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Tan Chong International Limited

陳唱國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 693)

FINAL RESULTS

The Board of Directors (the “Board”) of Tan Chong International Limited (the “Company”) wishes to announce the following results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015.

Consolidated statement of profit or loss

		For the year ended 31 December	
	Note	2015	2014 (restated)
		HK\$'000	HK\$'000
Revenue	3, 4	14,818,639	10,647,779
Cost of sales		<u>(12,016,230)</u>	<u>(8,512,829)</u>
Gross profit		2,802,409	2,134,950
Other net income		138,665	197,867
Distribution costs		(1,154,116)	(809,286)
Administrative expenses		(975,527)	(858,515)
Other operating expenses		<u>(36,172)</u>	<u>(29,183)</u>
Profit from operations		775,259	635,833
Financing costs		(82,659)	(63,333)
Share of profits less losses of associates		<u>76,179</u>	<u>76,047</u>
Profit before taxation	5	768,779	648,547
Income tax expense	6	<u>(319,138)</u>	<u>(221,683)</u>
Profit for the year		<u><u>449,641</u></u>	<u><u>426,864</u></u>
Attributable to:			
Equity shareholders of the Company		308,215	349,227
Non-controlling interests		<u>141,426</u>	<u>77,637</u>
Profit for the year		<u><u>449,641</u></u>	<u><u>426,864</u></u>
Earnings per share	8		
Basic and diluted		<u><u>\$0.15</u></u>	<u><u>\$0.17</u></u>

**Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015**

	For the year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>(restated) HK\$'000</i>
Profit for the year	<u>449,641</u>	<u>426,864</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	201	7,294
Surplus on revaluation of land and buildings upon transfer to investment properties	-	331,167
Investments designated as at fair value through other comprehensive income: - changes in fair value recognised during the year	<u>498,187</u>	<u>641,004</u>
	<u>498,388</u>	<u>979,465</u>
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(441,311)	(462,294)
- associates outside Hong Kong	<u>(59,795)</u>	<u>(9,521)</u>
	<u>(501,106)</u>	<u>(471,815)</u>
Other comprehensive income for the year	<u>(2,718)</u>	<u>507,650</u>
Total comprehensive income for the year	<u><u>446,923</u></u>	<u><u>934,514</u></u>
Attributable to:		
Equity shareholders of the Company	314,781	934,848
Non-controlling interests	<u>132,142</u>	<u>(334)</u>
Total comprehensive income for the year	<u><u>446,923</u></u>	<u><u>934,514</u></u>

**Consolidated statement of financial position
at 31 December 2015**

	Note	As at 31 December 2015 <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>
Non-current assets			
Investment properties		3,150,381	3,399,251
Other property, plant and equipment		3,393,880	3,250,284
Interest in leasehold land		85,128	97,622
Intangible assets		100,093	104,034
Goodwill		5,498	6,214
Interest in associates		728,678	744,089
Other financial assets		109,224	118,848
Hire purchase debtors and instalments receivable		258,992	236,664
Non-current prepayments		157,370	112,476
Deferred tax assets		39,920	43,040
		<u>8,029,164</u>	<u>8,112,522</u>
Current assets			
Investments designated as at fair value through other comprehensive income		3,637,821	3,215,815
Inventories		2,180,032	2,765,886
Properties held for sale		54,760	58,619
Trade debtors	9	1,311,272	1,130,143
Hire purchase debtors and instalments receivable		122,172	107,411
Other debtors, deposits and prepayments		464,802	527,772
Amounts due from related companies		1,465	6,842
Cash and cash equivalents		3,166,150	2,912,541
		<u>10,938,474</u>	<u>10,725,029</u>
Current liabilities			
Unsecured bank overdrafts		60,545	73,211
Bank loans		2,157,495	1,946,985
Trade creditors	10	1,043,459	1,041,616
Other creditors and accruals		980,241	946,373
Amounts due to related companies		8,068	15,126
Obligations under finance leases		29,240	22,991
Current taxation		174,397	130,979
Provisions		55,264	45,611
		<u>4,508,709</u>	<u>4,222,892</u>
Net current assets		<u>6,429,765</u>	<u>6,502,137</u>
Total assets less current liabilities		<u>14,458,929</u>	<u>14,614,659</u>
Non-current liabilities			
Bank loans		1,047,609	1,316,040
Unsecured medium term note		646,935	692,695
Obligations under finance leases		112,262	94,164
Net defined benefit retirement obligations		136,804	145,265
Deferred tax liabilities		62,879	67,566
Provisions		30,448	37,016
		<u>2,036,937</u>	<u>2,352,746</u>
NET ASSETS		<u>12,421,992</u>	<u>12,261,913</u>

