www.tanchong.com

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

（於百慕達註冊成立的有限公司）

（股份代號：**693**）

成立 **500,000,000** 新加坡元的

中期票據計劃

董事會欣然宣佈，於二零一四年五月六日，本公司成立該計劃，據此，其可能只向發售備忘錄所述的專業投資者發行多個系列本金總額最高為 500,000,000 新加坡元（或其他等值貨幣）的票據。發售備忘錄將會提供予若干專業投資者。票據將會按不同發行日期及條款以多個系列發行以及可能以任何貨幣計值，並須遵守所有相關法律、法規及法令。根據該計劃發行的票據將不會在香港、美國或任何其他司法權區進行公開發售或向本公司任何關連人士配售。

就該計劃而言，本公司將會在發售備忘錄向若干專業投資者提供本集團最近的企業及財務資料。為向股東及潛在投資者發放具透明度與及時的資料並且鑒於若干上述資料以往尚未提供予股東，一份來自發售備忘錄有關風險因素、市值、節選綜合財務資料及業務的相關資料摘要隨本公告附上。

本公司已透過日期為二零一四年五月六日的計劃協議委任 HL Bank 作為該計劃的安排行。

由於本公司可能會或可能不會根據該計劃提取，故提取（如有）的時間並未確定，並須取決於市場狀況、投資者興趣及本公司的企業需要而定。股東及潛在投資者於買賣本公司證券時務請審慎行事。認購協議一經簽署，有關發行票據的進一步公告將由本公司作出。

本公司成立 **500,000,000** 新加坡元的中期票據計劃

緒言

董事會欣然宣佈，於二零一四年五月六日，本公司成立該計劃，據此，其可能只向發售備忘錄所述的專業投資者發行多個系列本金總額最高為 500,000,000 新加坡元（或其他等值貨幣）的票據。發售備忘錄將會提供予若干專業投資者。票據將會按不同發行日期及條款以多個系列發行以及可能以任何貨幣計值，並須遵守所有相關法律、法規及法令。根據該計劃發行的票據將不會在香港、美國或任何其他司法權區進行公開發售或向本公司任何關連人士配售。票據只可依據 S 規例在美國境外於離岸交易向非美藉人士發售及出售。

本公司已透過日期為二零一四年五月六日的計劃協議委任 HL Bank 作為該計劃的安排行。

本公司無意在任何證券交易所將該計劃或票據上市。

所得款項淨額建議用途

倘發行票據，則本公司擬將發行各系列票據的所得款項淨額用作撥付資本開支及一般企業用途，或如該票據發行適用的定價補充文件內所載。

成立該計劃的原因

本公司認為，該計劃提供一個平台，以提高日後融資的流動性、靈活性及效率。該計劃的設計為容許票據在有需要時不時提取，並且本公司目前無意提取該計劃的全部款項。根據該計劃提取票據的本金額及時間須視乎多項不同因素而定，包括但不限於市場狀況、投資者興趣及本公司的企業需要。

有關本公司的資料

就該計劃而言，本公司將會在發售備忘錄向若干專業投資者提供本集團最近的企業及財務資料。為向股東及潛在投資者發放具透明度與及時的資料並且鑒於若干上述資料以往尚未提供予股東，一份來自發售備忘錄有關風險因素、市值、節選綜合財務資料及業務的相關資料摘要隨本公告附上。

一般事項

由於本公司可能會或可能不會根據該計劃提取，故提取（如有）的時間並未確定，並須取決於市場狀況、投資者興趣及本公司的企業需要而定。股東及潛在投資者於買賣本公司證券時務請審慎行事。認購協議一經簽署，有關發行票據的進一步公告將由本公司作出。

釋義

於本公告內，除文義另有所指外，下列詞彙具有以下涵義：

「**董事會**」	指	董事會
「**本公司**」	指	陳唱國際有限公司，於百慕達註冊成立的有限公司
「**董事**」	指	本公司董事
「**本集團**」	指	本公司及其附屬公司
「**HL Bank**」	指	HL Bank

「香港」	指	中華人民共和國香港特別行政區
「票據」	指	本公司根據該計劃不時可能發行的中期票據
「發售備忘錄」	指	日期為二零一四年五月六日有關該計劃的發售備忘錄
「定價補充文件」	指	載有根據該計劃將予發行的各系列票據具體條款的文件
「該計劃」	指	本公司透過日期為二零一四年五月六日的計劃協議成立的500,000,000新加坡元中期票據計劃
「S規例」	指	一九三三年美國證券法S規例（經修訂）
「股東」	指	本公司股東
「認購協議 」	指	（其中包括）本公司與牽頭經辦人根據該計劃擬就發行票據訂立的協議
「美國」	指	美利堅合眾國
「新加坡元」	指	新加坡元，新加坡法定貨幣

承董事會命
陳唱國際有限公司
副主席兼董事總經理
王陽樂

香港，二零一四年五月七日

網址：http://www.tanchong.com

於本公告日期，執行董事包括陳永順先生、王陽樂先生、陳慶良先生、孫樹發女士和陳駿鴻先生。獨立非執行董事包括李漢陽先生、陳業裕先生和黃金德先生。

RISK FACTORS

An investment in our Notes involves risks. You should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes. The risk factors set out below do not purport to be complete or comprehensive of all the investment considerations and risk factors that may be involved in our business, financial condition, results of operations or prospects or any decision to purchase, own or dispose of the Notes. Additional investment considerations and risk factors which we are currently unaware of may also impair our business, financial condition, results of operations or prospects. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially adversely affect our business, financial condition, results of operations and prospects. In such cases, our ability to comply with our obligations under the Trust Deed and the Notes may be adversely affected. Further, the Programme and the Notes will not be listed and there may not be a market or a market price for the Notes, and investors may lose all or part of their investments in the Notes. You should also consider the information provided below in connection with the forward-looking statements in this Offering Memorandum and the warning regarding forward-looking statements at the beginning of this Offering Memorandum.

Risks Relating to Our Business and Operations

We rely on a limited number of principal suppliers for a substantial majority of our sales inventory.

Sales of Subaru motor vehicles accounted for 61.3%, 55.3% and 69.1%, and sales of Nissan motor vehicles accounted for 13.9%, 9.9% and 7.4%, of our total revenues in 2011, 2012 and 2013, respectively. Our largest supplier and the supplier of our Subaru motor vehicles, Fuji Heavy Industries, accounted for 47%, 37% and 40% of our total purchases in 2011, 2012 and 2013, respectively, while Nissan accounted for 12%, 7% and 7% of our total purchases in 2011, 2012 and 2013, respectively. Our five largest suppliers accounted for 61%, 44% and 57% of our total purchases in 2011, 2012 and 2013, respectively.

Our rights to market and/or sell motor and heavy vehicles and their related parts and accessories are governed by our distribution and/or dealer agreements with the respective motor and heavy vehicle manufacturers. The distribution and/or dealer agreements that we have entered into with these manufacturers in some countries are on an exclusive basis and are for a fixed period of time. A majority of these distribution and/or dealer agreements are for a duration of between three and five years and have provisions for automatic renewal, while a significant number of these distribution and/or dealer agreements (particularly those relating to China) are for a duration of one year and do not have provisions for automatic renewal. In addition, a number of these agreements may be terminated by the supplier with immediate effect upon notice under certain circumstances, including insolvency and liquidation arrangements against us, failure on our part to obtain any consent of the vehicle manufacturers when required and breach on our part of any material obligations under the agreements. See "Business—Major Suppliers and Customers—Products with Distribution Agreements" for a summary of these distribution agreements.

We cannot assure you that one or more of our distribution agreements will not be terminated. In addition, we may not be able to renew our distribution agreements with our existing suppliers on the same terms, on commercially reasonable terms, on a timely basis or at all. It may also not be possible for us to enter into distribution agreements with, or obtain alternative products from, other suppliers on comparable or commercially reasonable terms or at all. Our business, financial condition, results of operations and prospects are therefore dependent on the continual good relationship, and renewal of the distribution agreements on commercially reasonable terms, with these principal suppliers, and the quality and competitiveness of the products of these principal suppliers.

Any real or perceived problem with any model of Subaru, Nissan or other vehicles that we sell could have a material adverse effect on our business, financial condition, results of operations and prospects.

We sell predominantly Subaru and Nissan motor vehicles and Mitsubishi Fuso heavy commercial vehicles. Our reliance on two motor vehicle and one heavy commercial vehicle manufacturers makes us particularly vulnerable to any problems that might be associated with any particular model of motor vehicles or heavy commercial vehicles manufactured by these manufacturers, in addition to those manufactured by other manufacturers. We would be adversely affected if a design defect or mechanical problem with any such particular model were discovered, causing a widespread recall of such model. We may also have to make repairs to rectify any such defect or mechanical problem, which may adversely affect our ability to provide our customary after-sales service to our other existing customers. In addition, any such widespread recall may also adversely affect the reputation of such motor vehicle or heavy commercial vehicle brands and result in lower sales volumes. We cannot assure you that the motor or heavy commercial vehicles that we distribute will not be subject to a recall. Our business, financial condition, results of operations and prospects could be materially and adversely affected as a result of an adverse perception of such motor or heavy commercial vehicle brands due to real or perceived safety concerns or other problems, or the effect of such consumer protection laws.

Foreign exchange rate fluctuations may have a significant adverse impact on our business, financial condition, results of operations and prospects.

As a result of the geographic diversity of our business, changes in foreign currency rates could have an adverse impact on our business, financial condition, results of operations and prospects. Currency fluctuations affect us because of mismatches between the currencies in which operations costs are incurred and those in which revenues are received. Our revenues are typically denominated in local currencies in the jurisdictions in which we conduct business, including Chinese renminbi, Singapore dollars and Thai baht. However, a significant portion of our costs of sales, principally our costs for purchasing our inventory, are denominated in Japanese yen. Any fluctuations in exchange rates between the currencies in which we receive our revenues and the currencies in which our operations costs are incurred could materially and adversely affect our profitability.

In addition, we have various investments and commitments denominated in foreign currencies, principally Japanese yen, U.S. dollars, Chinese Renminbi and Singapore dollars. As of 31 December 2013, we had outstanding foreign-currency denominated equity securities listed outside Hong Kong, designated as at fair value through profit or loss amounting to HK$2,576.6 million (S$420.3 million), of which HK$2,541.0 million (S$414.5 million) were denominated in Japanese yen and substantially all of which relates to our shareholding interests in Fuji Heavy Industries, with the remainder denominated in Singapore dollars. In addition, as of 31 December 2013, we had outstanding foreign-currency denominated commitments, principally under loan agreements, equivalent to HK$738.9 million (S$120.5 million). As a result of the Programme, we may increase our Singapore dollar, U.S. dollar and other foreign currency borrowings in the future. Therefore, any depreciation in the Hong Kong dollar against these foreign currencies would decrease the value of our investments and increase our obligations in Hong Kong dollar terms.

Our reported earnings may also be affected by fluctuations between the Hong Kong dollar, which is our reporting currency, and the non-Hong Kong dollar currencies in which some of our subsidiaries report their financial condition and results of operations. As a result, we may be adversely affected by foreign exchange translational losses due to fluctuations in the value of the Hong Kong dollar against the Chinese renminbi, Singapore dollar, Thai baht and other currencies in which we conduct our business.

In 2013, a 10% increase or decrease in the value of the Japanese yen against the Hong Kong dollar would have had a HK$207.3 million (S$33.8 million) increase or decrease, respectively, in our profit after tax, a 10% increase or decrease in the value of the U.S. dollar against the Hong Kong dollar would have had a HK$45.8 million (S$7.5 million) increase or decrease, respectively, in our profit after tax and a 10% increase or decrease in the value of the Chinese renminbi against the Hong Kong dollar would have had a HK$36.3 million (S$5.9 million) increase or decrease, respectively, in our profit after tax. The analysis above excludes differences that would result from the translation of the financial statements of our subsidiaries and associates outside Hong Kong into our reporting currency. See Note 29(c) of the notes to our 2013 financial statements for further information.

A prolonged global economic downturn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our sales of motor vehicles, heavy commercial vehicles and industrial equipment, and property are dependent on the overall demand for such products, which are affected by (among other things) the global and regional economic environment. The market uncertainty that started in 2008 from the U.S. residential market further expanded to other markets such as those for leveraged finance, collateralised debt obligations, other structured products and sovereign debt. In September and October 2008, liquidity and credit concerns and increased volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions, including the bankruptcy filing of Lehman Brothers. These developments have resulted in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets.

In Europe, the sovereign debt crisis in Greece and other peripheral Euro-zone countries that emerged in late 2009 led to the sovereign ratings of these countries to be downgraded by the major international rating agencies. The crisis resulted in a wave of anti-austerity protests and strikes in Greece and Italy, sell-offs in global markets and changes in the political leadership in Greece and Italy. The European sovereign debt crisis could deteriorate further, and spread from peripheral countries to core economies in the European Union. Prospects remain uncertain and such countries may be unable to restore fiscal stability or refinance sovereign debt. Additional European countries may succumb to similar crises.

In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy and/or excessive foreign fund inflow or both. Geopolitical instability in various parts of the world, including in North Africa, the Middle East and Asia, could also contribute to economic instability in those and other regions.

Economic stability in Europe, the United States of America and China is a key ingredient for a recovery in our business. A prolonged global economic downturn may have an adverse effect on our business, financial condition, results of operations and prospects. In addition, a prolonged global economic downturn could have a material adverse effect on the ability of banks to meet their financial obligations, including, the repayment of their customers' deposits. To the extent any of our cash have been deposited with any of such banks, we may lose all or part of our cash deposits, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

Disruptions in global financial markets and economic conditions or changes in lending practices in the future may harm our ability to obtain financing on acceptable terms, which could hinder or prevent us from meeting capital needs.

Globally, the financial markets and economic conditions have been volatile and have faced disruption in recent years. It has been generally difficult to obtain financing and the cost of any available financing increased significantly due to the exceedingly distressed debt and equity markets. If there is significant deterioration of global financial markets and economic conditions in the future, we may be unable to obtain adequate funding under our present credit facilities due to reluctance from or the inability of lenders to meet funding obligations, market disruption events or increased costs, which may lead to an inability to obtain funds at the agreed interest rate of our credit facilities. Such deterioration may also cause lenders to be unwilling to provide us with new financing to the extent required to fund our ongoing operations and growth. These factors may hinder our ability to access financing or result in increased financing costs.

If financing or refinancing is not available when needed, or is available only on unfavourable terms, we may be unable to meet our obligations as they come due, or be unable to implement growth strategies, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could harm our business, financial condition, results of operations and prospects.

