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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)

INTERIM RESULTS

The board of directors (the “Board”) of Tan Chong International Limited (the “Company”) wishes to announce the following unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015.

Consolidated Income Statement

-unaudited

	Note	Six months ended 30 June	
		2015	2014
		HK\$'000	(restated) HK\$'000
Revenue	2	7,151,072	3,963,006
Cost of sales		<u>(5,821,392)</u>	<u>(3,144,571)</u>
Gross profit		1,329,680	818,435
Other operating income		93,759	96,226
Distribution costs		(523,854)	(311,829)
Administrative expenses		(480,629)	(379,116)
Other operating expenses		<u>(11,865)</u>	<u>(15,561)</u>
Profit from operations		407,091	208,155
Finance costs		(49,675)	(25,739)
Share of profit less losses of associates		<u>34,384</u>	<u>43,704</u>
Profit before taxation	3	391,800	226,120
Income tax	4	<u>(140,934)</u>	<u>(57,771)</u>
Profit for the period		<u><u>250,866</u></u>	<u><u>168,349</u></u>
Attributable to:			
Equity shareholders of the Company		172,308	153,155
Non-controlling interests		<u>78,558</u>	<u>15,194</u>
Profit for the period		<u><u>250,866</u></u>	<u><u>168,349</u></u>
Earnings per share (cents)	6		
Basic and diluted		<u><u>8.6</u></u>	<u><u>7.6</u></u>

Consolidated Statement of Comprehensive Income
-unaudited

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>
Profit for the period	<u>250,866</u>	<u>168,349</u>
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit liability	3,563	-
Investments designated as at fair value through other comprehensive income:		
- changes in fair value recognised during the period	<u>78,791</u>	<u>(94,273)</u>
	<u>82,354</u>	<u>(94,273)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of:		
- overseas subsidiaries	(113,448)	39,422
- associates	<u>(26,823)</u>	<u>10,697</u>
	<u>(140,271)</u>	<u>50,119</u>
Other comprehensive income for the period	<u>(57,917)</u>	<u>(44,154)</u>
Total comprehensive income for the period	<u><u>192,949</u></u>	<u><u>124,195</u></u>
Attributable to:		
Equity shareholders of the Company	120,318	109,342
Non-controlling interests	<u>72,631</u>	<u>14,853</u>
Total comprehensive income for the period	<u><u>192,949</u></u>	<u><u>124,195</u></u>

Consolidated Balance Sheet
-unaudited

	Note	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Non-current assets			
Investment properties		3,339,773	3,399,251
Other property, plant and equipment		3,223,785	3,250,284
Interest in leasehold land		92,062	97,622
Intangible assets		104,954	104,034
Goodwill		3,981	6,214
Interest in associates		732,694	744,089
Other financial assets		115,405	118,848
Hire purchase debtors and instalments receivable		222,324	236,664
Non-current prepayments		107,791	112,476
Deferred tax assets		35,611	43,040
		<u>7,978,380</u>	<u>8,112,522</u>
Current assets			
Investments designated as at fair value through other comprehensive income		3,221,736	3,215,815
Inventories		2,702,938	2,765,886
Properties held for sale		57,614	58,619
Trade debtors	7	1,145,947	1,130,143
Hire purchase debtors and instalments receivable		105,682	107,411
Other debtors, deposits and prepayments		634,203	527,772
Amount due from related companies		2,975	6,842
Cash and cash equivalents		2,895,526	2,912,541
		<u>10,766,621</u>	<u>10,725,029</u>
Current liabilities			
Unsecured bank overdrafts		53,497	73,211
Bank loans		2,028,390	1,946,985
Trade creditors	8	815,581	1,041,616
Other creditors and accruals		1,013,281	946,373
Amounts due to related companies		117,490	15,126
Obligations under finance leases		27,107	22,991
Current taxation		145,206	130,979
Provisions		41,940	45,611
		<u>4,242,492</u>	<u>4,222,892</u>
Net current assets		<u>6,524,129</u>	<u>6,502,137</u>
Total assets less current liabilities		<u>14,502,509</u>	<u>14,614,659</u>

