution.

The industrial machinery division in Singapore has also been given the rights to distribute Renault VI range of trucks. This Renault VI range that is in the heavy tonnage category will complement its existing product line.

## Property Development

In spite of general weakness in the Singapore economy particularly in the second half, revenues from property rentals (excluding Wilby Residence) increased by 11.2%. However the weakening occupancy in the latter half is indicative of difficulties to come but would be an opportune time to refurbish the apartments and reposition the division for an expected improvement in the future.

Our freehold residential development at Upper Aljunied is to press ahead and we have awarded the piling contract. We will be in a position to call for main contract works in the new year.

The construction of our new showroom / workshop complex at Jalan Ubi is underway and on schedule for completion in 2003. This development will add capacity for sales and service to Nissan customers in Singapore where there is now a pressing need as our sales expand.

## Trading

Tyre Pacific Hong Kong Limited, our Dunlop tyre distribution company in Hong Kong had another profitable year. We have also started the distribution of locally manufactured Dunlop motorcycle tyres in China. As part of the promotion strategy, we have set up a dedicated motorcycle tyre display showroom in Guangzhou complementing our general tyre display center in Shanghai. These centers will spearhead the dissemination of

pix from left to right:

### Nissan Forklift

A staple in our industrial machinery division its revenue is derived both from new as well as rental sales.

### Nissan X-Trail

The introduction of this Sports Utility Vehicle that is equipped with Nissan's specially developed "All Mode 4x4" system in Singapore has won many fans.

## Chairman's Statement



pix from left to right:

### Nissan Cabstar

A favourite with the commercial vehicle buyers in Singapore, this best seller is a combination of comfort and practicality.

### ISO 9001 standard

Our two seat plants in Wuxi and Xiamen in China that produce quality seats were awarded the ISO 9001 standard.

### Car servicing company in Thailand

The centre that has 40 work bays and is equipped with spray-painting booths and oven facilities complements the Subaru car distribution business.

information on the advance types and technology of Dunlop.

During the year we have acquired another 12% of the Guizhou JV Company making us a 24% shareholder in the manufacturing of Yun Que cars. This strengthening relationship with the Guizhou JV puts us in a position to be their OEM seat supplier from our factory facility in Jiangyin. The Xiamen seat manufacturing JV with Golden Dragon Bus Co continued to be profitable and expansion plans are being considered to match the demand of the market. Our JV Dongfeng Nissan Diesel made a maiden profit during the year stemming previous years of losses. Increasing localization of parts has reduced cost and better market awareness of the quality allowed the company to sell its products with improved margins.

### Future

Total vehicle demand predicated by the Vehicle Quota System in Singapore will likely sustain at current levels but to be adjusted

for the rate at which existing cars are scrapped. The quota for commercial vehicles after last year's reduction could possibly see an increase in COE supply in the new year.

As ever, service to customer will become more important and we have to constantly improve and refine our practice and facilities. The Group is in a good position to provide premium service with our existing internet web-based customer interface which has been progressively developed over the past few years. With our expanded sales last year in Singapore, we have taken measures to strengthen the service levels for our car owners by adding service points and retail and showroom premises. We have also introduced computerized spare parts warehousing at our Toa Payoh facility that will enable faster retrieval and dispatch of parts to customers.

Last year, South East Asia has been battered by slow economic growth. This has intensified the urgency to look for new revenue streams. In this regard, the Group is considering the People's Republic of China



## Chairman's Statement



as a logical area for us to expand. This is an area that in the past few years saw average growth of 7-8% and whose entry into WTO undoubtedly offers tremendous opportunity. Our experience in certain industries makes PRC an important place where expansion can achieve synergies.

### Dividend

The Board of Directors is pleased to make a recommendation for a final dividend payment of 3.5 cents per share. This dividend payment together with the 1.5 cents paid for the interim total 5.0 cents for the year compared with the 4.5 cents for the preceding year.

### Appreciation

I would like to extend my appreciation to all staff for their contributions during a difficult year. The Group performance has remained strong through their dedicated efforts. The year ahead is fraught with more uncertainties

than ever and I appeal to all the staff to remain resolute in their effort and united in engaging the challenges to come.

**Dato' Tan Kim Hor** DPMS KMN JP

Chairman

14 March 2002

pix from left to right:

#### Best Station Wagon in Hong Kong

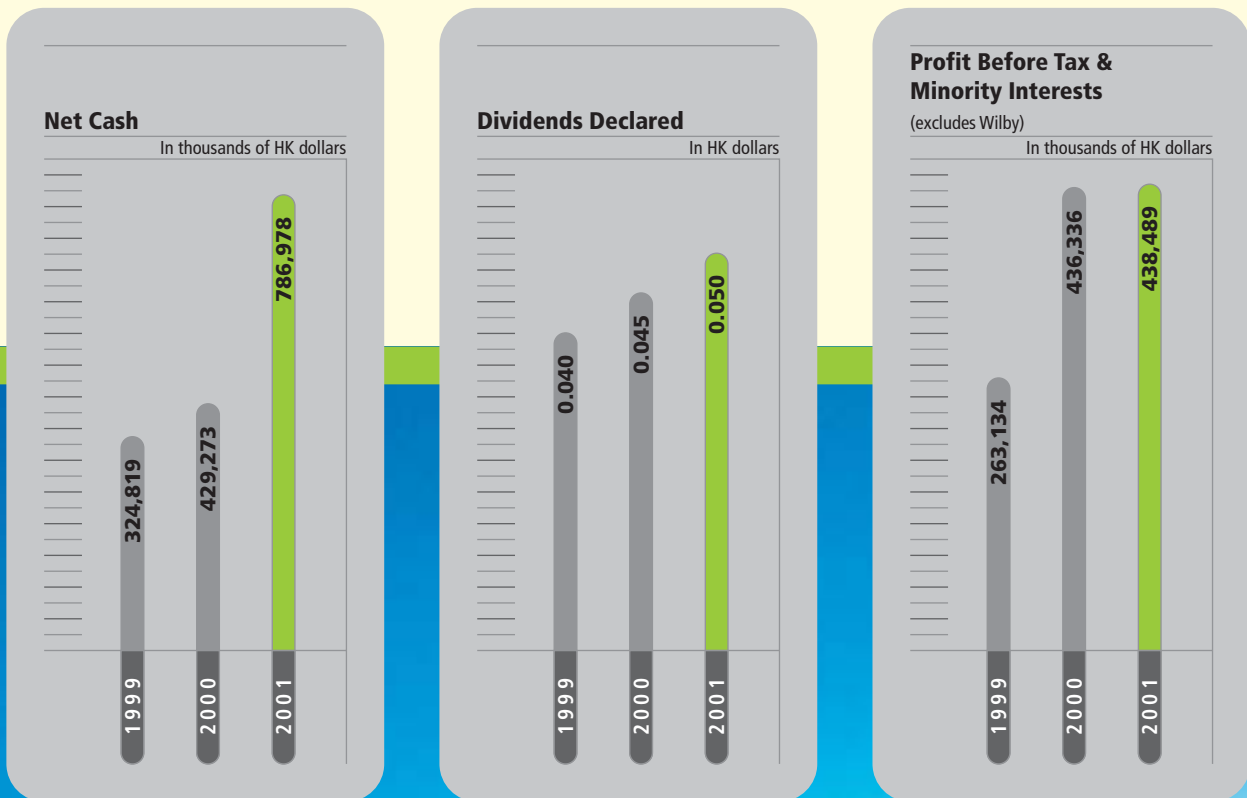
The Subaru Legacy GTB was given the Best Station Wagon award by an independent motor car journal in Hong Kong.

#### Subaru Impreza WRX

The All Wheel Drive technology of this nifty and sporty car has made good inroads in the sports car niche market in both Singapore and Hong Kong.

#### Best Sports Sedan in Hong Kong

The Subaru WRX Sti was awarded the Best Sports Sedan by yet another independent motor car journal in Hong Kong.



Group units sales volume increased by **5%** but major events that unfolded in the year and the impact of economic slow down in various countries have affected both sales volume and margins in most industries.

# *Management Discussion and Analysis*



## Management Discussion and Analysis



pix from left to right:

### Nissan Cefiro 3.0

Nissan's 3.0 VQV6 engine has been named one of the "Ten Best Engines" for 7 consecutive years by Ward's Auto World, USA.

### Infiniti

Launched on 22 June 2001 in Singapore it has a 4.5-litre V8 332ps engine and boasts of the world's first 7-lens xenon projector headlights.

Financial performance for the Group in year 2001 was within expectations. Major events that unfolded in the year and the impact of economic slow down in various countries have affected both sales volume and margins in most industries. Group unit sales volume has however increased by 5% year on year. Although car sales business in Singapore has to contend with intense competition from pricing and newer models of cars brought in by competitors, it was partly sheltered by low interest rate environment, stable car quota premiums, favourable Japanese Yen currency in exchange for Singapore dollars. We foresee that for year 2002, because of the change to open bidding for car quotas, profit margins may be squeezed even with expected increase in market size for vehicles. On a brighter note, in line with market observers who are looking forward to an economic recovery in year 2002 we believe that activities in our other areas of businesses will pick up accordingly.

In compliance with revised international accounting standards that are moving towards greater transparency and disclosures in financial reporting, the Group has adopted various changes in income recognition and reclassified certain balance sheet items.

Excluding the sale of the Wilby Residence in Singapore and after factoring translation loss of 3.6% arising from the strengthening of the Hong Kong dollar against the Singapore dollar, turnover and operating profit were down a notch by 1% each to HKD 4,970 million and HKD 409 million respectively. Contributions from Motor Distribution improved by 11% (5% if the loss on revaluation of Upper Aljunied Road property amounting to HKD 25 million is factored in) mainly from increased vehicle sales which moved up 7% to 19,200 units, stable exchange rates and quota premiums. Property Division performance was impacted by the soft rentals, gain on sale of two investment properties (in Doncaster with a gain of HKD 4.6 million and PNG with a loss of HKD 0.4 million) and loss on revaluation of the remaining investment properties. Profit from the Heavy Commercial and Industrial Equipment Distribution Division dropped by 25% whereas returns from our investment portfolio enabled the other divisions to almost double their contributions.

Our bank borrowings of HKD 100 million on a floating interest rate basis were from the balances on the loans for Shui On Centre and purchase of investments and on overdrafts. Net cash position has improved 83% to HKD

## Management Discussion and Analysis



787 million. During the year we paid Baht 64 million for the car servicing company in Thailand, HKD 11 million for a further 12% stake in the Guizhou project and HKD 6 million for the purchase of stocks. Currency exposures are minimized as our continual need of SGD, USD and Japanese Yen provides a natural hedge for these currencies. The Group has no contingent liabilities to-date.

Property markets continue to weaken and occupancy rates are expected to remain soft in year 2002. Abiding by IAS40, the HKD 82 million written down on investment properties in accordance with director's valuations was netted off against earnings for the year. Likewise, the investment properties revaluation reserve was reclassified as retained earnings.

Despite the mixed results for the year, stock turnover remains steady at 39 days and trade debtors turnover improved from 14 days to 10 days year on year mainly due to stringent stock and debtor control. To cater for additional car sales and increased volume in before and after sales services for cars head count for existing businesses rose 6% (from 715 to

759). The count of 715 for last year was arrived at after including the numbers in Auto World a new 3S center that was left out in last year's head count. New businesses in Vietnam and Thailand added another 63 to the year's head count, bringing the Group head count total to 822.

pix from left to right:

### **Nissan Prairie**

This 2-litre 7-seater multi purpose vehicle is distinguished by its Hyper CVT (Continuous Variable Transmission) technology for silky smooth gear shift and acceleration.

### **Renault Truck**

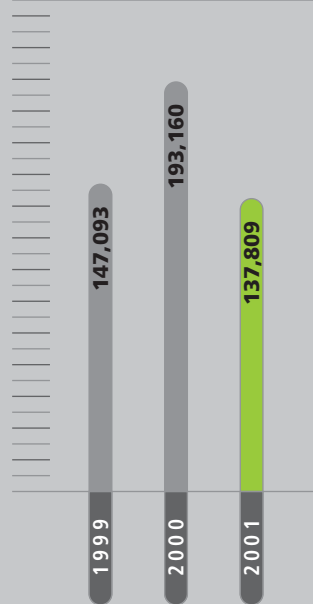
New and solely distributed by our industrial machinery division in Singapore it is in the heavy tonnage category that complements the division's existing product line-up.