Singapore has promulgated various regulations that affect the demand and supply, and the selling prices, of motor vehicles in Singapore, which affects our business, financial condition, results of operations and prospects.

Singapore adopted the vehicle quota system in May 1990 to regulate the rate of growth of vehicles on Singapore's roads, at a rate that can be sustained by developments in land transport infrastructure. Under this system, the Singapore Land Transport Authority controls the number of new vehicles allowed for registration annually, while the market determines the price of owning a vehicle. Buyers of motor vehicles who wish to register a new vehicle in Singapore must first bid for and secure the relevant certificate of entitlement ("COE") for such vehicle, which represents the right to own a vehicle for 10 years. Other measures include an electronic road pricing ("ERP") system to manage road congestion, high duties, fees and taxes on motor vehicles in Singapore (including an Additional Registration Fee that is up to 180% of the open market value of the vehicle), and rules that lower the percentage of loan a borrower can take to purchase a car and the tenure of the loan. See "Business—Motor Vehicle Distribution—Regulations Affecting Car Ownership in Singapore" for a further discussion of such regulations.

Unlike outside Singapore, where the cost of acquiring a new vehicle principally depends on the selling price of that vehicle, in Singapore, the cost of acquiring a new vehicle depends not only on the selling price of a car but also the price of a COE and the car's open market value, based on which the vehicle's registration fee is calculated. Therefore, in Singapore, our ability to compete is dependent on our selling prices for our cars, the price of a COE together with our ability to assist potential customers in successfully bidding for one, and our ability to lower the open market value of our cars by carefully selecting the specifications of the vehicle that we import to balance their associated value (and therefore import cost) with what our potential customers demand and are willing to pay for.

These regulations, in particular the vehicle quota system, have had a distorting effect on the competitive landscape for motor vehicles in Singapore and our ability to compete, which is reflected in the decreasing number of motor vehicles that we sold in Singapore, and consequently our motor vehicle distribution revenue derived from Singapore, in 2011, 2012 and 2013. The institution of maximum loan-to-value restrictions on motor vehicle loans has also had, and we believe will continue to have, a disproportional adverse impact on customers for mass market brands (our target customers) as compared to customers for premium and luxury brands because such mass market customers typically do not have enough cash on hand to make the required down payment at current car prices.

Changes have been made to the vehicle quota system from time to time, including to minimise speculation in COEs, including in September 2013. A new set of categorisation criteria to better delineate mass market cars from premium cars has been introduced for all cars registered using COEs obtained from the February 2014 first open bidding exercise. The new categorisation retains the existing Category A criterion that the engine capacity of the car should not exceed 1,600cc, and adds a new criterion that the engine power of the car should not exceed 130 bhp. All other cars that do not meet the new criteria will fall under Category B. According to the Singapore Land Transport Authority, had this additional engine power criterion been applied to the 2012 vehicle registrations, almost 50% of cars in Category A would have moved into Category B. Distributors of non-mass market models that would have to be moved into Category B may bring in the same models with revised specifications so that such vehicles fall within the revised Category A. We cannot assure you that these changes will make the vehicle models that we sell, particularly our mass market models, more competitive or that we will be able to increase our sales volumes.

In addition, the Land Transport Authority imposes an Additional Registration Fee upon registration of a motor vehicle. As announced in the Singapore Budget 2013, a new tiered Additional Registration Fee structure was introduced to replace the original Additional Registration Fee of a 100% flat rate of open market value of the vehicle. Under the new structure, applicable to motor vehicles registered with COEs obtained from the first COE bidding exercise in March 2013, the Additional Registration Fees for motor vehicles with open market values of up to S$20,000 will remain at the rate of 100%, the next S$30,000 of open market value of the vehicle will attract a rate of 140% and any open market value beyond S$50,000 will attract a rate of 180%.

Changes in laws and regulations may increase our cost of sales or otherwise materially and adversely affect our business, financial condition, results of operations and prospects.

We are required to obtain various licences and permits, and to comply with various laws and regulations, in the jurisdictions in which we operate. These licences and permits are generally subject to conditions stipulated in them and/or to relevant laws and regulations under which such licences and permits are issued. In addition, certain of our licences and permits are subject to annual or periodic renewals. Accordingly, we need to constantly monitor and ensure our compliance with such conditions, laws and regulations, as well as the renewal of our licences and permits.

Further, any changes to current laws and regulations, or the introduction of new laws and regulations may have an impact on our licences and permits and on our business, and may result in higher costs. For instance, the new Additional Registration Fee structure may cause an increase in our cost of sales, particularly for motor vehicle models with open market values above S$20,000 (which includes many of our Nissan and Subaru models). If we are unable to identify and adopt appropriate measures to reduce costs or pass on such increase in costs to our customers, sales of our motor vehicles will be adversely affected, which may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, we cannot assure you that any or all of these changes will result in an increase in the number of motor vehicles that we sell or result in higher revenues. Another example is the introduction of Singapore consumer protection laws that provide remedies for goods with latent defects, which came into effect on 1 September 2012, which require us to repair or replace a defective vehicle and, if repair or replacement is not possible or reasonable, require us to comply with our customers' request to reduce the selling price of the vehicle or provide a refund upon returning the vehicle.

At any one time, we also maintain a large inventory of vehicles to sell that meet the prevailing laws, regulations and other requirements when we order such vehicles from the manufacturers. However, we cannot assure you that any change to current laws, regulations or requirements, or the introduction of new laws, regulations or requirements, will not result in such vehicles within our inventory (or ordered but not yet delivered) failing to meet such changed or new laws, regulations or requirements. If such vehicles no longer meet such changed or new laws, regulations or requirements, we will not be able to sell them in the relevant market which such changed or new laws, regulations or requirements are applicable, and we may need to dispose of such vehicles at a loss or on terms that are not commercially attractive. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The frequency and appeal of new Nissan or Subaru models affect our ability to compete in the face of significant competition in the markets in which we operate.

The motor vehicle industry in Singapore and Hong Kong is mature and the various motor vehicle manufacturers are competing with each other and ourselves for limited demand. In addition, within the Motor Image Sales Region, the Subaru brand of motor vehicles is not well known and is in a niche market. Accordingly, we face significant competition from better-known or more mainstream brands.

In the motor vehicle business, the availability of a wide range of products and the regularity of new model introductions are often essential to the continued successful marketing of a brand. The ability of a motor vehicle manufacturer to provide a wide range of products and introduce new models regularly is affected by its ability to anticipate changes in consumer preferences and requirements. Nissan offers a wide range of passenger as well as commercial vehicle models. Over the years, Nissan has established a proven track record in respect of its ability to introduce new and improved vehicle models at regular intervals. Subaru specialises in serving the niche markets for all-wheel-drive vehicles, sport utilities and high performance cars, which it updates regularly. The ability of Nissan and Fuji Heavy Industries to continue to produce new and improved models at regular intervals that appeal to potential purchasers will have an impact on our ability to compete in an increasingly competitive market place. If Nissan's or Fuji Heavy Industries' financial position or business continuity is weak, or their abilities to design, market and manufacture new motor vehicle models or vehicle spare parts and accessories are adversely affected, new and improved models may not be introduced at frequent-enough intervals, or new vehicle models may not appeal to potential customers. As a result, we may not be able to sell our motor vehicles at a commercially acceptable price or at a volume that would enable us to be profitable, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, if Fuji Heavy Industries and we are not successful in improving the brand awareness of Subaru vehicles, we could be at a disadvantage in selling our motor vehicles in the Motor Image Sales Region. Increasing competition from existing and future competitors may result in reduced revenue and loss of market share. In addition, if we are not competitive in the markets that we operate in terms of brand, quality, delivery time and/or price, our business, financial condition, results of operations and prospects may be adversely affected.

Measures imposed by the Singapore government may have a material adverse effect on the Singapore property market.

The Singapore property market has enjoyed a high rate of growth over the past five years, during which demand for and prices of residential units rose rapidly. Between 2011 and 2013, in an effort to curb property speculation, the Singapore government implemented a number of anti-speculation measures. Among the measures were imposing stamp duty on the sellers of residential properties (where the property is disposed of within four years of acquisition), imposing additional stamp duties on buyers that increase with each additional residential property purchased, requiring banks and financial institutions to impose a total debt servicing ratio framework for all property loans granted to individuals such that total monthly repayments of debt obligations should not exceed 60.0% of gross monthly income, tightening loan-to-value limits on housing loans (with more stringent limits on buyers with more than one housing loan), and increasing the supply of land. The continuation of such measures or the introduction of additional measures (including, but not limited to, charging income tax on the sellers for property gains from the sale of residential property where the property is disposed of within a number of years of acquisition), may reduce the attractiveness of property development and investment in Singapore and thereby affect our business, financial condition, results of operations and prospects.

The fair values of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may result in volatility in and materially and adversely impact our profitability.

We are required to reassess the fair values of our investment properties as of the date of our balance sheet. We cannot assure you that property prices will not decrease such that a downward revaluation of the properties is required. Real estate values are inherently difficult to value. We cannot assure you that our property interests will retain the price at which it may be valued or that our investment in such properties will be realised at the valuations or property values we have recorded or reflected in our financial statements.

In accordance with IFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. In relation to our investment properties, our policy is 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 our group on an annual basis. Our investment properties were last revalued by an independent professional valuer as of 31 December 2012 on an open market for existing use basis which reflected market conditions at that date.

Based on such valuations, we recognised the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognised changes in fair values of investment properties on our consolidated income statements. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation rate and disposable income level, in addition to any governmental regulations, can substantially affect the fair value of our investment properties. All these factors are beyond our control. If the fair values of our investment properties continue declining, our profitability would be materially and adversely affected.

The interests of our controlling shareholder may differ from or conflict with our interests.

Tan Chong Consolidated Sdn. Bhd., a controlling shareholder of the Issuer with a shareholding interest of 47.34% of the Issuer as of the Latest Practicable Date, is also a substantial shareholder of TCMH, which has a significant motor vehicle distribution business (including distributing Nissan motor vehicles) principally in Malaysia and, to a lesser extent, in Cambodia, Laos, Vietnam and Myanmar, that may compete with our motor vehicle distribution business. Our Chairman, Mr. Tan Eng Soon, has an approximately 22.85% direct shareholding interest in the share capital of Tan Chong Consolidated Sdn. Bhd. See “Our Principal Shareholders” for details. Tan Chong Consolidated Sdn. Bhd. has substantial control over not only the Issuer and its affairs and business, including the election of our directors and the approval of most other actions requiring the approval of our shareholders, but also those of TCMH and its subsidiaries. The interests of Tan Chong Consolidated Sdn. Bhd. and TCMH may differ from and conflict with our interests, and our controlling shareholder is free to exercise its votes according to its interests, including directing future business opportunities away from our group.

Our property valuations are based on various limitations and assumptions which, by their nature, are subjective and uncertain, and may materially differ from actual sale prices.

The valuations in respect of our property interests prepared by independent professional valuers or by qualified persons within our group do not take into account factors that may affect the value of our properties that occurred after the relevant dates of such valuations. Such valuations are subject to various methodologies, assumptions and facts that are relied on by such independent professional valuers or qualified persons with our group, some of which, by their nature, are subjective and uncertain, and may differ from actual results. If these assumptions are incorrect or if any of the other risks or contingencies that are considered when making such valuations actually occurs, the proceeds that we may be able to realise from these properties could be materially lower than their valuations. Further, unanticipated results of, or changes in, particular property developments or changes in general or local economic conditions or other relevant factors could affect such value.

In addition, we may experience delays in obtaining approvals required to develop certain lands, may become involved in litigation in respect of certain lands or may fail to develop certain lands for any reason, commercial or otherwise, and may not identify all material defects, breaches of contracts, laws and regulations and other deficiencies and factors that could affect the valuation. Accordingly, these valuations are not a prediction of the actual value that we expect to achieve from the sale of these properties. Any of these effects could adversely affect the valuations as well as our business, financial condition, results of operations and prospects.

We depend on our personnel, especially our executive officers and key management, and any difficulties attracting or retaining such personnel may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our success depends on the significant extent upon the continued services of our executive officers and other key management personnel, and in particular on Mr. Tan Eng Soon, our Chairman. The loss of any of our executive officers and other key management personnel or failure to recruit suitable or comparable replacements could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to the PRC

PRC economic, political and social conditions, as well as governmental policies, could affect our business, financial condition, results of operations and prospects.

The PRC accounts for 50.0% of our total revenue in 2011, 40.0% of our total revenue in 2012 and 34.6% of our total revenue in 2013. Consequently, we are subject to economic, legal and regulatory conditions in the PRC that differ from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;

- uniformity in the implementation and enforcement of laws;
- content of and control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition, results of operations or prospects.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

We rely on a limited number of PRC customers for a substantial portion of our revenues.

Shenzhen Huichengyang Subaru, Foshan Zhongyun Subaru and Yunnan Huadong Subaru, our three largest customers, accounted for 11%, 9% and 4% of our total revenues, respectively, in 2011, 7%, 7% and 3% of our total revenues, respectively, in 2012, and 5%, 4% and 2% of our total revenues, respectively, in 2013. Our revenues from these customers relate to our distribution of Subaru motor vehicles from 1 January 2011 to 30 September 2013, when we were the distributor of Subaru motor vehicles for Southern China. Since 1 October 2013, Subaru of China replaced distributorships with dealerships and we remain the primary dealer (out of three dealers) for Southern China. As a result, we are no longer in a position to sell Subaru motor vehicles to Subaru dealers in Southern China (including to Huichengyang Subaru, Foshan Zhongyun Subaru and Yunnan Huadong Subaru), and we expect our sales volumes and revenues derived from the sale of Subaru vehicles in China to be lower than in the past.

In addition, we manufacture and sell vehicle seats in the PRC principally through our subsidiaries in China. Sales of vehicle seats accounted for 5%, 4% and 4% of our total revenues in 2011, 2012 and 2013, respectively. These sales are made mainly to two principal customers, with whom we do not have long term sale agreements. If these two principal customers decide not to purchase car seats from us in the future, we may not be able to sell the vehicle seats that we manufacture to other customers on similar or commercially reasonable terms or at all, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in governmental control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between renminbi and foreign currencies and the remittance of foreign exchange out of China. A substantial portion of our revenue is denominated in renminbi. Under our current corporate structure, a substantial portion of our PRC subsidiaries' income is primarily derived from the sales of Subaru vehicles. Any cash dividends that our PRC subsidiaries may pay to us or the servicing of any foreign currency denominated obligations of our PRC subsidiaries would require our PRC subsidiaries to convert their renminbi earnings into foreign currency. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.

