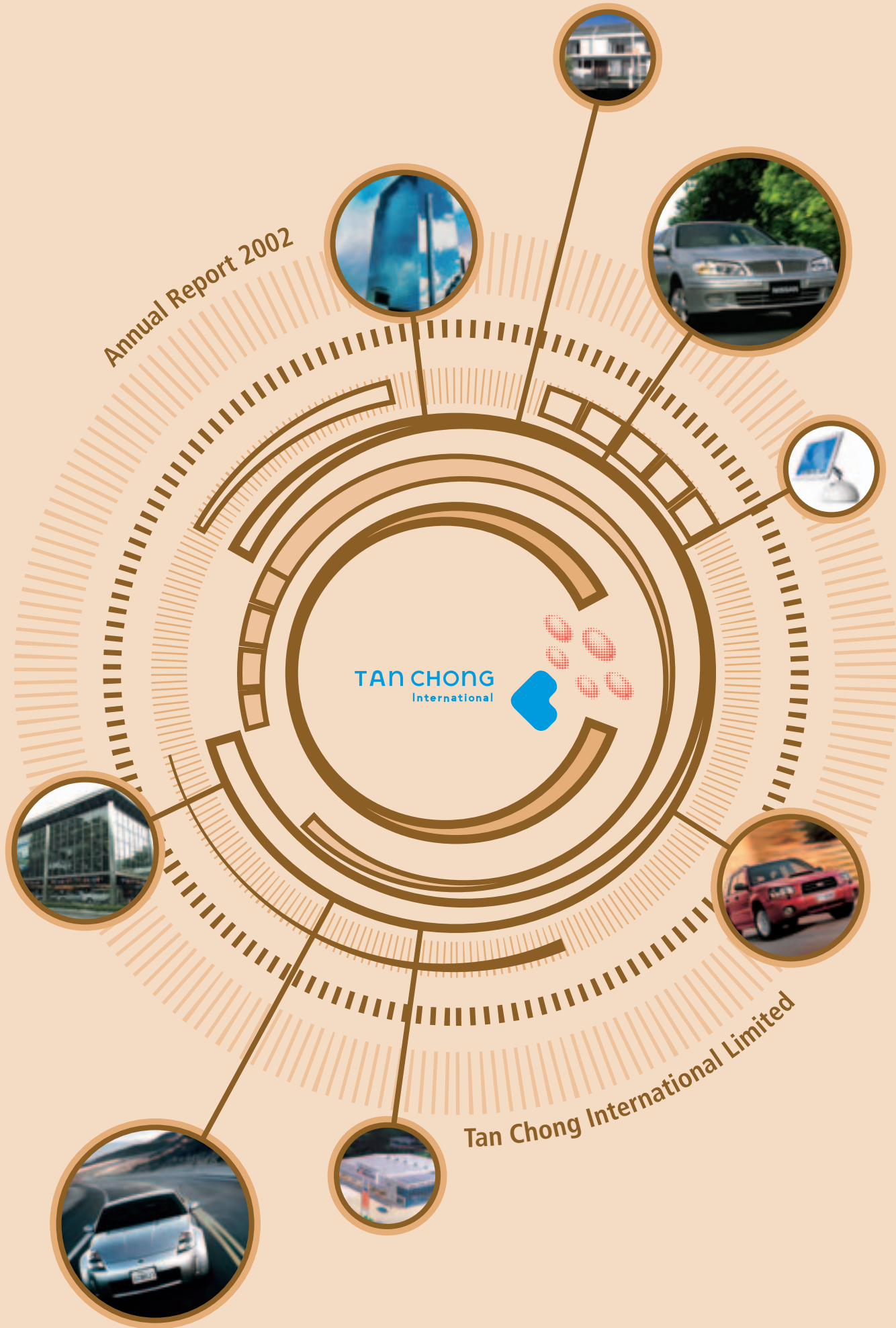


Annual Report 2002

TAN CHONG
International



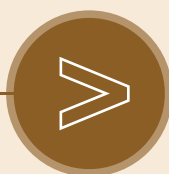
Tan Chong International Limited



*The cover design idea is conceived with the understanding that the business philosophy of **Tan Chong International Limited** is to venture regionally (represented by the spokes) whilst still focusing on its core businesses (represented by the circles).*

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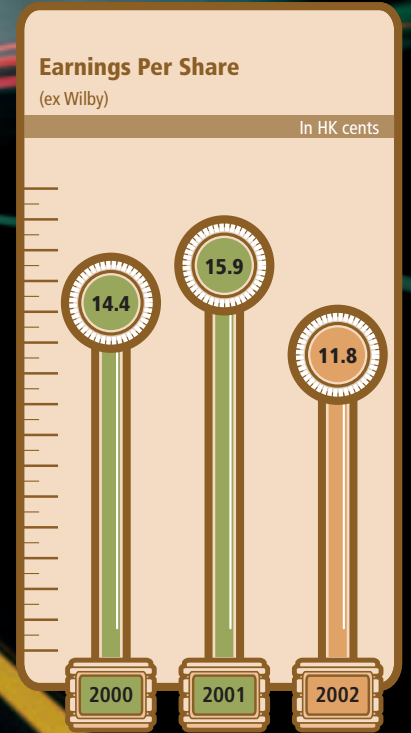
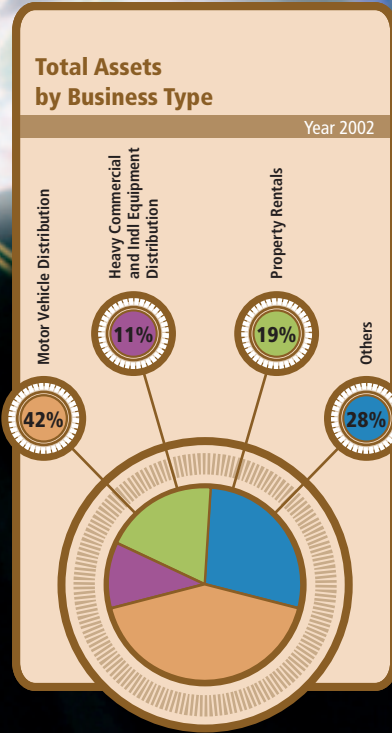
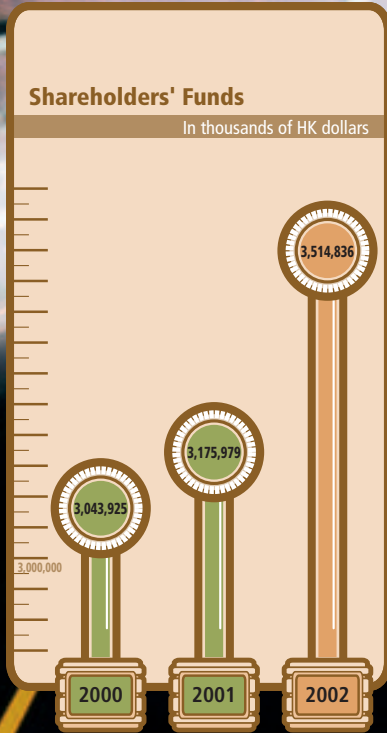
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> Executive Statement



*Shareholders' funds reached HK\$3.5 billion,
an increase of 11% year on year*

Summary

The Group has achieved a satisfactory set of results in the midst of a sluggish economic recovery in the region. Revenue of HK\$3,912 million in 2002 represents a drop of some 22% over 2001 with a lower combined unit sales of cars, trucks and forklifts of 15,214 from 19,785 units in 2001.

In tandem, profits attributable to shareholders declined 25.6% to HK\$238 million. However, operating profit for the second half year shows a 32% improvement over that of the first half year. Profit for 2003 is therefore expected to stabilize.

Vehicle Division

Fewer Certificates of Entitlement issued in Singapore translated into a smaller market for motor vehicles. Nissan sales nevertheless reached 13,503 units. Nissan also continues to make new inroads in the MPV and SUV markets with the Prairie becoming the best selling 2.0 litre model and the X-Trail strengthening its market position respectively. Our perennial best selling Nissan Pickup continued to do well in 2002. Nissan Sunny and Cefiro sold in satisfactory numbers that testify to the durability of their design and technology in spite of competition from the introduction of several new models by competitors.

Adopting a niche marketing strategy by concentrating on AWD, (All Wheel Drive), Subaru in Singapore gained market share with significant sales increase from 658 units to 1018 units. The main contributors are the Impreza and its high performance variant the WRX. A successful launch of the XT Forester rounded up a very satisfactory year for Subaru sales in Singapore. In an overall market that shrank nearly 10% Subaru sales in Hong Kong saw a slight decline in its market share.

The Group through Motor Image China has been appointed as the distributor for Subaru cars for Guangdong Province. Sales have commenced in August on two models, namely, the Impreza and Forester.





> Executive Statement

Industrial Machinery Division

Predictably, the results of the Division in Singapore saw turnover ease marginally on the back of declining activity in the construction sector. This lower demand together with the pressure of competition saw sales drop to 522 units.

As part of our plans for regional expansion we have now set up a network in Shanghai that will cover distribution of imported Nissan Forklifts for Zhejiang and Jiangsu Provinces. Sales figures for the period of operation in China are encouraging.

In November the Group acquired the Nissan Diesel truck distributorship and assembly rights for Thailand. Last year the market size for commercial trucks in the 4 Tonne GVW categories expanded by 40% and is expected to expand again in 2003. This expansion offers the Company good potential for increasing sales.

Renault truck sales in Singapore were launched in October and acceptance levels are consistent with current market conditions.

Property Division

The new terraced housing development at our freehold site in Upper Aljunied Road is progressing as scheduled. Construction costs are well within budget and completion is anticipated to be the end of 2004. Launching the sale of this development may be deferred in view of the current weak property market.

Although property rental situation in Singapore is still weak with the expatriate community diminishing in numbers, the convenient location of Tan Chong Tower in the city near the Bugis MRT Station offers some pricing advantages. Our property rental rates are holding at last year's levels.