### **Nissan Diesel Truck**

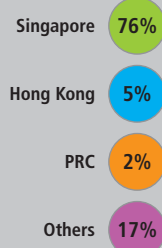
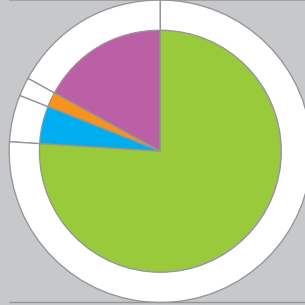
This all-new MK and PK series that conforms to the Euro II emission requirement sets new standards in power and comfort. The 6-tonnes payload MKB212 model sells especially well in Singapore during the year.

**Trade Debtors**

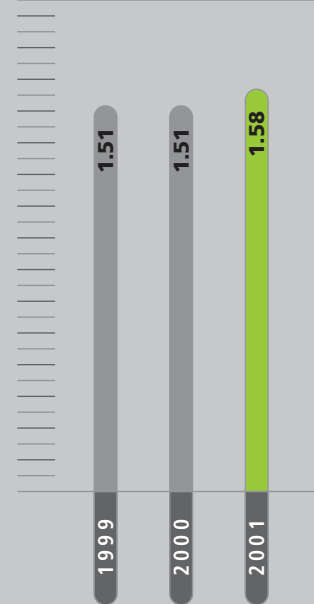
In thousands of HK dollars

**Segmental Assets**

Year 2001

**NAV per share**

In HK dollars



## *Corporate Information*



## Corporate Information



pix from left to right:

### Shui On Centre, Hong Kong

The 30th floor of Shui On Centre that was purchased in 1998 houses our head office and is fully tenanted. The 3 photographs depict the various facade of this impressive structure.

### Board of Directors

#### Chairman

Dato' Tan Kim Hor DPMS KMN JP

#### Deputy Chairman

Mr. Tan Eng Soon

#### Managing Director

Mr. Joseph Ong Yong Loke

#### Executive Director

Mr. Tan Kheng Leong

#### Executive Director - Marketing

Mr. Neo Ah Chap

#### Executive Director - Finance

Mdm. Sng Chiew Huat

#### Independent Non-Executive Directors

Mr. Lee Han Yang

Mr. Liu Kwei Ming

### Company Secretary

Miss. Teo Siok Ghee

### Auditors

KPMG

8/F, Prince's Building

10 Charter Road

Central, Hong Kong

### Solicitors

Preston Gates & Ellis

10/F, Hutchison House

10 Harcourt Road

Central, Hong Kong

### Registered Office

Clarendon House

2 Church Street, Hamilton HM 11

Bermuda

### Principal Places of Business

#### HONG KONG

Unit 3001, 30th Floor,

Shui On Centre,

6-8 Harbour Road, Wanchai

Hong Kong

#### SINGAPORE

Tan Chong Motor Centre

911 Bukit Timah Road

Singapore 589622

### Bermuda Resident Representatives

Mr. John C R Collis

Mr. Anthony D Whaley (Deputy)

### Principal Bankers

Bank of America NA

Deutsche Bank AG

Oversea-Chinese Banking Corporation Limited

### Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited

Rosebank Centre, 11 Bermudiana Road

Pembroke, Bermuda

### Branch Share Registrar and Transfer Office

Central Registration Hong Kong Limited

Rooms 1901-5, 19/F, Hopewell Centre

183 Queen's Road East, Hong Kong



## Directors and Senior Management Profile



### Chairman

**Dato' Tan Kim Hor** DPMS KMN JP, age 79, is the Chairman of the Company and also the Chairman and co-founder of Tan Chong Motor Holdings Berhad (TCMH). In 1957, he and his brother pioneered the importation of Japanese motor vehicles into Malaysia. Besides being actively involved in the business of the Group, Dato' Tan is also active in community and public affairs in Malaysia. For his contributions to society, he was awarded the DPMS by the Sultan of Selangor in 1981. Dato' Tan is the father of Mr. Tan Kheng Leong, Dr. Tan Kang Leong and Mr. Tan Beng Keong, and is an uncle of Mr. Tan Eng Soon.

### Deputy Chairman

**Mr. Tan Eng Soon**, age 53, is the Deputy Chairman of the Company and is a Director of many subsidiaries of the Group. He is also the Managing Director of TCMH and a Director of both Warisan TC Holdings Bhd and APM Automotive Holdings Bhd. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971.

### Managing Director

**Mr. Joseph Ong Yong Loke**, age 53, 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. Mr Ong is also a non-executive Director of Stamford Tyres Corporation Limited, a company listed on the Stock Exchange of Singapore.

pix from left to right:

#### Tan Chong Motor Centre

This building that sits on one of the best sites in Singapore is the operational centre for our Nissan distribution network and houses the main showroom and service centre.

#### Auto World Centre

Purchased in June 2000 this 3S (Showroom, Service and Spare - parts) centre is in Singapore and caters to our expanding network of Nissan customers.

## Directors and Senior Management Profile



pix from left to right:

### Tan Chong Tower

Sited in the Central Business District in Singapore this 20-storey tower has offices on the first 5 floors and 60 units of service apartments on the remaining 15 floors.

### Subaru Building

Sited in one of the motor vehicle distribution belts in Singapore it is the flagship location for the distribution of Subaru cars.

### Executive Directors

**Mr. Tan Kheng Leong**, age 59, is the Deputy Managing Director of the Nissan motor operations in Singapore and is a Director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 39 years, Mr. Tan has worked in all areas of the Group's motor business, specialising in marketing and after-sales service. He is a brother-in-law of Mr. Neo Ah Chap.

**Mr. Neo Ah Chap**, age 58, is the Marketing Director of the motor operations in Singapore and a Director of several subsidiaries of the Group. Mr. Neo first joined the Group in Singapore in January 1971 as an Assistant Manager. In 1974, he assumed the position of Finance Director and subsequently the position of Marketing Director in 1977. He was trained as an Accountant in Perth, Australia, and is a member of the Australian Society of Certified Practising Accountants.

**Mdm. Sng Chiew Huat**, age 54, is the Finance Director of the Group. 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.

### Independent Non-Executive Directors

**Mr. Lee Han Yang**, age 70, a practicing lawyer, is a senior partner of the law firm of Messrs Yeo Leong & Peh in Singapore. Mr. Lee was appointed as a Director of the Group in April 1998. Mr. Lee is currently a member of the Board of several public-listed companies in Singapore.

**Mr. Liu Kwei Ming**, age 73, joined China Resources Group in the early 1950s. He was appointed Director and Deputy General Manager of China Resources Machinery Company Limited in 1984, and subsequently appointed as Advisor to the company in 1990. Mr. Liu retired from China Resources Group at the end of 1997. Mr. Liu was appointed as a Director of the Group in April 1998.

## Directors and Senior Management Profile



### Senior Management

**Mr. Chia Yong Sian**, age 48, is the General Manager (Marketing) of the motor operations in Singapore. He joined the Group in 1982. Mr. Chia holds Diplomas in Mechanical Engineering and Marketing Management.

**Mr. Chow Sheng Choy**, age 55, is the General Manager of the heavy commercial vehicles and industrial equipment division of the Group in Singapore. Mr. Chow joined the group in 1989. He holds a Bachelor of Engineering degree from the University of Singapore.

**Mr. Hiew Bon Yock**, age 50, is the General Manager (Sales) of the Group's marketing department and a Director of Auto Business Pte Ltd. Mr. Hiew joined the Group in 1984. He holds Diplomas in Mechanical Engineering, Business Administration and Marketing Management.

**Mr. Lee Joo Heng**, age 58, is the General Manager responsible for the service division of the motor operations in Singapore. Mr. Lee joined the Group in 1982. He is a member of the Institute of Road Transport Engineers and the Institute of the Motor Industry in the United Kingdom.

**Mr. Tan Beng Keong**, age 40, is the President Director of PT Tifa Mutual Finance Corporation. Mr. Tan holds a Bachelor of Commerce/Accounting (Honours) degree from the University of Birmingham in the United Kingdom. He joined the TCMH Group in 1982.

**Dr. Tan Kang Leong**, age 54, is the General Manager of a subsidiary in Singapore. Dr. Tan holds a Bachelor of Medicine / Surgery degree from the University of New South Wales and a Bachelor of Science degree from Murdoch University, both in Australia. He joined the TCMH Group in 1978.

**Mr. Teo Poh Huat**, age 57, is the General Manager responsible for the parts and accessories division of the motor operations in Singapore. Mr. Teo joined the Group in 1973. He holds a Diploma in Management Studies from the Singapore Institute of Management.

**Mr. Yeong Yue Sun**, age 48, is the General Manager of Motor Image Enterprises Private Limited. Mr. Yeong is a trained Automotive Engineer and a Member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Institute of Technology in Australia.

pix from left to right:

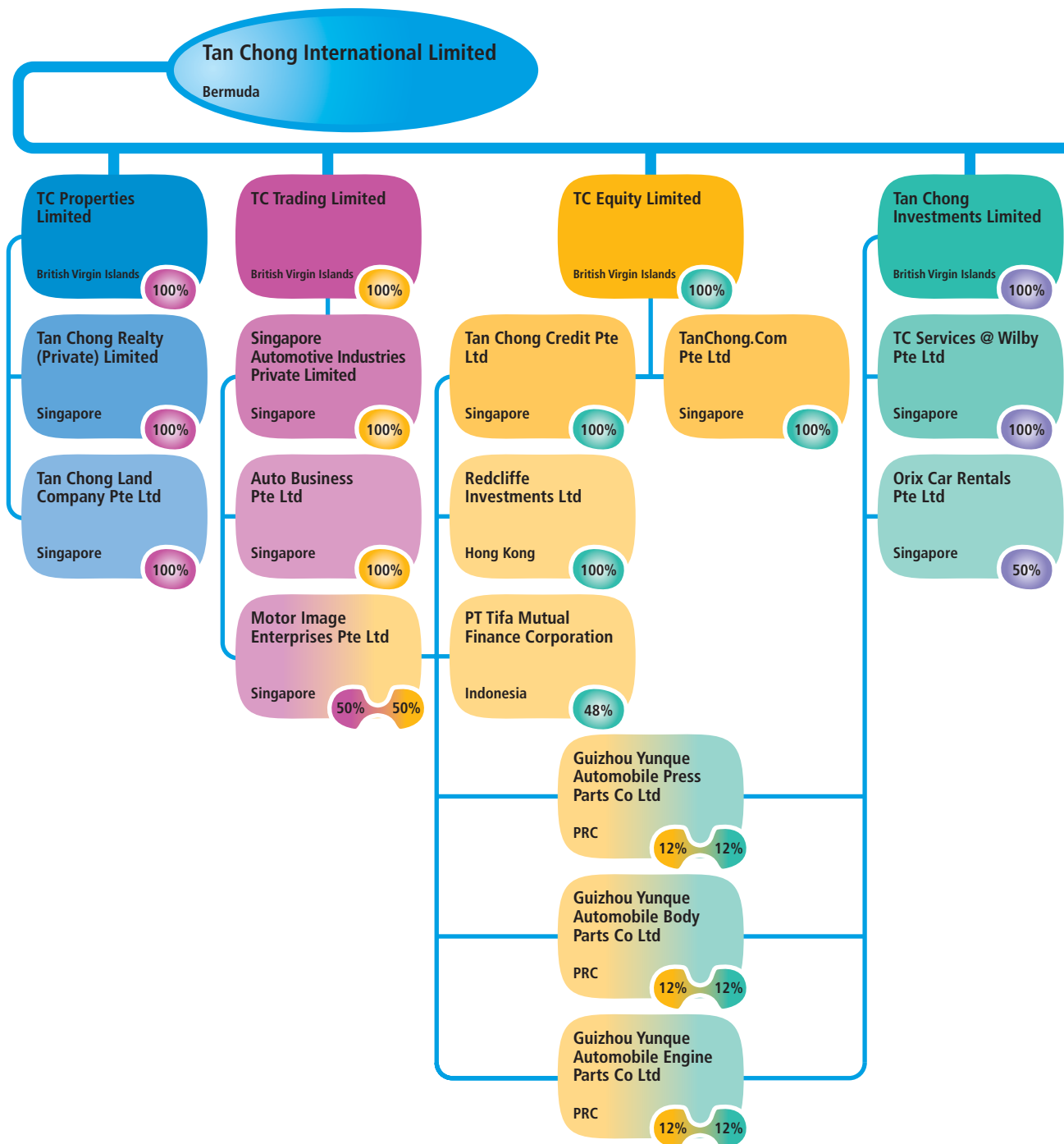
#### Mulberry Grove, Singapore

Slated for freehold residential development it will yield 78 units of luxury terrace houses. Piling contract has been awarded and construction works are expected to proceed in Year 2002.