The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development.

However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

Risks Relating to Thailand

A significant portion of our assets and operations are located in Thailand and we are subject to economic, legal and regulatory uncertainties in Thailand.

Thailand accounts for 7.6% of our total revenue in 2011, 19.9% of our total revenue in 2012 and 19.0% of our total revenue in 2013. Consequently, we are subject to economic, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in more developed economies. There is no assurance that the Thai economy will meet current projections or improve in the future. Any instability or economic downturn in Thailand could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, prior Thai governments have intervened in the Thai economy and occasionally made significant changes in policies including, among other things, foreign exchange control, wage and price controls, capital controls and limits on imports, at times partially reversing such policies soon after the new policies were announced.

Our business and operations in Thailand are subject to the changing economic conditions prevailing from time to time in Thailand. According to Thailand's Office of the National Economic and Social Development Board, Thailand's gross domestic product ("GDP") contracted by 2.3% in 2009 and grew by 7.8%, 0.1%, 6.4% and 2.9%, respectively, in 2010, 2011, 2012 and 2013.

Factors that may adversely affect the Thai economy include political instability, exchange rate fluctuations, a prolonged period of inflation or increase in regional interest rates, changes in taxation, natural disasters (including tsunamis, earthquakes, fires, floods, drought and similar events), scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the region, increases in oil prices, other regulatory, political or economic developments in or affecting Thailand, and recent and threatened terrorist activities in Southeast Asia, including continued violence in the southern parts of Thailand. Any downturn in the Thai economy could have a material adverse effect on our business, financial condition, results of operations and prospects.

The impact of the recent political instability in Thailand is uncertain.

Our business, financial condition, results of operations and prospects may be influenced in part by the political situation in Thailand, which has been unstable from time to time. In 2006, there was a coup against the country's civilian political leadership. The coup leaders declared martial law and abrogated the 1997 Constitution. In 2007, a new constitution (the 18th constitution adopted since 1932) came into force after approval in a referendum, and a general election was subsequently held. Two new coalition governments took office in February and September 2008, respectively. There was a series of anti-Government protests in 2008, including the occupation by protestors of the Government House and the seizure of Thailand's two key airports, Suvarnabhumi International Airport and Don Muang International Airport.

In December 2008, the Thai Constitutional Court issued a verdict to disband certain political parties which dissolved the existing coalition government and removed the then Prime Minister Thaksin Shinawatra from office. The leader of the Democrat-led coalition was elected by the Thai Parliament in December 2008 as the new

Prime Minister. There was a series of protests and demonstrations, including an attack by the protesters which caused the cancellation of the Asean Summit in Pattaya and riots in Bangkok in April 2009, evidencing resistance to the coalition government.

In March 2010, anti-government protestors launched new protests aimed at removing the coalition government and holding new elections. The protesters first occupied areas around Government House and moved to an encampment in Bangkok's city centre. Over the course of two months, the demonstrations turned violent, as a number of buildings, including a major shopping centre, government buildings and the Stock Exchange of Thailand, were set on fire by demonstrators, and a number of people were also killed or injured. The government declared a state of emergency in Bangkok and in 23 other provinces in central, northern and north-eastern Thailand. The government also imposed curfews and restricted numbers at gatherings in an effort to clear the protest sites. The dispersal of the demonstrators and the prolonged imposition of a state of emergency in many provinces have led to a turbulent atmosphere in Thailand.

In July 2011, the Puea Thai Party won a decisive victory in parliamentary elections. As a result, Ms. Yingluck Shinawatra, leader of the Puea Thai Party and sister of former Prime Minister Thaksin Shinawatra, became the 28th Prime Minister of Thailand. There can be no assurance that any reforms made by the new government will promote growth and stability within Thailand. Moreover, Thaksin Shinawatra may seek to return to Thailand, and it is unclear what effect such a return would have or whether further political instability might result.

Beginning in November 2013, there were further demonstrations in Thailand following the announcement of a proposed law that would grant amnesty in relation to various offences, including in relation to the events described above. Protesters began blockading certain locations in Bangkok from January 2014, including some government buildings and major intersections in popular tourist areas. The Thai government has invoked an Emergency Decree with effect from 22 January 2014 for a period of sixty (60) days. General elections in Thailand took place on 2 February 2014, but the Thai Constitutional Court has declared the elections void and ordered new elections to take place. No date has been fixed or such new elections, and the results of any such new elections and may not result in a resolution of the outstanding political issues. Such demonstrations and blockades are ongoing and we cannot assure that higher levels of protests will not take place, or that the continuation of such demonstrations will not lead to violent incidents or disruptions. We cannot predict what effects these events will have on Thailand's political and economic conditions, or whether any new government might seek changes to Thailand's legal and regulatory environment. No assurance can be made that these events will not lead to further political demonstrations or slower economic growth, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Flooding in Thailand in 2011 has adversely affected, and any future flooding could adversely affect, our operations in Thailand.

Beginning in September 2011, widespread flooding affected much of Thailand, including areas where our assembly factories are located. The flooding caused widespread damage in Thailand, primarily in the northern and central regions of the country, including to a significant amount of the transportation infrastructure relied upon for supplying car parts to our factories. In addition, our factory in Pathumthani, Thailand sustained minor damage to office furniture, spare parts and trucks as a result of the floods, but there was no damage to the plant. The 2011 floods adversely impacted the Thai economy as a whole, resulting in a lower GDP growth forecast for 2011 compared with the rate projected prior to the floods.

In addition, in 2013, various provinces in Thailand have experienced flooding. We cannot assure you that the flooding will not continue or become more widespread. The impact of the floods on the growth of the Thai economy in 2013 and beyond depends on a number of factors, including the duration and severity of the flooding, the rate at which homes, businesses and infrastructure are repaired or replaced, industrial parks and factories are reopened and whether manufacturing levels return to levels experienced prior to the flooding. While damage from the 2011 and 2013 floods at our factory in Thailand has been minimal, there is no assurance that any future widespread flooding will not adversely affect our factory in Thailand or the Thai economy, or will not result in a material adverse effect on our business, financial condition, results of operations and prospects.

Limitations of this Offering Memorandum

This Offering Memorandum does not purport to nor does it contain all information that you may require in investigating our creditworthiness.

Neither this Offering Memorandum nor any document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Notes (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by us, the Arranger, the Trustee, any Dealer or the Agents that you should subscribe for or purchase or sell any of the Notes.

This Offering Memorandum is not, and does not purport to be, investment advice. You should make an investment in the Notes only after you have determined that such investment is suitable for your investment objectives. Determining whether an investment in the Notes is suitable is your responsibility, even if you have received information to assist you in making such a determination. You acknowledge that you have not relied on us, the Arranger, the Trustee, any Dealer, the Agents or any person affiliated with each of us or them in connection with your investigation of the accuracy or completeness of the information contained herein or of any additional information considered by you to be necessary in connection with your investment or divestment decision. You should determine for yourself the relevance of the information contained in this Offering Memorandum and any such other document or information (or any part thereof) and your investment or divestment should be, and will be deemed to be, based solely on your own independent investigation of the financial condition and affairs, and your own appraisal of the creditworthiness, of us, the terms and conditions of the Notes and any other factors relevant to your decision, including the merits and risks involved. You should consult with your legal, tax and financial advisers prior to deciding to make an investment in the Notes.

Risks Relating to the Notes

An investment in the Notes may not be a suitable investment for you.

You must determine the suitability of an investment in the Notes in light of your own circumstances. In particular, you should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement to this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of your particular financial situation, an investment in the Notes and the impact such investment will have on your overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which your financial activities are principally denominated;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

Notes to be issued under the Programme may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. You should not invest in Notes which are complex financial instruments unless you have the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact such investment will have on your overall investment portfolio.

The structure of a particular issuance of Notes may have features which contain particular risks for you.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Modification, waivers and substitution

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) will not be treated as such.

Notes subject to optional redemption or repurchase

An optional redemption or optional repurchase feature is likely to limit the market value of the Notes. During any period when we may elect to redeem or repurchase Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed or repurchased. This also may be true prior to any redemption or repurchase period. We may be expected to redeem or repurchase Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, you generally would not be able to reinvest the redemption or repurchase proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed or repurchased and may only be able to do so at a significantly lower rate. You should consider reinvestment risk in light of other investments available at that time.

Floating Rate Notes with a multiplier or other leverage factor

Notes with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on our Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes where denominations involve integral multiples

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If Definitive Notes are issued, you should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

You may receive less interest or principal than expected as a result of exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement. This presents certain risks relating to currency conversions if your financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than such specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of such specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Notes are denominated would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. This risk is in addition to any performance risk that relates to the Issuer or the type of note being issued.

Enforcing your rights under the Notes across multiple jurisdictions may prove difficult.

The Issuer is incorporated under the laws of Bermuda, while its shares are listed on the HKSE. The Notes and the Trust Deed are governed by the laws of Singapore.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in jurisdictions outside Singapore (including in Bermuda and Hong Kong) in addition to proceedings in Singapore. Any such multi-jurisdictional proceedings would be complex and costly for creditors and may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes will be subject to the insolvency and administrative laws of multiple jurisdictions, and we cannot assure you that you will be able to effectively enforce your rights in any such complex multiple bankruptcy, insolvency or other proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of such jurisdictions may be materially different from, or be in conflict with, each other and those with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes in the relevant jurisdictions or limit any amounts that you may receive.

The Issuer is a holding company whose obligations under the Notes will be structurally subordinated to all existing and future obligations of its subsidiaries; moreover, the Issuer will be dependent upon payments from its Subsidiaries to provide it with funds to meet its obligations under the Notes.

The Issuer is a holding company and has no material business operations of its own. The Issuer substantially depends upon dividends and other distributions and payments from its subsidiaries for its cash flow. In addition, substantially all of the Issuer's assets are held by these entities. The Issuer's ability to meet its obligations under the Notes is largely dependent upon the flow of funds from and among its subsidiaries. The ability of these companies to pay dividends or other distributions will depend on their respective distributable earnings, cash flow conditions, restrictions that may be contained in their respective debt instruments, applicable law and other arrangements. We cannot assure you that such companies will be able to make dividend payments and other distributions and payments in an amount sufficient to meet the Issuer's cash requirements or to enable it to meet its payment obligations under the Notes.

As a result, the Issuer's obligations under the Notes will be effectively subordinated to all existing and future obligations of its direct and indirect subsidiaries. All claims of creditors of these subsidiaries, including trade creditors, lenders and all other creditors, will have priority as to the assets of the subsidiaries over claims of the Issuer and the Issuer's creditors, including holders of Notes. As of 31 December 2013, we had total bank loans and overdrafts of HK$2,202.9 million (S$359.4 million), all of which was third-party debt of our subsidiaries. Subject to compliance with the financial covenants therein, the trust deed constituting the Notes (the "Trust Deed") does not contain any restrictions on the ability of the Issuer or its respective subsidiaries to incur additional indebtedness. In addition, issues of equity interests by the Issuer's subsidiaries could dilute the shareholding interest of the Issuer in such subsidiaries.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including intercompany loans among our group companies and the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and financial, competitive, regulatory and other factors beyond our control. Our businesses may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes, or to fund our other liquidity needs. If we are unable to generate sufficient cash flow to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to sell assets or restructure or refinance our indebtedness will depend on the condition of the financing and capital markets and our financial condition at such time. Any refinancing of any of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our existing or future debt instruments, including the Trust Deed, may limit or prevent us from taking any of these actions. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, would materially and adversely affect our financial condition and results of operations and our ability to satisfy the Issuer's obligations under the Notes.

The Issuer may not have the ability to raise the funds necessary to finance the Noteholders' option to require the Issuer to redeem or repurchase Notes as required by the Trust Deed governing the Notes.

Upon the exercise by a Noteholder of its right to require the Issuer to redeem or repurchase Notes, the Issuer is required to redeem or repurchase all outstanding Notes held by such Noteholder at a purchase price in cash equal to the Redemption Amount (or in the case of a redemption upon a change of control, at 101% of the Redemption Amount of the Notes or 101% of the Early Redemption Amount of the Zero Coupon Notes), in each case plus accrued and unpaid interest to the date of purchase. If Noteholders holding a substantial principal amount of Notes exercise their option, we cannot assure you that the Issuer would have sufficient funds available at such time to pay the redemption or purchase price of the outstanding Notes. The Trust Deed does not contain provisions that require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganisation, restructuring, merger, recapitalisation or similar transaction.

The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Noteholders. The Trustee is not obliged to take any such action if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. In addition, the Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such action directly.

We do not intend to list the Programme or the Notes on any stock exchange; you may not be able to buy or sell the Notes in the absence of a trading market and there may not be a market price for the Notes.

The Programme and the Notes will not be listed. Therefore, there may not be a market or a market price for, and you may not be able to sell, your Notes. Even if you were able to sell your Notes, the price at which you may be able to sell may not be the price that you would have been able to sell your Notes if such Notes had been listed and a trading market established in relation thereto. If Notes are traded, they could trade at prices that may be lower than their initial offering price depending on many factors, including prevailing interest rates, our financial condition and operating results and the market for similar securities. This is particularly the case for Notes that are especially sensitive to interest rate, currency, credit or market risks, and/or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Neither the Issuer nor the Arranger or any Dealer has any obligation to make a market in the Notes. In addition, the market for debt securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the markets for the Notes, if any, will not be subject to similar disruptions. Any disruptions in these markets may have a material adverse effect on your investment in the Notes.

Developments in other markets may adversely affect the price of the Notes.

The price of the Notes, if any, may be adversely affected by declines in the international financial markets and world economic conditions. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including Singapore. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the price of the Notes, if any, could be materially and adversely affected.

The transfer of Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered, and the Issuer is not obligated to register the Notes under, the Securities Act, or the securities laws of any other jurisdiction. In addition, this Offering Memorandum has not been registered as a prospectus under the SFA. Accordingly, the Notes may not be offered or sold except pursuant to an exemption from or a transaction not subject to, the registration requirements of the Securities Act, the SFA and any other applicable laws. See "Subscription and Sale" for further details of certain selling restrictions applicable. We have not agreed to, or otherwise undertaken, to register this Offering Memorandum or the Notes (including by way of an exchange offer) with the Monetary Authority of Singapore ("MAS") or the U.S. Securities and Exchange Commission, and we have no intention to do so.

Favourable Singaporean taxation laws may be amended or revoked prior to the maturity of the Notes.