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Non-current liabilities		
Bank loans	1,194,070	1,316,040
Unsecured medium term note	680,311	692,695
Obligations under finance leases	111,183	94,164
Net defined benefit retirement obligations	136,677	145,265
Deferred tax liabilities	61,930	67,566
Provisions	24,541	37,016
	<u>2,208,712</u>	<u>2,352,746</u>
NET ASSETS	<u>12,293,797</u>	<u>12,261,913</u>
 Capital and Reserves		
Share capital	1,006,655	1,006,655
Reserves	<u>10,583,936</u>	<u>10,624,683</u>
Total equity attributable to equity shareholders of the Company	11,590,591	11,631,338
Non-controlling interests	<u>703,206</u>	<u>630,575</u>
 TOTAL EQUITY	<u>12,293,797</u>	<u>12,261,913</u>

Notes:

1. **Basis of preparation**

The unaudited interim financial statements have been prepared in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The unaudited interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the adoption of IFRS 9 (2009), Financial Instruments, which is applied retrospectively.

2. **Segment Reporting**

(a) *Segment results*

	Revenue		EBITDA	
	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2015	Six months ended 30 June 2014 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business lines				
Motor vehicle distribution and dealership business	3,882,317	3,334,510	245,118	205,922
Heavy commercial vehicle, industrial equipment distribution and dealership business	361,805	299,222	12,783	18,450
Property rentals and development	47,081	59,714	12,776	17,759
Transportation	2,552,540	-	181,208	-
Other operations	307,329	269,560	59,663	59,589
	<u>7,151,072</u>	<u>3,963,006</u>	<u>511,548</u>	<u>301,720</u>

	Revenue	
	Six months ended 30 June 2015	Six months ended 30 June 2014
	HK\$'000	HK\$'000
Geographical areas		
Singapore	1,443,018	1,009,493
Hong Kong	80,931	79,409
PRC	826,941	899,230
Thailand	615,830	439,781
Japan	2,552,541	-
Others	1,631,811	1,535,093
	<u>7,151,072</u>	<u>3,963,006</u>

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

	Six months ended 30 June	
	2015	2014 (restated)
	HK\$'000	HK\$'000
Total segment EBITDA	511,548	301,720
Depreciation and amortisation	(125,832)	(113,262)
Interest income	21,375	19,697
Finance costs	(49,675)	(25,739)
Share of profits less losses of associates	34,384	43,704
Consolidated profit before taxation	<u>391,800</u>	<u>226,120</u>

3. **Profit before taxation**

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging/(crediting):		
Finance costs	49,675	25,739
Amortisation of interest in leasehold land	3,854	17,421
Depreciation of property, plant and equipment	121,978	95,841
Dividend income	(22,980)	(24,703)
Gain on disposal of property, plant and equipment	(7,985)	(5,728)
Gain on a bargain purchase	-	(14,693)
	<u> </u>	<u> </u>

4. **Income tax**

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	129	1,094
Singapore	21,678	8,225
Others	119,127	48,452
	<u> </u>	<u> </u>
	<u>140,934</u>	<u>57,771</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 period.

5. **Dividends**

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared of HK\$0.025 (2014: HK\$0.025) per ordinary share	50,333	50,333
	<u> </u>	<u> </u>
	<u>50,333</u>	<u>50,333</u>

6. **Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on net profit attributable to equity shareholders of the Company of HK\$172,308,000 (2014 (*restated*): HK\$153,155,000) and the weighted average number of shares of 2,013,309,000 (2014: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2015 and 2014 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

7. **Trade debtors**

As of the balance sheet date, the ageing analysis of trade debtors (net of impairment losses), based on due date, is as follows:

	At 30 June 2015	At 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	1,010,149	1,041,943
31 - 90 days	67,881	47,683
Over 90 days	67,917	40,517
	<u>1,145,947</u>	<u>1,130,143</u>

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

8. **Trade creditors**

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

	At 30 June 2015	At 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	539,536	803,352
31 - 90 days	139,077	123,365
91 - 180 days	63,099	39,619
Over 180 days	73,869	75,280
	<u>815,581</u>	<u>1,041,616</u>

9. **Comparative figures**

Certain comparative figures have been reclassified to conform with current period's presentation.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.025 (2014: HK\$0.025) per ordinary share on the shares in issue amounting to a total of HK\$50,333,000 (2014: HK\$50,333,000), which will be payable on 23 September 2015 to shareholders of the Company whose names appear on the Register of Members on 18 September 2015. Dividend warrants will be sent to shareholders on 23 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 16 September 2015 to 18 September 2015, both days inclusive. During this period, no transfer of shares will be effected and registered.