#### Showroom cum Workshop Complex

Construction of this showroom cum workshop complex in Ubi, Singapore is underway and is scheduled for completion in Year 2003.

# Corporate Structure



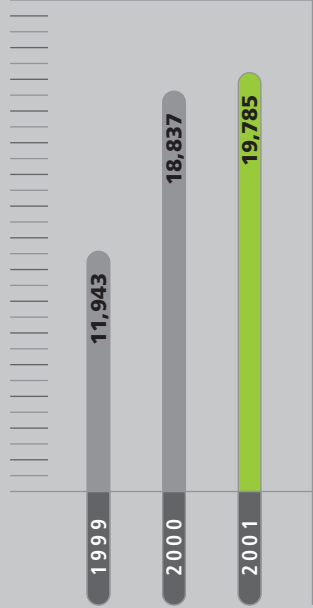
Note:  
Excluding 17 dormant subsidiaries and associate companies

# Corporate Structure

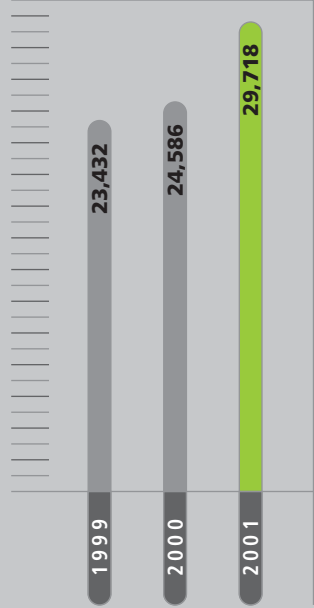


**Units Sold**

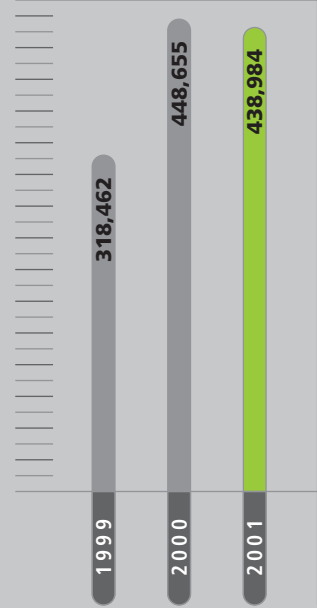
Units

**Share of Results of Associated Companies**

In thousands of HK dollars

**Stocks**

in thousands of HK dollars



## *Corporate Activities*



## Corporate Activities



pix from left to right:

### Launch of Nissan Sunny Luxury Edition

This luxury edition is a new variant to the Sunny family that was introduced to discerning buyers in Singapore. Its refinement includes wood accents and chrome finishes.

### Launch of Nissan Prairie and Infiniti

The All-New Infiniti Q45 and the Prairie 2.0 enhances Nissan's presence in the higher end of the motor vehicle market in Singapore.

### Nissan X-Trail Launch

The X-Trail 2.5-litre is Japan's top selling Sports Utility Vehicle (SUV) and was the first Nissan SUV introduced by Tan Chong in Singapore.

The Group completed another year with a myriad of corporate events.

In Singapore, in addition to our continual pursuit of enhancing road safety standards and promoting healthy lifestyles we are playing an active role in community and welfare.

Following the success of SingTel Annual Charity Car Treasure Hunt 2000 we again sponsored a similar event in March 2001. All proceeds raised were donated to the Kidney Dialysis Centre.

In April we participated in the National Kidney Foundation Charity Show 2001 where over SGD 8 million were collected. We also officially opened Auto World, another 3S (Sales, Service and Spare Parts) centre in Toa Payoh that reflects our commitment to give customers the best in motoring experience. The centre is equipped with the latest automated spare parts retrieval system.

May is the month when the Road Safety 2001 Programme was launched. Similar to 2000 it is another project that we have been playing a sponsorship role. The events throughout the year were aimed at instilling road safety consciousness in the young and the old.

Riding on the popularity of past years, our sponsorship of the New Paper Big Walk 2001 again attracted a record number of 80,000 walkers. The response from the public was overwhelming and our employees and their families had a day of fun and interaction.

Our unwavering support of one of Singapore's soccer clubs reflects our commitment to play an active part in promoting and training soccer talents to reach world-class ranking by 2010. The club in turn reinforced its commitment to bring soccer and charity to the underprivileged in Homes, Missions, Orphanages and Drug Rehabilitation Centres.

In June, September, October and November the new Infiniti Q45, Nissan Prairie 2.0, Nissan X-Trail 2.5, the Nissan Cefiro (facelift version), Nissan Sunny 1.6 Luxury Edition and the new Nissan Urvan were launched.

The Nissan Sales and Service Way was inaugurated in July to align with Nissan's Global Brand Identity and to reinforce the importance of customer service. We crowned the Nissan activity in Singapore by promoting the Testdrive-a-Nissan Donation in November where all proceeds were given to children charities.



# Corporate Activities



Over at Subaru Singapore in the month of May the Subaru Carnival was born. The Carnival's objective of drawing in families and friends to our showroom met with resounding success and resulted in increased sales and enhancing customer awareness of Subaru products. The New Impreza All Wheel Drive was launched in October and coupled with the introduction of the Singapore Auto Salon to demonstrate the superior driving capability of the Impreza translated into better sales for year 2001.

Subaru Hong Kong achieved double accolade when two independent local motorcar journals voted the Legacy GTB and the WRX Sti as the Best Station Wagon and Best Sports Sedan respectively.

In Singapore, Written Permission was obtained for our Mulberry Project and piling work has commenced for our 3S Centre in Eunus Link.

Our business that deals in industrial machinery and equipment in Singapore was awarded sole distributorship by Nissan Motor Co Ltd for forklifts in the East China region of Shanghai, Jiangsu and Zhejiang Provinces. In Vietnam it registered a wholly owned subsidiary to engage in forklift rental

business. It also introduced the Renault VI's range of heavy commercial vehicles in Singapore. Renault's higher tonnage range complements those from Nissan Diesel.

Our joint-venture tyre business in Hong Kong was appointed by Sumitomo Rubber Industries as the sole distributor for the first locally produced Dunlop motorcycle tyres in China. Our two seat plants in Xiamen and Wuxi were awarded the ISO 9001 standards and are now producing quality seats that meet international standards.

pix from left to right:

### New Paper Big Walk 2001, Singapore

Tan Chong sponsored this community event since Year 1998 that is aimed at promoting healthy living. It attracted a record 80,000 participants.

### Inauguration of Nissan Sales and Service Way (NSSW)

The NSSW was inaugurated in Singapore to align with Nissan's global brand identity and to promote and emphasize the importance of customer service.

### New Paper Big Walk 2001, Singapore

Our sponsorship includes the Grand Lucky Draw prize of a new Nissan Sunny.

# Financial Reports

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# 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 2001.

## Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 15 to the financial statements.

The analysis of the types of businesses and geographical areas of the operations of the Company and its subsidiaries during the financial year are set out in note 33 to the financial statements.

## Financial statements

The profit of the Group for the year ended 31 December 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 70.

An interim dividend of 1.5 cents (2000: 1.5 cents) per share was paid on 5 October 2001. The directors now recommend a final dividend of 3.5 cents (2000: 3 cents) per share in respect of the year ended 31 December 2001.

## Major suppliers and customers

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

### Purchases

- the largest supplier	80%
- five largest suppliers in aggregate	89%

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 15% of total sales during the year and therefore no additional disclosures with regard to major customers are made.

## Fixed assets

Movements in fixed assets during the year are set out in note 14 to the financial statements.

## Share capital

Details of the movement of the share capital of the Company are shown in note 26 to the financial statements.

## Directors' Report

### Reserves

Movements in the reserves of the Company and the Group are set out in note 27 to the financial statements.

### Directors

The directors during the year were:

#### *Executive directors*

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

#### *Independent non-executive directors*

Lee Han Yang  
Liu Kwei Ming

In accordance with Bye-law 87, Lee Han Yang and Liu Kwei Ming 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 within one year without payment of compensation, other than normal statutory obligations.

### Connected transactions

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

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

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

## Directors' Report

### Connected transactions (continued)

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

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

### Directors' interests in shares

The directors who held office at 31 December 2001 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests in shares:

#### Ordinary shares of HK\$0.50 each

Name of director	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)
Dato' Tan Kim Hor	9,224,502	90,972	-
Tan Eng Soon	4,200,000	-	33,900,000
Joseph Ong Yong Loke	600,000	795,000	940,536
Tan Kheng Leong	2,205,000	210,000	-
Neo Ah Chap	2,790,000	-	-
Sng Chiew Huat	285,000	-	-

*Note 1:* These shares are beneficially owned by the spouses of Dato' Tan Kim Hor, Joseph Ong Yong Loke and Tan Kheng Leong, respectively and hence they are deemed to be interested in these shares.

*Note 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 in shares of the Company or any of its associates (within the meaning of the Securities (Disclosure of Interests) Ordinance) as at 31 December 2001, 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.

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

## Directors' Report

### Substantial interests in the share capital of the Company

The Company has been notified of the following interests in the Company's issued shares at 31 December 2001 amounting to 10% or more of the ordinary shares in issue:

Name	Ordinary shares held (Note 3)	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	912,799,986	45.34

*Note 3:* The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Dato' Tan Kim Hor as to approximately 10.29 per cent, Tan Eng Soon as to approximately 16.66 per cent and by Tan Kheng Leong as to approximately 11.21 per cent. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.

Save as disclosed above, there was no person known to the directors who at 31 December 2001 had direct or indirect interest in 10% or more of the ordinary shares in issue of the Company.

### Directors' interests in contracts

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

### 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 2001 are set out in notes 21 and 22 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 71 of the annual report.

## Directors' Report

### Properties

Particulars of the Group's properties are shown on pages 72 to 75 of the annual report.

### Retirement schemes

Details of the retirement schemes arrangement are set out in note 31 to the financial statements.

### Code of best practice

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

### Auditors

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

By Order of the Board

**Dato' Tan Kim Hor** *DPMS KMN JP*  
Chairman  
Hong Kong,  
14 March, 2002

# Auditors' Report

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

We have audited the financial statements on pages 31 to 70 which have been prepared in accordance with International Accounting Standards ("IAS") adopted by the International Accounting Standards Board.

## Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

## Basis of opinion

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

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

## Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the Group's profit and cash flows for the year then ended, and have been properly prepared in accordance with IAS and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG  
Certified Public Accountants  
Hong Kong,  
14 March, 2002



# Consolidated Income Statement

for the year ended 31 December 2001 (Expressed in Hong Kong dollars)

	Note	2001	2000
		\$'000	\$'000
Revenue	2	5,021,025	5,056,728
Cost of sales		(4,108,233)	(4,203,764)
<b>Gross profit</b>		912,792	852,964
Other operating income	3	65,401	276,623
Distribution costs		(218,134)	(192,881)
Administrative expenses		(215,592)	(204,587)
Other operating expenses	4	(129,466)	(72,082)
<b>Profit from operations</b>		415,001	660,037
Financing costs	5	(6,230)	(10,431)
Share of results of associates		29,718	24,586
<b>Profit before taxation and minority interests</b>	6	438,489	674,192
Income tax expense	9(a)	(119,825)	(187,655)
<b>Profit before minority interests</b>		318,664	486,537
Minority interests		1,479	216
<b>Profit attributable to shareholders</b>	10 & 27 (a)	320,143	486,753
<b>Dividends</b>	11	(90,599)	(80,600)
<b>Earnings per share (cents)</b>	12	15.9	24.2

The notes on pages 39 to 70 form part of these financial statements.