The Notes to be issued from time to time under the Programme, during the period from the date of this Offering Memorandum to 31 December 2018 are, pursuant to the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by the MAS on 28 June 2013, intended to be "qualifying debt securities" for the purposes of the Income Tax Act (Chapter 134 of Singapore) (the "ITA"), subject to the fulfilment of certain conditions more particularly described in the section "Taxation—Singapore". However, we cannot assure you that such tax laws and regulations will not be amended or revoked in the future or that such Notes will continue to enjoy the tax concessions in connection therewith.

Legal investment considerations may restrict certain investments.

Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisers to determine whether and to what extent (1) Notes are legal investments for you, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to your purchase of any Notes. If you are a financial institution, you should also consult your legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CAPITALISATION

The following table sets forth, as of 31 December 2013, (1) our actual consolidated capitalisation and (2) our consolidated capitalisation as adjusted to give effect to the establishment of the Programme, assuming the drawdown in full of the maximum amount of the Programme in Singapore dollars and the deposit of the proceeds of such drawdown in bank deposits prior to the use of such proceeds and, before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering. This table should be read in conjunction with "Use of Proceeds" and our audited consolidated financial statements as of and for the year ended 31 December 2013.

	As of 31 December 2013			
	Actual		As Adjusted	
	HK$	S$	HK$	S$
	(in millions)			
Cash and cash equivalents	2,228.9	363.6	5,293.9	863.6
Total borrowings:				
Unsecured bank overdrafts	0.4	0.1	0.4	0.1
Bank loans (current portion)	2,098.6	342.4	2,098.6	342.4
Bank loans (non-current portion)	103.9	16.9	103.9	16.9
Notes issued under the Programme	—	—	3,065.0	500.0
Total borrowings[1]	2,202.9	359.4	5,267.9	859.4
Equity attributable to equity shareholders:				
Capital and reserves[2]:				
Issued and fully paid capital[3]	1,006.7	164.2	1,006.7	164.2
Reserves	9,901.2	1,615.2	9,901.2	1,615.2
Total equity attributable to equity shareholders of the Company	10,907.9	1,779.4	10,907.9	1,779.4
Non-controlling interests:				
Non-controlling interests	115.5	18.8	115.5	18.8
Total equity	11,023.4	1,798.3	11,023.4	1,798.3
Total capitalisation[4]	13,226.3	2,157.6	16,291.3	2,657.6

(1) Comprises secured borrowings of HK$9.0 million (S$1.5 million) (actual and as adjusted) and unsecured borrowings of HK$2,193.9 million (S$357.9 million) (actual) and HK$5,258.9 million (S$857.9 million) (as adjusted). None of our borrowings is guaranteed by any third party.

(2) Authorised share capital of 3,000,000,000 shares of par value HK$0.50 each (actual and as adjusted).

(3) Issued share capital of 2,013,309,000 shares of par value HK$0.50 each (actual and as adjusted).

(4) Total capitalisation equals total borrowings plus total equity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the selected financial information presented below in conjunction with our audited consolidated financial statements as of and for the years ended 31 December 2011, 2012 and 2013, contained elsewhere in this Offering Memorandum. We have extracted the selected financial information from our audited consolidated financial statements as of and for the years ended 31 December 2011, 2012 and 2013.

	Year Ended 31 December			
Consolidated Income Statement:	**2011**	**2012**	**2013**	**2013**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Revenue	6,354.9	6,527.4	9,146.5	1,492.1
Cost of sales	(5,229.8)	(5,435.7)	(7,389.5)	(1,205.5)
Gross profit	1,125.1	1,091.7	1,757.0	286.6
Other net operating income	314.3	964.7	1,783.2	290.9
Distribution costs	(354.2)	(424.1)	(644.8)	(105.2)
Administrative expenses	(400.4)	(551.4)	(672.9)	(109.8)
Other operating expenses	(23.3)	(41.8)	(24.2)	(3.9)
Profit from operations	661.5	1,039.1	2,198.3	358.6
Financing costs	(51.3)	(35.5)	(31.6)	(5.1)
Share of profits less losses of associates	93.4	167.7	82.4	13.4
Profit before taxation	703.6	1,171.3	2,249.1	366.9
Income tax expense	(97.6)	(86.9)	(166.2)	(27.1)
Profit for the year	606.0	1,084.4	2,082.9	339.8
Attributable to:				
Equity shareholders of the Company	599.5	1,078.1	2,057.8	335.7
Non-controlling interests	6.5	6.3	25.1	4.1
Profit for the year	606.0	1,084.4	2,082.9	339.8

	As of 31 December			
Consolidated Balance Sheet:	**2011**	**2012**	**2013**	**2013**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Assets:				
Cash and cash equivalents	1,611.3	1,357.7	2,228.9	363.6
Other current assets	3,063.9	4,576.6	5,935.6	968.3
Total non-current assets	5,753.3	6,483.4	6,639.1	1,083.1
Net assets	8,074.3	9,383.5	11,023.4	1,798.3
Liabilities:				
Bank loans (current)	1,439.6	1,273.0	2,098.6	342.3
Bank loans (non-current)	12.3	456.6	103.9	17.0
Other current liabilities	864.4	1,253.7	1,506.9	245.8
Other non-current liabilities	37.9	50.9	70.8	11.5
Capital and Reserves:				
Share capital	1,006.7	1,006.7	1,006.7	164.2
Reserves	7,007.3	8,305.7	9,901.2	1,615.2
Total equity attributable to equity shareholders of the Company	8,014.0	9,312.4	10,907.9	1,779.4
Non-controlling interests	60.3	71.1	115.5	18.8
Total equity	8,074.3	9,383.5	11,023.4	1,798.3

	Year Ended 31 December			
Consolidated Cash Flow Statement:	**2011**	**2012**	**2013**	**2013**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Net cash generated from/(used in) operating activities	302.8	(203.1)	916.1	149.4
Net cash generated from/(used in) investing activities	(49.0)	147.9	(389.2)	(63.5)
Net cash generated from/(used in) financing activities	(347.5)	85.7	420.9	68.7
Net increase/(decrease) in cash and cash equivalents	(93.8)	30.5	947.8	154.6

Financial Review of Results of Operations

Year Ended 2013 Compared With Year Ended 31 December 2012

Revenue

Our total revenue increased 40.1% from HK$6,527.4 million in 2012 to HK$9,146.5 million (S$1,492.1 million) in 2013, primarily because of an increase in revenue from motor vehicle distribution business and our other operations, which was partially offset by decreases in revenues from our heavy commercial vehicle and industrial equipment distribution business and our property rentals and development business.

Our revenue from the motor vehicle distribution business increased 63.5% from HK$4,346.9 million in 2012 to HK$7,106.6 million (S$1,159.3 million) in 2013, principally because of a significant increase in the number of motor vehicles sold in all of our markets and an increase in average realised selling prices for our motor vehicles. We sold 22,803 motor vehicles in 2013, compared with 14,040 motor vehicles in 2012, principally because we commenced selling in Malaysia, Indonesia and Thailand the completely knocked down Subaru XV model that we commenced assembling in Malaysia in December 2012 and because of the launch of the new Subaru Forester model in 2013.

Our revenue from the heavy commercial vehicle and industrial equipment distribution business decreased 6.5% from HK$1,435.4 million in 2012 to HK$1,341.6 million (S$218.9 million) in 2013, mainly because of a decrease in the number of heavy commercial vehicles and industrial equipment sold. We sold 2,036 units in 2012, compared with 1,926 units in 2013, primarily because of the political uncertainties in Thailand that adversely affected the Thai economy in 2013.

Our revenue from the property rentals and development business decreased 40.7% from HK$286.4 million in 2012 to HK$169.9 million (S$27.7 million) in 2013, principally because we sold fewer units of properties held for sale, while rental income remained stable.

Our revenue from other operations increased 15.2% from HK$458.7 million in 2012 to HK$528.4 million (S$86.2 million) in 2013, principally because of an increase in our car rentals business in Singapore and an increase in the sales of car seats in Nanjing, PRC.

Cost of Sales

Our cost of sales increased 35.9% from HK$5,435.7 million in 2012 to HK$7,389.5 million (S$1,205.5 million) in 2013, in line with the increase in our total revenue, and primarily reflecting an increase in sales volumes of our motor vehicles.

Gross Profit

Our gross profit increased 60.9% from HK$1,091.7 million in 2012 to HK$1,757.0 million (S$286.6 million) in 2013. Our gross profit margin, which is our gross profit as a percentage of our total revenue, also increased from 16.7% in 2012 to 19.2% in 2013, principally because our higher average selling prices in 2013 resulted in our total revenue increasing at a faster rate than our cost of sales in 2013.

Other Net Operating Income

Our other net operating income increased 84.8% from HK$964.7 million in 2012 to HK$1,783.2 million (S$290.9 million) in 2013, primarily because of an increase in fair value of listed investments designated as at fair value through profit or loss amounting to HK$1,431.8 million (S$233.6 million) in 2013 compared with an increase in fair value of listed investments designated as at fair value through profit or loss amounting to HK$574.5 million in 2012 and the receipt of a one-time cash compensation of HK$174.6 million (S$28.5 million) in 2013 in relation to a change in the distribution arrangement for motor vehicles in China, partially offset by no valuation gains on investment properties in 2013 compared with valuation gains on investment properties of HK$271.7 million (S$44.3 million) in 2012.

Distribution Costs

Our distribution costs increased 52.0% from HK$424.1 million in 2012 to HK$644.8 million (S$105.2 million) in 2013, mainly because of an increase in our advertising and promotion activities in Thailand, Taiwan, Indonesia, Malaysia and the Philippines as a result of the expansion of our business footprint in these markets.

Administrative Expenses

Our administrative expenses increased 22.0% from HK$551.4 million in 2012 to HK$672.9 million (S$109.8 million) in 2013, primarily as a result of an increase in salaries and bonuses due to an increase in our employee numbers as well as an increase in rental expenses due to the expansion of our business in Thailand, Taiwan, Indonesia, Malaysia and the Philippines.

Other Operating Expenses

Our other operating expenses decreased 42.1% from HK$41.8 million in 2012 to HK$24.2 million (S$3.9 million) in 2013, principally because of a decrease in impairment losses on trade receivables and hire purchase debtors and instalments receivable.

Profit from Operations

As a result, our profit from operations increased 111.6% from HK$1,039.1 million in 2012 to HK$2,198.3 million (S$358.6 million) in 2013. Our operating margin, which is our profit from operations as a percentage of our total revenues, increased from 15.9% in 2012 to 24.0% in 2013.

Financing Costs

Our financing costs decreased 11.0% from HK$35.5 million in 2012 to HK$31.6 million (S$5.1 million) in 2013, primarily because of a decrease in our interest expense. Our interest expense decreased even though the outstanding principal amount of our bank loans, and the effective interest rates accruing on such loans, increased. This was mainly because a larger portion of our bank loans in 2013 were cheaper Japanese yen-denominated loans, as compared to 2012 when a larger portion of our bank loans were more expensive Singapore dollar-denominated loans. In addition, translational foreign exchange gains owing to the depreciation of the Japanese yen against the Hong Kong dollar in 2013 also accounted for part of the decrease in our interest expense in 2013. Our floating rates for our bank loans ranged from 0.78% to 6.16% per annum in 2012 compared to a range from 0.79% to 7.8% per annum in 2013.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates decreased 50.9% from HK$167.7 million in 2012 to HK$82.4 million (S$13.4 million) in 2013.

Profit Before Taxation

Our profit before taxation increased 92.0% from HK$1,171.3 million in 2012 to HK$2,249.1 million (S$366.9 million) in 2013.

Income Tax Expense

Our income tax expense increased 91.3% from HK$86.9 million in 2012 to HK$166.2 million (S$27.1 million) in 2013, principally reflecting in tandem with the increase in our profit before taxation.

Profit for the Year

Our profit for the year increased 92.1% from HK$1,084.4 million in 2012 to HK$2,082.9 million (S$339.8 million) in 2013.

Year Ended 2012 Compared With Year Ended 31 December 2011

Revenue

Our total revenue increased 2.7% from HK$6,354.9 million in 2011 to HK$6,527.4 million in 2012, primarily because of an increase in revenue from our heavy commercial vehicle and industrial equipment distribution business, which was partially offset by decreases in revenues from our motor vehicle distribution business, our property rentals and development business and our other operations.

Our revenue from the motor vehicle distribution business decreased 10.6% from HK$4,861.5 million in 2011 to HK$4,346.9 million in 2012, principally because of decrease in the number of motor vehicles sold and a decrease in average realised selling prices for our motor vehicles. We sold 14,040 motor vehicles in 2012, compared with 15,733 motor vehicles in 2011, principally because higher COE prices in Singapore and the stronger Japanese yen relative to the Singapore dollar reduced our price competitiveness of our Japanese motor vehicles relative to European motor vehicles. Our lower sales volumes were also partially a result of a decrease in sales volumes in China, reflecting decreased demand in China for Japanese-branded products following the escalation of the territorial dispute between China and Japan over what the Chinese refer to as the Diaoyu Islands and the Japanese refer to as the Senkaku Islands.

Our revenue from the heavy commercial vehicle and industrial equipment distribution business more than doubled from HK$688.0 million in 2011 to HK$1,435.4 million in 2012, mainly because of an increase in the number of heavy commercial vehicles and industrial equipment sold and an increase in their average realised selling prices. We sold 764 units in 2011, compared with 2,036 units in 2012, primarily because of better acceptance of our products within our markets, especially in Thailand where an improvement in the Thai economy in 2012 resulted in an improvement of our truck sales and forklift leasing and sales.

Our revenue from the property rentals and development business decreased 10.2% from HK$319.0 million in 2011 to HK$286.4 million in 2012, principally because we sold fewer apartment units following a decrease in our inventory, while rental income remained stable.

Our revenue from other operations decreased 5.7% from HK$486.4 million in 2011 to HK$458.7 million in 2012, principally because of a decrease in our car rentals business in Singapore.

Cost of Sales

Our cost of sales increased 3.9% from HK$5,229.8 million in 2011 to HK$5,435.7 million in 2012, in line with the increase in our total revenue, primarily reflecting an increase in sales volumes of our heavy commercial vehicles and industrial equipment, partially offset by a decrease in sales volumes of our motor vehicles.

Gross Profit

As a result of the above, our gross profit decreased 3.0% from HK$1,125.1 million in 2011 to HK$1,091.7 million in 2012. Our gross profit margin, which is our gross profit as a percentage of our total revenue, also decreased from 17.7% in 2011 to 16.7% in 2012, principally because our cost of sales increased at a faster rate than our total revenue.