**Consolidated statement of financial position
at 31 December 2015 (continued)**

	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Capital and reserves		
Share capital	1,006,655	1,006,655
Reserves	<u>10,731,010</u>	<u>10,624,683</u>
Total equity attributable to equity shareholders of the Company	11,737,665	11,631,338
Non-controlling interests	<u>684,327</u>	<u>630,575</u>
TOTAL EQUITY	<u><u>12,421,992</u></u>	<u><u>12,261,913</u></u>

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2015 included in this preliminary announcement of annual results is extracted from the Company's annual consolidated financial statements for the year ended 31 December 2015.

The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the Company and all its subsidiaries 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 certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the early adoption of IFRS 9 (2009), *Financial Instruments*, which is applied retrospectively.

IFRS 9 (2009) is the first part of a project to replace IAS 39: *Financial Instruments: Recognition and Measurement*, and it replaces the classification and measurement requirements in IAS 39 for debt and equity securities. Previously, debt and equity securities of the Group were classified as available-for-sale securities and investments designated as at fair value through profit or loss. The early adoption of IFRS 9 (2009) has resulted in a change in accounting policy, and debt and equity securities are classified into investments designated as at fair value through profit or loss or investments designated as at fair value through other comprehensive income. The Group first applied the requirements of IFRS 9 (2009) on 1 January 2015.

Policy applicable prior to 1 January 2015

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial assets as: financial assets at fair value through profit or loss, or available-for-sale financial assets.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value.

2. Changes in accounting policies (continued)

Financial assets at fair value through profit or loss

A financial asset was classified at fair value through profit or loss if it was classified as held for trading or was designated as such upon initial recognition. Financial assets were designated at fair value through profit or loss if the Group managed such investments and made purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs were recognised in profit or loss as incurred. Financial assets at fair value through profit or loss were measured at fair value, and changes therein were measured at fair value, and changes therein were recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available for sale and that were not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities were classified as available-for-sale financial assets. Subsequent to initial recognition, they were measured at fair value and changes therein, other than foreign currency differences on available-for-sale debt instruments which were included in profit or loss and impairment losses, were recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment was derecognised, the cumulative gain or loss in other comprehensive income was transferred to profit or loss.

Policy applicable from 1 January 2015

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if: the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value

Financial assets other than those subsequently measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

For investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

2. Changes in accounting policies (continued)

Impact of change in accounting policy

In accordance with the transitional provisions of IFRS 9 (2009), the classification of financial assets that the Group held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date. As a result, \$2,695,662,000 was reclassified at 1 January 2015 from the retained profits to fair value reserve, because certain equity securities were reclassified from investments designated as at fair value through profit or loss to investments designated as at fair value through other comprehensive income.

The early adoption of IFRS 9 (2009) did not impact the Group's accounting policy for financial liabilities as disclosed in the Group's 31 December 2014 financial statements.

The early adoption of IFRS 9 (2009), *Financial Instruments*, is applied retrospectively.

Comparatives for the year ended 31 December 2014 are restated as follows:

	<i>As previously reported HK\$'000</i>	<i>Effect of adoption of IFRS 9 (2009) HK\$'000</i>	<i>As restated HK\$'000</i>
Consolidated statement of profit or loss			
Other net income	836,884	(639,017)	197,867
Profit from operations	1,274,850	(639,017)	635,833
Profit before taxation	1,287,564	(639,017)	648,547
Profit for the year	1,065,881	(639,017)	426,864
Profit for the year attributable to equity shareholders of the Company	988,244	(639,017)	349,227
Basic and diluted earnings per share	HK\$0.49	HK\$(0.32)	HK\$0.17
Consolidated statement of profit or loss and other comprehensive income			
Investments designated as at fair value through other comprehensive income:			
– Changes in fair value recognised during the year	-	641,004	641,004
Available-for-sales equity securities:			
– Changes in fair value recognised during the year	1,987	(1,987)	-
Other comprehensive income for the year	(131,367)	639,017	507,650
Consolidated statement of changes in equity as at 1 January 2014			
Fair value reserve (Available-for-sale)	5,146	(5,146)	-
Fair value reserve (Fair value through other comprehensive income)	-	2,061,791	2,061,791
Retained profits	7,827,352	(2,056,645)	5,770,707
Consolidated statement of changes in equity as at 1 January 2015			
Fair value reserve (Available-for-sale)	6,846	(6,846)	-
Fair value reserve (Fair value through other comprehensive income)	-	2,702,508	2,702,508
Retained profits	<u>8,607,910</u>	<u>(2,695,662)</u>	<u>5,912,248</u>

