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## Tan Chong International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 693)

### FINAL RESULTS

The Board of Directors (“Board”) wishes to announce the following results of the Group for the year ended 31 December 2012.

#### Consolidated Income Statement

		<b>For the year ended</b>	
		<b>31 December</b>	
	Note	<b>2012</b>	<b>2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3, 4	6,527,365	6,354,932
Cost of sales		<u>(5,435,637)</u>	<u>(5,229,825)</u>
Gross profit		1,091,728	1,125,107
Other net operating income		964,682	314,257
Distribution costs		(424,093)	(354,165)
Administrative expenses		(551,387)	(400,393)
Other operating expenses		<u>(41,793)</u>	<u>(23,339)</u>
Profit from operations		1,039,137	661,467
Financing costs		(35,573)	(51,255)
Share of profits less losses of associates		<u>167,712</u>	<u>93,403</u>
Profit before taxation	5	1,171,276	703,615
Income tax expense	6	(86,850)	(97,638)
<b>Profit for the year</b>		<u><u>1,084,426</u></u>	<u><u>605,977</u></u>
Attributable to:			
Equity shareholders of the Company		1,078,101	599,473
Non-controlling interests		<u>6,325</u>	<u>6,504</u>
<b>Profit for the year</b>		<u><u>1,084,426</u></u>	<u><u>605,977</u></u>
<b>Earnings per share (cents)</b>	8		
Basic and diluted		<u><u>53.5</u></u>	<u><u>29.8</u></u>

**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2012**

	<b>2012</b> <i>HK\$ '000</i>	<b>2011</b> <i>HK\$ '000</i>
<b>Profit for the year</b>	<u>1,084,426</u>	<u>605,977</u>
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	382,420	(109,346)
- associates outside Hong Kong	<u>(8,027)</u>	<u>8,811</u>
	----- 374,393	----- (100,535)
Available-for-sale securities:		
- changes in fair value recognised during the year	<u>(1,480)</u>	<u>3,264</u>
	----- 372,913	----- (97,271)
<b>Total comprehensive income for the year</b>	<u><u>1,457,339</u></u>	<u><u>508,706</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	1,449,414	504,091
Non-controlling interests	<u>7,925</u>	<u>4,615</u>
<b>Total comprehensive income for the year</b>	<u><u>1,457,339</u></u>	<u><u>508,706</u></u>

## Consolidated Balance Sheet at 31 December 2012

	Note	As at 31 December 2012 HK\$'000	As at 31 December 2011 HK\$'000
<b>Non-current assets</b>			
Investment properties		2,736,092	2,325,651
Other property, plant and equipment		2,155,422	1,892,208
Interest in leasehold land		254,997	249,198
Interest in associates		924,694	894,349
Other financial assets		172,163	163,659
Hire purchase debtors and instalments receivable		200,055	203,381
Non-current prepayments		13,651	11,796
Deferred tax assets		26,342	13,044
		<u>6,483,416</u>	<u>5,753,286</u>
<b>Current assets</b>			
Investments designated as at fair value through profit or loss		1,150,456	565,535
Inventories		2,150,811	1,539,756
Properties held for sale		80,299	150,915
Trade debtors	9	712,395	413,782
Hire purchase debtors and instalments receivable		94,679	86,501
Other debtors, deposits and prepayments		387,062	294,690
Amounts due from related companies		912	12,678
Cash and cash equivalents		1,357,680	1,611,306
		<u>5,934,294</u>	<u>4,675,163</u>
<b>Current liabilities</b>			
Unsecured bank overdrafts		7,737	8,574
Bank loans		1,272,961	1,439,569
Trade creditors	10	651,538	366,959
Other creditors and accruals		481,475	400,041
Amounts due to related companies		7,074	4,539
Current taxation		80,681	67,305
Provisions		25,203	16,973
		<u>2,526,669</u>	<u>2,303,960</u>
<b>Net current assets</b>		<u>3,407,625</u>	<u>2,371,203</u>
<b>Total assets less current liabilities</b>		<u>9,891,041</u>	<u>8,124,489</u>
<b>Non-current liabilities</b>			
Bank loans		456,563	12,322
Deferred tax liabilities		28,491	28,115
Provisions		22,472	9,735
		<u>507,526</u>	<u>50,172</u>
<b>NET ASSETS</b>		<u>9,383,515</u>	<u>8,074,317</u>
<b>Capital and reserves</b>			
Share capital		1,006,655	1,006,655
Reserves		8,305,745	7,007,329
<b>Total equity attributable to equity shareholders of the Company</b>		<u>9,312,400</u>	<u>8,013,984</u>
<b>Non-controlling interests</b>		<u>71,115</u>	<u>60,333</u>
<b>TOTAL EQUITY</b>		<u>9,383,515</u>	<u>8,074,317</u>

Notes:

1. **Basis of consolidation**

The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Company and all its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and comply with International Financial Reporting Standards (“IFRSs”).