Other Net Operating Income

Our other net operating income increased significantly from HK$314.3 million in 2011 to HK$964.7 million in 2012, primarily because of an increase in fair value of listed investments designated as at fair value through profit or loss amounting to HK$574.5 million in 2012 compared with a decrease in fair value of listed investments designated as at fair value through profit or loss amounting to HK$158.5 million in 2011, as well as an increase in valuation gains on investment properties from HK$170.7 million in 2011 to HK$271.7 million in 2012.

Distribution Costs

Our distribution costs increased 19.7% from HK$354.2 million in 2011 to HK$424.1 million in 2012, mainly because of an increase in our advertising and promotion activities in Singapore, PRC, Indonesia, Thailand and Malaysia as a result of the expansion of our business footprint in these markets.

Administrative Expenses

Our administrative expenses increased 37.7% from HK$400.4 million in 2011 to HK$551.4 million in 2012, primarily as a result of an increase in salaries and bonuses due to an increase in our employee numbers as well as an increase in rental expenses due to the expansion of our business in Singapore, PRC, Indonesia, Thailand and Malaysia.

Other Operating Expenses

Our other operating expenses increased 79.4% from HK$23.3 million in 2011 to HK$41.8 million in 2012, principally because of an increase in impairment losses on trade receivables and hire purchase debtors and instalments receivable.

Profit from Operations

As a result, our profit from operations increased 57.1% from HK$661.5 million in 2011 to HK$1,039.1 million in 2012. Our operating margin, which is our profit from operations as a percentage of our total revenues, increased from 10.4% in 2011 to 15.9% in 2012.

Financing Costs

Our financing costs decreased 30.8% from HK$51.3 million in 2011 to HK$35.5 million in 2012, primarily because of a decrease in our interest expense. Our interest expense decreased despite an increase in the outstanding principal amount of our bank loans mainly because of a decrease in the effective interest rates accruing on such loans, with floating rates which ranged from 0.78% to 6.16% per annum in 2012 compared with floating rates which ranged from 0.78% to 7.11% per annum in 2011.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates increased 79.6% from HK$93.4 million in 2011 to HK$167.7 million in 2012.

Profit Before Taxation

Our profit before taxation increased 66.5% from HK$703.6 million in 2011 to HK$1,171.3 million in 2012.

Income Tax Expense

Our income tax expense decreased 11.0% from HK$97.6 million in 2011 to HK$86.9 million in 2012, principally reflecting the increase in our non-taxable income (attributable to an increase in fair value of listed investments designated as at fair value through profit and loss) in 2012 compared with 2011.

Profit for the Year

Our profit for the year increased 78.9% from HK$606.0 million in 2011 to HK$1,084.4 million in 2012.

Overview

We are an investment holding company and conduct our business in four business segments: motor vehicle distribution, heavy commercial vehicle and industrial equipment distribution, property rentals and development and other operations. We conduct our operations in Asia, principally in Singapore, Hong Kong, the PRC, Taiwan and various countries in key markets in ASEAN. We have been listed on the HKSE since 7 July 1998.

Our total revenue was HK$6,354.9 million in 2011, HK$6,527.4 million in 2012 and HK$9,146.5 million (S$1,492.1 million) in 2013. Our total net assets were HK$8,074.3 million as of 31 December 2011, HK$9,383.5 million as of 31 December 2012 and HK$11,023.4 million (S$1,798.3 million) as of 31 December 2013.

In relation to our four business segments:

- ***Motor Vehicle Distribution.*** We are the exclusive distributor for Nissan motor vehicles in Singapore. We are also the exclusive distributor for Subaru motor vehicles in the Motor Image Sales Region, comprising Singapore, Hong Kong, Taiwan and certain other countries in ASEAN, as well as in certain provinces in the PRC, where we are a dealer for Subaru motor vehicles. We sell various models of Nissan passenger and light commercial vehicles manufactured by Nissan and various models of Subaru passenger vehicles manufactured by Fuji Heavy Industries. Our motor vehicle distribution business accounted for HK$7,106.6 million (S$1,159.3 million), or 77.7%, of our total revenue in 2013.
- ***Heavy Commercial Vehicle and Industrial Equipment Distribution.*** We are the sole distributor for Mitsubishi Fuso trucks (which we assemble) in Thailand and a distributor of other forklift vehicles in Singapore, Thailand and Vietnam. We also market and distribute a wide range of heavy commercial vehicles and industrial equipment, including brands such as Foton from China and MAN from Germany. Our heavy commercial vehicle and industrial equipment distribution business accounted for HK$1,341.6 million (S$218.9 million), or 14.7%, of our total revenue in 2013.
- ***Property Rentals and Development.*** We have significant property interests and are engaged in the development of various properties in order to meet our internal property needs as well as for sales and rental income. Our property rentals and development business is carried out principally in Singapore. Our property rentals and development business accounted for HK$169.9 million (S$27.7 million), or 1.8%, of our total revenue in 2013.
- ***Other Operations.*** Our other operations include principally vehicle leasing and rentals, investment holding, hire purchase financing, provision of workshop services and the manufacturing of vehicle seats. Our other operations accounted for HK$528.4 million (S$86.2 million), or 5.8%, of our total revenue in 2013.

History and Development

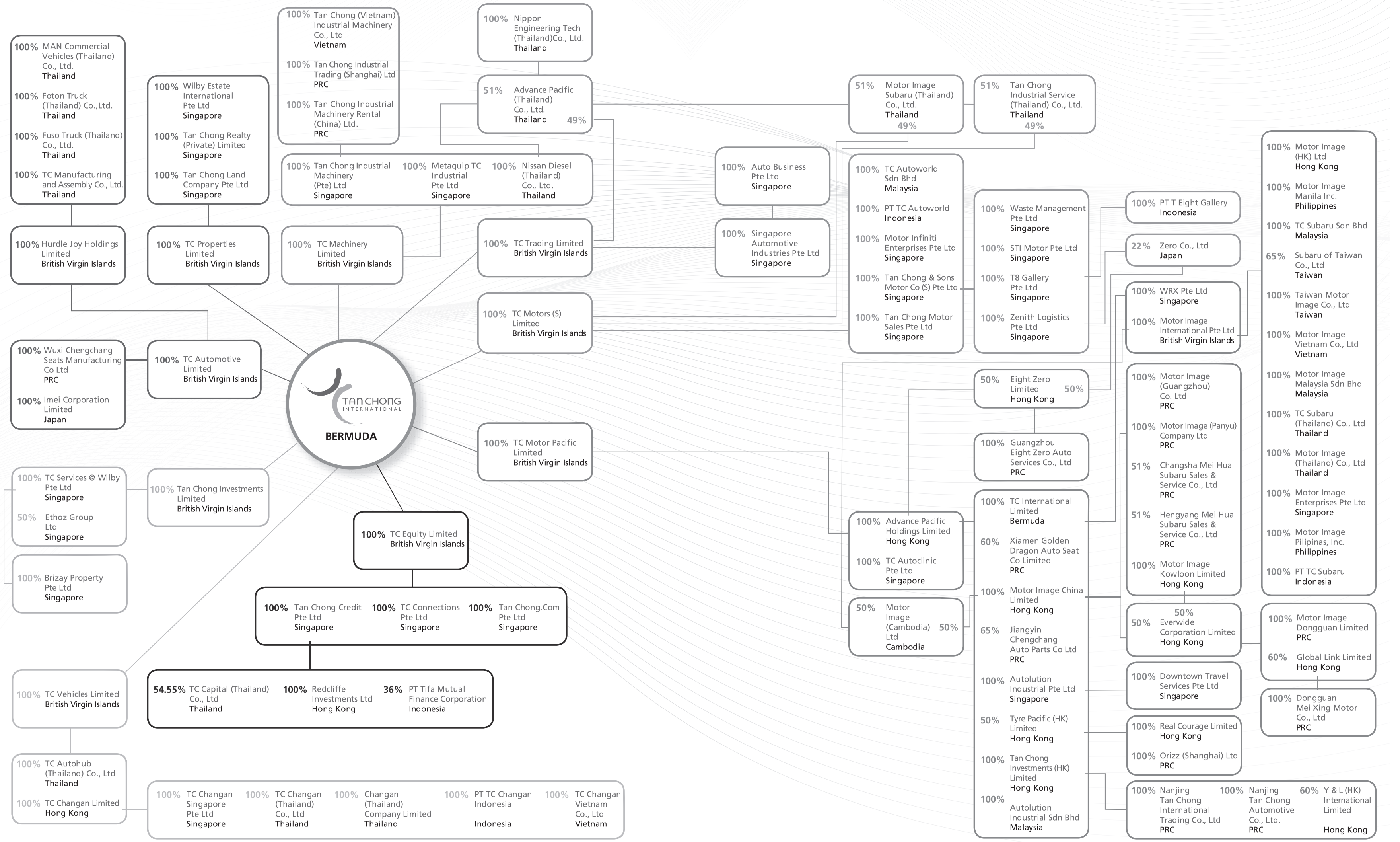
We were incorporated on 19 March 1997 in Bermuda and listed on the HKSE on 7 July 1998. Prior to our incorporation, our business was conducted by TCMH, which was incorporated in Malaysia in 1972 and has been listed on the Bursa Malaysia (previously known as the KLSE) since 4 February 1974. Since our incorporation, our revenues have grown from HK$2,066.9 million in 1997 to HK$9,146.5 million (S$1,492.1 million) in 2013, while our net assets have grown from HK$3,079.1 million as of 31 December 1997 to HK$11,023.4 million (S$1,798.3 million) as of 31 December 2013.

Key events in our development since our incorporation include:

Year	Event
2012	Commenced assembly of completely knocked down Subaru XV compact SUVs in Malaysia
2011	Obtained MAN Truck and Bus distributorship in Thailand
2011	Obtained Foton truck distributorship in Thailand
2010	Commenced assembly of vehicle seats at Nanjing Seat Assembly in the PRC
2010	Commenced assembly of Mitsubishi Fuso trucks in Thailand
2009	Obtained Mitsubishi Fuso trucks distributorship in Thailand
2007	Acquired controlling stake in Subaru of Taiwan
2005	Commenced sales of terrace housing units in Upper Aljunied Road, called Oasis@Mulberry
2004	Obtained Subaru distributorship in Philippines
2003	Started Subaru distribution in Southern China

Corporate Structure

We are a holding company conducting our business through our operating subsidiaries. A summary description of our principal subsidiaries can be found in Note 15 of our 2013 consolidated financial statements. The chart below shows our corporate structure as of 31 December 2013.



Competitive Strengths

Long-Standing Exclusive Distributorship of Well-Established Motor and Commercial Vehicle Brands

We have been the exclusive distributor of Nissan passenger and light commercial vehicles in Singapore since 1966. In addition, we have been the exclusive distributor of Subaru passenger vehicles in Singapore since 1987 and in Hong Kong since 1990. These long-standing exclusive distributorships have enabled us to establish and maintain strong relationships with Nissan and Fuji Heavy Industries, the manufacturers of Nissan and Subaru vehicles, respectively.

Established in Yokohama, Japan in 1933, Nissan manufactures vehicles in 20 countries around the world, including Japan. According to Nissan's 2013 annual report and its fiscal third quarter 2013 results announcement, Nissan sold 4,914,000 vehicles in the fiscal year ended 31 March 2013 and 3,673,000 vehicles in the fiscal nine months ended 31 December 2013, respectively.

Fuji Heavy Industries was established in Japan in July 1953. According to Fuji Heavy Industries' 2013 annual report and its fiscal third quarter 2013 results announcement, Fuji Heavy Industries sold 724,466 Subaru vehicles in the fiscal year ended 31 March 2013 and 593,000 (rounded to the nearest thousand) vehicles in the fiscal nine months ended 31 December 2013, respectively. Subaru is well known for its all-wheel-drive vehicles and also for the safety of its vehicles. All Subaru models have been awarded "Top Safety Pick" status by the Insurance Institute for Highway Safety in the United States in 2013. Many Subaru vehicle models have also received various industry safety awards from various organisations worldwide.

Wide Geographic Footprint Within Asia

Because of our long-standing relationship with Fuji Heavy Industries, we have expanded our initial exclusive distributorship of Subaru vehicles in Singapore and Hong Kong to, over the years, Taiwan, Malaysia, Indonesia, Thailand, the Philippines, Vietnam and Cambodia. In addition, we have also penetrated the PRC motor vehicle market and are currently the primary dealer of Subaru vehicles in Southern China. We believe that our wide geographic footprint within Asia will enable us to leverage on our motor vehicle distribution network in the region. Very few motor vehicle distribution companies operate in 10 countries in Asia, and this enables us to effectively share resources and knowledge, with the target to have the quickest flow of information into the retail chain.

Stable and Experienced Senior Management Team

Our key management team, led by Mr. Tan Eng Soon, has extensive managerial experience, particularly in the motor and heavy commercial vehicle distribution market in Asia. Our key management team comprises 18 executive directors and senior executive officers, which has an average experience in the motor vehicle industry of approximately 25 years. A majority of the key management team have been with us for more than 15 years. We believe that our management team has, over the years, demonstrated its ability to grow our business, expand into various geographic markets in Asia, build our brand identity and establish a wide distribution network in Asia.

Established Brand Name in the Region

Our Tan Chong and Motor Image brand names are well established in Asia. We believe that our history in selling motor vehicles in Singapore provides reassurance to our customers in Singapore that we are a reliable company to purchase motor vehicles from and that we provide strong customer and after-sales services. We believe motor vehicles have a long ownership cycle, and many people choose to purchase their vehicle from us due to our established reputation in the market.

Our Strategies

Diversify into Completely Knocked Down Vehicle Assembly

Many countries in which we operate have high import duties and taxes applicable to imports of motor vehicles. However, ASEAN countries have zero import duties applicable for motor vehicles assembled in any ASEAN country that is part of the AFTA) and imported into another AFTA ASEAN country. This enables distributors of such motor vehicles within these ASEAN countries to become more competitive relative to distributors of motor vehicles which are not assembled within ASEAN by having more competitive pricing, while maintaining their gross margins.

As a result, in 2010, we began to diversify from solely distributing motor vehicles imported from outside the ASEAN region into the assembly of such vehicles from completely knocked down vehicle kits within AFTA

ASEAN countries. In early 2010, we began assembly of Mitsubishi Fuso trucks at our factory in Thailand, with a production volume of 500 units per year initially, growing to 2,000 units per year in 2013. In 2014, we expect to commence assembly of completely knocked down Foton heavy duty trucks in Thailand and are now currently conducting a feasibility study to expand into the assembly of other brands and models of completely knocked down vehicles in the future, including Foton medium and light-duty trucks in Thailand.