2. Changes in accounting policies (continued)

Classification of financial assets on the date of initial application of IFRS 9 (2009)

The following table summarises the transitional classification and measurement adjustments to the Group's financial assets on 1 January 2015, the Group's date of initial application of IFRS 9 (2009):

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39 HK\$'000</i>	<i>New carrying amount under IFRS 9 HK\$'000</i>
Equity securities (Note) (Current assets)	Fair value through profit or loss	Fair value through other comprehensive income	3,215,815	3,215,815
Equity securities (Note) (Non- current assets)	Available-for-sale	Fair value through other comprehensive income	49,584	49,584
Debt securities	Available-for-sale	Fair value through profit or loss	69,264	69,264

Note: These equity investments represent securities investments that the Group intends to hold for strategic purposes. Accordingly, the Group has elected to recognise these investments at fair value through other comprehensive income.

3. Revenue

Revenue represents the sales value of goods sold, services provided 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, is analysed as follows:

	For the year ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sale of goods	9,088,115	7,439,873
Rendering of services	5,459,602	2,981,188
Hire purchase financing income	43,278	40,044
Gross rentals from investment properties	97,715	123,233
Management service fees	1,433	1,000
Agency commission and handling fees	114,023	54,420
Warranty reimbursements	14,473	8,021
	<u>14,818,639</u>	<u>10,647,779</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.

4. Segment reporting (continued)

Business lines

(i) Motor vehicle distribution and dealership business

The Group is the distributor for Nissan vehicles in Singapore and distributor or dealer for Subaru vehicles in Singapore, Guangdong Province of the PRC, Hong Kong, Taiwan, Thailand and certain other Southeast Asia countries. The Group distributes various models of Nissan and Subaru passenger cars and Nissan light commercial vehicles.

(ii) Heavy commercial vehicle and industrial equipment distribution and dealership business

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

(iii) Property rentals and development

The Group has a number of property interests and is engaged in the development of various investment properties for sales and rental income. At present, the Group's activities in this segment are mainly carried out in Singapore and Hong Kong.

(iv) Transportation

The Group mainly carries out the vehicle logistics services to vehicles manufacturers in Japan. The Group also provides human resource management service in relation to transportation business in Japan.

(v) 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.

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 2015 and 2014 is set out below.

4. Segment reporting (continued)

(a) Segment results (continued)

	Group revenue from external customers		EBITDA	
	<i>For the year ended 31 December</i>		<i>For the year ended 31 December</i>	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	(restated) HK\$'000
Business lines				
Motor vehicle distribution and dealership business	8,525,512	6,772,904	627,160	437,115
Heavy commercial vehicle and industrial equipment distribution and dealership business	670,331	596,996	(15,500)	58,467
Property rentals and development	91,588	117,077	(46,339)	84,081
Transportation	5,007,128	2,586,882	357,811	159,100
Other operations	524,080	573,920	91,854	167,247
	<u>14,818,639</u>	<u>10,647,779</u>	<u>1,014,986</u>	<u>906,010</u>

	Group revenue from external customers	
	<i>For the year ended 31 December</i>	
	2015	2014
	HK\$'000	HK\$'000
Geographical areas		
Singapore	3,684,841	2,348,227
Hong Kong	111,103	116,416
PRC	1,620,105	1,808,697
Thailand	1,165,163	839,862
Japan	5,007,128	2,586,882
Others	3,230,299	2,947,695
	<u>14,818,639</u>	<u>10,647,779</u>

(b) Reconciliation of reportable segment profit or loss

	For the year ended 31 December	
	2015	2014
	HK\$'000	(restated) HK\$'000
Total segment EBITDA	1,014,986	906,010
Depreciation and amortisation	(269,996)	(293,176)
Interest income	30,269	22,999
Finance costs	(82,659)	(63,333)
Share of profits less losses of associates	76,179	76,047
Consolidated profit before taxation	<u>768,779</u>	<u>648,547</u>