2. **Changes in accounting policies**

The International Accounting Standards Board has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. These new and revised IFRSs have no significant impact on the financial statements of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. **Revenue**

Revenue, which is also the Group’s turnover, represents the sales value of goods sold, services supplied to customers, hire purchase financing income, rental income, income from sale of properties, management service fees, agency commission and handling fees and warranty reimbursements, net of goods and services taxes where applicable, analysed as follows:

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Sale of goods	5,696,376	5,523,128
Rendering of services	475,209	437,375
Hire purchase financing income	41,041	40,744
Gross rentals from investment properties	111,641	106,920
Gross proceeds from properties sold	178,887	215,561
Management service fees	1,000	1,880
Agency commission and handling fees	16,263	17,771
Warranty reimbursements	6,948	11,553
	<u>6,527,365</u>	<u>6,354,932</u>

4. **Segment reporting**

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geographical areas. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the reportable segments as set out in note (a) below. No operating segments have been aggregated to form the reportable segments.

**Business lines**

(i) Motor vehicle distribution

The Group is the distributor for Nissan vehicles in Singapore and for Subaru vehicles in Singapore, Hong Kong, certain provinces of the People’s Republic of China (“PRC”) and some countries in the Association of Southeast Asia Nations (“ASEAN”). The Group distributes various models of Nissan and Subaru passenger and Nissan light commercial vehicles.

#### **4 Segment reporting (continued)**

(ii) Heavy commercial vehicle and industrial equipment distribution

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

(iii) Property rentals and development

The Group has significant property interests and is engaged in the gradual developments of various investment properties in order to meet the property needs of the Group as well as for sales and rental income. At present the Group's activities in this segment are mainly carried out in Singapore and Hong Kong.

(iv) Other operations

Other operations mainly include investment holding, hire-purchase financing, provision of workshop services and the manufacturing of vehicles seats.

**(a) Segment results**

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including bank and other interest income.

4 **Segment reporting (continued)**

*(a) Segment results (continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below.

	<b>Group revenue</b>		<b>EBITDA</b>	
	<i>For the year ended</i>		<i>For the year ended</i>	
	<i>31 December</i>		<i>31 December</i>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Business lines</b>				
Motor vehicle distribution	4,346,934	4,861,460	(62,921)	189,844
Heavy commercial vehicle and industrial equipment distribution	1,435,356	688,033	200,860	100,454
Property rentals and development	286,412	319,000	406,051	321,737
Other operations	458,663	486,439	626,876	155,120
	<u>6,527,365</u>	<u>6,354,932</u>	<u>1,170,866</u>	<u>767,155</u>

	<b>Group revenue</b>	
	<i>For the year ended</i>	
	<i>31 December</i>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Geographical areas</b>		
Singapore	1,451,857	1,807,642
Hong Kong	90,378	70,831
PRC	2,608,757	3,178,950
Others	2,376,373	1,297,509
	<u>6,527,365</u>	<u>6,354,932</u>

*(b) Reconciliation of reportable segment profit or loss*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment EBITDA	1,170,866	767,155
Depreciation and amortisation	(160,582)	(147,459)
Interest income	28,853	41,771
Finance costs	(35,573)	(51,255)
Share of profits less losses of associates	167,712	93,403
<b>Consolidated profit before taxation</b>	<u>1,171,276</u>	<u>703,615</u>

5. **Profit before taxation**

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	4,914,632	4,644,681
Interest expense	35,573	51,255
Amortisation of interest in leasehold land	8,172	7,853
Depreciation		
- assets held for use under operating leases	54,839	53,645
- other assets	97,571	85,961
Bank and other interest income	(28,853)	(41,771)
Dividend income		
- listed investments	(10,820)	(9,490)
- unlisted investments	(660)	(1,831)
Gain on disposal of property, plant and equipment	<u>(27,434)</u>	<u>(11,050)</u>

6. **Taxation**

**Income tax expense:**

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current tax expense</b>		
Provision for the year	103,559	89,945
Over-provision in respect of prior years	<u>(3,616)</u>	<u>(58)</u>
	99,943	89,887
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<u>(13,093)</u>	<u>7,751</u>
<b>Total income tax expense in the consolidated income statement</b>	<u>86,850</u>	<u>97,638</u>

Taxes on profits have been provided for at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdictions for the year.

7. **Dividends**

Dividends payable to equity shareholders of the Company attributable to the year:

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid of HK\$0.02 per ordinary share (2011: HK\$0.015 per ordinary share)	40,266	30,200
Final dividend proposed after the balance sheet date of HK\$0.07 per ordinary share (2011: HK\$0.055 per ordinary share)	140,932	110,732
	<u>181,198</u>	<u>140,932</u>

8. **Earnings per share**

The calculation of basic earnings per share is based on the net profit for the year attributable to equity shareholders of the Company of HK\$1,078,101,000 (2011: HK\$599,473,000) and the number of ordinary shares outstanding during the year of 2,013,309,000 (2011: 2,013,309,000) shares.

Diluted earnings per share for the year ended 31 December 2012 and 2011 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

9. **Trade debtors**

Ageing analysis of trade debtors, based on the due dates, is as follows:

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	546,999	327,863
31-90 days	97,321	39,938
Over 90 days	68,075	45,981
	<u>712,395</u>	<u>413,782</u>

The Group allows credit periods ranging from seven days to six months.