In December 2012, we began the commercial assembly of completely knocked down Subaru XVs in Malaysia through a contract assembly arrangement with TCMA, a company belonging to another group controlled by our controlling shareholder. Our assembly agreement with TCMA is for an initial term of two years and covers the assembly of 5,000 units a year.

Evaluate New Business Opportunities that are Complementary to our Existing Businesses

While our primary focus is on the profitable growth of our existing business, our management may also consider and evaluate, on an opportunistic basis, expansion into new business segments, provided that such new business opportunities are complementary to, or serve to enhance, existing operations or competencies within our group.

Motor Vehicle Distribution

We are the exclusive distributor for Nissan vehicles in Singapore. We are also the exclusive distributor for Subaru motor vehicles in Singapore, Hong Kong, Taiwan and various key markets in the ASEAN region, and a dealer for Subaru motor vehicles in certain provinces in the PRC. We sell various models of Nissan passenger and light commercial vehicles manufactured by Nissan which are exported to Singapore by Nissan and various models of Subaru passenger vehicles models manufactured by Fuji Heavy Industries which are exported to the Motor Image Sales Region by Fuji Heavy Industries. In addition, in December 2012, we began the commercial assembly of the completely knocked down Subaru XV (a compact SUV) in Malaysia through a contract assembly arrangement with TCMA, a company belonging to another group controlled by our controlling shareholder through TCMH.

The Motor Image Sales Region comprises Singapore, Hong Kong, two provinces in the PRC (namely Guangzhou and Hunan), Taiwan, and various key markets in ASEAN, comprising Thailand, Philippines, Malaysia, Indonesia, Cambodia and Vietnam.

The table below shows a breakdown by geography of our motor vehicle distribution revenue for the periods indicated.

	Year Ended 31 December			
Region	**2011**	**2012**	**2013**	**2013**
	HK$	**HK$** (in millions)	**HK$**	**S$**
Singapore	1,091.5	838.8	931.5	152.0
Hong Kong	49.8	70.7	72.6	11.8
PRC	2,873.9	2,310.1	2,825.7	461.0
Thailand	41.1	61.1	549.2	89.6
Others	805.1	1,066.2	2,727.6	445.0
Total	4,861.4	4,346.9	7,106.6	1,159.3

We sold a total of 15,733 motor vehicles in 2011, 14,040 motor vehicles in 2012 and 22,803 motor vehicles in 2013. Motor vehicles are sold typically through showrooms in our branches and appointed dealers in our sales regions. Our branches and dealers are supported by modern and highly equipped service workshops and well-stocked parts warehouses. The main thrust of our marketing strategy is aimed at product quality and customer satisfaction, the two key factors to lasting customer loyalty. See "—Motor Vehicle Distribution Sales and Marketing" for further details of our branch and dealer networks and our sales and marketing strategies.

Our customers place orders for new motor vehicles by signing a standard sales agreement with us. The standard terms include provisions relating to the price of the vehicle, full payment and delivery. In Singapore, the standard terms also include provisions relating to registration fee, COE, road tax, GST, custom duty, excise or other applicable taxes or levies. In Singapore, we are also entitled to vary the quoted price of the motor vehicle in accordance with market conditions, such as any changes in the prices of COEs. We are also entitled to withhold registration and delivery of a motor vehicle until full payment has been received.

Nissan

We have been the exclusive distributor of Nissan passenger and light commercial vehicles in Singapore since 1966. Our revenues from the sale of Nissan passenger and light commercial vehicles amounted to HK$883.6 million, or 13.9% of our revenues, in 2011, HK$647.9 million, or 9.9% of our revenues, in 2012 and HK$680.8 million (S$111.1 million), or 7.4% of our revenues, in 2013. We sold 2,426 Nissan passenger and light commercial vehicles in 2011, 1,572 Nissan passenger and light commercial vehicles in 2012 and 1,760 Nissan passenger and light commercial vehicles in 2013.

We sell a wide range of passenger, light commercial and recreational vehicles manufactured by Nissan. Most of the more popular models are available in Singapore. In the passenger vehicle segment, the popular models include the Sylphy, Teana, Almera, Qashqai, Juke and Note models. In the light commercial vehicle segment, the popular models include the NV200, Cabstar, Navara, NV350 Caravan and NV350 Urvan models. According to the Motor Traders Association of Singapore, Nissan has been the best-selling light goods vehicle brand in Singapore since 2010.

Subaru

Fuji Heavy Industries is the manufacturer of Subaru vehicles. We have been the exclusive distributor of Subaru passenger vehicles in Singapore since 1987 and in Hong Kong since 1990. Since then, we have also obtained the exclusive distributorship of Subaru vehicles in Taiwan and certain countries within ASEAN. In the PRC, prior to 1 October 2013, there were three distributors for the Subaru vehicles imported into the PRC, one for North China, one for Central China and we were the distributor for Southern China. However, since 1 October 2013, Subaru of China replaced distributorships with dealerships and we remain the primary dealer (out of three dealers) for Southern China. As a result, we will no longer be in a position to sell Subaru motor vehicles to Subaru dealers in Southern China, and we expect our sales volumes of Subaru vehicles in the PRC to be lower than in the past. Our revenues from the sale of Subaru passenger vehicles amounted to HK$3,896.3 million, or 61.3% of our revenues, in 2011, HK$3,612.1 million, or 55.3% of our revenues, in 2012 and HK$6,320.4 million (S$1,031.1 million), or 69.1% of our revenues, in 2013. We sold 13,307 Subaru vehicles in 2011, 12,468 Subaru vehicles in 2012 and 21,043 Subaru vehicles in 2013.

Subaru is well known for its all-wheel-drive vehicles and also for the safety of its vehicles. Our Subaru product line-up includes the XV, a compact SUV that is one of our top selling Subaru passenger vehicles, the Forester, a sport utility vehicle that has gained praise from motor magazines around the world, the Impreza, an all-wheel-drive compact vehicle, the BRZ, the Legacy, the WRX and the STI. All such Subaru models have been granted “Top Safety Pick” status by the Insurance Institute for Highway Safety in the United States in 2013. In addition, in December 2012, Fortune Magazine named Subaru as the “best car money can buy”. In December 2012, we also began the commercial assembly of completely knocked down Subaru XVs in Malaysia through a contract assembly arrangement with TCMA, a company belonging to another group controlled by our controlling shareholder. Our assembly agreement with TCMA is for an initial term of two years and covers the assembly of 5,000 units a year. We have begun distributing and selling these assembled cars in Malaysia, Thailand and Indonesia.

Motor Vehicle Distribution Sales and Marketing

Our motor vehicle customers are members of the public, car rental companies and the general business community. Our sales activities are conducted principally directly through our branches with our own sales teams. However, we also appoint dealers for the Nissan and Subaru vehicles that we distribute. Our motor vehicle distribution marketing activities include advertising in various media channels such as newspapers, social media, radio and television, conducting road shows and motor shows, and sponsoring various events such as golf tournaments, shows, competitions and concerts. In addition, we place strong emphasis on after-sales services such as vehicle servicing, body repairs, spare parts and customer care.

Branches and Dealers

We have branches in 10 countries, which are operated by our staff, and are organised with the country headquarters in the main capital city of each country and branch outlets located strategically in key cities in each country. We have appointed dealers in nine countries, and our dealers are typically located in provinces outside the main city of each country. We sell our vehicles to our dealers either on a wholesale or retail sales basis. We do not provide any credit facilities to our dealers, who must make payment to us in full or through financing provided by various financial institutions before any vehicle may be collected. Our dealership agreements with our dealers are renewed on an annual basis, subject to the achievement of sales targets.

The table below shows the number of branches and dealers that we have as of 31 December 2013.

Country	Branches	Dealers
Nissan:		
Singapore	2	2
Subaru:		
Singapore	2	1
Hong Kong	1	1
Taiwan	5	14
Indonesia	10	6
Malaysia	6	14
Thailand	4	11
Philippines	3	5
Cambodia	1	—
Vietnam	1	1
China	6	6
Total	41	61

Our direct sales activities are conducted principally at our vehicle showrooms in our branches. As of 31 December 2013, we had a total of two Nissan showrooms (both in Singapore) and 38 Subaru showrooms, including two Subaru showrooms in Singapore and one in Hong Kong. In Southern China, where we are one of the principal Subaru dealers, we have also set up a retail network of thirty sales points (including the six Subaru showrooms) in Guangdong, Hunan and Guangxi. We intend to add more branches and improve the throughput in our existing outlets to improve our sales volumes. At our showrooms, various models of our Nissan and Subaru motor vehicles are prominently displayed, and potential customers are able to inspect and test drive these vehicles. See "—Property Rentals and Development—Properties Used for Our Operations" for a summary description of our showrooms in Singapore.

Marketing Activities

Our marketing activities are carried out by our branches and are extended to dealers to ensure consistent brand representation. We pre-approve all marketing activities carried out by our dealers. Because Subaru is a niche brand and targeted at a specific market segment, we focus our Subaru marketing activities on increasing brand awareness and consumer education of Subaru's core technologies, namely the all-wheel-drive system and Boxer Engine. For example, in 2001, we introduced the Subaru Palm Challenge in Singapore where participants compete to win a Subaru vehicle by outlasting the competition and being the last person standing while keeping a palm firmly pressed on a Subaru car, with only a five-minute break every six hours. We also sponsor cable television shows such as Asia's Next Top Model and Supermodel Me to improve our image among the younger demographic, which is one of our key customer segments. Such advertising campaigns help to differentiate us from our competitors and help consumers to understand why there is a price premium for Subaru vehicles. We are also planning the roll out of a new format for Subaru roadshows which will allow consumers to test drive their own vehicles alongside Subaru vehicles in an all-wheel drive obstacle course in an open space, for example, outside a shopping mall. Such test drive opportunities will enable consumers to personally experience and compare the performance of a Subaru vehicle with their own vehicle.

Customer Relationship Management

We have established a customer relationship management system that incorporates a loyalty programme, called DUO, to build and maintain good relationships with our customers. It is currently rolled out in Singapore and Thailand, and we are looking to expand it to Indonesia and Malaysia in 2014. Under the DUO programme, DUO members receive one DUO dollar for every dollar spent within our Group, which can be redeemed for automobile-related merchandise, car servicing vouchers, car rental packages and other products and services. A substantial majority of DUO members are customers who have purchased a new Nissan or Subaru car or customers who use our after-sales services. Through these rewards, we believe we are able to leverage on our customer base to create recurring sales for existing and new products and services. We also organise a variety of events of our DUO members, including various motoring-related workshops and customer appreciation cocktails at our showrooms.

After-Sales Services

The after-sales services that we offer our customers include maintenance and repair services. Our customers for our after-sales services are principally customers who have purchased our new motor vehicles. We are the authorised service centres for Nissan and Subaru motor vehicles in Singapore and all the other countries in which we operate. We provide regular scheduled maintenance services and routine inspections for the new motor vehicles that we sell based on the mileage and age of the vehicles. These schedules are typically recommended by the relevant motor vehicle manufacturer. The maintenance services typically include oil changes, spark plug and air filter replacements and wheel alignment.

We provide repair services for motor vehicles that are under warranty or otherwise. Our repair services typically include repair of manufacturer's defects, replacement of parts owing to wear and tear, or repair of damage resulting from collisions or other accidents.

Warranties

Warranties for the motor vehicles sold by us are provided by the relevant manufacturer or us. The warranty period for our motor vehicles is typically between 24 and 60 months or 50,000 kilometres and 100,000 kilometres, whichever comes first, starting from the date the motor vehicle is registered. For motor vehicles with a manufacturer's warranty, we are able to make a claim against the relevant manufacturer for repairing the motor vehicle. The repair works consist of claimable and non-claimable works. For claimable works, we perform the repairs and subsequently claim the cost of repairs from the relevant manufacturer. For non-claimable works, our customers will have to bear the cost of repairs.

Following the introduction of consumer protection laws in Singapore that provide remedies for goods with latent defects, which came into effect on 1 September 2012, we are required to repair or replace a defective motor vehicle in Singapore and, if repair or replacement is not possible or reasonable, our customers may request for a price reduction or return the defective motor vehicle for a refund. See "—Regulations Affective Car Ownership in Singapore—Consumer Protection Laws Relating to Motor Vehicles" for further details.

Regulations Affecting Car Ownership in Singapore

Singapore has in place various regulations that affect the demand and supply, and the price, of motor vehicles in Singapore, which affects our business, financial condition, results of operations and prospects. See "Risk Factors—Risks Relating to Our Business and Operations—Singapore has promulgated various regulations that affect the demand and supply, and the price, of motor vehicles in Singapore, which affects our business, financial condition, results of operations and prospects" for further details.

The Vehicle Quota System

Singapore adopted the vehicle quota system in May 1990 to regulate the rate of growth of vehicles on Singapore's roads. Under this system, the Singapore Land Transport Authority controls the number of new vehicles allowed for registration annually, while the market determines the price of owning a vehicle. Buyers of new motor vehicles in Singapore must first bid for and secure the relevant COE for such vehicle, which represents the right to own a vehicle for 10 years. At the end of such period, vehicle owners may choose to deregister their motor vehicle or revalidate their COE for another five- or ten-year period by paying the prevailing COE premium.

The vehicle quota system classifies vehicles into five COE categories:

- A: Cars (Up to 1,600 cc and 130bhp);
- B: Cars (Above 1,600 cc or 130bhp);
- C: Goods vehicles and buses;
- D: Motorcycles; and
- E: "Open" (for any type of vehicle).

The COE quota is computed and set every three months. COEs are allocated through an open bidding process, which is conducted twice a month. For competitive reasons, motor distributors (including ourselves) may agree to vary their selling prices of the motor vehicles to reflect the estimated price of COEs at the time of writing of the sales contract. The prices of COEs have fluctuated widely since the vehicle quota system was first introduced. Often, the price of the COE can be as high as or higher than the price of the vehicle. Between 1 January 2011 and 31 December 2013, COEs have ranged from a low of S$37,124 for a Category A vehicle and S$53,400 for a Category B vehicle to a high of S$92,100 for a Category A vehicle and S$96,210 for a Category B vehicle. In bidding rounds of the preceding 10 years, the COE prices have been as low as S$1 and as high as S$100,000.