The construction of the new multi-storey showroom at Jalan Ubi is making good progress and is expected to complete on schedule by the second quarter of 2004.



Others

The Xiamen seat manufacturing JV with Golden Dragon Bus Co reached record production levels of 105,805 passenger seats and requiring acceleration of our plans for a new factory. The new facility was commissioned in November with additional painting and final assembly lines to improve efficiency and economies of scale.

Truck production at our JV Dongfeng Nissan Diesel factory in Hangzhou also reached new levels with improved profits. In particular the Company has built a strong reputation for its line of concrete mixer and heavy dump trucks.

Prospects

The uncertainty of global economic situation arising from the Middle East situation, particularly its effect on exchange rates and especially the price of oil is expected to impact our various businesses. The current range of expectation for GDP growth is between 2% to 5% in Singapore, 4.5% in Thailand and probably 3.5% in Hong Kong, which together with low retail growth and worsening unemployment makes for an unpredictable year. Our plans for expansion into the region are steps to mitigate those problems of slow growth. These regional moves are progressing well with more investments in Thailand and obtaining additional distribution rights in China. However as the situation unfolds in the future we are confident that we have resources and the management ability to adapt to those changes. The single most important focus for the Group remains the servicing of customers at the highest level. In this regard we continue to expand our servicing facilities everywhere. Last year we acquired a new 20,000 square metre site in Jurong and built TC AutoClinic, a service outlet that is capable of increasing our body repair and painting capacity significantly to bring added convenience to our customers.





> Executive Statement

Dividend

The Board of Directors ("the Board") is pleased to make a recommendation for a final dividend payment of 3.5 cents per share. The total dividend for the whole year therefore amounts to 5.0 cents per share in line with 2001. Although profit performance of the Group is lower it is nevertheless a robust return that can support the proposed dividend and contribute to enlarge accumulated funds.

Appreciation

The Board wishes to extend deep appreciation and thanks to the staff and management of the Group for their commitment and dedication. The Group's satisfactory results despite very trying circumstances are a fitting testimony to their conscientiousness. They have contributed in no small way to build up the Group and we have no doubt that they will redouble their efforts to build a better tomorrow.

Dato' Tan Kim Hor

Chairman

Hong Kong,

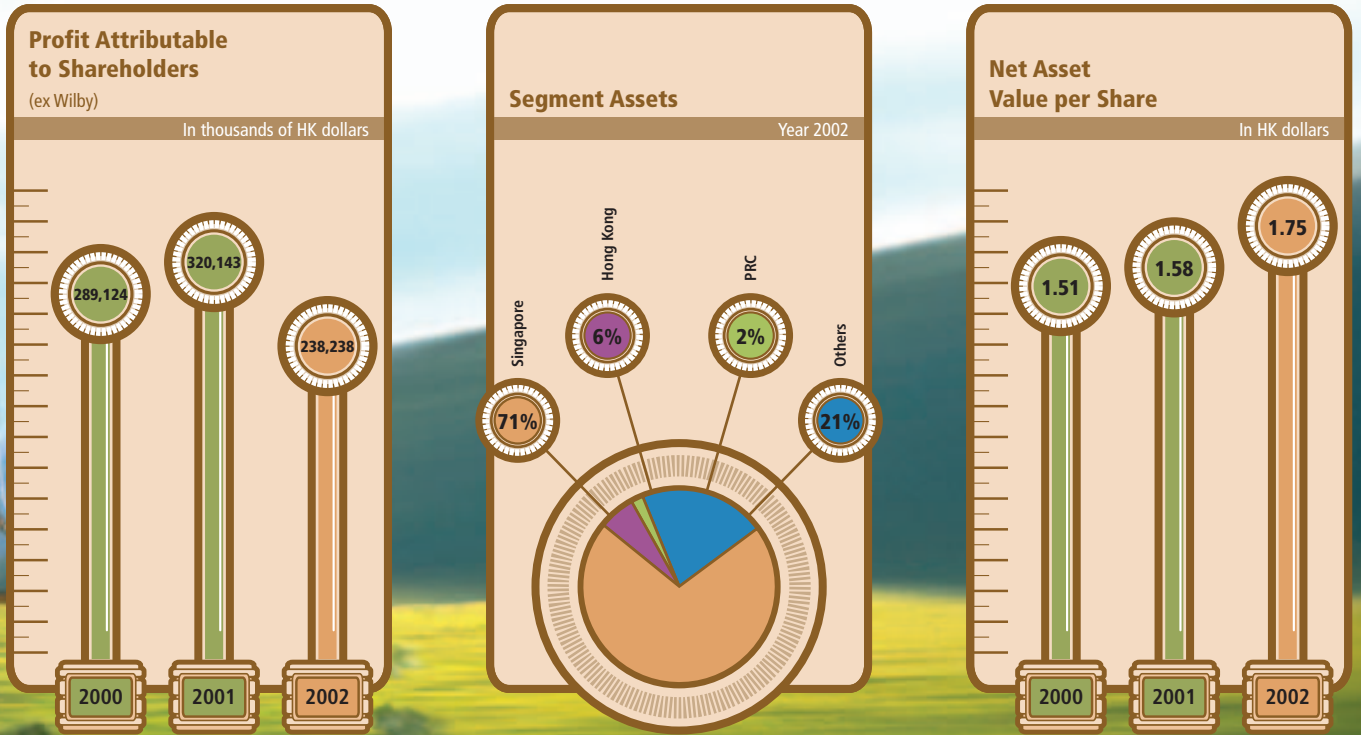
11 March 2003



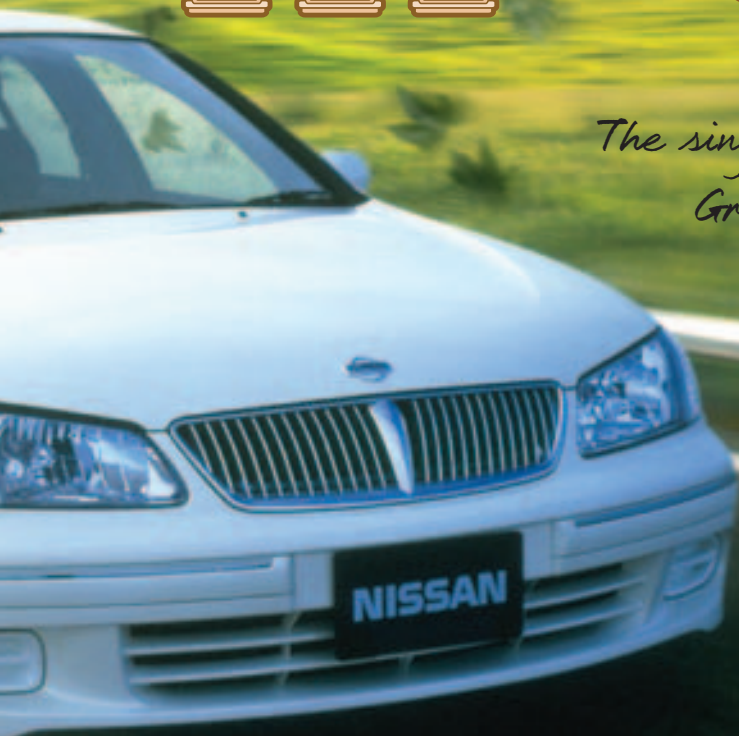




> Management Discussion and Analysis



The single most important focus for the Group remains giving our customers the highest level of service



The Group has done well in the face of adverse impact from the economic slow down throughout the region.

Although revenue and profit attributable to shareholders declined 22% and 25.6% year on year to HK\$3,912 million and HK\$238 million respectively, we are encouraged that contributions to bottom line from the second half year is stronger than from the first half and we therefore expect 2003's performance to stabilize.

Unit car sales eased to 13,066 from 16,969. There were several contributory factors. Firstly, it is the reduction in the number of Certificates of Entitlement (car quota) and changes in other regulatory measures in Singapore. Secondly, the Japanese Yen against the Singapore Dollars was more costly. Thirdly, market share was eroded by the intense price competition and the introduction of new models by other car distributors. The number of Subaru cars sold in Singapore, however, jumped 55% to 1,018. This was achieved through innovative niche marketing and the successful launch of the XT Forester.

Property rental revenue and car rental income remained steady whilst truck and forklift sales drifted lower because the construction and logistic sectors remained weak.

Besides tapping the Asia Pacific region for growth, the single most important focus for the Group remains giving our customers the highest level of service. We therefore continue to improve and





> Management Discussion and Analysis

expand our workshops, showrooms and various web-based facilities. During the year we acquired a 20,000 square metre site in Jurong to house TC AutoClinic, a specialist service outlet that is capable of increasing our body repair and painting capacity significantly to bring added convenience to our customers.

As at end of the year bank borrowings on floating interest rates were HK\$143 million.

The increase of HK\$43 million year on year was mainly from Nissan Diesel Thailand (NDT) a newly acquired company and from China projects. Net cash position has eased marginally to HK\$775 million after netting off HK\$204 million used for the cash injection to acquire NDT and for the purchase and developments costs of ongoing projects at newly acquired Sixth Lok Yang Road (Jurong) and at Upper Aljunied Road and Ubi Road. Capital commitment for unfinished projects stood at HK\$257 million. The Group has no contingent liabilities.

The increase in trade debtors was mainly due to a sudden surge in car registrations for the Christmas season. Setting aside this one-off surge, stock and debtors turnovers were stable. Regional activities and added facilities have increased the head count to 915.