## *Consolidated Statement of Recognised Gains and Losses*

*for the year ended 31 December 2001 (expressed in Hong Kong dollars)*

	Note	2001	2000
		\$'000	\$'000
Revaluation of investment properties net of deferred tax		-	(323,433)
Foreign exchange translation differences		(198,194)	(79,755)
Net losses not recognised in the consolidated income statement		(198,194)	(403,188)
Net profit attributable to shareholders for the year		320,143	486,753
<b>Total recognised gains</b>	27(a)	121,949	83,565

The notes on pages 39 to 70 form part of these financial statements.

# Consolidated Balance Sheet

at 31 December 2001 (Expressed in Hong Kong dollars)

	Note	2001	2000
		\$'000	\$'000
<b>Non-current assets</b>			
Investment properties	13	708,173	858,306
Fixed assets	14(a)	557,198	578,147
Investments in associates	16	148,169	141,018
Investments	17(a)	115,574	138,106
Hire purchase debtors	20	173,107	239,067
Deferred tax assets	9(b)	28,549	27,770
		1,730,770	1,982,414
<b>Current assets</b>			
Investments	17(b)	362,413	385,690
Stocks	18	438,984	448,655
Trade debtors	19	137,809	193,160
Hire purchase debtors	20	99,449	120,530
Other debtors, deposits and prepayments		120,054	120,943
Cash and cash equivalents	21	886,499	603,623
		2,045,208	1,872,601
<b>Current liabilities</b>			
Bank overdrafts (unsecured)	21	30,248	36,869
Bank loans (unsecured)	22	49,922	67,799
Trade creditors	23	151,314	165,567
Other creditors and accruals		158,604	162,252
Amounts due to related companies	24	2,665	6,725
Taxes payable		155,783	176,784
Provisions	25	6,432	3,964
		554,968	619,960
<b>Net current assets</b>		1,490,240	1,252,641
<b>Total assets less current liabilities</b>		3,221,010	3,235,055
<b>Non-current liabilities</b>			
Deferred tax liabilities	9(b)	9,592	107,910
Bank loans (unsecured)	22	19,351	69,682
Provisions	25	6,814	2,110
		35,757	179,702
<b>Minority interests</b>		9,274	11,428
<b>NET ASSETS</b>		3,175,979	3,043,925

## Consolidated Balance Sheet (continued)

at 31 December 2001 (Expressed in Hong Kong dollars)

	Note	2001	2000
		\$'000	\$'000
Representing:			
<b>Share capital</b>	26	1,006,655	1,006,655
<b>Reserves</b>	27(a)	2,169,324	2,037,270
<b>Shareholders' equity</b>		<b>3,175,979</b>	<b>3,043,925</b>

**Dato' Tan Kim Hor** *DPMS KMN JP*  
Chairman

**Sng Chiew Huat**  
Finance Director

The notes on pages 39 to 70 form part of these financial statements.

# Balance Sheet

at 31 December 2001 (Expressed in Hong Kong dollars)

	Note	2001	2000
		\$'000	\$'000
<b>Non-current assets</b>			
Fixed assets	14(b)	247	348
Investments in subsidiaries	15	2,339,080	2,339,080
		2,339,327	2,339,428
<b>Current assets</b>			
Amounts due from subsidiaries		17,742	7,924
Other debtors, deposits and prepayments		868	898
Cash and cash equivalents	21	5,181	5,696
		23,791	14,518
<b>Current liabilities</b>			
Creditors and accruals		3,726	2,669
Amounts due to subsidiaries		7,062	8,601
Amounts due to related companies	24	28	52
		10,816	11,322
<b>Net current assets</b>		12,975	3,196
<b>NET ASSETS</b>		2,352,302	2,342,624
Representing:			
<b>Share capital</b>	26	1,006,655	1,006,655
<b>Reserves</b>	27(b)	1,345,647	1,335,969
		2,352,302	2,342,624

**Dato' Tan Kim Hor** *DPMS KMN JP*  
Chairman

**Sng Chiew Huat**  
Finance Director

The notes on pages 39 to 70 form part of these financial statements.

## Consolidated Cash Flow Statement

*for the year ended 31 December 2001 (Expressed in Hong Kong dollars)*

Note	2001	2000
	\$'000	\$'000
<b>Net cash flows from operating activities</b>	(a) 478,175	102,011
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	9,908	23,090
Proceeds from sale of investment properties	24,158	656,913
Dividends received from listed investments	526	607
Dividends received from unlisted investments	1,265	866
Purchase of fixed assets	(58,453)	(173,123)
Interest received	38,681	21,292
Payment for purchase of equity investments	(18,019)	(10,568)
Payment for purchase of debt securities	-	(424,394)
Payment for purchase of a subsidiary	(b) (10,368)	-
<i>Net cash (used in)/generated from investing activities</i>	(12,302)	94,683
<b>Cash flows from financing activities</b>		
Dividends received from associates	2,139	1,335
Payment for purchase of own shares	-	(3,675)
Proceeds from borrowings	-	1,505
Repayment of borrowings	(61,905)	(17,645)
Dividends paid to shareholders	(90,599)	(80,600)
Dividends paid to minority interests	(673)	(697)
<i>Net cash used in financing activities</i>	(151,038)	(99,777)
Net increase in cash and cash equivalents	314,835	96,917
Cash and cash equivalents at beginning of the year	566,754	481,874
Effect of exchange differences	(25,338)	(12,037)
Cash and cash equivalents at end of the year	21 856,251	566,754

The notes on pages 39 to 70 form part of these financial statements.

# Notes to Consolidated Cash Flow Statement

for the year ended 31 December 2001 (Expressed in Hong Kong dollars)

(a) The reconciliation of operating profit to net cash flows from operating activities is as follows:

	2001	2000
	\$'000	\$'000
Profit from operations	415,001	660,037
Adjustments for:		
Depreciation	48,289	46,772
Gain on disposal of fixed assets	(4,609)	(4,551)
Gain on disposal of investment properties	(4,262)	(237,856)
Decrease in fair value on revaluation of investment properties	82,483	19,740
Decrease in fair value of listed equity investments	28,999	-
Impairment loss on unlisted equity investments	3,651	50,664
Interest income	(50,137)	(28,853)
Dividend income	(1,791)	(1,473)
Operating profit before working capital changes	517,624	504,480
Decrease/(increase) in amounts due from associates	7,911	(1,441)
Decrease/(increase) in hire purchase debtors	64,240	(119,614)
Increase in stocks	(16,388)	(140,536)
Decrease/(increase) in trade debtors	44,657	(50,438)
Net movements in balance with related companies	(4,060)	3,008
Decrease in other debtors, deposits and prepayments	11,777	61,994
Increase/(decrease) in provision for warranties	7,172	(224)
Decrease in trade creditors	(5,421)	(52,540)
Increase in other creditors and accruals	5,293	8,436
Cash generated from operations	632,805	213,125
Interest paid	(6,220)	(10,440)
Taxes paid	(121,664)	(93,710)
Effect of exchange differences	(26,746)	(6,964)
Net cash flows from operating activities	478,175	102,011

## *Notes to Consolidated Cash Flow Statement*

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

### (b) Purchase of a subsidiary

The purchase of a subsidiary had the following effect on the Group's assets and liabilities:

	2007
	\$'000
Fixed assets	9,917
Stocks	174
Debtors, deposits and prepayments	647
Cash at bank and on hand	804
Creditors and accruals	(370)
<b>Net assets</b>	<b>11,172</b>
Satisfied by : cash	11,172
Less: cash acquired	(804)
<b>Net cash outflow</b>	<b>10,368</b>



# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 1 Significant accounting policies

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

The consolidated financial statements of the Company for the year ended 31 December 2001 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 14 March 2002.

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the Standing Interpretations Committee of the 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.

### (b) Basis of preparation

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

The consolidated financial statements are prepared on the historical cost basis except that investment properties and investments available for sale are stated at their fair value.

The accounting policies have been consistently applied by group enterprises and, except for the adoption of IAS 39 on Financial Instruments: Recognition and Measurement and IAS 40 on Investment Property, are consistent with those used in the previous years.

### (c) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company in which case, it is stated at fair value with changes in fair value recognised in the income statement when they arise.

1

1 (a)

1 (b)

1 (c)

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 1 Significant accounting policies (continued)

### 1 (c) Basis of consolidation (continued)

#### (ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in associates in the Company's balance sheet are stated at cost less impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

#### (iii) Transactions eliminated on consolidation

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

### 1 (d) Translation of foreign currencies

#### (i) Individual companies

Transactions in foreign currencies are translated into the reporting currency at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the reporting currency at the exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement, except for monetary assets that, in substance, form part of a company's net investment in an overseas entity are dealt with as a movement in reserves.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 1 Significant accounting policies (continued)

1

### (d) Translation of foreign currencies (continued)

1 (d)

#### (ii) On consolidation

The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

### (e) Investment properties

1 (e)

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(p). Investment properties are stated at their fair value determined annually. Fair value is based on current prices in an active market for similar properties in the same location and condition. It is the Group's policy to undertake valuations at intervals of not more than three years by independent professional valuers on an open market value basis. In the intervening years investment properties will be 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.

### (f) Fixed assets, depreciation and amortisation

1 (f)

Land and buildings other than investment properties are carried at purchase price or at 1984 revalued amount, less accumulated depreciation and impairment losses.

The surplus which arose on the 1984 valuation was taken to capital reserve and may only be transferred to retained profits as and when the relevant property is disposed of. All other gains and losses arising on disposal of fixed assets are dealt with in the income statement.

Freehold land is not amortised. Leasehold land is amortised over the period of the lease on a straight line basis.

All other fixed assets are carried at purchase price less accumulated depreciation and impairment losses. They are depreciated on a straight line basis to write off the cost of these assets over their estimated useful lives at the following annual rates:

Buildings	2% - 4%
Plant, machinery and equipment	
- engines, construction equipment and forklifts for hire	20% on cost less residual value
- others	10%
Furniture, fixtures, fittings and office equipment	
- computers	100%
- others	10% - 15%
Motor vehicles	12½% - 40%

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1	<p><b>1 Significant accounting policies (continued)</b></p>
1 (f)	<p><b>(f) Fixed assets, depreciation and amortisation (continued)</b></p> <p>Subsequent expenditure on the existing fixed assets is capitalised only when it increases the future economic benefits embodied in the item of fixed assets. All other expenditure is recognised in the income statement as an expense as incurred.</p> <p>Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.</p>
1 (g)	<p><b>(g) Investments</b></p> <p><b>(i) Equity investments</b></p> <p>Equity investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. Other equity investments are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised in the income statement.</p> <p><b>(ii) Debt securities investments</b></p> <p>Debt securities investments held-to-maturity are stated at cost less impairment losses. Other debt securities investments held as being available-for-sale or for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.</p> <p><b>(iii) Fair value</b></p> <p>The fair value of investments held for trading and investments available for sale is their quoted bid price at the balance sheet date. If a quoted bid price in an active market and other methods of determining fair value are not available, investments are measured at cost less impairment losses.</p> <p><b>(iv) Dividends</b></p> <p>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 share price of the investment goes ex-dividend.</p>
1 (h)	<p><b>(h) Hire purchase contracts</b></p> <p>The amounts due from lessees in respect of hire purchase contracts are recorded in the balance sheet as hire purchase debtors which represent the total rental receivable under hire purchase contracts less unearned interest income.</p> <p>Interest income implicit in the hire purchase payments are charged to the income statement over the period of the hire purchase contracts so as to produce an approximately constant periodic rate of return on the remaining balance of hire purchase debtors.</p>

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 1 Significant accounting policies (continued)

1

### (i) Income tax

1 (i)

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

### (j) Stocks

1 (j)

Stocks are stated at the lower of cost and net realisable value. Cost of motor vehicle is determined primarily on an actual cost basis while cost of stocks other than motor vehicle stocks 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.

### (k) Trade and other debtors

1 (k)

(i) Trade and other receivables are stated at their cost less impairment losses.