Changes have been made to the vehicle quota system from time to time, including measures to minimise speculation in COEs, announced in September 2013.A new set of categorisation criteria to better delineate mass market cars from premium cars has been introduced for all cars registered using COEs obtained from the February 2014 first open bidding exercise. The new categorisation will retain the existing Category A criterion that the engine capacity of the car should not exceed 1,600cc, and add a new criterion that the engine power of the car should not exceed 130 bhp. All other cars that do not meet the new criteria will fall under Category B. According to the Singapore Land Transport Authority, had this additional engine power criterion been applied to the 2012 vehicle registrations, almost 50% of cars in Category A would have moved into Category B.

Electronic Road Pricing

In September 1998, Singapore introduced an electronic road pricing ("ERP") system to manage road congestion. Based on a pay-as-you-use principle, motorists are charged when they pass a control point for the use of a priced road during peak hours. These ERP control points make up a cordon around the city centre and are also located on congested sections of expressways and ring/radial roads. ERP rates vary for different roads and time periods depending on local traffic conditions and also vary depending on vehicle type.

Duties, Fees and Taxes

Duties, fees and taxes on motor vehicles in Singapore are among the highest in the world. The Land Transport Authority imposes an Additional Registration Fee upon registration of a motor vehicle. As announced in the Singapore Budget 2013, a new tiered Additional Registration Fee structure was introduced to replace the original Additional Registration Fee of a 100% flat rate of open market value of the vehicle. Under the new structure, applicable to motor vehicles registered with COEs obtained from the first COE bidding exercise in March 2013, the Additional Registration Fees for motor vehicles with open market values of up to S$20,000 will remain at the rate of 100%, the next S$30,000 of open market value of the vehicle will attract a rate of 140% and any open market value beyond S$50,000 will attract a rate of 180%. In addition, excise duty of 20% of the open market value and road tax that is dependent on the engine capacity of the vehicle must be paid to register a motor vehicle. A vehicle's open market value is the value of a vehicle assessed by the Singapore Customs, taking into account purchase price, freight, insurance and all other charges incidental to the sale and delivery of the car from its country of manufacture to Singapore.

Restrictions on Motor Vehicle Loans

The Monetary Authority of Singapore has promulgated new rules relating to the grant of motor vehicle loans by financial institutions that became effective on 26 February 2013. The new rules lower the percentage of loan a borrower can take to purchase a car and the tenure of the loan, with the maximum loan-to-value of either 50% or 60% of the purchase price, including relevant taxes and COE, depending on the vehicle's open market value. As a result, a purchaser of a motor vehicle will be required to make a bigger cash down payment than purchasers in other countries. In addition, the tenor of a motor vehicle loan must be capped at a maximum of five years.

Consumer Protection Laws Relating to Motor Vehicles

With effect from 1 September 2012, consumer protection laws that provide remedies for goods with latent defects were added to the Consumer Protection (Fair Trading) Act, with related amendments to the Hire Purchase Act and the Road Traffic Act (for provisions governing motor vehicles). Such consumer protection laws provide remedies to consumers who purchase motor vehicles that fail to conform to contract at the time of delivery. Unless the motor vehicle dealer can prove otherwise, a defect proven to exist within six months of delivery is presumed to have existed at the time of delivery. Beyond the six-month period, the consumer is required to show that the defect existed at the time of delivery to make a claim under such laws.

Under such laws, the motor vehicle dealer may first offer to repair or replace the defective motor vehicle within a reasonable period of time and without significant inconvenience to the consumer. If repair or replacement is not possible or reasonable or if the dealer did not provide repair or replacement within a reasonable period and without significant inconvenience to the consumer, the consumer may keep the defective motor vehicle and request for a reduction in price or return the defective motor vehicle for a refund, the amount of which would depend on the use the consumer had made of the motor vehicle.

Motor Vehicle Distribution Competition

We compete with other motor vehicle distributorships and dealerships in the markets that we operate in. Our principal competitors in such markets are principally the distributors and dealers of various Japanese and Korean motor vehicles, including Toyota, Honda, Mazda, Hyundai and Kia, with Toyota typically the main market leader (other than in Singapore, where it is within the top five brands). In certain markets, continental brands like Volkswagen are also our competitors due to vehicle pricing. For Subaru specifically, we also face competition from Nissan in Thailand, Indonesia, China, Hong Kong, Taiwan and the Philippines, and from Volvo and Lexus, brands with strong brand awareness, a wide product range and a long historical presence in the markets that we distribute our Subaru vehicles.

Most of our competitors have local assembly plants in the major markets that we compete, enabling them to enjoy lower duties and taxes, resulting in more competitive selling prices. We compete principally on having newer models of vehicles, the looks and quality of the motor vehicles and, to a lesser extent, on price.

In addition, in Singapore, various regulations have been put in place to minimise the ownership and use of motor vehicles. See "—Regulations Affecting Car Ownership in Singapore" above for a description of such regulations. Unlike outside Singapore, where the cost of acquiring a new vehicle principally depends on the selling price of that vehicle, in Singapore, the cost of acquiring a new vehicle depends not only on the selling price of a car but also the price of a COE and the car's open market value, based on which the vehicle's registration fee is calculated. Therefore, in Singapore, our ability to compete is dependent on our selling prices for our cars, the price of a COE together with our ability to assist potential customers in successfully bidding for the COE, and our ability to lower the open market value of our cars by carefully selecting the specifications of the vehicle that we import to balance their associated value (and therefore import cost) with what our potential customers demand and are willing to pay for.

These regulations, in particular the vehicle quota system, have had a distorting effect on the competitive landscape for motor vehicles in Singapore and our ability to compete, which is reflected in the decreasing number of motor vehicles that we sold in Singapore, and consequently our motor vehicle distribution revenue derived from Singapore, in 2011, 2012 and 2013. The institution of maximum loan-to-value restrictions on motor vehicle loans has also had, and we believe will continue to have, a disproportional adverse impact on customers for mass market brands (our target customers) as compared to customers for premium and luxury brands because such mass market customers typically do not have enough cash on hand to make the required down payment at current car prices.

In the past, we had signed various non-competition undertakings with certain of our affiliates in Malaysia. However, as a result of the manner in which the motor vehicle distribution market has evolved since then, we believe that such non-competition undertakings have been mutually terminated by the conduct of the relevant parties to such undertakings.

Heavy Commercial Vehicle and Industrial Equipment Distribution

We are the sole distributor of Nissan forklift trucks in Singapore and Vietnam, and Mitsubishi Fuso trucks in Thailand. We also distribute Foton heavy commercial vehicles in Thailand. We are currently conducting feasibility studies on the assembly of completely knocked down Foton trucks in Thailand.

The table below shows a breakdown by geography of our heavy commercial vehicle and industrial equipment distribution revenue for the periods indicated.

	Year Ended 31 December			
Region	**2011**	**2012**	**2013**	**2013**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Singapore	236.3	189.3	149.2	24.4
Hong Kong	—	—	—	—
PRC	8.7	6.6	3.1	0.5
Thailand	435.2	1,229.2	1,177.2	192.0
Others	7.8	10.3	12.1	2.0
Total	688.0	1,435.4	1,341.6	218.9

We sold a total of 764 heavy commercial vehicles and forklift trucks in 2011, 2,036 heavy commercial vehicles and forklift trucks in 2012 and 1,926 heavy commercial vehicles and forklift trucks in 2013.

Types of Heavy Vehicles and Forklifts

We sell various heavy vehicles and forklifts. In the heavy vehicles segment, we sell a variety of Fuso trucks manufactured by Mitsubishi, including the Fuso Canter light-duty truck, FM medium-duty truck, FN heavy-duty truck and the FV heavy-duty truck, as well as MAN trucks and buses. Our range of forklift vehicles includes the Nissan forklift, the Hang Cha forklift and the Tailift forklift.

We are the sole distributor of Mitsubishi Fuso Trucks in Thailand where we also engage in assembly and retail of such trucks. We assemble Mitsubishi Fuso trucks at our production plant located at Lardkrabang in Bangkok, Thailand. Assembly of the Fuso trucks is carried out by our subsidiary TC Manufacturing and Assembly Co., Ltd. We acquired the distributorship of Mitsubishi Fuso trucks in Thailand in 2009. Our 1,000,000 square feet production plant provides the infrastructure for us to assemble Fuso trucks on site. The production plant provides sufficient capacity to cater for our other truck assembly requirements in Thailand, thereby achieving economies of scale.

Heavy Commercial Vehicle and Industrial Equipment Distribution Sales and Marketing

Our commercial vehicle and industrial equipment customers are haulage and transport providers, construction companies, certain manufacturing companies and the general business community. In Singapore, our heavy commercial vehicle and industrial equipment sales activities are conducted principally directly through our own sales force, whereas in Thailand, we engage in a combination of direct sales and sales through 56 non-exclusive dealers. We use various marketing methods, including marketing directly to clients, and advertising in various media such as billboards, newspapers, television, radio and trade journals. We also provide after-sales services, but our heavy commercial vehicle customers are also able to choose to procure such services elsewhere.

Heavy Commercial Vehicle and Industrial Equipment Distribution Competition

We compete with other heavy commercial vehicle distributorships market leaders such as Hino and Isuzu, and industrial equipment distributorships and dealerships in the markets that we operate. We compete primarily on quality, adaptability of the vehicle, reliability, enhanced skill levels, availability of spare parts and price. We offer after-sales servicing to a variety of makes and models of light and heavy commercial vehicles as well as industrial equipment and passenger vehicles. We have branches in the Thai provinces of Nakorn Rachasima, Chiangmai and Nakorn Sawan. In the second half of 2014, we plan to open new branches in Chonburi and Surat Thani. To provide ease of accessibility, service and support to our customers, we intend to further expand in 2015 and open more new branches in other Thai provinces.

Property Rentals and Development

We have significant property interests in Singapore through our wholly-owned subsidiaries, Tan Chong Realty (Private) Limited and Wilby Estate International Pte Ltd. Tan Chong Realty and Wilby Estate International are principally engaged in property-related businesses, including the development of our land bank, the provision of management and maintenance services for our properties, including the maintenance and upkeep of all buildings, security, liaison with all relevant government departments and provision of building services, such as cleaning.

The table below shows a breakdown by geography of our property rentals and development revenue for the periods indicated.

Region	Year Ended 31 December			
	2011	2012	2013	2013
	HK$	HK$	HK$	S$
		(in millions)		
Singapore	312.3	280.0	163.0	26.6
Hong Kong	6.7	6.4	6.9	1.1
PRC	—	—	—	—
Thailand	—	—	—	—
Others	—	—	—	—
Total	319.0	286.4	169.9	27.7

We began our property rentals and development business to meet our own property needs and as a result of the re-zoning of the land which we own for our motor vehicle business from industrial use to residential use. We have earmarked a substantial majority of the re-zoned land for development and the remainder for our serviced apartment business. While we intend to manage any development ourselves, we have a policy of appointing external professionals to deal with architectural, engineering and construction matters of any development.

Properties Used for Our Operations

Tan Chong Motor Centre

The Tan Chong Motor Centre is located at 911 & 913 Bukit Timah Road, a north-south thoroughfare in the middle of Singapore. The Tan Chong Motor Centre is a substantial development with a large motor showroom on the ground level of the main building, and three floors of offices, which was constructed in 1982. Adjacent to the showroom building is a separate three-level office block. A motor vehicle service workshop with over 2,000 square metres of floor space lies at the rear of the property. The site area is approximately 18,400 square metres with a total gross floor area of about 9,666 square metres. The property is situated on freehold site with a current plot ratio of 1.32 and a potential development plot ratio of 2.07. The land has been re-zoned for residential use for any future development that occurs. We have no current plans to redevelop these premises.

Subaru Showroom and Service Centre

Our Subaru Showroom and Service Centre in Singapore is located at 25 Leng Kee Road, the principal area for motor dealerships in Singapore. The four-storey building was purpose-built by us for our Subaru showroom in 1994, with the objective of providing customers with a one-stop centre for all services relating to the purchase and servicing of Subaru vehicles. The site area is approximately 2,230 square metres with a total gross floor area of about 5,221 square metres. The land is held on a lease term of 99 years commencing on 10 April 1960.

The property at 25 Leng Keng Road is amalgamated with 8 and 10 Kung Chong Road, which we are redeveloping into a mega motor distribution centre to house our Subaru and Nissan motor vehicle distribution business in Singapore. The facility will include showrooms, service centres, parts centres and other support facilities. We estimate the project cost to be S$38 million and we expect the centre to be completed by the end of 2014.

Other Properties

We also hold other properties in Singapore and outside Singapore, including in Hong Kong and the PRC, for our own business operations. The table below summarises the key data of such properties.

Location	Description	Land Area (square feet)	Tenure	Expiry Date	Age of Building (years)
14 Upper Aljunied Road Singapore 367843	Property held for sale	18,004	Freehold	—	N/A
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058	N/A
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (own use)	198,976	Leasehold	6 April 2078	23
816 & 818 Upper Bukit Timah Road Singapore 678149/50	Shophouses (own use)	2,155	Leasehold	15 April 2874	58
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027	29
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	—	28
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023	18
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023	10
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030	11
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	131,750 92,158	Leasehold Leasehold	15 April 2036 15 April 2036	5 40
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053	N/A
59 Moo 1, Rangsit-Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	—	26

Location	Description	Land Area (square feet)	Tenure	Expiry Date	Age of Building (years)
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	—	9
12/17 Moo 2, Seri Thai Road Khlong Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	—	7
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	—	21
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	—	7
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520, Thailand	Production plant (own use)	1,130,211	Freehold	—	10
Parcels 7 and 503 Lamplathio Sub-district Ladkrabang District Bankgkok, Thailand	Warehouse for production plant (own used)	1,084,000	Freehold	—	N/A
Jalan Sultan Iskandar Muda No. 24, Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041	1
Komplek Ruko Mahkota Raya Blok D No. 9-13A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032	3
Jalan Raden Patah Komplek Sumber Jaya B9 – B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2015	20
Lembar K-8-4 Kotak F-G/1 Teluk Tering Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028	N/A
Jalan Bypass Ngurah Rai No. 643 Desa Pemogam Denpasar Bali, Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043	N/A
Jiangyin Building Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term	16

Location	Description	Land Area (square feet)	Tenure	Expiry Date	Age of Building (years)
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048	29
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062	3
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062	1
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	—	6
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	—	8
212 Vietnam-Singapore, Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046	18

Properties Held for Investment Purposes

We also hold property for investment purposes. The table below summarises the key data of such properties.