In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 15 September 2015.

MANAGEMENT REVIEW

Results

The 1st half of 2015 saw a year on year increase in our Group financial performance, largely due to the consolidation of the financial results of Zero Co., Ltd (“Zero”) and the strong growth in our core passenger vehicle retail and distribution operations. We experienced a double digit increase in sales volume across our Nissan, Subaru and Fuso brands. Zero continues to be a strong contributor to our consolidated revenue and profits, comprising 36% of consolidated revenue.

Revenue and vehicle sales reached HK\$7.151 billion and 14,725 units respectively for the first half of 2015, compared to HK\$3.963 billion and 11,568 units for the corresponding period of 2014.

EBITDA increased 70% to HK\$512 million from HK\$302 million and the Group achieved HK\$251 million Profit for the period, a 49% growth over the first half of 2014. The Group financial results as compared to the corresponding period in 2014 was somewhat impacted negatively by the effects of the appreciation of the Hong Kong Dollar against the currencies of the various operating business units.

Net Asset Per Share at the end of June 2015 rose to HK\$6.11 from HK\$6.09 at the end of December 2014. The directors have declared an interim dividend of HK\$0.025 per share for the first half of 2015.

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

Singapore, Taiwan and Philippines Operations

In Singapore, our Nissan and Subaru brands performed well in the passenger vehicle market, capturing market share and experiencing significant growth in unit sales and revenue. Taiwan continued its positive sales momentum, with improved profit margins due to the operating leverage of a larger scale of operations. The Philippines continues to experience a slow-down in sales but remains a key profit contributor to the Group.

Thailand Trucks and China Business

Thailand commercial vehicle unit sales increased 35% from the first half of 2014, led by increased Fuso sales and its expanded product offering of medium and heavy duty trucks. In August 2015, the Group continued to augment its product range by introducing the “All New Fuso Family” vehicle line up, opening up new market categories for further growth.

Driven by the weakening pace of growth in the automotive industry in China and the transition to stricter vehicle emission standards, there was an 8% decline in sales revenue from our China operations. The weakness in the China business is expected to persist in the second half of 2015, compounded by the flood experienced at our Nanjing seat manufacturing division.

Malaysia / Thailand / Indonesia CKD Operations

The Group invested substantially in both Malaysia and Thailand markets by building extensive sales network, enhancing system and operation integration as well as upgrading its people resources. These infrastructure improvements have led to stronger Subaru brand awareness, resulting in higher sales revenue in the respective markets. Consequently, the Group has to bear increased distribution and operating cost as it progresses with the development of these markets for Subaru. As Management holds a long-term view of business prospects in these territories, it is imperative to continue with the Subaru brand recognition exercise so as to achieve sustained market traction and greater sales penetration in these countries in the future.

There have been no material changes since the information disclosed in the last financial report on the operations in Indonesia. Based on the advice of our local consultants, Management believes that all outstanding issues will be resolved in the near future.

Japan

Despite a challenging domestic automobile market in Japan, Zero performed admirably in the first half of 2015, with strong growth in both sales revenue and profitability. This was attributed to their focus on obtaining new transport service business, and scaling of their used car export and human resource operations. Revenue and profit from Zero were consolidated into the Group financial results beginning the second half of 2014.

Prospects

While watching the current economic uncertainties carefully, the Group will continue to focus on steady growth and improved profitability.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2015.

CORPORATE GOVERNANCE CODE

No Director is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2015, acting in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange. The Non-Executive Director and Independent 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. The Chairman had 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.

Following the passing away of the late Mr. Masatoshi Matsuo on 19 March 2014, the nomination committee of the Company currently comprises one member only. The Board will consider the replacement to fill the vacancy of member of the nomination committee held by the late Mr. Masatoshi Matsuo as soon as practicable. The Board is currently carrying out the responsibilities of the nomination committee.

By Order of the Board

Sng Chiew Huat

Finance Director

Hong Kong, 26 August 2015

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

As at the date of this announcement, the Executive 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. Non-Executive Director is Mr. Azman Bin Badrillah. Independent Non-Executive Directors are Mr. Lee Han Yang, Mr. Ng Kim Tuck and Mr. Prechaya Ebrahim. The Honorary Life Counsellor of the Company is Tan Sri Dato' Tan Kim Hor.