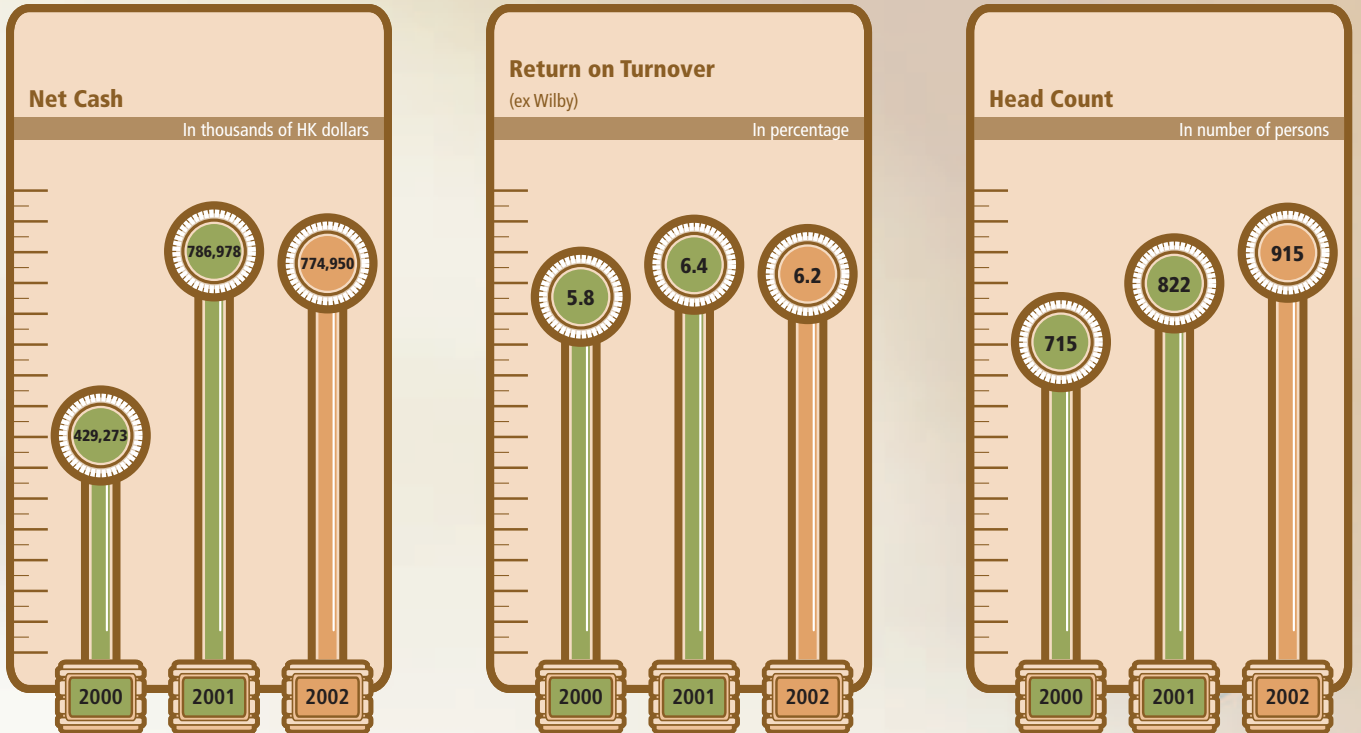
The reclassification of certain balance sheet items and changes in recognition of income and expenses are ongoing as more changes and revisions in international accounting standards come into effect.







> Corporate Information and Activities



Operations covering Shanghai and the provinces of Jiangsu and Zhejiang as sale distributor of Nissan forklifts took off in February



Board of Directors

Chairman

Dato' Tan Kim Hor

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
Oversea-Chinese Banking Corporation Limited

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited

11 Rosebank Centre, Bermudiana Road,
Hamilton, Bermuda

Branch Share Registrar and Transfer Office

Central Hong Kong Investor Services 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, age 80, is the Chairman of the Company. In 1957, he and his brother pioneered the importation of Japanese motor vehicles into 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 54, is the Deputy Chairman of the Company and is a Director of many subsidiaries of the Group. He is also the Managing Director of Tan Chong Motor Holdings Berhad (TCMH) and a Director of 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 54, 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.

Executive Directors

Mr. Tan Kheng Leong, age 60, 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 40 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 59, 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 55, 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 71, 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 74, 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.

Senior Management

Mr. Chia Yong Sian, age 49, 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 56, is the Executive President of Nissan Diesel (Thailand) Co., Ltd. (NDT) and a Director of the heavy commercial vehicles and industrial equipment division of the Group. Mr. Chow joined the group in 1989. He holds a Bachelor of Engineering degree from the University of Singapore.

Mr. Hiew Bon Yock, age 51, 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 59, 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 41, is a 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 55, 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 58, 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 49, is the Executive Vice President of NDT. 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.





> Corporate Activities

Corporate events for the Group in Singapore in 2002 were centred on road safety and our continual active participation in promoting healthy living and in community and welfare programmes.

A year-long public education programme on road safety kicked off with the official opening of the newly revamped Road Safety Community Park, which serves as a centre to inculcate safety awareness amongst schools, children, senior citizens and uniformed groups. It was followed by a donation draw organized by the National Safety Council of Singapore and a Police Week Carnival on road safety outreach.

We again sponsored the perennial New Paper Big Walk, which was voted the "Biggest Organized Walk in the World" for the fifth year running by Guinness World Record. A record 3,000-strong Tan Chong contingent took part in the event.

Reflecting our active role in community and welfare to the less fortunate we donated two Nissan cars to the National Kidney Foundation Charity Show.

A new brand campaign on "SHIFT_the future" that marks the revitalization of Nissan Japan's current and future direction was expressed and projected at the Singapore Motorshow 2002 where the Nissan 350Z and the Nissan March were unveiled and a Road Safety Handbook was distributed.

During the year both the Nissan Primera Sedan and Wagon 2.0 CVT were launched. We also had a special promotion where all the Nissan cars were featured in black. Black represents a strong SHIFT and is the quintessential fashion colour that brings out an air of confidence and is chic, timeless and stylish.

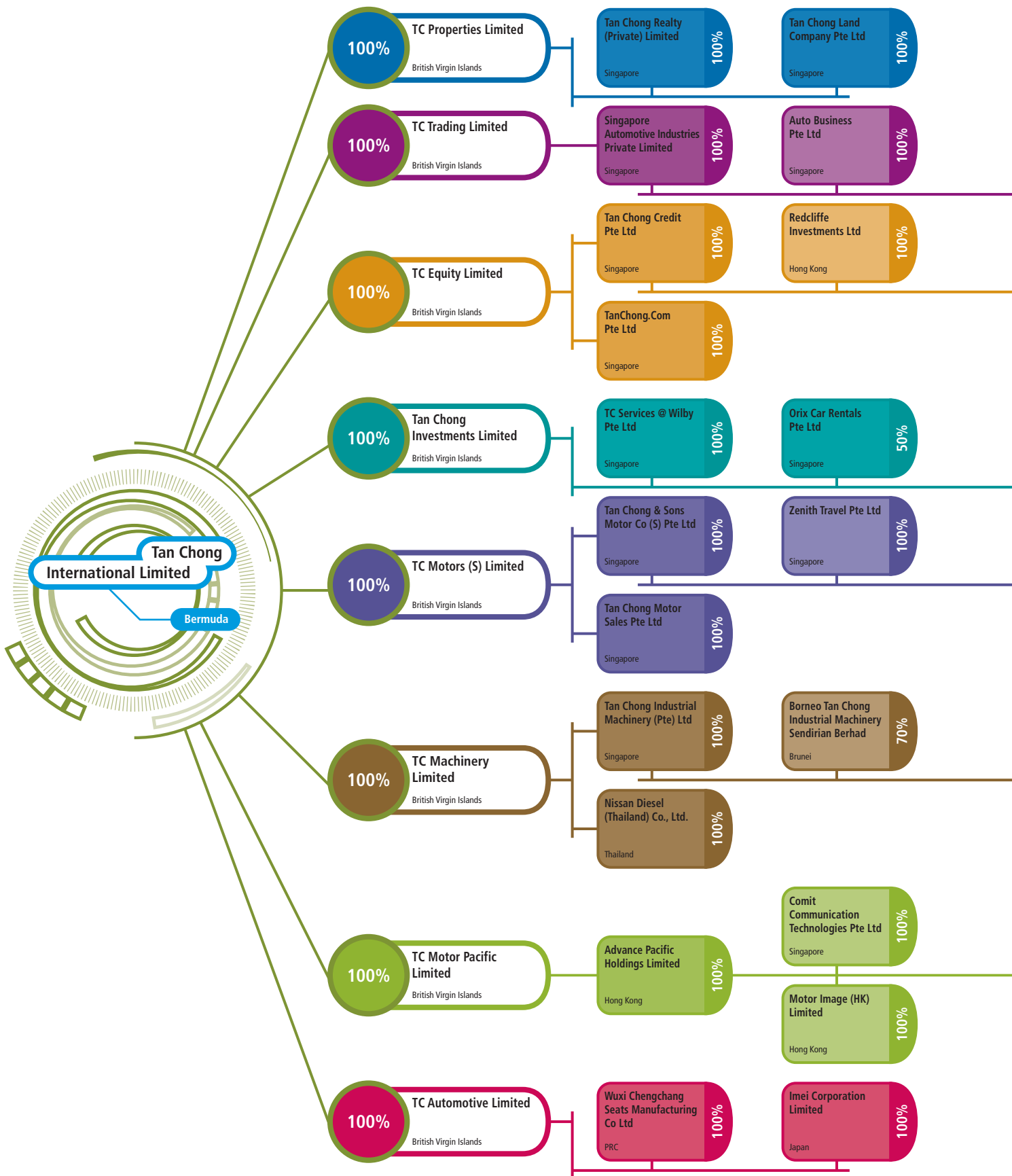
Over at Motor Image, the facelift Subaru Legacy, the Subaru STi WRX and the all-new Subaru Forester were launched. The unique and high performance of these cars was presented at two road shows - the Russell Swift Stunt Show and the Ultimate Subaru All Wheel Drive Challenge. Together with numerous other marketing and promotional events we have successfully increased the visibility and increased the sales volume of Subaru cars in Singapore. In Hong Kong, the Subaru Forester Turbo captured the 2002 Best SUV award from Car Plus the biggest Hong Kong car magazine and the Subaru Impreza WRX STi clinched the 2002 Best Japanese Sports Car award. With the appointment of the Group as the sole distributor of Subaru products for Guangdong Province, China the Subaru Impreza WRX and Forester XT made their maiden appearance in the affluent Pearl River Delta region.