Location	Description	Land Area (square feet)	Tenure	Expiry Date	Age of Building (years)
Unit A on Ground Floor, Phase 1 Nan Fung Industrial Building 431-487 Avenida do Dr Francisco Vieira Machado and 354-408 Rua dos Pescadores Macau	Showroom and workshop (investment)	8,805	Leasehold	28 November 2022	41
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060	28
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060	28
15 Queen Street Tan Chong Tower Singapore 188537	Office, showroom and apartments for rental (investment)	22,193	Freehold	—	31
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078	34
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 – 276304	Condominiums for rental (investment)	200,991	Freehold	—	16

Tan Chong Tower

Tan Chong Tower is located at 15 Queen Street near the commercial hub of the city of Singapore. Tan Chong Tower was built in 1982 and refurbished in 2010. The site is on freehold land. The property comprises a 19-storey commercial cum residential complex with a total floor area of approximately 12,500 square metres. It is made up of a four-storey podium block consisting of food outlets and offices and a 15-storey tower block consisting of 138 apartments. In addition, the building has two basement levels allocated as parking areas and a mezzanine floor containing offices. The tenants of Tan Chong Tower are principally corporate clients. Average occupancy in 2013 was 81%. The apartments are subject to a programme of regular upgrading and renewal to ensure that they remain attractive and competitive in the market place. The gross rental income in 2013 for this property was S$8.6 million.

The Wilby Residence

The Wilby Residence is a luxury condominium project located at 25, 29, 31 and 33 Wilby Road, an up-market neighbourhood in Singapore. The site is on freehold land. A total of 181 apartment units have been built, with a total floor area of approximately 27,000 square metres, situated in one eight-level building and three four-level blocks. Facilities include a modern club house, tennis courts and a swimming pool. 180 units are available for rent while the remaining unit has been retained for our own use. Average occupancy of our rental units in 2013 was approximately 72%. The gross rental income in 2013 for this property was S$9.2 million.

Properties Developed for Sale

We have developed our property at 14 Upper Aljunied Road into 77 units of terrace housing for sale, out of which 70 units were sold as of 31 December 2013. The development is known as Oasis@Mulberry. The land area of the remaining seven unsold units is 18,004 square feet. The property is surrounded by low rise residential housing.

Properties with Potential for Future Development

Our factory and warehouse located at 798 and 800 Upper Bukit Timah Road has a total leasehold land area of 213,981 square feet until 6 April 2082. The property has an estimated fair value of S$149 million as of 31 December 2013 and has the potential to be developed for residential use. We are considering the timing for redevelopment carefully in light of the various cooling measures in the property market promulgated by the Singapore government, and many developers are adopting a wait and see attitude.

Other Operations

Our other operations include principally the manufacturing of vehicle seats, car rentals, leasing and limousine services, provision of workshop services, hire purchase financing and other auto-related financial services and other miscellaneous business. The table below shows a breakdown by sub-business segment and by geography of our revenue from our other operations for the periods indicated.

Business	Year Ended 31 December 2011	2012	2013	2013
	HK$	HK$ (in millions)	HK$	S$
Manufacture of vehicle seats	296.3	292.1	332.5	54.2
Car rentals, leasing and limousine services	100.6	69.0	88.7	14.5
Work services and auto parts	36.3	45.8	52.7	8.6
Financial services	41.3	40.7	44.0	7.2
Investment holding	3.9	1.0	1.0	0.2
Others	8.0	10.1	9.5	1.5
Total	486.4	458.7	528.4	86.2

Region	Year Ended 31 December 2011	2012	2013	2013
	HK$	HK$ (in millions)	HK$	S$
Singapore	167.6	143.7	167.9	27.4
Hong Kong	14.3	13.3	13.1	2.1
PRC	296.3	292.1	332.5	54.2
Thailand	8.2	9.6	14.9	2.4
Others	—	—	—	—
Total	486.4	458.7	528.4	86.2

Manufacturing of Vehicle Seats

We manufacture vehicle seats in the PRC, principally in Wuxi, Nanjing and Xiamen through our subsidiaries Wuxi Chengchang Seats Manufacturing Co. Ltd., Nanjing Tan Chong Automotive Co. and Xiamen Golden Dragon Auto Seat Co. Limited, respectively. These subsidiaries specialise in producing auto seats and accessories for a wide range of transport vehicles, including medium-to-large coaches, trucks, mini passenger cars, mini coaches, project machinery, agricultural machinery, electrical vehicles.

Car Rentals, Leasing and Limousine Services

We have a 50.0% shareholding interest in Ethoz Group Ltd ("Ethoz"), a vehicle leasing group and provider of automotive solutions. Ethoz also has businesses in equipment leasing, capital solutions, healthcare and logistics. Ethoz also operates the largest independent vehicle workshop in Singapore, providing both retail and corporate customers with fleet management and vehicle repair and maintenance services. Since 2008, Ethoz has expanded into China, establishing offices in Guangzhou, Shanghai, Beijing, Shandong and Wuhan.

The table below shows a breakdown of our vehicle and equipment receivables as of 31 December 2013:

	As of 31 December 2013	
Item	**S$**	**Units**
	(in millions)	
Hire Purchase Receivables (Equipment)	65.7	1,478
Hire Purchase Receivables (Vehicles)	33.5	1,144
Finance Lease Receivables	179.0	10,004
Loan Receivables	133.5	930

We also provide car rental services, and are the largest limousine service provider in Singapore, through our wholly-owned subsidiary, Downtown Travel Services Pte Ltd which has a rental/limousine fleet of 367 passenger vehicles as of 31 December 2013.

Workshop Services and Auto Parts

Our workshop services include accident repairs, warranty claims, servicing, polishing, lubricants/oil changes, tyre changes, provision of vehicle accessories and spare parts and conducting vehicle inspection. We also have a 65.0% shareholding interest in Jiangyin Chengchang Auto Parts Co. Ltd., which manufactures auto parts in Jiangyin, PRC. Jiangyin Chengchang commenced production of shock absorbers in mid-1997.

Financial Services

The purchase of vehicles in Singapore is usually financed by way of a hire purchase arrangement with banks and finance companies, where the buyer generally makes an initial down payment of 10% to 50% of the cost of the vehicle followed by a series of monthly instalment payments over a period of three to 10 years. We have our own hire purchase financing arm, Tan Chong Credit Pte Limited ("TC Credit"), which was formed to complement our vehicle distribution business in Singapore. TC Credit follows a conservative credit policy of lending only to Nissan buyers who are required to make a minimum 10% down payment on commercial vehicles. The terms range from one to nine years, during which the titles of the vehicles remain with TC Credit.

Instead of competing generally with banks and finance companies in providing hire purchase, TC Credit focuses on Nissan light commercial vehicle customers, offering a combination of "one-stop" service, competitive rates and personalised services. As a result, its business volume moves to a large degree in tandem with the sale volume of Nissan light commercial vehicles. To complement our objective of offering a full range of auto related services to vehicle customers, TC Credit also acts as an agent for a large insurance company to provide motor insurance to existing Nissan car owners and new car buyers, and receives a commission for its services. TC Credit also helps the insured to process insurance claims as the need arises. As an agent, TC Credit has no liability for any insured risks.

In Thailand, our subsidiary TC Capital (Thailand) Co., Ltd. provides wholesale financing for dealers selling our various brands in Thailand, which will allow the dealers the capability to keep floor stock, and maintain an inventory that they can move quickly.

We also hold a 35.6% shareholding interest in PT Tifa Mutual Finance Corporation ("Tifa"), an Indonesian finance company that is listed on the Indonesia Stock Exchange. Tifa is in the business of leasing, factoring and consumer finance.

Investment Holding

We have other financial assets comprising available-for-sale unlisted equity securities stated at cost (less any impairment losses) amounting to HK$21.6 million (S$3.5 million) as of 31 December 2013 and available for sale debt securities listed outside Hong Kong with a market value of HK$75.6 million (S$12.3 million) as of 31 December 2013. See Note 17 of the notes to our 2013 financial statements for details. In addition, we have a mixed portfolio of equity securities designated as at fair value through profit and loss comprising shares in Fuji Heavy Industries and Mitsubishi UFJ Financial Group, Inc., which are listed on the Tokyo Stock Exchange, and in two companies listed on the SGX-ST. The total fair value of such portfolio was HK$2,576.6 million (S$420.3 million) as of 31 December 2013. See Note 18 of the notes to our 2013 financial statements for details.

Major Suppliers and Customers

Suppliers

Our largest supplier, Fuji Heavy Industries, accounted for 47%, 37% and 40% of our total purchases in 2011, 2012 and 2013, respectively. We have a 1.46% shareholding interest in Fuji Heavy Industries as of 31 December 2013. Nissan accounted for 12%, 7% and 7% of our total purchases in 2011, 2012 and 2013, respectively. Our five largest suppliers accounted for 61%, 44% and 57% of our total purchases in 2011, 2012 and 2013, respectively.

We pay our major suppliers in Japanese yen. Our operating subsidiaries regularly monitor their exchange exposure and may hedge their position discriminately, depending on the size of the exposure, the future outlook of the particular currency unit and the ability of the company to pass on any changes in cost. However, we generally do not hedge our position because all our major competitors also import from Japan in Japanese yen. Therefore, if the yen depreciates, all the importers of Japanese brands may be expected to lower their prices, while if the yen appreciates, they may be expected to raise their prices. In addition, the strengthening of Japanese yen usually only impacts part of the overall selling price of a vehicle, as the COE represents a significant part of the total selling price relative to the actual cost of a vehicle.

The relationships with Nissan and Fuji Heavy Industries have been in place since 1958 and the mid-1980s respectively, and are governed by distribution agreements that are subject to renewal from time to time. We believe that we have an excellent relationship with our suppliers and we are not aware of any circumstances that will result in the termination or non-renewal of the distribution agreements.

Products with Distribution Agreements

We have distribution and/or dealership agreements with the manufacturers of Nissan vehicles, Subaru vehicles, Mitsubishi Fuso trucks, Changan vehicles, Foton heavy commercial vehicles and MAN trucks which include authorisation for us to sell and (where applicable) assemble such vehicles under the respective names of the various distributors. Our distributorship and/or dealership agreements typically contain the following key provisions:

- We are required to comply with the minimum annual purchases and sales targets, either in accordance with the distributorship and/or dealership agreements or which are determined before the start of the following year based on the discussions and negotiations between us and vehicle manufactures as well as the prevailing economic conditions.
- We are required to ensure that our after-sales services are carried out in accordance with the guidelines provided by vehicle manufacturers in terms of, inter alia, tools, service centre facilities and adequately stocked spare parts and staff training.
- We are required to provide repair services to our customers in respect of the new vehicles, which are covered by the warranties provided by the vehicle manufacturers. These services are required to be carried out in accordance with vehicle manufacturer's warranty policies and procedures.
- We are generally required, at our own expense, to undertake marketing and sales activities to promote our vehicles.
- We are entitled to use the names and trademarks of vehicle manufacturers in a manner consistent with the standards set by them for the purposes of promoting our vehicles.
- The payment terms vary under each of our distributorship and/or dealership agreements. For instance, some agreements require us to pay a specified non-refundable prepayment at the time of placing a purchase order, while others do not require us to make any prepayment and require full payment only upon delivery.

- Our distributorship and/or dealership agreements are typically for a fixed period of time, with a small number of such agreements renewed automatically for subsequent periods of one year each for an indefinite period. Our distributorship and/or dealership agreements typically allow either party to terminate the agreement by giving prior written notice of at least six months. However, vehicle manufacturers are entitled to terminate their distributorship or dealership agreement with immediate effect upon notice under certain circumstances, including insolvency and liquidation arrangements against us, failure on our part to obtain any consent of the vehicle manufacturers when required and breach on our part of any material obligations under the agreements.
- Certain of our distributorship and/or dealership agreements contain provisions which place restrictions on any change in shareholders or change in control of our Group.

Whilst the agreements generally allow the suppliers to advise or exert influence over the conduct of the business, in practice it is recognised that we are in a better position to formulate our own business plans and marketing strategies, particularly in matters relating to product pricing, promotion and credit control. Upon the introduction of each new model, the relevant supplier informs us of the import cost of the vehicle in Japanese yen. The selling price of the vehicles locally in the relevant currency, however, is determined by us. The role of the suppliers is to support our efforts through the provision of good products, catalogues and sales guides, advertising and promotional materials, technical training and management conferences.

Customers

Our customers are principally individuals and dealers who purchase our motor vehicles or heavy commercial vehicles. The following table shows our customers who accounted for 5% or more of our revenues, together with our revenue from such customers as a percentage of our total revenues, for the periods indicated.

	Year Ended 31 December		
Name of Customer	**2011**	**2012**	**2013**
	%	%	%
Shenzhen Huichengyang Subaru	11	7	5
Foshan Zhongyun Subaru	9	7	4
Yunnan Huadong Subaru	4	3	2

Intellectual Property

We use a number of trademarks, trade names and service marks in connection with our business, including "Tan Chong International" and "Motor Image". We have registered such trademarks in each of the jurisdictions in which we operate. We have a licence to use the various brand names for the vehicles and equipment that we distribute, including Nissan, Subaru and Fuso, pursuant to our exclusive distributorship agreements that we have entered into with the manufacturers of such vehicles or equipment, as the case may be.

Insurance

We have business all-risks insurance against property damage, fire, theft and burglary, as well as insurance covering public liability, employer's liability, accidents and directors' and officers' liability. We also have motor insurance. We maintain such insurance in an amount that our directors consider to be adequate. .

Employees

We had 2,078 employees as of 31 December 2011, 2,826 employees as of 31 December 2012 and 3,317 employees as of 31 December 2013 as follows.

	Headcount by Geography		
	As of 31 December		
Region	**2011**	**2012**	**2013**
Singapore	609	702	757
Hong Kong	52	53	57
PRC	803	1.011	890
Thailand	303	516	701
Others	311	544	912
Total	2,078	2,826	3,317

Business Segment	Staff Headcount by Business Segment		
	As of 31 December		
	2011	2012	2013
Motor Vehicle Distribution	869	1,155	1,616
Heavy Commercial Vehicle and Industrial Equipment Distribution	328	419	528
Property Rentals and Development	43	50	52
Others	838	1,202	1,121
Total	2,078	2,826	3,317

Legal Proceedings

From time to time, we may be involved in legal proceedings concerning matters that arise in our day-to-day business operations. However, we are not directly involved in any material litigation, arbitration or other legal proceedings the outcome of which we believe will have a material adverse effect on our business, financial condition, results of operations and prospects. To the best of our knowledge, we are not aware of any such litigation, arbitration or other legal proceedings threatened against us.