(ii) Option premium paid to acquire property

Premium paid in connection with the purchase of an option is amortised over the option period. Impairment to the fair value of the option is charged to the income statement in the period in which such impairment occurs.

### (l) Cash and cash equivalents

1 (l)

Cash and cash equivalents comprise cash balances and short term deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1	<p><b>1 Significant accounting policies (continued)</b></p>
1 (m)	<p><b>(m) Trade and other creditors</b></p> <p>Trade and other creditors are stated at their cost.</p>
1 (n)	<p><b>(n) Provisions</b></p> <p>A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.</p>
1 (o)	<p><b>(o) Warranties</b></p> <p>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.</p>
1 (p)	<p><b>(p) Recognition of income</b></p> <ul style="list-style-type: none"> <li>(i) Revenue arising from sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership.</li> <li>(ii) Services fee is recognised upon the conclusion of the related services provided.</li> <li>(iii) Interest and hire purchase financing income is accrued on a time-apportioned basis on the principal outstanding and at the interest rate applicable.</li> <li>(iv) Rental income from investment properties is recognised on a straight line basis over the periods of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.</li> </ul>
1 (q)	<p><b>(q) Impairment</b></p> <p>The carrying amount of the Group's assets other than investment properties, deferred tax assets and stocks are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.</p> <p>A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.</p>

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 1 Significant accounting policies (continued)

1

### (r) Borrowing and financing costs

1 (r)

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

Financing costs include interest payable on borrowings as well as foreign exchange gains and losses related to financing activities are recognised in the income statement as incurred.

### (s) Operating leases

1 (s)

Rentals payable under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective leases. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

### (t) Retirement benefits

1 (t)

Contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

### (u) Segment reporting

1 (u)

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.

### (v) Repurchase of share capital

1 (v)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are cancelled. The par value of the shares repurchased is shown as a deduction from share capital, with adjustment of premiums against retained profits.

### (w) Dividends

1 (w)

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

### (x) Related parties

1 (x)

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2

### 2 Revenue

Revenue represents the sales value of goods sold, services supplied to customers, hire purchase financing income, rental income, management service fee, agency commission and handling fee and warranty reimbursement, net of goods and services tax and first registration tax where applicable, analysed as follows:

	2001	2000
	\$'000	\$'000
Sale of goods		
- Vehicles, machinery and spare parts	4,703,710	4,703,043
- Telecommunication products	17,976	79,498
Rendering of services	195,044	169,188
Hire purchase financing income	35,374	28,820
Gross rentals from investment properties	17,502	31,574
Rentals from lease of offices and workshops	3,300	3,161
Management service fee	14,120	14,508
Agency commission and handling fee	26,215	21,458
Warranty reimbursement	7,784	5,478
	5,021,025	5,056,728

3

### 3 Other operating income

	2001	2000
	\$'000	\$'000
Interest income from listed debt securities	3,054	2,216
Other interest income	47,083	26,637
Dividend income		
- listed investments	526	607
- unlisted investments	1,265	866
Gain on disposal of fixed assets	4,609	4,551
Gain on disposal of investment properties	4,262	237,856
Others	4,602	3,890
	65,401	276,623



# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 4 Other operating expenses

4

	2001	2000
	\$'000	\$'000
Decrease in fair value of listed equity investments	28,999	-
Impairment loss on unlisted equity investments	3,651	50,664
Decrease in fair value of investment properties	82,483	19,740
Provision for bad debts	8,885	-
Reversal of provision for bad debts	-	(4,088)
Bank charges	3,943	5,521
Others	1,505	245
	129,466	72,082

## 5 Financing costs

5

	2001	2000
	\$'000	\$'000
Interest expense		
- on bank loans	5,365	9,062
- on bank overdrafts	865	1,369
	6,230	10,431

## 6 Profit before taxation and minority interests

6

*Profit before taxation and minority interests is arrived at after charging:*

	2001	2000
	\$'000	\$'000
Cost of goods sold	3,834,316	3,840,473
Depreciation	48,289	46,772
Auditors' remuneration	1,952	1,629
Increase in provision for warranties	8,642	2,837
Direct outgoings for investment properties	4,566	10,979
Operating lease rental expense	13,524	10,800

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7

### 7 Personnel expenses

	2001	2000
	\$'000	\$'000
Wages and salaries	129,107	105,112
Retirement benefit costs	14,913	10,145
Others	4,804	3,705
	148,824	118,962

The number of employees at the end of 2001 was 822 (2000: 715).

8

### 8 Directors' and senior executives' remuneration

Details of executive directors' remuneration are as follows:

	2001	2000
	\$'000	\$'000
Fees	1,275	1,293
Basic salaries, allowances and other benefits	11,162	9,969
Bonus	5,863	3,570
Retirement plan contributions	891	1,471
	19,191	16,303

Fees in respect of independent non-executive directors for the year ended 31 December 2001 amounted to \$120,000 (2000: \$120,000).

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

	2001	2000
\$Nil - \$1,000,000	3	3
\$1,000,001 - \$1,500,000	-	-
\$1,500,001 - \$2,000,000	1	1
\$2,000,001 - \$2,500,000	-	1
\$2,500,001 - \$3,000,000	1	-
\$3,000,001 - \$3,500,000	-	1
\$3,500,001 - \$4,000,000	1	1
\$4,000,001 - \$4,500,000	-	-
\$4,500,001 - \$5,000,000	1	1
\$5,000,001 - \$5,500,000	-	-
\$5,500,001 - \$6,000,000	1	-
	8	8

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 8 Directors' and senior executives' remuneration (continued)

Details of the remuneration for the five highest paid individuals (including directors) and the number of individuals (including directors) whose remuneration from the Group falls within the following designated bands are set out below.

	2001	2000
	\$'000	\$'000
Basic salaries, allowances and other benefits	11,762	10,569
Bonus	5,863	3,570
Retirement plan contributions	891	1,471
	18,516	15,610
	2001	2000
\$Nil - \$1,000,000	-	-
\$1,000,001 - \$1,500,000	-	-
\$1,500,001 - \$2,000,000	1	1
\$2,000,001 - \$2,500,000	-	1
\$2,500,001 - \$3,000,000	1	-
\$3,000,001 - \$3,500,000	-	1
\$3,500,001 - \$4,000,000	1	1
\$4,000,001 - \$4,500,000	-	-
\$4,500,001 - \$5,000,000	1	1
\$5,000,001 - \$5,500,000	-	-
\$5,500,001 - \$6,000,000	1	-
	5	5

## 9 Taxation

### (a) Income tax expense

	2001	2000
	\$'000	\$'000
<b>Current tax expense</b>		
Current year	124,066	171,713
(Over)/under provided in prior years	(6,452)	10,501
	117,614	182,214
<b>Deferred tax expense</b>		
Originating and reversal of temporary differences	4,581	1,567
Reduction in tax rate	(806)	(495)
Benefit of tax losses (recognised)/written off	(1,564)	4,369
	2,211	5,441
<b>Total income tax expense in income statement</b>	119,825	187,655

9  
9 (a)

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9

### 9 Taxation (continued)

9 (a)

#### (a) Income tax expense (continued)

	2001	2000
	\$'000	\$'000
The analysis of income tax expense is as follows:		
Hong Kong	1,842	1,188
Singapore	111,908	179,410
Elsewhere	134	362
	113,884	180,960
Associates	5,941	6,695
	119,825	187,655

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16% (2000: 16%) and 24.5% (2000: 25.5%), prevailing in the relevant tax jurisdictions in which the Group operates.

The following is a reconciliation of income taxes calculated at the applicable tax rate with income tax expense:

	2001	2000
	\$'000	\$'000
Accounting profit before tax	438,489	674,192
Computed tax using the applicable corporation tax rate		
- in Hong Kong	(1,214)	(1,094)
- in Singapore	103,449	175,197
Group companies' tax rate differential relative to Hong Kong tax rate	689	955
Adjustments resulting from:		
- Non-deductible expenses	27,455	22,550
- Non-taxable income	(2,538)	(24,823)
- Effect of tax loss (utilised)/written off	(1,564)	4,369
- (Over)/under provision in respect of prior years	(6,452)	10,501
Income tax expense	119,825	187,655

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 9 Taxation (continued)

### (b) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2001 and 2000 are attributable to the items detailed in the table below:

	2001			2000		
	Assets \$'000	Liabilities \$'000	Net \$'000	Assets \$'000	Liabilities \$'000	Net \$'000
Fixed assets	1,217	(12,278)	(11,061)	1,088	(10,295)	(9,207)
Investment properties	-	-	-	-	(100,704)	(100,704)
Stocks	12,521	-	12,521	11,998	-	11,998
Trade debtors	5,629	(2)	5,627	4,787	-	4,787
Other debtors and prepayments	66	(122)	(56)	35	(24)	11
Amount due from subsidiaries	-	-	-	132	-	132
Cash and cash equivalents	53	(211)	(158)	58	(23)	35
Creditors and accruals	6,105	-	6,105	7,557	(34)	7,523
Provisions	3,245	-	3,245	1,488	-	1,488
Tax value of loss carry-forward	2,734	-	2,734	3,797	-	3,797
Tax assets/(liabilities)	31,570	(12,613)	18,957	30,940	(111,080)	(80,140)
Set-off within legal tax units and jurisdictions	(3,021)	3,021	-	(3,170)	3,170	-
Net tax assets/ (liabilities)	28,549	(9,592)	18,957	27,770	(107,910)	(80,140)

9

9 (b)

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10

### 10 Profit attributable to shareholders

The profit attributable to shareholders included a profit of \$100,277,000 (2000: \$83,904,000) which has been dealt with in the financial statements of the Company.

11

### 11 Dividends

	2001	2000
	\$'000	\$'000
(i) At the balance sheet date the following dividends have been approved and declared:		
Interim dividend paid of 1.5 cents (2000: 1.5cents) per share	30,200	30,200
Final dividend paid in respect of the prior year	60,399	50,400
	90,599	80,600
(ii) After the balance sheet date the following dividend was proposed by the Directors, which has not been provided for:		
Final proposed dividend of 3.5 cents (2000: 3 cents) per share	70,466	60,399

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### 12 Earnings per share

The calculation of basic earnings per share is based on net profit for the year attributable to ordinary shareholders of \$320,143,000 (2000: \$486,753,000) and weighted average number of ordinary shares outstanding during the year of 2,013,309,000 (2000: 2,013,450,000) shares.

The number of ordinary shares can be specified as follows:

	2001	2000
Issued ordinary shares at 1 January	2,013,309,000	2,016,000,000
Adjustment for own shares repurchased	-	(2,691,000)
Issued ordinary shares at 31 December	2,013,309,000	2,013,309,000

The amount of diluted earnings per share is not presented as there were no dilutive shares outstanding during 2000 and 2001.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 13 Investment properties

13

	Freehold land and buildings	Leasehold land and buildings	Total
	\$'000	\$'000	\$'000
At 1 January 2001	525,448	332,858	858,306
Exchange adjustments	(32,375)	(15,379)	(47,754)
Disposals	(14,857)	(5,039)	(19,896)
Decrease in fair value on revaluation	(47,830)	(34,653)	(82,483)
At 31 December 2001	430,386	277,787	708,173

The analysis of the valuation of land and buildings is as follows:

	2001	2000
	\$'000	\$'000
Freehold		
- Held outside Hong Kong	430,386	525,448
Leasehold		
- In Hong Kong under long lease	61,600	70,000
- Outside Hong Kong under long lease	204,487	250,358
- Outside Hong Kong under medium-term lease	4,200	5,000
- Outside Hong Kong under short lease	7,500	7,500
	708,173	858,306

The investment properties of the Group were revalued at 31 December 2001 by a director of the Company, who is an Associate of The Royal Institution of Chartered Surveyors, at their open market value on an existing use basis. The decrease in fair value of \$82,483,000 has been dealt with in the income statement.

Leasehold property with a carrying value of \$4.2 million (2000: \$5 million) is located in the PRC and its building ownership certificate has not yet been obtained by the Group.