Operations covering Shanghai and the provinces of Jiangsu and Zhejiang as sole distributor of Nissan forklifts took off in February. In November a Soccer Contest was organized to boost customer relations with our forklift patrons in Vietnam and our acquisition of Nissan Diesel Thailand with sole distributorship and assembly rights for Nissan trucks in Thailand was formalized.

On the property front, construction work on the Ubi Road project is in full swing; piling work at Upper Aljunied Road project was completed and retrofitting work for the newly acquired Sixth Lok Yang Road service outlet is scheduled to complete in January 2003.

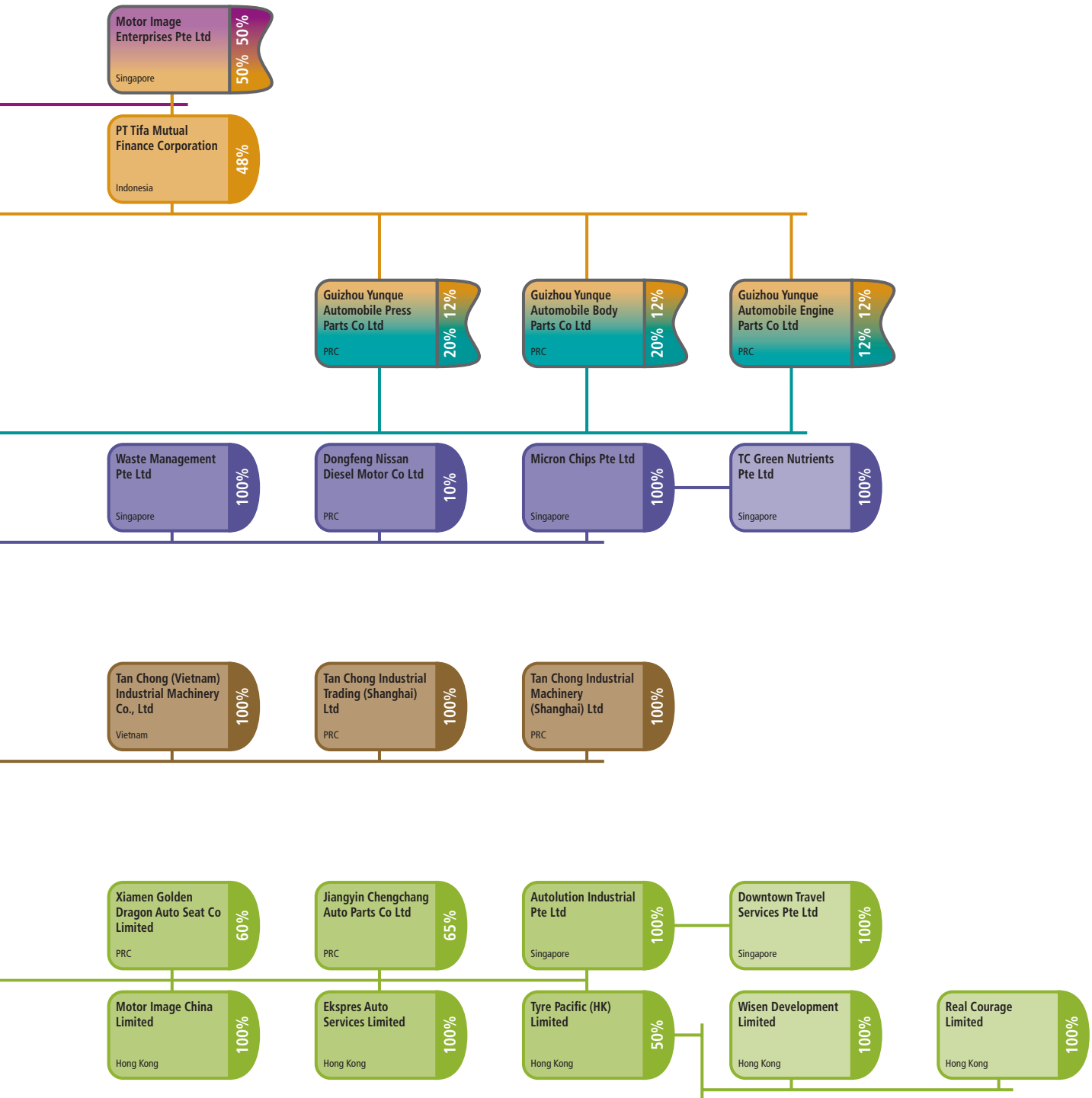
As the newly appointed distributor for Apple Macs, we opened with a soft launch in December the largest AppleCentre in Singapore at our premise in Bukit Timah Road.







> Corporate Structure

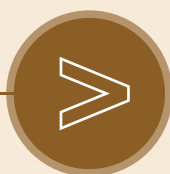


Note:

Excluding 11 dormant subsidiaries and associate companies

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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 2002.

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 17 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 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 66.

An interim dividend of 1.5 cents (2001: 1.5 cents) per share was paid on 24 September 2002. The directors now recommend a final dividend of 3.5 cents (2001: 3.5 cents) per share in respect of the year ended 31 December 2002.

Major suppliers and customers

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

Purchases	
- the largest supplier	61%
- five largest suppliers in aggregate	74%

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.

Property, plant and equipment

Movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

Reserves

Movements in the reserves of the Company and the Group are set out in note 29 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, Tan Eng Soon and Sng Chiew Huat 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 entered into various connected transactions with Tan Chong Motor Holdings Berhad ("TCMH") Group and Motor Ultima Pte Ltd ("Ultima") Group. Tan Eng Soon is the managing director of TCMH and the Ultima Group is controlled by the Tan family.

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

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 2002 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	-	73,800,000
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	384,000	-	-

Notes:

- (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.
- (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 2002, 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.

Directors' interests in shares (continued)

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.

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 2002 amounting to 10% or more of the ordinary shares in issue:

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

Note: 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 2002 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 2002 are set out in notes 23 and 24 to the financial statements.



> Directors' Report

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 67 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 68 to 71 of the annual report.

Retirement schemes

Details of the retirement schemes arrangement are set out in note 7 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.

For and on behalf of the Board

Lee Han Yang
Director
Hong Kong,
11 March, 2003

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

We have audited the financial statements on pages 27 to 66 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated 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 2002 and of the Group's profit and cash flows for the year then ended, and have been properly prepared in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong,
11 March, 2003



> Consolidated Income Statement

for the year ended 31 December 2002 (Expressed in Hong Kong dollars)

	Note	2002	2001
		\$'000	\$'000
Revenue	2	3,911,832	5,021,025
Cost of sales		(3,268,925)	(4,108,233)
Gross profit		642,907	912,792
Other operating income	3	71,992	65,401
Distribution costs		(194,247)	(218,134)
Administrative expenses		(211,268)	(215,592)
Other operating expenses	4	(26,865)	(129,466)
Profit from operations		282,519	415,001
Financing costs	5	(5,980)	(6,230)
Share of results of associates		30,546	29,718
Profit before taxation and minority interests	6	307,085	438,489
Income tax expense	9(a)	(69,271)	(119,825)
Profit before minority interests		237,814	318,664
Minority interests		424	1,479
Profit attributable to shareholders	10 & 29(a)	238,238	320,143
Dividends paid during the year	11	100,666	90,599
Earnings per share (cents)	12	11.8	15.9

The notes on pages 35 to 66 form part of these financial statements.

> Consolidated Statement of Changes in Equity
for the year ended 31 December 2002 (Expressed in Hong Kong dollars)

	Note	2002	2001
		\$'000	\$'000
Shareholders' equity at 1 January		3,175,979	3,144,629
Exchange differences on translation of:			
- the financial statements of foreign entities	29(a)	201,285	(198,194)
Net profit for the year	29(a)	238,238	320,143
Dividends paid during the year	11	(100,666)	(90,599)
Shareholders' equity at 31 December		3,514,836	3,175,979

The notes on pages 35 to 66 form part of these financial statements.



> Consolidated Balance Sheet

at 31 December 2002 (Expressed in Hong Kong dollars)

	Note	2002	2001
		\$'000	\$'000
Non-current assets			
Investment properties	13	449,564	661,822
Property under development	14	258,873	-
Property, plant and equipment	15(a)	598,519	495,650
Lease prepayments	16	113,212	107,899
Interest in associates	18	176,544	148,169
Investments	19(a)	124,754	115,574
Hire purchase debtors	22	163,537	173,107
Deferred tax assets	9(b)	22,194	28,549
		1,907,197	1,730,770
Current assets			
Investments	19(b)	386,604	362,413
Inventories	20	399,673	438,984
Trade debtors	21	297,889	137,809
Hire purchase debtors	22	113,174	99,449
Other debtors, deposits and prepayments		128,930	120,054
Cash and cash equivalents	23	917,632	886,499
		2,243,902	2,045,208
Current liabilities			
Bank overdrafts (unsecured)	23	48,231	30,248
Bank loans (unsecured)	24	78,970	49,922
Trade creditors	25	182,782	151,314
Other creditors and accruals		155,638	158,604
Amounts due to related companies	26	1,438	2,665
Taxes payable		119,203	155,783
Provisions	27	7,284	6,432
		593,546	554,968
Net current assets		1,650,356	1,490,240
Total assets less current liabilities		3,557,553	3,221,010

> Consolidated Balance Sheet(continued)
at 31 December 2002 (expressed in Hong Kong dollars)

	Note	2002	2001
		\$'000	\$'000
Non-current liabilities			
Deferred tax liabilities	9(b)	9,259	9,592
Bank loans (unsecured)	24	15,481	19,351
Provisions	27	9,126	6,814
		33,866	35,757
Minority interests			
		8,851	9,274
NET ASSETS		3,514,836	3,175,979
Representing:			
Share capital	28	1,006,655	1,006,655
Reserves	29(a)	2,508,181	2,169,324
Shareholders' equity		3,514,836	3,175,979

Sng Chiew Huat
Finance Director

Lee Han Yang
Director

The notes on pages 35 to 66 form part of these financial statements.