10. **Trade creditors**

Ageing analysis of trade creditors, based on the invoice dates, is as follows:

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	384,278	258,354
31-90 days	216,241	85,648
91-180 days	21,358	12,998
Over 180 days	29,661	9,959
	<u>651,538</u>	<u>366,959</u>



## **FINAL DIVIDEND**

The Board recommends a final dividend of HK\$0.07 per share on the shares in issue absorbing a total of HK\$140,931,630 which will be payable on 13 June 2013 to shareholders whose names appear on the Register of Members on 6 June 2013, subject to the approval of shareholders at the Annual General Meeting to be held on 30 May 2013.

## **MANAGEMENT REVIEW**

### **RESULTS**

The Group's profit attributable to shareholders for the financial year 2012 was HK\$1,078 million. Contribution to consolidated profit attributable to shareholders from the increase in fair values of listed securities and revaluation gain on investment properties amounted to HK\$574.5 million and HK\$271.7 million respectively. The increase in profit attributable to shareholders was therefore derived mainly from investments. Concurrently, distribution and administrative costs also increased substantially due mainly to rapid expansion of our regional marketing and distribution footprints.

### **FINANCE**

Dividend payment is expected to be increased from HK\$141 million in year 2011 to HK\$181 million for 2012, an increase of 28% year on year. Consolidated NTA (net tangible assets) year on year rose from HK\$4.01 to HK\$4.66 per share.

### **SINGAPORE**

The higher cost of COE (Certificates of Entitlement) and the strong Japanese Yen during most of 2012 reduced our price competitiveness in Japanese passenger cars and consequently sales were lower than the previous year. Our Nissan commercial vehicles, however, maintained sales leadership locally from a fortuitous combination of product suitability and lower import tax rate for such vehicles.

Property rentals were better in the year as our service apartments at Wilby Central were fully operational and rent rates improved.

### **THAILAND**

The Thailand economy improved over the year and our truck sales enjoyed better sales. Our truck assembly also resumed at planned rates in latter half of the year when key components supplied from Japan were restored to previous levels before being affected by the tsunami in 2011. Forklift leasing and sales improved in tandem with the better economic performance of the country.

### **CHINA**

Car sales in China, particularly Japanese cars, were dampened in the latter part of 2012 largely through poor buyers sentiment caused by the Sino-Japanese rhetoric over territorial sovereignty. Sales however have recovered since December 2012. Fuji Heavy Industries ("FHI") has introduced a new distribution policy in China but we will continue to be primary dealers in the key cities of Guangzhou and Hunan provinces. Our Xiamen seat factory in China is producing at near full capacity but Nanjing Seat Plant is still gearing up from pre-production stage to final start of production in May 2013. The factory has received the quality certification TS 16949 from authorized national agencies to certify manufacturing meeting China and international standards.

### **PROSPECTS**

The Group has embarked on assembly of the latest Subaru XV model in Malaysia through a contract manufacturing arrangement. This project was fast-tracked by our technical team in cooperation with FHI engineers and production quality status was certified by the factory designers of the vehicle by the end of 2012.

This project will significantly expand our sales throughout ASEAN arising from the Asean Free Trade Agreement (AFTA) that allows for import concessions and will price our cars more competitively than we hitherto enjoy. The Board expects this new development in local production of passenger vehicles will contribute to better vehicle sales performance. Barring unforeseen circumstances, all other key subsidiaries are expected to perform satisfactorily in 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting (“AGM”) which is scheduled on Thursday, 30 May 2013, the register of members of the Company will be closed from Tuesday, 28 May 2013 to Thursday, 30 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Shop No. 1712-1716, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2013.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the forthcoming AGM of the Company), the register of members of the Company will be closed from Wednesday, 5 June 2013 to Thursday, 6 June 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend as stated in the Announcement, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Shop No. 1712-1716, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 4 June, 2013.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on 30 May 2013 at 11:00a.m.. The Notice of Annual General Meeting will be sent to shareholders on or before 23 April 2013.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

There was no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries during the year.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2012.

## **CORPORATE GOVERNANCE**

The Board of Directors (the “Board”) of the Company is committed to the observance of good corporate governance. The Board has adopted the Code on Corporate Governance Practices which was formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Corporate Governance Code which is the revised edition of the CG Code taking effect from 1 April 2012 (the “Revised CG Code”). Throughout the year under review, the Company has complied with all of the code provisions set out in the CG Code for the period from 1 January 2012 up to 31 March 2012 and the Revised CG Code for the period from 1 April 2012 to 31 December 2012, except as set out below.

The non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-Laws.

Mr. Tan Eng Soon ("Mr Tan") currently holds the offices of Chairman and Chief Executive Officer. Mr. Tan has been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

By Order of the Board

**Sng Chiew Huat**

Finance Director

Hong Kong, 22 March 2013

Website: <http://www.tanchong.com>

*As at the date of this announcement, the directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Independent non-executive directors are Mr. Lee Han Yang, Mr. Masatoshi Matsuo, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck. The Honorary Life Counsellor of the Company is Dato' Tan Kim Hor.*