Investment properties comprise a number of commercial properties that are leased to external customers. Each of the leases contains an initial non-cancellable period of ten years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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## 14 Fixed assets

14 (a)

### (a) The Group

	Freehold land	Leasehold land	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or valuation:</b>							
At 1 January 2001	177,146	85,241	236,434	108,873	58,092	116,373	782,159
Exchange adjustments	(11,233)	(4,352)	(13,814)	(5,977)	(3,409)	(7,235)	(46,020)
Additions from acquisition of a subsidiary	-	-	8,217	3,262	332	335	12,146
Additions	-	-	1,883	24,043	7,872	24,655	58,453
Disposals	(135)	-	(3,038)	(17,938)	(4,985)	(3,802)	(29,898)
At 31 December 2001	165,778	80,889	229,682	112,263	57,902	130,326	776,840
<b>Representing:</b>							
Cost	-	72,264	153,947	112,263	57,902	130,326	526,702
Valuation - 1984	165,778	8,625	75,735	-	-	-	250,138
	165,778	80,889	229,682	112,263	57,902	130,326	776,840
<b>Accumulated depreciation:</b>							
At 1 January 2001	-	8,828	62,008	45,916	49,088	38,172	204,012
Exchange adjustments	-	(599)	(3,535)	(2,989)	(3,047)	(2,801)	(12,971)
Additions from acquisition of a subsidiary	-	-	826	1,150	121	132	2,229
Charge for the year	-	7,152	2,950	17,738	4,947	15,502	48,289
Written back on disposal	-	-	(2,259)	(11,980)	(4,840)	(2,838)	(21,917)
At 31 December 2001	-	15,381	59,990	49,835	46,269	48,167	219,642
<b>Net book value:</b>							
At 31 December 2001	165,778	65,508	169,692	62,428	11,633	82,159	557,198
At 31 December 2000	177,146	76,413	174,426	62,957	9,004	78,201	578,147



# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 14 Fixed assets (continued)

### (a) The Group (continued)

The analysis of net book value of land and buildings is as follows:

	2001	2000
	\$'000	\$'000
In Hong Kong		
- Medium term lease	10,737	11,005
- Short lease	160	192
Outside Hong Kong		
- Freehold	216,377	232,875
- Long lease	48,665	53,480
- Medium-term lease	125,040	129,596
- Short lease	-	837
	400,979	427,985

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 \$250,138,000 as the amount of the adjustments relating to prior periods could not be reasonably determined when IAS was adopted for the purpose of preparing accounts 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.

### (b) The Company

	Office equipment	Furniture and fittings	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<b>Cost:</b>				
At 1 January 2001	82	255	431	768
Additions	31	9	-	40
At 31 December 2001	113	264	431	808
<b>Accumulated depreciation:</b>				
At 1 January 2001	50	112	258	420
Charge for the year	15	40	86	141
At 31 December 2001	65	152	344	561
<b>Net book value:</b>				
At 31 December 2001	48	112	87	247
At 31 December 2000	32	143	173	348

14

14 (a)

14 (b)

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15

### 15 Investments in subsidiaries

	The Company	
	2001	2000
	\$'000	\$'000
Unlisted shares, at cost	2,292,080	2,292,080
Loan to a subsidiary	47,000	47,000
	2,339,080	2,339,080

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

The following list contains the particulars of subsidiaries as at 31 December 2001 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	Singapore	SGD100,000,000 Redeemable preference SGD50,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	SGD4,000,000 Redeemable preference SGD12,500,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD8	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	SGD34,100,000 Redeemable preference SGD12,500,000	100%	Hire-purchase financing and insurance agency

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 15 Investments in subsidiaries (continued)

15

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 Realty (Private) Limited	Singapore	SGD32,900,000 Redeemable preference SGD25,000,000	100%	Property holding and development
Advance Pacific Holdings Limited	Hong Kong	HKD8,500,000	100%	Investment holding
Motor Image (H.K.) Limited	Hong Kong	HKD8,000,000	100%	Distribution of motor vehicles

## 16 Interest in associates

16

	The Group	
	2001	2000
	\$'000	\$'000
Share of net assets	147,035	131,973
Amounts due from associates	1,134	9,045
	148,169	141,018

Details of the major associates are as follows:

Name of company	Place of incorporation	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
PT Tifa Mutual Finance Corporation	Indonesia	48%	Leasing and finance

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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**17 Investments**

17 (a)

**(a) Non-current investments**

	The Group	
	2001	2000
	\$'000	\$'000
Equity investments available for sale - unlisted	30,123	24,288
- listed	46,760	75,114
	76,883	99,402
Debt securities investments held to maturity - listed	38,691	38,704
	115,574	138,106
Fair value of listed equity investments	46,760	74,352
Fair value of listed debt securities	41,271	40,910

With the adoption of IAS 39, the Group now states equity investments available for sale at fair value except for unlisted equity investments. The fair value of the unlisted equity investments cannot be measured reliably because they are not traded in an open market and there were no transactions for the investments during the year. The unlisted equity investments are stated at cost less impairment losses.

17 (b)

**(b) Current investments**

	The Group	
	2001	2000
	\$'000	\$'000
Debt securities available for sale - unlisted	362,413	385,690

The unlisted debt securities are stated at cost less impairment losses because the fair value of the unlisted debt securities cannot be measured reliably. The unlisted debt securities are not traded in open market and there were no transactions for the securities during the year. As they are the Group's significant investments, the Group monitors them on an ongoing basis.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 18 Stocks

	The Group	
	2001	2000
	\$'000	\$'000
Raw materials	5,332	4,614
Work-in-progress	451	470
Spare parts and others	76,812	75,046
Finished goods and trading stocks	356,376	366,767
Goods in transit	13	1,758
	438,984	448,655
Stocks stated at net realisable value	410,136	410,111

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## 19 Trade debtors

Included in trade debtors are debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2001	2000
	\$'000	\$'000
Current	104,677	155,737
1 to 3 months overdue	30,340	32,959
More than 3 months overdue but less than 12 months overdue	2,792	4,464
	137,809	193,160

19

Debts are due within 1 month from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

## 20 Hire purchase debtors

	The Group	
	2001	2000
	\$'000	\$'000
Hire purchase debtors	341,780	443,047
Unearned interest charges	(50,872)	(68,116)
	290,908	374,931
Provision for doubtful debts	(18,352)	(15,334)
	272,556	359,597

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# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 20 Hire purchase debtors (continued)

	The Group	
	2001	2000
	\$'000	\$'000
Balance due		
- within one year	99,449	120,530
- between one year and five years	163,502	219,661
- more than five years	9,605	19,406
	272,556	359,597

## 21 Cash and cash equivalents

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Bank deposits	867,553	569,966	4,135	4,937
Bank balances	18,712	33,388	1,046	759
Cash on hand	234	269	-	-
Cash and cash equivalents	886,499	603,623	5,181	5,696
Bank overdrafts (unsecured)	(30,248)	(36,869)	-	-
Cash and cash equivalents in the statement of cash flows	856,251	566,754	5,181	5,696

The effective interest rate of deposits ranged from 0.325% to 6.25% (2000: 1.5% to 6.25%) per annum. The tenor of such deposits ranged from 1 day to 3 months.

Bank overdrafts bear interest ranging from 4.5% to 6.25% (2000: 5% to 6.5%) per annum.

## 22 Bank loans (unsecured)

At 31 December 2001, the bank loans were payable as follows:

	The Group	
	2001	2000
	\$'000	\$'000
Within 1 year	49,922	67,799
After 1 year but within 2 years	3,870	11,613
After 2 years but within 5 years	11,611	34,843
After 5 years	3,870	23,226
	19,351	69,682
	69,273	137,481

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 22 Bank loans (unsecured) (Continued)

22

Bank loans totalling \$23,223,000 (2000: \$81,295,000) bear interest at the Hong Kong Inter Bank Offered Rate plus 1.5% per annum or at the bank's cost of funding plus 1.5% per annum, whichever is the higher.

The remaining portion of the bank loans carried floating interest rates ranging from 0.6% to 8.2% (2000: 6.9% to 9%) per annum during the year ended 31 December 2001.

## 23 Trade creditors

23

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

	The Group	
	2001	2000
	\$'000	\$'000
Due within one month or on demand	100,305	121,349
Due after 1 month but within 3 months	44,497	38,780
Due after 3 months but within 6 months	5,669	3,788
Due after 6 months but within 12 months	843	1,650
	151,314	165,567

## 24 Amounts due to related companies

24

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Trading balances	2,665	6,725	28	52

## 25 Provisions

25

	The Group 2001
	\$'000
<i>Provision for warranties</i>	
Balance at 1 January	6,074
Provisions made	8,642
Provisions used	(1,470)
Balance at 31 December	13,246
Current	6,432
Non-current	6,814
	13,246

The provision for warranties relates mainly to motor vehicles sold which is calculated based on estimates made from historical warranty data associated with similar products and services.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

26

## 26 Share capital

	The Group and the Company	
	2001	2000
	\$'000	\$'000
<b>Authorised:</b>		
3,000,000,000 ordinary shares of \$0.50 each	1,500,000	1,500,000
<b>Issued and fully paid:</b>		
At 1 January	1,006,655	1,008,000
Shares repurchased	-	(1,345)
At 31 December	1,006,655	1,006,655

27

## 27 Reserves

27 (a)

### (a) The Group

	Note	Share premium	Capital reserve	Investment properties revaluation reserve	Translation reserve	Contributed surplus	Retained profits	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at								
1 January 2000		550,547	9,549	618,301	(350,698)	377,690	831,245	2,036,634
Total recognised gains and losses		-	-	(323,433)	(79,755)	-	486,753	83,565
Own shares repurchased		-	-	-	-	-	(2,329)	(2,329)
Dividends to shareholders		-	-	-	-	-	(80,600)	(80,600)
Balance at								
31 December 2000		550,547	9,549	294,868	(430,453)	377,690	1,235,069	2,037,270
Balance at								
1 January 2001		550,547	9,549	294,868	(430,453)	377,690	1,235,069	2,037,270
Effect on adoption of IAS 40	34	-	-	(294,868)	-	-	395,572	100,704
Restated balance at 1 January 2001		550,547	9,549	-	(430,453)	377,690	1,630,641	2,137,974
Total recognised gains and losses		-	-	-	(198,194)	-	320,143	121,949
Dividends to shareholders		-	-	-	-	-	(90,599)	(90,599)
Balance at								
31 December 2001		550,547	9,549	-	(628,647)	377,690	1,860,185	2,169,324



# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 27 Reserves (Continued)

### (b) The Company

	Note	Share premium	Contributed surplus	Retained profits	Total
		\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2000		550,547	623,313	161,134	1,334,994
Total recognised gains and losses		-	-	83,904	83,904
Own shares repurchased		-	-	(2,329)	(2,329)
Dividends to shareholders	11	-	-	(80,600)	(80,600)
At 31 December 2000		550,547	623,313	162,109	1,335,969
Balance at 1 January 2001		550,547	623,313	162,109	1,335,969
Total recognised gains and losses		-	-	100,277	100,277
Dividends to shareholders	11	-	-	(90,599)	(90,599)
At 31 December 2001		550,547	623,313	171,787	1,345,647

#### Capital reserve

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

#### Investment properties revaluation reserve

The investment properties revaluation reserve comprises the net cumulative increase in the fair value of investment properties that has been recognised in the financial statements. The reserve was reclassified to retained earnings on 1 January 2001 with the adoption of IAS 40.

#### Translation reserve

The translation reserve mainly comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operation of the Company.

#### 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 contributed surplus. Under the Companies Act of Bermuda, 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 accounts.

27

27 (b)

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 27 Reserves (Continued)

### 27 (b) (b) The Company (continued)

The Company's reserves available for distribution to shareholders at 31 December 2001 are as follows:

	2001	2000
	\$'000	\$'000
Contributed surplus	623,313	623,313
Retained profits (refer to note 27(b))	171,787	162,109
	795,100	785,422

## 28 Financial instruments

Financial assets of the Group include cash, equity and debt securities investments, trade, hire purchase and other receivables. Financial liabilities of the Group include loans, borrowings, trade and other payables. Accounting policies for financial assets and liabilities are set out in note 1.

### 28 (a) (a) Interest rate risk

The interest rates and terms of repayment of loans and borrowings of the Group are disclosed in notes 21 and 22.