5. Profit before taxation

	For the year ended 31 December	
	2015	2014 (restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	7,796,204	5,360,000
Interest expense	82,659	63,333
Amortisation		
- interest in leasehold land	8,048	15,172
- intangible assets	15,143	8,959
Depreciation		
- assets held for use under operating leases	40,766	49,829
- other assets	206,039	219,216
Bank and other interest income	(30,269)	(22,999)
Dividend income		
- listed investments	(67,366)	(44,901)
- unlisted investments	(616)	(638)
Gain on disposal of property, plant and equipment	(14,105)	(17,793)
Net valuation losses/(gains) on investment properties	53,093	(42,719)
	<u>7,796,204</u>	<u>5,360,000</u>

6. Taxation

Income tax expense:

	For the year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax expense		
Provision for the year	321,358	203,418
Over-provision in respect of prior years	(1,627)	399
	<u>319,731</u>	<u>203,817</u>
Deferred tax expense		
Origination and reversal of temporary differences	(593)	17,866
	<u>(593)</u>	<u>17,866</u>
Total income tax expense in the consolidated statement of profit or loss	<u>319,138</u>	<u>221,683</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:

	For the year ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Interim dividend paid of HK\$0.025 per ordinary share (2014: HK\$0.025 per ordinary share)	50,332	50,332
Final dividend proposed after the end of the reporting period of HK\$0.08 per ordinary share (2014: HK\$0.08 per ordinary share)	161,065	161,065
	<u>211,397</u>	<u>211,397</u>

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$308,215,000 (2014 (restated): HK\$349,227,000) and the number of 2,013,309,000 ordinary shares (2014: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2015 and 2014 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

9. Trade debtors

As of the end of the reporting period, the ageing analysis of trade debtors (net of impairment losses), based on the due dates, is as follows:

	As at 31 December	
	2015 HK\$'000	2014 HK\$'000
0-30 days	1,177,358	1,041,943
31-90 days	95,730	47,683
Over 90 days	38,184	40,517
	<u>1,311,272</u>	<u>1,130,143</u>

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

10. Trade creditors

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	As at 31 December	
	2015 HK\$'000	2014 HK\$'000
0-30 days	732,319	803,352
31-90 days	186,102	123,365
91-180 days	49,226	39,619
Over 180 days	75,812	75,280
	<u>1,043,459</u>	<u>1,041,616</u>

FINAL DIVIDEND

The Board recommends a final dividend of HK\$0.08 per share on the shares in issue absorbing a total of HK\$161,064,720 which will be payable on 15 June 2016 to shareholders whose names appear on the Register of Members on 2 June 2016, subject to the approval of shareholders at the Annual General Meeting to be held on 25 May 2016.

MANAGEMENT REVIEW

RESULTS

The Group attained record revenue of HK\$14.8 billion, a 39% increase from the previous year. This was driven by the expansion of our core automotive vehicle distribution business in Singapore, Thailand and Taiwan, and the full year consolidation of the financial results of Zero Co., Ltd (“Zero”). Profit from operations increased to HK\$775 million, a 22% increase from 2014. Operating profit margin decreased to 5.2% from 6% in the previous year, impacted by the increased cost from the build-up of its regional distribution network, operational integration and expansion of its complete knock-down (“CKD”) operations. Profit attributable to shareholders was HK\$308 million. This included the valuation loss on investment properties. The reporting currency, HKD had on average appreciated more than 7% relative to the currencies of regional countries where the Group operates. This has negatively impacted our financial results.

The Group’s return on capital employed (“ROCE”), computed by dividing earnings before interest and taxes (“EBIT”) by total equity and non-current liabilities, was 5.7% as compared to 4.7% in the previous year.

The Group’s gearing ratio, computed by dividing total debt by total equity, was 0.31 as compared to 0.33 in the previous year. The improvement was due to both a decrease in total debt and an increase in total equity. Total debt comprised of HK\$2.2 billion and HK\$1.7 billion of short term and long term debt respectively. Borrowings are primarily denominated in Japanese Yen and Singapore Dollar.

In addition to the regulatory, environmental and emission standard requirements in the countries that the Group operates, we take efforts to participate in programs and incentives which encourage sustainability, conservation and reduced environmental impact. The number of employees at the end of 2015 was 6,059 (2014: 5,951). The Group recognizes its human resources as valuable assets and maintains its commitment to training, developing and retaining talented employees.

To comply with updated IFRS accounting standards, IFRS 9 (2009) Financial Instruments has been adopted in the preparation of the financial results, and applied retrospectively.

FINANCE

Dividend payment will be maintained at HK\$211 million for 2015 with the final dividend of 8.0 cents per share (interim 2.5 cents per share). Consolidated net assets year-on-year rose from HK\$6.09 to HK\$6.17 per share.

