

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the annual report of Tan Chong International Limited (the "Company") and its subsidiaries and associates (collectively called the "Group") for the year ended 31st December 2000.

RESULTS

The Group turned in a strong set of results that was very much better than our forecast for the outlook in Year 2000. Positive growth of GNP in the region, particularly in countries relevant to the Group, translated into more sales and consequently turnover reached a record of HKD 5,012 million, an increase of 66% over the preceding year. At operating level profit rose 171% and profits attributable to Shareholders reached HKD 487 million, a rise of 163%.

DIVIDEND

The Board of Directors is pleased to make a recommendation for a final dividend payment of 3 cents per share. This dividend payment together with the 1.5 cents paid for the interim total 4.5 cents for the year compared with the 4 cents for the preceding year.

ANOTHER RECORD FOR VEHICLE SALES

The Group achieved a record number of unit sales of 18,837 in Year 2000 compared with 11,937 in Year 1999. This record of 57.8% increase in Year 2000 is indeed more commendable since it was achieved after a 33% expansion over Year 1999. In Singapore, Nissan passenger vehicle sales retained its leading position as the best selling passenger car with the Nissan Sunny showing a growth of 44% to hit 9,468 units. The Nissan Cefiro also achieved best selling model for all cars 2 litres and above in Singapore, by registering 2,323 units up nearly four times from 615 units in Year 1999.

Year 2000 also saw the sale of Nissan commercial vehicle continuing to grow with Nissan Cabstars selling 2,895 units a 74% increase from last year and Nissan Pickup sales jumping 120% to 827 units.

Subaru sales in Hong Kong and Singapore improved with a rise of 19.2% with the hallmark all-wheel-drive technology steadily gaining acceptance for its handling superiority under all road conditions.

INDUSTRIAL MACHINERY RECOVERS

The accelerating sales momentum in the last half of Year 1999 carried well into Year 2000 allowing the industrial division to show an improvement of 40% in total unit sales. In particular, the medium trucks series MKB210 and PK210 that were launched just more than a year ago, showed strong gains as did the light trucks PU41 and PY41 series that were launched during the year.

Sale of new forklifts was marginally up by 7.7%. The forklift rental business made steady contributions both in Singapore, Thailand and Vietnam with the business in the latter two countries being recently developed in Year 2000.

PROPERTY

Occupancy rates in Tan Chong Tower, our service apartment operations in the business center of Singapore, made good progress from 68% to 83% with improved rental rates.

The Upper Aljunied Road site in Singapore is awaiting Written Permission from the Authorities to proceed. This approval is now expected in the first half of Year 2001. The proposed development consists of 78 units of luxury terrace houses set in a garden streetscape and promises to be an outstanding landmark in the vicinity.

Our Wilby Residence condominium development was sold to Brizay Properties Pte Ltd during the year.

TRADING

In Year 2000, Sumitomo Rubber Industries, the manufacturer of Dunlop tyres added Vietnam to the territories covered by Tyre Pacific (HK) Ltd. Dunlop motorcycle tyres will be manufactured in the People's Republic of China from mid-year 2001 and Tyre Pacific (HK) has been appointed as the prime distributor for the domestic market.

Our JV companies in China have been rationalized and showed improved performance with inventories running down and sales expanded. The Guizhou Yun Que JV Company introduced the latest 4-cylinder engine, the only manufacturer with this environment friendly mini-car in China. Exports from our Jiangyin Shock Absorber Plant reached new levels with shipments to Philippines and Malaysia. Our seat manufacturing JV Company in Xiamen did well to improve production and sales by 59%.

IT PROGRESS

The Group developed and installed i-office, our own web-based system to network several key functions of marketing, sale, stock and accounting. This i-office is hosted in our own server facilities and Tan Chong Motor's vehicle Sales and Management staff can now conveniently access the Company website round the clock from any computer to track progress of their order and fulfillment. This service will be expanded to the various subsidiaries to leverage the power of internet technology which will expedite and facilitate communication between customer, management and sales persons. The Group has a database well in excess of 100,000 customers who are the foundation of our marketing opportunities.

FUTURE

Singapore total vehicle demand is expected to remain largely steady as a result of the Vehicle Quota System implemented by the Government there. However the quota for commercial vehicles will be significantly lower than the preceding year. In addition, a new 'open' bidding

system for purchasing Certificates of Entitlement will be introduced in Singapore in Year 2001, the impact of which is difficult to predict but the Group remains vigilant to make whatever adaptation necessary.

With the expanded sales last year in Singapore, we have taken measures to strengthen the servicing levels for our car owners by adding service, retail and showroom premises. We have purchased a new showroom, parts store and service complex at Toa Payoh, which adds another 22 bays for vehicle maintenance and repairs. The Group has also successfully tendered for a site within the well-known Eunos Link car sales & automobile hub at the eastern part of Singapore. This site will be developed into an 8-Storey 3S (Showroom, Service & Spare-parts) Center. The proposed building will be an up-to-date design incorporating the latest ideas in car maintenance and display with the best use of our information technology and resource. Foundation work will start in the second half of Year 2001.

Our overseas businesses are consolidating and we have expanded the Thailand operations with the purchase of World Hi-Tech Car Service Co. Ltd. as an on-going business. This new center with some 40 work bays as well as spray-painting booth and full oven facilities will reinforce the Subaru distribution in Thailand and allow for expected future growth.

Although the widely anticipated slower economic growth of 1.7% compared to 4.2% for Year 2000 in the United States is expected to have a related impact on our territories of distribution, Singapore, our major market, seems likely to sustain vehicle demand as the Government has predicted a GDP growth of 5 to 7 %. We expect the intensification of competition and pressures on margins but nevertheless are prepared to meet the challenges to perform responsibly.

APPRECIATION

I am heartened that the Staff and Management reacted decisively to the changes in market and economic conditions and delivered strong performance figures in Year 2000. My Board of Directors and I therefore record our appreciation for their fine effort.

Dato' Tan Kim Hor DPMS KMN JP

Chairman

27 March 2001