> Balance Sheet

at 31 December 2002 (Expressed in Hong Kong dollars)

	Note	2002	2001
		\$'000	\$'000
Non-current assets			
Property, plant and equipment	15(b)	115	247
Investments in subsidiaries	17	2,339,080	2,339,080
		2,339,195	2,339,327
Current assets			
Amounts due from subsidiaries		17,485	17,742
Other debtors, deposits and prepayments		950	868
Cash and cash equivalents	23	4,404	5,181
		22,839	23,791
Current liabilities			
Creditors and accruals		3,443	3,726
Amounts due to subsidiaries		8,843	7,062
Amounts due to related companies	26	36	28
		12,322	10,816
Net current assets		10,517	12,975
NET ASSETS		2,349,712	2,352,302
Representing:			
Share capital	28	1,006,655	1,006,655
Reserves	29(b)	1,343,057	1,345,647
		2,349,712	2,352,302

Sng Chiew Huat
Finance Director

Lee Han Yang
Director

The notes on pages 35 to 66 form part of these financial statements.

> Consolidated Cash Flow Statement
for the year ended 31 December 2002 (Expressed in Hong Kong dollars)

Note	2002	2001
	\$'000	\$'000
Net cash flows from operating activities	(a) 204,959	479,900
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	19,424	9,908
Proceeds from sale of investment properties	-	24,158
Dividends received from listed investments	683	526
Dividends received from unlisted investments	997	1,265
Purchase of property, plant and equipment	(89,104)	(60,178)
Additions to property under development	(18,234)	-
Additions to lease prepayments	(4,031)	-
Interest received	32,211	38,681
Payment for purchase of equity investments	-	(18,019)
Payment for purchase of a subsidiary	(b) (66,690)	(10,368)
<i>Net cash used in investing activities</i>	(124,744)	(14,027)
Cash flows from financing activities		
Dividends received from associates	1,727	2,139
Repayment of borrowings	(14,627)	(61,905)
Dividends paid to shareholders	(100,666)	(90,599)
Dividends paid to minority shareholders	-	(673)
<i>Net cash used in financing activities</i>	(113,566)	(151,038)
Net (decrease)/increase in cash and cash equivalents	(33,351)	314,835
Cash and cash equivalents at beginning of the year	856,251	566,754
Effect of exchange differences	46,501	(25,338)
Cash and cash equivalents at end of the year	23 869,401	856,251

The notes on pages 35 to 66 form part of these financial statements.



> Notes to Consolidated Cash Flow Statement

for the year ended 31 December 2002 (Expressed in Hong Kong dollars)

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

	2002	2001
	\$'000	\$'000
Profit from operations	282,519	415,001
Adjustments for:		
- Depreciation	47,679	45,430
- Amortisation of lease prepayments	3,253	4,584
- Gain on disposal of property, plant and equipment	(4,521)	(4,609)
- Gain on disposal of investment properties	-	(4,262)
- Decrease in fair value on revaluation of investment properties	11,140	82,483
- Decrease in fair value of listed equity investments	8,411	28,999
- (Reversal of)/increase in impairment loss of unlisted equity investments	(11,619)	3,651
- Interest income	(42,430)	(50,137)
- Dividend income	(1,680)	(1,791)
Operating profit before working capital changes	292,752	519,349
Decrease in amounts due from associates	1,134	7,911
Decrease in hire purchase debtors	82,592	64,240
Decrease/(increase) in inventories	96,203	(16,388)
(Increase)/decrease in trade debtors	(115,333)	44,657
Decrease in other debtors, deposits and prepayments	12,791	11,777
Decrease in trade creditors	(14,249)	(5,421)
(Decrease)/increase in other creditors and accruals	(58,758)	5,293
Decrease in amounts due to related companies	(1,227)	(4,060)
Increase in provisions	3,164	7,172
Cash generated from operations	299,069	634,530
Interest paid	(5,966)	(6,220)
Taxes paid	(103,173)	(121,664)
Effect of exchange differences	15,029	(26,746)
Net cash flows from operating activities	204,959	479,900

> Notes to Consolidated Cash Flow Statement
for the year ended 31 December 2002 (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:

	2002	2001
	\$'000	\$'000
Property, plant and equipment	47,000	9,917
Inventories	30,078	174
Debtors, deposits and prepayments	109,455	647
Cash at bank and on hand	74,518	804
Creditors and accruals	(81,598)	(370)
Bank loans	(38,245)	-
Net assets	141,208	11,172
Satisfied by : cash	141,208	11,172
Less: cash acquired	(74,518)	(804)
Net cash outflow	66,690	10,368



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies

1

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 as of and for the year ended 31 December 2002 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 11 March 2003.

(a) Statement of compliance

1 (a)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"). Although it is not required to do so under the Bye-Laws of the Company, the financial statements of the Company and the Group have been prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation

1 (b)

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 if relevant fair value is available. The accounting policies have been consistently applied by group enterprises.

(c) Basis of consolidation

1 (c)

(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 Significant accounting policies (continued)

1 (c)

(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)

(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 foreign exchange differences arising from translating monetary assets that, in substance, form part of a company's net investment in an overseas entity, which are dealt with as a movement in reserves.

(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 exchange rates ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1

(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(r). 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 are valued by appropriately qualified persons within the Group on an annual basis. Any gain or loss arising from a change in fair value is recognised in the income statement.

(f) Properties under development

1 (f)

Properties under development are stated at cost less impairment losses. Cost comprises direct costs of development as well as borrowing costs and professional fees incurred during the development.

(g) Property, plant and equipment

1 (g)

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 property, plant and equipment are dealt with in the income statement.

Freehold land is not amortised.

All other property, plant and equipment 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%

Subsequent expenditure on the existing property, plant and equipment is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

1 Significant accounting policies (continued)

1 (g) *Property, plant and equipment (continued)*

Gains or losses arising from the retirement or disposal of property, plant and equipment 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.

Construction in progress

Construction in progress represents buildings under construction and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs and professional fees incurred during the periods of construction and installation.

The asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's policy.

1 (h) *Lease prepayments*

Lease prepayments represent cost of purchase of leasehold land less accumulated amortisation and impairment losses and is amortised over the period of the lease on a straight line basis.

1 (i) *Investments*

(i) Equity investments

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.

(ii) Debt securities investments

Debt securities investments held-to-maturity are stated at amortised 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.

(iii) Fair value

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.

(iv) Dividends

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.



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1

(j) Hire purchase contracts

1 (j)

The amounts due from hirers in respect of hire purchase contracts are recorded in the balance sheet as hire purchase debtors which represent the total rental receivable under hire purchase contracts less unearned interest income. 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.

(k) Income tax

1 (k)

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.

(l) Inventories

1 (l)

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

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

(m) Trade and other debtors

1 (m)

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

(ii) Option premium paid to acquire property

1 Significant accounting policies (continued)

1 (m) Trade and other debtors (continued)

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

1 (n) Cash and cash equivalents

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.

1 (o) Trade and other creditors

Trade and other creditors are stated at their cost.

1 (p) Provisions

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.

1 (q) Warranties

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

1 (r) Recognition of income

- (i) Revenue arising from sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership.
- (ii) Services fee is recognised upon the conclusion of the related services provided.
- (iii) Interest and hire purchase financing income is accrued on a time-apportioned basis on the principal outstanding and at the interest rate applicable.
- (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.



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

1

(s) Impairment

1 (s)

The carrying amount of the Group's assets other than investment properties, deferred tax assets and inventories 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.

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.

(t) Borrowing and financing costs

1 (t)

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.

(u) Operating leases

1 (u)

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.

(v) Retirement benefits

1 (v)

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

(w) Segment reporting

1 (w)

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.

(x) Repurchase of share capital

1 (x)

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.

1 Significant accounting policies (continued)

1 (y) Dividends

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

1 (z) Related parties

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.

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:

	2002	2001
	\$'000	\$'000
Sale of goods	3,608,461	4,721,686
Rendering of services	194,566	195,044
Hire purchase financing income	36,391	35,374
Gross rentals from investment properties	16,681	17,502
Rentals from lease of offices and workshops	4,209	3,300
Management service fee	7,295	14,120
Agency commission and handling fee	23,072	26,215
Warranty reimbursement	21,157	7,784
	3,911,832	5,021,025

3 Other operating income

	2002	2001
	\$'000	\$'000
Interest income from listed debt securities	3,080	3,054
Bank and other interest income	39,350	47,083
Dividend income		
- listed investments	683	526
- unlisted investments	997	1,265
Reversal of impairment loss of unlisted equity investments	11,619	-
Gain on disposal of property, plant and equipment	4,521	4,609
Gain on disposal of investment properties	-	4,262
Others	11,742	4,602
	71,992	65,401



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4 Other operating expenses

	2002	2001
	\$'000	\$'000
Decrease in fair value of listed equity investments	8,411	28,999
Impairment loss of unlisted equity investments	-	3,651
Decrease in fair value of investment properties	11,140	82,483
Provision for bad and doubtful debts	2,960	8,885
Bank charges	4,354	3,943
Others	-	1,505
	26,865	129,466

4

5 Financing costs

	2002	2001
	\$'000	\$'000
Interest expense		
- on bank loans	5,370	5,365
- on bank overdrafts	610	865
	5,980	6,230

5

6 Profit before taxation and minority interests

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

	2002	2001
	\$'000	\$'000
Cost of goods sold	3,046,001	3,834,316
Depreciation	47,679	45,430
Amortisation of lease prepayments	3,253	4,584
Auditors' remuneration	2,174	1,952
Increase in provision for warranties	4,367	8,642
Operating lease rental expenses in respect of properties	14,184	13,524
Rentals receivable from properties less direct outgoings of \$3,176,000 (2001: \$4,566,000)	(17,714)	(16,236)

6

7

7 Personnel expenses

	2002	2001
	\$'000	\$'000
Wages and salaries	125,964	129,107
Retirement benefit costs	16,738	14,913
Others	5,300	4,804
	148,002	148,824

The number of employees at the end of 2002 was 915 (2001: 822).