SINGAPORE

The Singapore passenger vehicle market experienced significant growth in 2015, in line with the new car vehicle registration cycle. Both our Nissan and Subaru brands outperformed by expanding their respective market share and achieving sharp increases in unit sales and revenue. The commercial vehicle market also expanded, with our Nissan commercial vehicle division recording double digit growth in unit sales, continuing its dominant position in the Light Goods Vehicle segment. The property division faced headwinds in 2015 with intensified competition and weak market sentiment. This led to a fall in occupancy and decreased profitability as compared to the previous year.

CHINA

With declining growth in both the automotive industry and the broader economy, our Subaru unit sales in China fell by 10%. This was compounded by the impact of stricter vehicle emission standards, and the expansion in market share of domestic Chinese brands. The current challenging environment for passenger vehicles is expected to persist in 2016. Our Nanjing seat manufacturing division was adversely affected by the flooding experienced in 2015, but has since resumed production and received new orders.

CKD MARKETS

The Thailand passenger vehicle market experienced a contraction in 2015. However, our Subaru brand in Thailand recorded a significant increase in unit sales, as the Group's efforts to increase market penetration and strengthen brand awareness have begun to show traction. Our truck distribution business showed signs of recovery in 2015 with unit sales increasing 31% primarily driven by an enlarged dealer network and expanded vehicle line. This was supported by the relative stability in the political climate as compared to 2014 and signs of improvement in government and infrastructure expenditure. In Indonesia, there have been no material changes since the disclosure in the last interim report on the operations. In Malaysia, despite the challenging business environment and oil price volatility, our business was able to maintain its growth momentum and achieved all-time high unit sales. The Group invested heavily in both Malaysia and Thailand operations by building sales infrastructure, systems, human resources and distribution networks. As a result, the Group has had to bear increased operating cost as it progresses with the development of these markets for the Subaru brand. Management holds a long-term view of business prospects in these territories, with a focus on establishing a foothold and enduring Subaru brand presence in the CKD markets. In March 2016, the Group launched the Subaru Forester CKD model in Thailand. This represents an inflection point for the CKD territories with the Forester forming the foundation of the core CKD product line up moving forward.

TAIWAN AND PHILIPPINES

Philippines experienced a 5% decline in unit sales in 2015. The Group has refocused its Philippine efforts by enhancing management and marketing resources in the country. Taiwan maintained its sales leadership within the Motor Image group, outperforming the industry with an 18% increase in revenue. Taiwan is expected to expand and vertically integrate its vehicle operations, increasing its contribution to group profitability.

JAPAN

Zero, the vehicle transportation and logistics division which is listed on the Tokyo Stock Exchange, recorded annual revenue of HK\$5 billion and comprised 34% of consolidated revenue of the Group. Zero performed admirably against a difficult domestic Japanese automotive environment, achieving year-on-year growth in both sales and profits.

PROSPECTS

Against the backdrop of global macro uncertainty and the prospect of a rising interest rate environment, the Group continues to focus on the opportunities presented from the rising integration within Asia and the ASEAN Economic Community. With the long term view of developing the Subaru CKD markets, we will seek to introduce new CKD model lineups and scale up our CKD manufacturing and assembly activities. In the CKD territories, we anticipate improving vehicle sales with the launch of the Subaru Forester. However, we are cautious of the weak consumer sentiment and expect high cost in the build-up of the network infrastructure and marketing cost to develop brand awareness as we move up the learning curve and stabilize operations. We expect growth in our Singapore, Philippines and Taiwan operations. Barring unforeseen circumstances, we expect to perform satisfactorily in 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting (“AGM”) which is scheduled on Wednesday, 25 May 2016, the register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016, 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 Friday, 20 May 2016.

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 Tuesday, 31 May 2016 to Thursday, 2 June 2016, 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 Monday, 30 May 2016.

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 25 May 2016 at 11:00a.m.. The Notice of Annual General Meeting will be sent to shareholders on or before 21 April 2016.

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 2015.

CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of Tan Chong International Limited (the “Company”) is committed to the observance of good corporate governance to protect the interests and rights of shareholders and the financial performance of the Company and its subsidiaries (collectively the “Group”). The Board has adopted the “Corporate Governance Code and Corporate Governance Report” (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) that form part of the disclosure requirement under the Listing Rules. Throughout the year under review, the Company has complied with most of the code provisions set out in the CG Code. Where applicable various self-regulatory and monitoring measures were adopted for effective corporate governance practice.

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, 30 March 2016

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. Ng Kim Tuck, Mr. Azman Bin Badrillah and Mr. Prechaya Ebrahim.