The contractual repricing period for cash and cash equivalents, bank overdrafts and unsecured bank loans are all within 6 months.

### 28 (b) (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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 28 Financial instruments (continued)

28

### (c) Foreign currency risk

28 (c)

The Group has exposures to foreign currencies as its major operations and income are derived mainly in Singapore dollars ("SGD"). Depreciation and appreciation of SGD against Hong Kong dollars can affect the Group's results.

The Group's operating subsidiaries regularly monitor their exchange exposure and may hedge their position discriminately, depending on the size of the exposure and the future outlook of the particular currency unit.

### (d) Fair value

28 (d)

The fair value of listed investments is shown in note 17.

The fair values of cash, trade, hire purchase and other receivables, trade and other payables, loans and borrowings are not materially different from their carrying amounts.

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

## 29 Commitments

29

	The Group	
	2001	2000
	\$'000	\$'000
<b>(a) Capital commitments outstanding at 31 December 2001 not provided for in the financial statements were as follows:</b>		
Authorised and contracted for:		
- Purchase of assets	-	11,578
- Construction of properties	281,760	-
	281,760	11,578
<b>(b) Operating lease commitments:</b>		
Minimum lease payments under non-cancellable operating leases, not provided for:		
not later than one year	12,269	14,138
between one and two years	7,164	8,392
between two and three years	5,529	3,172
between three and four years	5,529	2,182
between four and five years	2,225	2,178
later than five years	38,959	42,339
	71,675	72,401

29 (a)

29 (b)

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 30 30 Contingent liabilities

At 31 December 2001, the Group had contingent liabilities in respect of unsecured guarantees amounting to \$8,415,000 (2000: \$12,424,000) to banks in respect of credit facilities extended to an associate and a related company, out of which \$Nil (2000: \$266,000) was utilised at 31 December 2001.

## 31 31 Retirement benefits

The Group makes the mandatory contributions to the employee provident funds which are defined contribution plans in Singapore and Brunei.

In Hong Kong, the Group operates a defined contribution plan whereby the Group contributes to the plan at a rate of 5% of basic salary each month.

The Group has no obligation for the payment of retirement benefits beyond the contributions described above. For any forfeited amount due to resignation prior to vesting of the benefits, the amount will be used to reduce the contributions made in that corresponding financial year.

Contributions to the retirement plan are charged to the income statement as and when incurred.

## 32 32 Related party transactions

The following is a summary of significant transactions carried out in the normal course of business between the Group and its related companies during the year:

	Note	2001	2000
		\$'000	\$'000
Sales of goods and services to TCMH Group	(i)	2,069	2,802
Sales of goods and services to Ultima Group	(i)	3,187	4,866
Purchase of stocks from TCMH Group	(i)	14,039	22,984
Purchase of stocks from Ultima Group	(i)	5,595	3,201
Purchase of fixed assets from Ultima Group	(i)	13	303
Rentals received from Ultima Group	(ii)	416	720
Hire purchase financing income from Ultima Group	(iii)	1,338	651
Management fee paid to TCMH Group	(iv)	141	295

### Notes:

- (i) Dato' Tan Kim Hor and Tan Eng Soon are the chairman and managing director of TCMH, respectively and the Ultima Group is controlled by the Tan family. All the sales and purchases and services rendered between the Group, the TCMH Group and the Ultima Group were on normal commercial terms.
- (ii) Rentals received from the Ultima Group for the leasing of premises and vehicles were on normal commercial terms.
- (iii) 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 usually of 7 years.
- (iv) The Group received technical support from the TCMH Group in respect of its manufacturing operations in the PRC and a management fee was charged.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

## 33 Segment reporting

33

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.

### *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 and Hong Kong. It distributes all models of Nissan passenger and light commercial vehicles exported to Singapore and all models of Subaru passenger vehicles exported to Singapore and Hong Kong by the respective manufacturers.

#### *(ii) Heavy commercial vehicle and industrial equipment distribution*

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

#### *(iii) Sales of telecommunication products*

The Group is engaged in retail of Motorola and other brands of cellular phones and accessories and also provides cellular phone network connection services for phone customers.

#### *(iv) Properties rental*

The Group has significant property interest 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.

### *Geographical segments*

The business segments detailed above operate in three principal geographical areas. Singapore is a major market for main kinds of Group business. In Hong Kong, the Group is engaged in the distribution of Subaru vehicles, provision of workshop services and investment in property in return for rental income and in the PRC, the Group manufactures vehicle seats and shock absorbers targeting at the growing domestic market.

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

## Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33

### 33 Segment reporting (continued)

	Motor vehicle distribution		Heavy commercial vehicle and industrial equipment distribution	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Revenue from external customers:				
- sales	4,456,756	4,366,186	216,874	304,670
- services	88,774	87,809	68,171	52,609
- finance	-	-	-	-
- rentals	2,422	2,240	313	325
- others	33,887	26,800	2,912	2,976
<b>Total revenue</b>	<b>4,581,839</b>	<b>4,483,035</b>	<b>288,270</b>	<b>360,580</b>
Segment result				
Profit from operations	397,780	367,209	31,761	42,522
Net financing income/ (costs)	(11,369)	1,936	(104)	(167)
Income from associates	24,756	21,750	-	-
Income tax expense	(95,734)	(116,703)	(8,327)	(13,155)
Minority interests	-	-	-	-
<b>Net profit for the year</b>	<b>315,433</b>	<b>274,192</b>	<b>23,330</b>	<b>29,200</b>
Segment assets	1,831,596	1,756,330	199,165	230,279
Interest in associates	107,933	104,715	-	-
<b>Consolidated total assets</b>	<b>1,939,529</b>	<b>1,861,045</b>	<b>199,165</b>	<b>230,279</b>
Consolidated total liabilities	385,008	428,083	48,544	55,397
Capital expenditure	24,120	59,103	23,287	74,280
Depreciation and amortisation expense	13,044	12,011	18,762	20,401
Impairment loss	-	(46,877)	-	-
Significant non-cash expenses	(25,074)	-	-	-

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	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	4,867,987	4,869,081	89,685	90,907
Segment assets	2,773,471	2,800,690	182,121	212,937
Capital expenditure	52,314	171,549	400	389

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33

Sales of telecommunication products		Properties rental		Other operations		Consolidated	
2001	2000	2001	2000	2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
17,976	79,498	-	-	30,080	32,189	4,721,686	4,782,543
-	-	6,093	3,918	32,006	24,851	195,044	169,187
-	-	-	-	35,374	28,820	35,374	28,820
-	-	17,502	31,574	565	596	20,802	34,735
27	63	5,315	5,514	5,978	6,090	48,119	41,443
18,003	79,561	28,910	41,006	104,003	92,546	5,021,025	5,056,728
17	898	(38,308)	241,363	23,751	8,045	415,001	660,037
(126)	(5)	3,394	(12,972)	1,975	777	(6,230)	(10,431)
-	-	-	-	4,962	2,836	29,718	24,586
169	(424)	(2,816)	(43,744)	(13,117)	(13,629)	(119,825)	(187,655)
-	-	-	-	1,479	216	1,479	216
60	469	(37,730)	184,647	19,050	(1,755)	320,143	486,753
320	2,083	514,784	591,724	1,081,944	1,133,581	3,627,809	3,713,997
-	-	-	-	40,236	36,303	148,169	141,018
320	2,083	514,784	591,724	1,122,180	1,169,884	3,775,978	3,855,015
2,586	3,591	51,029	206,603	103,558	105,992	590,725	799,666
5	58	611	391	22,576	39,291	70,599	173,123
50	266	796	2,110	15,637	11,984	48,289	46,772
-	-	-	-	(3,651)	(3,787)	(3,651)	(50,664)
-	-	(56,189)	(18,000)	(1,220)	(900)	(82,483)	(18,900)

PRC		Other		Consolidated	
2001	2000	2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
23,418	24,690	39,935	72,050	5,021,025	5,056,728
60,196	68,903	612,021	631,467	3,627,809	3,713,997
518	495	17,367	690	70,599	173,123

# Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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## 34 Effect on adoption of IAS 40

During the year, the Group adopted IAS 40 on Investment Property.

The adoption of IAS 40 has resulted in the Group adjusting the opening balance of retained profits to include investment properties revaluation reserve of \$294,868,000 and the related deferred tax liability that is no longer required of \$100,704,000 as at 1 January 2001. Comparative figures have not been restated.

	Retained profits
	\$'000
Opening balance as previously reported	1,235,069
Transfer from investment properties revaluation reserve and the related deferred tax liability	395,572
Balance restated at 1 January 2001	1,630,641

35

## 35 Option to acquire a property

In connection with the sale of an investment property under an asset securitisation arrangement in 2000, a subsidiary has been granted a call option ("the option") at a consideration of S\$1 million to acquire the entire ordinary share capital of the company ("the property company") which acquired the property. The exercise price of the option is S\$5 million and the exercisable period is from 15 March 2003 to 15 March 2004. Upon exercising the option, the subsidiary will be required to repay all the outstanding loan and accrued interest incurred by the property company under the securitisation arrangement.

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## 36 Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.



# Financial Summary

(Expressed in Hong Kong dollars)

	Year ended 31 December				
	1997	1998	1999	2000	2001
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Results</b>					
Turnover	2,066,904	2,383,289	3,019,255	5,012,123	4,969,606
Profit from operations	208,141	255,018	252,674	660,037	415,001
Finance costs	(31,662)	(25,812)	(12,972)	(10,431)	(6,230)
Share of results of associates	24,999	3,739	23,432	24,586	29,718
Profit before taxation	201,478	232,945	263,134	674,192	438,489
Taxation	(66,832)	(82,397)	(78,691)	(187,655)	(119,825)
Minority interests	207	660	830	216	1,479
Profit attributable to shareholders	134,853	151,208	185,273	486,753	320,143
<b>Assets and liabilities</b>					
Investment properties and fixed assets	2,645,018	2,214,413	2,255,543	1,436,453	1,265,371
Interest in associates	151,177	106,448	123,294	141,018	148,169
Other assets	262,343	279,550	318,086	404,943	317,230
Net current assets	563,188	578,600	666,075	1,252,641	1,490,240
Total assets less current liabilities	3,621,726	3,179,011	3,362,998	3,235,055	3,221,010
Non-current liabilities	(542,617)	(303,283)	(306,086)	(179,702)	(35,757)
Minority interests	(13,745)	(13,077)	(12,278)	(11,428)	(9,274)
Shareholders' equity	3,065,364	2,862,651	3,044,634	3,043,925	3,175,979
Earnings per share - basic (cents)	6.7	7.5	9.2	24.2	15.9

#### Notes:

- 1 The results for the years ended 31 December 1997 and 1998 have been prepared on a pro forma combined basis as if the current group structure had been in existence throughout those years.
- 2 Turnover of \$4,969,606,000 (2000: \$5,012,123,000) represents sale of goods, rendering of services, hire purchase financing income and gross rentals from investment properties.
- 3 The amount of diluted earnings per share is not presented as there were no dilutive shares outstanding during those periods.