The Group makes contributions to defined contribution plans pursuant to the rules and regulations applicable to the Group in the countries where the Group operates.

The Group has no obligation for the payment of retirement benefits beyond the contributions.

8

8 Directors' and senior executives' remuneration

Details of executive directors' remuneration are as follows:

	2002	2001
	\$'000	\$'000
Fees	1,278	1,275
Basic salaries, allowances and other benefits	11,248	11,162
Bonus	7,492	5,863
Retirement plan contributions	649	891
	20,667	19,191

Fees in respect of independent non-executive directors for the year ended 31 December 2002 amounted to \$120,000 (2001: \$120,000).

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

	2002	2001
	\$'000	\$'000
\$Nil - \$1,000,000	3	3
\$1,000,001 - \$1,500,000	-	-
\$1,500,001 - \$2,000,000	-	1
\$2,000,001 - \$2,500,000	1	-
\$2,500,001 - \$3,000,000	1	1
\$3,000,001 - \$3,500,000	-	-
\$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
\$6,000,001 - \$6,500,000	1	-
	8	8



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8 Directors' and senior executives' remuneration (continued)

8

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.

	2002	2001
	\$'000	\$'000
Basic salaries, allowances and other benefits	11,823	11,762
Bonus	7,492	5,863
Retirement plan contributions	649	891
	19,964	18,516
	2002	2001
\$Nil - \$1,000,000	-	-
\$1,000,001 - \$1,500,000	-	-
\$1,500,001 - \$2,000,000	-	1
\$2,000,001 - \$2,500,000	1	-
\$2,500,001 - \$3,000,000	1	1
\$3,000,001 - \$3,500,000	-	-
\$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
\$6,000,001 - \$6,500,000	1	-
	5	5

9 Taxation

9

(a) Income tax expense:

9 (a)

	2002	2001
	\$'000	\$'000
Current tax expense		
Current year	64,092	124,066
Over provision in prior years	(845)	(6,452)
	63,247	117,614
Deferred tax expense		
Origination and reversal of temporary differences	8,120	4,581
Reduction in tax rate	(1,934)	(806)
Benefit of tax losses recognised	(162)	(1,564)
	6,024	2,211
Total income tax expense in income statement	69,271	119,825

9

9 Taxation (continued)

9 (a)

(a) Income tax expense: (continued)

An analysis of income tax expense is as follows:

	2002	2001
	\$'000	\$'000
Hong Kong	614	1,842
Singapore	62,704	111,908
Elsewhere	312	134
	63,630	113,884
Associates	5,641	5,941
	69,271	119,825

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16% (2001: 16%) and 22% (2001: 24.5%), 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:

	2002	2001
	\$'000	\$'000
Accounting profit before tax	307,085	438,489
Computed tax using the applicable corporation tax rate		
- in Hong Kong	2,900	(1,214)
- in Singapore	61,955	103,449
Group companies' tax rate differential relative to Hong Kong tax rate	(71)	689
Adjustments resulting from:		
- Non-deductible expenses	12,403	27,455
- Non-taxable income	(6,909)	(2,538)
- Effect of tax loss recognised	(162)	(1,564)
- Over provision in respect of prior years	(845)	(6,452)
Income tax expense	69,271	119,825



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9 Taxation (continued)

9

(b) Deferred tax assets and liabilities

9 (b)

Deferred tax assets and deferred tax liabilities at 31 December 2002 and 2001 are attributable to the items detailed in the table below:

	2002			2001		
	Assets \$'000	Liabilities \$'000	Net \$'000	Assets \$'000	Liabilities \$'000	Net \$'000
Property, plant and equipment	796	(11,318)	(10,522)	1,217	(12,278)	(11,061)
Inventories	8,805	-	8,805	12,521	-	12,521
Trade debtors	6,093	-	6,093	5,629	(2)	5,627
Other debtors and prepayments	13	(63)	(50)	66	(122)	(56)
Cash and cash equivalents	-	-	-	53	(211)	(158)
Creditors and accruals	2,103	-	2,103	6,105	-	6,105
Provisions	3,610	-	3,610	3,245	-	3,245
Tax value of loss carry-forward	2,896	-	2,896	2,734	-	2,734
Tax assets/(liabilities)	24,316	(11,381)	12,935	31,570	(12,613)	18,957
Set-off within legal tax units and jurisdictions	(2,122)	2,122	-	(3,021)	3,021	-
Net tax assets/(liabilities)	22,194	(9,259)	12,935	28,549	(9,592)	18,957

The potential deferred tax asset of approximately \$52,500,000 (2001: \$Nil) relating to the future benefits of tax losses has not been recognised in the financial statements as its realisation is not assured.

10 Profit attributable to shareholders

10

The profit attributable to shareholders included a profit of \$98,076,000 (2001: \$100,277,000) which has been dealt with in the financial statements of the Company.

11 Dividends

	2002	2001
	\$'000	\$'000
(i) At the balance sheet date the following dividends have been paid during the year:		
Interim dividend paid of 1.5 cents (2001: 1.5 cents) per share	30,200	30,200
Final dividend paid in respect of the prior year	70,466	60,399
	100,666	90,599
(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 (2001: 3.5 cents) per share	70,466	70,466

12 Earnings per share

The calculation of basic earnings per share is based on net profit for the year attributable to ordinary shareholders of \$238,238,000 (2001: \$320,143,000) and weighted average number of ordinary shares outstanding during the year of 2,013,309,000 (2001: 2,013,309,000) shares.

The amount of diluted earnings per share is not presented as there were no dilutive securities outstanding during 2001 and 2002.

13 Investment properties

The Group

	Freehold land and buildings	Leasehold buildings	Total
	\$'000	\$'000	\$'000
At 1 January 2002	430,386	231,436	661,822
Exchange adjustments	28,730	10,791	39,521
Reclassification	43,012	(43,012)	-
Decrease in fair value on revaluation	-	(11,140)	(11,140)
Transfer to property under development	(240,639)	-	(240,639)
At 31 December 2002	261,489	188,075	449,564



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13 Investment properties (continued)

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

	2002	2001
	\$'000	\$'000
Freehold land and buildings		
- Outside Hong Kong	261,489	430,386
Leasehold buildings		
- In Hong Kong under long lease	46,200	32,370
- Outside Hong Kong under long lease	131,225	190,359
- Outside Hong Kong under medium term lease	3,150	1,207
- Outside Hong Kong under short lease	7,500	7,500
	449,564	661,822

The investment properties of the Group were revalued at 31 December 2002 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 \$11,140,000 (2001: \$82,483,000) has been dealt with in the income statement.

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

14 Property under development

	The Group \$'000
At 1 January 2002	-
Transfer from investment properties	240,639
Additions	18,234
At 31 December 2002	258,873

Property under development represents the Group's freehold land development at Upper Aljunied Road, Singapore.

13

14

15

15 Property, plant and equipment

15 (a)

(a) The Group

	Freehold land	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Con- struction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation:							
At 1 January 2002	165,778	239,739	112,263	57,902	130,326	-	706,008
Exchange adjustments	11,067	13,603	6,147	3,523	8,560	-	42,900
Additions from acquisition of a subsidiary	26,684	19,369	578	253	116	-	47,000
Additions	-	20,389	24,137	3,823	18,170	22,585	89,104
Disposals	-	(2,520)	(19,527)	(3,435)	(21,468)	-	(46,950)
At 31 December 2002	203,529	290,580	123,598	62,066	135,704	22,585	838,062
Representing:							
Cost	-	209,790	123,598	62,066	135,704	22,585	553,743
Valuation - 1984	203,529	80,790	-	-	-	-	284,319
	203,529	290,580	123,598	62,066	135,704	22,585	838,062
Accumulated depreciation:							
At 1 January 2002	-	66,087	49,835	46,269	48,167	-	210,358
Exchange adjustments	-	3,859	3,169	2,955	3,570	-	13,553
Charge for the year	-	8,005	18,560	4,910	16,204	-	47,679
Written back on disposal	-	(753)	(14,018)	(3,266)	(14,010)	-	(32,047)
At 31 December 2002	-	77,198	57,546	50,868	53,931	-	239,543
Net book value:							
At 31 December 2002	203,529	213,382	66,052	11,198	81,773	22,585	598,519
At 31 December 2001	165,778	173,652	62,428	11,633	82,159	-	495,650

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

	Land		Buildings	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
In Hong Kong				
- Medium term lease	-	-	7,851	8,052
Outside Hong Kong				
- Freehold	203,529	165,778	71,450	50,599
- Long lease	-	-	36,579	35,133
- Medium term lease	-	-	97,502	79,868
	203,529	165,778	213,382	173,652



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15 Property, plant and equipment (continued)

15

(a) The Group (continued)

15 (a)

- (ii) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts (or deemed cost) totalling \$284,319,000 (2001: \$250,138,000) as the amount of the adjustments relating to prior periods could not be reasonably determined when International Accounting Standards were adopted for the purpose of preparing financial statements prior to listing. The requirements of IAS 16 "Property, plant and equipment" with respect to carrying assets at amounts other than cost less accumulated depreciation are therefore not applicable.
- (iii) The Group rents out certain motor vehicles, machinery and equipment. The rental period typically runs for an initial period of one to three years, with an option to renew after that date at which time all terms are renegotiated. None of the rental agreements includes contingent rentals.

The gross carrying amounts of motor vehicles, machinery and equipment of the Group held for rental were \$204,265,000 (2001: \$192,496,000) and the related accumulated depreciation charges were \$79,139,000 (2001: \$71,583,000).

