



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

28 November 2007

CRITICISM

of

Tan Chong International Limited (“the Company”) (Stock code: 693) for Delay in Disclosing Continuing Connected Transactions

The Stock Exchange of Hong Kong Limited (the “Exchange”) hereby publicly criticises the Company for failing to disclose in a timely manner the continuing connected transactions with connected entities thereby breaching Rule 14A.34 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Late disclosure of continuing connected transactions with connected entities.

Continuing Connected Transactions with Connected Entities

From 1998, the Group has been entering into certain continuing transactions with both the Motor Ultima Pte Ltd (“Ultima Group”) and Tan Chong Motor Holdings Berhad and its subsidiaries (the “TCMH Group”) and APM Automotive Holdings Berhad and its subsidiaries (the “APM Group”), including sale, purchase of motor vehicles, spare parts and accessories, motor oil, second hand cars, waste management products and air tickets and provision of workshop services, travel related services, car rental services and hire purchase financing of motor vehicles.

The Ultima Group is controlled by members of the Tan Family, a substantial shareholder of the Company; and the TCMH Group and the APM Group are indirectly owned as to 45 per cent and 43 per cent respectively by the Tan Family through Tan Chong Consolidated Sdn. Bhd which is wholly owned by the Tan Family. Accordingly, Ultima Group and TCMH Group (including the APM Group) are connected persons of the Company under the Listing Rules and those continuing transactions constituted continuing connected transactions under the Listing Rules.

Pursuant to Rule 14A.34, the continuing connected transactions are subject to the reporting and announcement requirements of the Listing Rules.

A waiver from strict compliance with the disclosure requirement with respect to the continuing transactions was given to the Company on 7 August 1998 for an indefinite period. However changes to the Listing Rules subsequently occurred and such waiver ceased to have effect from 31 March 2004 as stated in the public announcement dated 30 January 2004 by which the change of status was publicised. The Company was required to take appropriate steps to ensure compliance with the new Listing Rules as soon as practicable after 31 March 2004, but failed to do so in a timely manner. The Company admitted that, it had taken longer than expected to arrive at the proposed monetary annual caps with various connected persons as required by the new Listing Rules to permit disclosures to be made.

The Company did not disclose the continuing connected transactions until 9 December 2005 by means of an announcement published on that date. As a result, these continuing connected transactions were disclosed 20 months and nine days after the new Listing Rules came into force on 31 March 2004.

As a result of this failure, the Company has admitted breaching Listing Rule 14A.34.

Having considered the foregoing facts and the representations made by the parties concerned, the Listing Committee has concluded that the Company was in breach of Listing Rule 14A.34.

Accordingly, the Listing Committee hereby criticises the Company for the breach mentioned above. In coming to this decision the Committee has taken into account the admission made by the Company and remedial actions taken by the Company since the events in question to improve its internal controls and monitoring of its compliance responsibilities.

The Exchange confirms that this criticism applies only to the Company and not to any past or present member of the Board of Directors of the Company.

Richard Williams, Head of Listing, said, “Rule 14A.34 imposes clearly defined and unambiguous disclosure obligations on listed issuers. The rule is designed to safeguard and protect the minority shareholders from prejudice by requiring listed issuers to disclose transactions of a particular size and magnitude executed with connected parties particularly where one of those parties is controlled by the substantial shareholder of the issuer.

Although the Company was apparently aware of its obligations arising from the expiry of a waiver granted by the Exchange from compliance with those requirements, and some action was taken, the issues arising from that event were not addressed in a timely manner. Compliant disclosure took much longer to achieve than should have been the case. Compliance with obligations in a timely manner is an important element of issuer’s regulatory responsibilities. The Exchange has and will continue to take action where necessary to enforce compliance with these requirements where disclosure is not made in the manner and within the timeframe required”.