## Group Properties

Location	Description	Land area (sq feet)	Tenure	Expiry date	Age of building (years)
1/F Centro-Sound Industrial Building 6A Kung Ngam Village Road Shau Kei Wan Hong Kong	Offices and workshop (own use)	9,719	Leasehold	22 October 2051	25
Unit A on Ground Floor, Phase 1 Nan Fung Industrial Building 431-487 Avenida do Dr FranciscoVieira Machado and 354-408 Rua dos Pescadores Macau	Showroom and workshop (investment)	8,805	Leasehold	29 November 2002	29
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	13,770	Leasehold	20 May 2060	16
Villa House No 203 Phase 1 River Garden Villa North of Jingshun Highway Shunyi County Beijing China	Residential bungalow (investment)	5,335	Leasehold	14 December 2063	6
Unit Nos B1701, B1702 and B1703 Level 17, Tower B Vantone New World Plaza 2 Funchengmen Outer Avenue Xicheng District Beijing China	Offices (investment)	3,682	Leasehold	2 November 2043	6

## Group Properties

Location	Description	Land area (sq feet)	Tenure	Expiry date	Age of building (years)
Jiangyin Chengchang-kunpeng Auto Parts Factory Liwangli Village Qingyang Town Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	268,277	Leasehold	24 March 2046	4
Unit Nos 201 and 202 No. East 1, Block No. 18 Hongqiao 4th Village Jiangyin Jiangsu Province China	Residential apartment (own use)	1,823	Leasehold	unspecified term	5
No.230 Jingyang South Road Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,422	Leasehold	unspecified term	4
Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	4
Unit 301 Block No 48 Huayuan 5th Village Jiangyin Jiangsu Province	Residential apartment (own use)	945	Leasehold	unspecified term	5
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	19

## Group Properties

Location	Description	Land area (sq feet)	Tenure	Expiry date	Age of building (years)
14 Upper Aljunied Road Singapore 367843	Car yard for rental (investment)	222,876	Freehold	-	39
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	16
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	6
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	19
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse for rental (investment)	44,794 1,141 168,046	Freehold Leasehold Leasehold	- 16 April 2874 6 April 2082	11
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	22
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	17
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	18

## Group Properties

Location	Description	Land area (sq feet)	Tenure	Expiry date	Age of building (years)
Unit 4.01 Block A Greenview Apartments Jalan Sekolah Kencana IV Pondok Indah Jakarta 12310 Indonesia	Residential apartment (own use)	2,045	Leasehold	24 August 2024	8
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	6
MK 23 Lot 4771 PT Ubi Road 4 Singapore	Land for development (own use)	59,379	Leasehold	1 October 2030	-

**If you are in any doubt** about this statement 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 statement 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.

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## **Tan Chong International Limited**

(Incorporated in Bermuda with limited liability)

### **Proposed General Mandates to Issue Shares and Repurchase Shares and Amendments to the Bye-laws**

#### **Explanatory Statement**

A notice convening an annual general meeting of Tan Chong International Limited to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Friday, 17 May 2002 at 11 a.m. is set out in the annual report. 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.

## DEFINITIONS

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

"Annual General Meeting"	the annual general meeting of the Company to be held on 17 May 2002 at 11 a.m., or any adjournment thereof.
"Code"	the Hong Kong Code on Takeovers and Mergers
"Company"	Tan Chong International Limited
"Companies Act"	the Companies Act 1981 of Bermuda
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong "	The Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	28 March 2002, being the latest practicable date prior to the printing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Proposed Repurchase Mandate"	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase shares not exceeding 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the Proposed Repurchase Mandate
"Share(s)"	share(s) of HK\$0.50 each in the capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCC"	Tan Chong Consolidated Sdn. Bhd., the controlling shareholder of the Company
"\$" and "cents"	Hong Kong dollars and cents



## **INTRODUCTION**

On 14 March 2002 the Directors of Tan Chong International Limited (the "Company") announced the audited consolidated results of the Company for the year ended 31 December 2001 and the proposal to seek general mandates at the Annual General Meeting to be held on 17 May 2002 for the Directors to issue shares and repurchase shares. The Directors also take the opportunity to put forward to the Shareholders, a special resolution to amend the Bye-laws of the Company. This statement gives you details of the proposed resolutions and seeks your approval of such resolutions at the Annual General Meeting.

## **GENERAL MANDATE TO ISSUE SHARES**

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

## **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 Repurchased Mandate.

This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

## **AMENDMENTS TO THE BYE-LAWS OF THE COMPANY**

In view of the recent amendments to the Listing Rules by the Stock Exchange, a special resolution will be proposed to amend the Company's Bye-laws to permit the Company and the Shareholders to take advantage of the new Listing Rules which enables the Company to offer Shareholders the choice to receive a Summary Financial Report in place of the Consolidated Financial Statements and the choice to forego receipt of a printed copy of either the Summary Financial Report or the Consolidated Financial Statements in favour of relying on the versions of those documents published on the Company's website. Even if Shareholders vote in favour of the special resolution, they will still be able to choose to receive printed copies of the Consolidated Financial Statements. If this special resolution is passed and as soon as the Directors consider appropriate, the Company will send a letter to the Shareholders to ascertain their preferences and to explain the arrangements.

## **FORM OF PROXY**

A form of proxy for use at the Annual General Meeting is enclosed in this annual report. 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 instruction printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not prevent the Shareholders from attending, and voting at the Annual General Meeting if they so wish.

## **RECOMMENDATION**

The Directors consider that the proposed resolutions for the granting to the Directors of the general mandate to issue shares the Proposed Repurchase Mandate and for the amendment 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.



## LISTING RULES FOR REPURCHASE OF SHARES

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

- **Shareholders approval**

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

- **Source of funds**

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

- **Trading restrictions**

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

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

All repurchases of shares on the Stock Exchange in any calendar months are limited to a maximum of 25 per cent of the trading volume of such shares on the Stock Exchange in the immediate preceding calendar month. The Listing Rules also prohibit a company from repurchasing its shares on the Stock Exchange if the repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Listing Rules, being not less than 25 per cent. Furthermore, a company is not allowed to repurchase its shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

- **Subsequent issue of shares**

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

- **Status of repurchased shares**

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

- **Suspension of repurchases**

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

## LISTING RULES FOR REPURCHASE OF SHARES (Continued)

- **Reporting requirements**

Under the Listing Rules, repurchases of shares on the Stock Exchange must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, the Company's annual report is required to disclose details regarding repurchases of shares (on a monthly basis) made during the year, including the reasons for making such repurchases, the number of shares repurchased and the aggregate prices paid. The directors' report shall contain reference to the repurchases made during the year and the directors' reasons for making such repurchases. Furthermore, the Company shall procure that any broker appointed by it to effect the repurchase of shares shall disclose to the Stock Exchange such information with respect to repurchase made on behalf of the Company as the Stock Exchange may request.

- **Connected parties**

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

## SHARE CAPITAL

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

## REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value 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.

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 2001, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

## SHARE PRICES

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

Month	Highest trade price \$	Lowest trade price \$
<b>2001</b>		
March	1.040	0.940
April	0.980	0.920
May	1.200	1.030
June	1.260	1.060
July	1.170	1.070
August	1.170	1.060
September	1.140	0.910
October	1.030	0.960
November	1.130	0.980
December	1.210	1.110
<b>2002</b>		
January	1.400	1.140
February	1.440	1.260
March	1.440	1.330

Source: *The Stock Exchange of Hong Kong Limited*

## GENERAL

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

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

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

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of 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.

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

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

## SHARE PURCHASE MADE BY THE COMPANY

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

# Tan Chong International Limited

## Notice of Annual General Meeting

We invite our shareholders to the Fifth Annual General Meeting of Tan Chong International Limited to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Friday, 17 May 2002 at 11 a.m..

### AGENDA

#### As ordinary business

1. To receive and adopt the audited consolidated financial statements for the year ended 31 December 2001 and the reports of the Directors and Auditors thereon.
2. To declare a final dividend.
3. To re-elect Directors.
4. To authorise Directors to fix Directors Fees
5. To re-appoint KPMG as Auditors and authorise the Directors to fix their remuneration.

#### As special business

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

##### (A) As Ordinary Resolution No. 1

###### "That :-

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

## Tan Chong International Limited

### Notice of Annual General Meeting (continued)

#### (B) As Ordinary Resolution No. 2

**"That :-**

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

#### (C) As Ordinary Resolution No. 3

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

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

**"That** the bye-laws of the Company be and are hereby amended in the following manner:-

- (a) By adding the following definition in Bye-law 1 immediately following the definition "dollars" and "\$":-

"Electronic communication"                      a communication sent by electronic transmission in any form through any medium.

- (b) By adding the following definition in Bye-law 1 immediately following the definition "Statutes":-

"Summary financial report"                      a financial report which must comply with provisions set out in section 141CF(1) of the Companies Ordinance of Hong Kong and in the Companies (Summary Financial Reports of Listed Companies) Regulation.



## Tan Chong International Limited

### Notice of Annual General Meeting (continued)

(c) By adding in Bye-law 2(e) after the words "visible form" the words "and shall include an electronic communication".

(d) By renumbering the existing Bye-law 153 as Bye-law 153(a) and adding in such Bye-law after the words "Subject to Section 88 of the Act" the words "and Bye-laws 153(b) and 153(c)", and adding the following as Bye-laws 153(b) and 153(c):-

"153(b) The requirement to send to a person referred to in Bye-law 153(a) the documents referred to in that Bye-law, whether under the Act or that Bye-law, shall be deemed satisfied where, in accordance with the rules of any Designated Stock Exchange, a copy of a Summary financial report is sent to such person, and that person has agreed or is deemed to have agreed to treat the receipt of such Summary financial report as discharging the Company's obligation to send to him a copy of the documents referred to in Bye-law 153(a).

153(c) The requirement to send to a person referred to in Bye-law 153(a) the documents referred to in that Bye-law or a Summary financial report, whether under the Act or that Bye-law, shall be deemed satisfied where, in accordance with the rules of any Designated Stock Exchange, the Company publishes copies of the documents referred to in Article 153(a) and, if applicable, a Summary financial report, on the Company's computer network or in any other permitted manner (including by sending them in any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents."

(e) By replacing and renumbering the existing Bye-law 160 with the following Bye-law 160(a):-

"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. 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."

(f) By adding the following Bye-law 160(b) after Bye-law 160(a):-

"160(b) Subject to the rules of any Designated Stock Exchange, any notice or document, including the documents referred to in Article 153(a) and a Summary financial report, may be given to a member either in the English language or the Chinese language."

## **Tan Chong International Limited**

### **Notice of Annual General Meeting (continued)**

(g) By renumbering the existing Bye-law 161(b) as Bye-law 161(c) and by adding the following as Bye-law 161(b):-

"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; and in proving such service or delivery it shall be sufficient to prove that any notice or document published on the Company's computer network on the day following that on which a notification is sent to the member that the notice or document is available on the Company's computer network shall be conclusive evidence thereof; and"

(h) By adding in Bye-law 162(1) after the words "left at the registered address of any Member" the words "or by electronic communications".

By Order of the Board

**Teo Siok Ghee**

Company Secretary

Hong Kong, 14 March 2002

*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) 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.
- (ii) 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.
- (iii) 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.
- (iv) The Transfer Books and Register of Members will be closed from 13 May 2002 to 17 May 2002, both days inclusive, during which period no share transfers can be registered.

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

**FORM OF PROXY**

I / We (Name) \_\_\_\_\_ (Block capitals, please)

of (Address) \_\_\_\_\_

being the holder(s) of \_\_\_\_\_

(see Note 1) Shares in Tan Chong International Limited hereby appoint the Chairman of the Meeting (see Note 2) (Name) \_\_\_\_\_

of (Address) \_\_\_\_\_ or failing him

(Name) \_\_\_\_\_

of (Address) \_\_\_\_\_

as my/our proxy to attend and vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Friday, 17 May 2002 at 11 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 :-

	<b>Resolution</b>	<b>For</b>	<b>Against</b>
1.	To receive and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2001 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. Lee Han Yang		
	(ii) Mr. Liu Kwei Ming		
4.	To authorise Directors to fix Directors Fees.		
5.	To re-appoint KPMG as Auditors and authorise the Directors to fix their remuneration.		
6.	(A) <b>As Ordinary Resolution No. 1</b> To give a general mandate to the Directors of the Company to allot, issue and deal with unissued shares.		
	(B) <b>As Ordinary Resolution No. 2</b> To give a general mandate to the Directors to repurchase the shares of the Company.		
	(C) <b>As Ordinary Resolution No. 3</b> To add repurchased shares of the Company to the shares issue general mandate.		
7.	To amend the Bye-laws of the Company.		

\_\_\_\_\_  
Signature (s)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2002





**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. Please indicate with an 'X' in the appropriate space beside each of the resolutions how you wish the proxy to vote on your behalf. In the absence of any such indication, the proxy will vote for or against the resolution or will abstain at his discretion.
4. If the appointor is a corporation, this form must be under common seal or under the hand of an officer, attorney, or other person duly authorised on that behalf.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
6. To be valid, this proxy form must be completed, signed and deposited at Unit 3001, 30th Floor Shui On Centre 6-8 Harbour Road, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), not less than 48 hours before the time for holding the Meeting.
7. A proxy need not be a member of the Company.

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

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