(b) The Company

15 (b)

	Office equipment	Furniture and fittings	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Cost:				
At 1 January 2002	113	264	431	808
Additions	19	-	-	19
Disposals	-	-	(431)	(431)
At 31 December 2002	132	264	-	396
Accumulated depreciation:				
At 1 January 2002	65	152	344	561
Charge for the year	25	39	-	64
Written back on disposals	-	-	(344)	(344)
At 31 December 2002	90	191	-	281
Net book value:				
At 31 December 2002	42	73	-	115
At 31 December 2001	48	112	87	247

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16 Lease prepayments

	The Group	
	2002	2001
	\$'000	\$'000
At 1 January	107,899	117,121
Exchange adjustments	4,535	(4,638)
Additions	6,137	-
Amortisation	(3,253)	(4,584)
Disposals	(2,106)	-
A 31 December	113,212	107,899
Lease prepayments in respect of:		
Owner-occupied properties	66,762	61,548
Investment properties	46,450	46,351
	113,212	107,899
An analysis of lease prepayments is as follows:		
	2002	2001
	\$'000	\$'000
In Hong Kong		
- Long lease	28,726	29,230
- Medium term lease	2,618	2,685
Outside Hong Kong		
- Long lease	28,614	27,660
- Medium term lease	53,254	48,324
	113,212	107,899

17

17 Investments in subsidiaries

	The Company	
	2002	2001
	\$'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.



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17 Investments in subsidiaries (continued)

17

The following list contains the particulars of subsidiaries as at 31 December 2002 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
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	SGD4,000,000 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
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

17 Investments in subsidiaries (continued)

Name	Place of incorporation and operation	Particulars of issued and paid up capital (All being ordinary unless otherwise stated)	Percentage of equity indirectly held through subsidiaries	Principal activities
Motor Image (H.K.) Limited	Hong Kong	HKD8,000,000	100%	Distribution of motor vehicles
Nissan Diesel (Thailand) Company Limited	Thailand	BAHT 1,646,458,000 Redeemable preference BAHT 250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services

18 Interest in associates

	The Group	
	2002	2001
	\$'000	\$'000
Share of net assets	176,544	147,035
Amounts due from associates	-	1,134
	176,544	148,169

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



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

19 Investments

(a) Non-current investments

	The Group	
	2002	2001
	\$'000	\$'000
Equity investments available for sale		
- unlisted, at cost	43,024	30,123
- listed, at fair value	43,032	46,760
	86,056	76,883
Debt securities investments held to maturity		
- listed, at amortised cost	38,698	38,691
	124,754	115,574
Fair value of listed debt securities investments	45,559	41,271

The unlisted equity investments available for sale are stated at cost less impairment losses because the fair value cannot be measured reliably. The unlisted equity investments are not traded in an open market.

(b) Current investments

	The Group	
	2002	2001
	\$'000	\$'000
Debt securities investments available for sale		
- unlisted, at cost	386,604	362,413

The unlisted debt securities are stated at cost less impairment losses because the fair value cannot be measured reliably. The unlisted debt securities are not traded in an open market. As they represent the Group's significant investments, the Group monitors them on an ongoing basis.

20 Inventories

	The Group	
	2002	2001
	\$'000	\$'000
Raw materials	19,293	5,332
Work-in-progress	3,582	451
Spare parts and others	83,173	76,812
Finished goods and trading inventories	267,476	356,376
Goods in transit	26,149	13
	399,673	438,984
Inventories, included above, which are stated at net realisable value	314,859	410,136

19

19 (a)

19 (b)

20

21

21 Trade debtors

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

	The Group	
	2002	2001
	\$'000	\$'000
Current	262,635	104,677
1 to 3 months overdue	31,758	30,340
More than 3 months overdue but less than 12 months overdue	3,496	2,792
	297,889	137,809

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.

22

22 Hire purchase debtors

	The Group	
	2002	2001
	\$'000	\$'000
Hire purchase debtors	456,499	341,780
Unearned interest charges	(69,658)	(50,872)
	386,841	290,908
Provision for bad and doubtful debts	(110,130)	(18,352)
	276,711	272,556
Balance due		
- within one year	113,174	99,449
- between one year and five years	154,872	163,502
- more than five years	8,665	9,605
	276,711	272,556

Additions of \$88,742,000 in the provision for bad and doubtful debts resulted from the acquisition of a subsidiary in Thailand during the year.



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23 Cash and cash equivalents

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Bank deposits	885,094	867,553	2,906	4,135
Bank balances	32,214	18,712	1,498	1,046
Cash on hand	324	234	-	-
Cash and cash equivalents	917,632	886,499	4,404	5,181
Bank overdrafts (unsecured)	(48,231)	(30,248)	-	-
Cash and cash equivalents in the statement of cash flows	869,401	856,251	4,404	5,181

The effective interest rate of deposits ranged from 0.325% to 4.5% (2001: 0.325% 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 8.25% (2001: 4.5% to 6.25%) per annum.

24 Bank loans (unsecured)

At 31 December 2002, the bank loans were payable as follows:

	The Group	
	2002	2001
	\$'000	\$'000
Within 1 year	78,970	49,922
After 1 year but within 2 years	3,870	3,870
After 2 years but within 5 years	11,611	11,611
After 5 years	-	3,870
	15,481	19,351
	94,451	69,273

Bank loans totalling \$19,352,000 (2001: \$23,223,000) 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 0.5% to 7% (2001: 0.6% to 8.2%) per annum during the year ended 31 December 2002.

23

24

25 Trade creditors

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

	The Group	
	2002	2001
	\$'000	\$'000
Due within one month or on demand	111,049	100,305
Due after 1 month but within 3 months	65,638	44,497
Due after 3 months but within 6 months	1,779	5,669
Due after 6 months but within 12 months	4,316	843
	182,782	151,314

26 Amounts due to related companies

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Trading balances	1,438	2,665	36	28

27 Provisions

	The Group	
	2002	2001
	\$'000	\$'000
<i>Provisions for warranties</i>		
Balance at 1 January	13,246	6,074
Provisions made	4,367	8,642
Provisions used	(1,203)	(1,470)
Balance at 31 December	16,410	13,246
Current	7,284	6,432
Non-current	9,126	6,814
	16,410	13,246

The provisions for warranties relate 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)

28 Share capital

	The Group and the Company	
	2002	2001
	\$'000	\$'000
Authorised:		
3,000,000,000 ordinary shares of \$0.50 each	1,500,000	1,500,000
Issued and fully paid:		
2,013,309,000 ordinary shares of \$0.50 each	1,006,655	1,006,655

28

29 Reserves

(a) The Group

	Note	Share premium	Capital reserve	Translation reserve	Contributed surplus	Retained profits	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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	11	-	-	-	-	(90,599)	(90,599)
Balance at 31 December 2001		550,547	9,549	(628,647)	377,690	1,860,185	2,169,324
Balance at 1 January 2002		550,547	9,549	(628,647)	377,690	1,860,185	2,169,324
Total recognised gains and losses		-	-	201,285	-	238,238	439,523
Dividends to shareholders	11	-	-	-	-	(100,666)	(100,666)
Balance at 31 December 2002		550,547	9,549	(427,362)	377,690	1,997,757	2,508,181

29

29 (a)

(b) The Company

	Note	Share premium	Contributed surplus	Retained profits	Total
		\$'000	\$'000	\$'000	\$'000
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
Balance at 1 January 2002		550,547	623,313	171,787	1,345,647
Total recognised gains and losses		-	-	98,076	98,076
Dividends to shareholders	11	-	-	(100,666)	(100,666)
At 31 December 2002		550,547	623,313	169,197	1,343,057

29 (b)

29

29 Reserves (continued)

29 (b)

(b) The Company (continued)*Capital reserve*

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

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:

- (a) the Company is, or would after the payment, be unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders at 31 December 2002 are as follows:

	2002	2001
	\$'000	\$'000
Contributed surplus	623,313	623,313
Retained profits (refer to note 29(b))	169,197	171,787
	792,510	795,100

30

30 Financial instruments

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

30 (a)

(a) Interest rate risk

The interest rates and terms of repayment of loans and borrowings of the Group are disclosed in notes 23 and 24.

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



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30 Financial instruments (continued)

30

(b) Credit risk

30 (b)

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.

(c) Foreign currency risk

30 (c)

The Group has exposures to foreign currencies as its major operations and income are denominated mainly in Singapore dollars ("SGD"). Depreciation and appreciation of SGD against Hong Kong dollars affects 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. There were no forward exchange contracts outstanding as at 31 December 2002.

(d) Fair value

30 (d)

The fair value of listed investments is shown in note 19.

The fair values of cash, trade, hire purchase and other debtors, trade and other creditors, 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.

31 Commitments

31

(a) Capital commitments outstanding at 31 December 2002 not provided for in the financial statements were as follows:

31 (a)

	The Group	
	2002	2001
	\$'000	\$'000
Authorised and contracted for:		
- Construction of properties	257,000	281,760

31

31 Commitments (continued)

31 (b)

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	The Group	
	2002	2001
	\$'000	\$'000
Less than one year	9,970	12,269
Between one and five years	18,325	20,447
More than five years	39,443	38,959
	67,738	71,675

The Group leases a number of properties under operating leases. The leases typically run for an initial period of between 1 and 6 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

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	2002	2001
		\$'000	\$'000
Sales of goods and services to TCMH Group	(i)	1,813	2,069
Sales of goods and services to Ultima Group	(i)	18,750	3,187
Purchase of inventories from TCMH Group	(i)	7,712	14,039
Purchase of inventories from Ultima Group	(i)	4,263	5,595
Hire purchase financing income from Ultima Group	(ii)	1,218	1,338

Notes:

- (i) Tan Eng Soon is the managing director of TCMH and the Ultima Group is controlled by the Tan family. All sales and purchases and services rendered between the Group, the TCMH Group and the Ultima Group were on normal commercial terms.
- (ii) Hire purchase financing income represents interest charges on hire purchase financing on motor vehicles to the Ultima Group. Interest on the hire purchase financing was charged at a fixed interest rate with a fixed repayment term similar to other customers.



> Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33 Segment reporting

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

(iii) Property rentals

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 the Group's businesses. 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.

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33 Segment reporting (continued)

	Motor vehicle distribution		Heavy commercial vehicle and industrial equipment distribution	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Revenue from external customers:				
- sales	3,289,206	4,456,756	271,555	216,874
- services	86,385	88,774	72,243	68,171
- hire purchase financing	-	-	-	-
- rentals	3,097	2,422	315	313
- others	44,044	33,887	499	2,912
Total revenue	3,422,732	4,581,839	344,612	288,270
Segment result				
Profit from operations	220,844	397,780	32,831	31,761
Net financing income/ (costs)	(11,724)	(11,369)	(4,212)	(104)
Income from associates	24,236	24,756	-	-
Income tax expense	(50,123)	(95,734)	(6,195)	(8,327)
Minority interests	-	-	-	-
Net profit for the year	183,233	315,433	22,424	23,330
Segment assets	1,607,146	1,831,596	434,324	199,165
Interest in associates	133,262	107,933	-	-
Consolidated total assets	1,740,408	1,939,529	434,324	199,165
Consolidated total liabilities	338,357	385,008	108,855	48,544
Capital expenditure	6,364	24,120	71,485	23,287
Depreciation and amortisation expense	13,556	14,095	19,702	18,762
(Reversal of)/increase in impairment loss	(11,619)	-	-	-
Significant non-cash expenses	(2,459)	(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	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	3,691,145	4,867,987	64,471	89,685
Segment assets	2,831,211	2,773,471	238,281	182,121
Capital expenditure	101,371	52,314	789	400

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)

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Property rentals		Other operations		Consolidated	
2002	2001	2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	47,700	48,056	3,608,461	4,721,686
6,008	6,093	29,930	32,006	194,566	195,044
-	-	36,391	35,374	36,391	35,374
16,681	17,502	796	565	20,889	20,802
2,492	5,315	4,490	6,005	51,525	48,119
25,181	28,910	119,307	122,006	3,911,832	5,021,025
(11,511)	(38,308)	40,355	23,768	282,519	415,001
5,054	3,394	4,902	1,849	(5,980)	(6,230)
-	-	6,310	4,962	30,546	29,718
(2,744)	(2,816)	(10,209)	(12,948)	(69,271)	(119,825)
-	-	424	1,479	424	1,479
(9,201)	(37,730)	41,782	19,110	238,238	320,143
796,550	514,784	1,136,535	1,082,264	3,974,555	3,627,809
-	-	43,282	40,236	176,544	148,169
796,550	514,784	1,179,817	1,122,500	4,151,099	3,775,978
70,617	51,029	109,583	106,144	627,412	590,725
328	611	76,161	22,581	154,338	70,599
1,195	1,470	16,479	15,687	50,932	50,014
-	-	-	3,651	(11,619)	3,651
(8,681)	(56,189)	-	(1,220)	(11,140)	(82,483)

PRC		Other		Consolidated	
2002	2001	2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
62,784	23,418	93,432	39,935	3,911,832	5,021,025
64,697	60,196	840,366	612,021	3,974,555	3,627,809
459	518	51,719	17,367	154,338	70,599

34 **34 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.

35 **35 Comparative figures**

Leasehold land included in property, plant and equipment and investment properties has been reclassified to lease prepayments during the year. The corresponding comparative figures have also been reclassified to conform with current year's presentation.



> Financial Summary

(Expressed in Hong Kong dollars)

	Year ended 31 December				
	1998	1999	2000	2001	2002
	\$'000	\$'000	\$'000	\$'000	\$'000
RESULTS					
Turnover	2,383,289	3,019,255	5,012,123	4,969,606	3,856,099
Profit from operations	255,018	252,674	660,037	415,001	282,519
Financing costs	(25,812)	(12,972)	(10,431)	(6,230)	(5,980)
Share of results of associates	3,739	23,432	24,586	29,718	30,546
Profit before taxation	232,945	263,134	674,192	438,489	307,085
Taxation	(82,397)	(78,691)	(187,655)	(119,825)	(69,271)
Minority interests	660	830	216	1,479	424
Profit attributable to shareholders	151,208	185,273	486,753	320,143	238,238
ASSETS AND LIABILITIES					
Investment properties, property under development, property, plant and equipment and lease prepayments	2,214,413	2,255,543	1,436,453	1,265,371	1,420,168
Interest in associates	106,448	123,294	141,018	148,169	176,544
Other assets	279,550	318,086	404,943	317,230	310,485
Net current assets	578,600	666,075	1,252,641	1,490,240	1,650,356
Total assets less current liabilities	3,179,011	3,362,998	3,235,055	3,221,010	3,557,553
Non-current liabilities	(303,283)	(306,086)	(179,702)	(35,757)	(33,866)
Minority interests	(13,077)	(12,278)	(11,428)	(9,274)	(8,851)
Shareholders' equity	2,862,651	3,044,634	3,043,925	3,175,979	3,514,836
Earnings per share - basic (cents)	7.5	9.2	24.2	15.9	11.8

Notes:

- 1 The result for the year ended 31 December 1998 has been prepared on a pro forma combined basis as if the current group structure had been in existence throughout the year.
- 2 Turnover of \$3,856,099,000 (2001: \$4,969,606,000) 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 securities outstanding during those years.

> 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	26
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 2012	30
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	17
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	7
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	7



> 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	5
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	6
No.230 Jingyang South Road Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,422	Leasehold	unspecified term	5
Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	5
Unit 301 Block No 48 Huayuan 5th Village Jiangyin Jiangsu Province	Residential apartment (own use)	945	Leasehold	unspecified term	6
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622	Showroom, workshop and office (own use)	198,606	Freehold	-	20
14 Upper Aljunied Road Singapore 367843	Property under development	222,876	Freehold	-	-
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-	17

> Group Properties

Location	Description	Land area (sq feet)	Tenure	Expiry date	Age of building (years)
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059	7
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	-	20
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	12
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	23
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	18
15 Tuas Avenue 3 Singapore 639412	Workshop and office (own use)	110,790	Leasehold	16 November 2013	19
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	7
MK 23 Lot 4771 PT Ubi Road 4 Singapore	Land under development (own use)	59,379	Leasehold	1 October 2030	-
Lot 2858L of MuKim 6 (Private Lot A2825) 1 Sixth Lok Yang Road Singapore 628099	Land under development (own use)	223,908	Leasehold	15 April 2033	29



> 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	9
59 M001, Rangsit-Pathumthani Road, Banklang, Musang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	-	15
Area No. 56, 148, 149, 194, 197, Sub-district of Khlung Prawet Fang Tai, District of Prakanong , Bangkok, Thailand	Workshop and office (own use)	60,278	Leasehold	12 November 2018	5

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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 and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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



Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

Proposed General Mandates to Issue Shares and Repurchase Shares

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, 9 May 2003 at 11.00 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.

16 April 2003

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 9 May 2003 at 11.00 a.m.
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Tan Chong International Limited, a company incorporated in Bermuda and currently listed on the Stock Exchange
“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”	31 March 2003, 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)”	ordinary 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

LETTER FROM THE BOARD

Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

Directors:

Dato' Tan Kim Hor
Mr. Tan Eng Soon
Mr. Joseph Ong Yong Loke
Mr. Tan Kheng Leong
Mr. Neo Ah Chap
Mdm. Sng Chiew Huat
Mr. Lee Han Yang*
Mr. Liu Kwei Ming*

* Independent non-executive director

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

16 April 2003

To Shareholders,

Dear Sir or Madam,

Proposed General Mandates to Issue Shares and Repurchase Shares

INTRODUCTION

On 11 March 2003 the Directors of the Company announced the audited consolidated results of the Company for the year ended 31 December 2002 and the proposal to seek general mandates at the Annual General Meeting to be held on 9 May 2003 for the Directors to issue shares and repurchase shares. This statement gives you details of those mandates and seeks your approval of such general mandates 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 the shareholders, 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.

LETTER FROM THE BOARD

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.

The Appendix to 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.

FORM OF PROXY

A form of proxy for use at the Annual General Meeting is enclosed in the 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 instructions printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not prevent 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 and the Proposed Repurchase Mandate are in the interests of the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,

For and on behalf of the Board,

Sng Chiew Huat

Finance Director

APPENDIX

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 month 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.

APPENDIX

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 9.30a.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 2002, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

APPENDIX

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 \$
2002		
April	1.380	1.260
May	1.380	1.250
June	1.280	1.200
July	1.250	1.180
August	1.180	1.040
September	1.030	0.990
October	1.060	0.990
November	1.080	1.020
December	1.050	1.010
2003		
January	1.060	1.000
February	1.030	0.960
March	1.030	0.960

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 Rule 32 of the Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

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 Sixth 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, 9 May 2003 at 11.00 a.m..

AGENDA

As ordinary business

1. To receive and adopt the audited consolidated financial statements for the year ended 31 December 2002 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 Shares 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."

By Order of the Board

Teo Siok Ghee

Company Secretary

Hong Kong, 11 March 2003

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 30 April 2003 to 9 May 2003, 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 Sixth 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, 9 May 2003 at 11.00 a.m., and at any adjournment thereof or on any resolution or motion which is proposed thereat.

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

	Resolution	For	Against
1.	To receive and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2002 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. Tan Eng Soon		
	(ii) Mdm. Sng Chiew Huat		
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) As Ordinary Resolution No. 1 To give a general mandate to the Directors to allot, issue and deal with unissued shares of the Company.		
	(B) As Ordinary Resolution No. 2 To give a general mandate to the Directors to repurchase the shares of the Company.		
	(C) As Ordinary Resolution No. 3 To add repurchased shares to the shares issue general mandate of the Company.		

Signature (s)

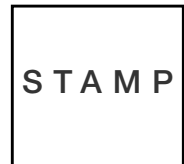
Dated this _____ day of _____, 2003



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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