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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 audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

Consolidated statement of profit or loss
for the year ended 31 December 2019

	Note	**2019**	**2018**
			(Note)
		HK$'000	*HK$'000*
Revenue	3, 4	14,533,351	15,731,423
Cost of sales		(11,752,447)	(12,642,693)
Gross profit		2,780,904	3,088,730
Other net income		328,360	435,999
Distribution costs		(1,413,194)	(1,340,416)
Administrative expenses		(1,107,517)	(1,157,603)
Other operating expenses		(23,077)	(54,960)
Profit from operations		565,476	971,750
Financing costs		(101,262)	(92,426)
Share of profits less losses of associates		71,709	71,941
Profit before taxation	5	535,923	951,265
Income tax expense	6	(224,871)	(320,647)
Profit for the year		311,052	630,618
Attributable to:			
Equity shareholders of the Company		212,932	600,899
Non-controlling interests		98,120	29,719
Profit for the year		311,052	630,618
Earnings per share	8		
Basic and diluted		$0.11	$0.30

Note: The Group has initially applied International Financial Reporting Standard ("IFRS") 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	2019 *HK$'000*	2018 *(Note)* *HK$'000*
Profit for the year	311,052	630,618
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	(3,989)	9,040
Investments designated as at fair value through other comprehensive income: - changes in fair value recognised during the year	309,836	(931,439)
Revaluation surplus: - change in fair value prior to transfer from other property, plant and equipment to investment properties	1,821	-
	307,668	(922,399)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	57,799	(94,568)
- associates outside Hong Kong	(10,310)	(37,444)
	47,489	(132,012)
Other comprehensive income for the year	355,157	(1,054,411)
Total comprehensive income for the year	666,209	(423,793)
Attributable to:		
Equity shareholders of the Company	540,277	(455,289)
Non-controlling interests	125,932	31,496
Total comprehensive income for the year	666,209	(423,793)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated statement of financial position
at 31 December 2019

	Note	2019	2018
			(Note)
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		3,628,592	3,443,029
Other property, plant and equipment		5,150,565	4,387,142
Intangible assets		106,057	110,633
Goodwill		39,168	43,486
Interest in associates		883,828	862,729
Other financial assets		65,441	57,179
Hire purchase debtors and instalments receivable		206,429	246,190
Non-current prepayments		131,390	134,832
Deferred tax assets		53,280	61,606
		10,264,750	9,346,826
Current assets			
Investments designated as at fair value through other comprehensive income		2,211,149	1,896,746
Inventories		2,634,350	2,166,126
Properties held for sale		16,774	16,644
Trade debtors	9	1,319,206	1,096,292
Hire purchase debtors and instalments receivable		112,785	116,497
Other debtors, deposits and prepayments		515,544	507,666
Amounts due from related companies		171	150
Cash and bank balances		2,450,254	3,090,532
		9,260,233	8,890,653
Current liabilities			
Unsecured bank overdrafts		75,780	97,600
Bank loans		2,825,895	2,010,779
Trade creditors	10	1,122,535	844,576
Other creditors and accruals		1,390,460	1,319,188
Amounts due to related companies		14,502	32,292
Lease liabilities		277,832	48,281
Current taxation		94,895	160,100
Provisions		48,831	79,896
		5,850,730	4,592,712
Net current assets		3,409,503	4,297,941
Total assets less current liabilities		13,674,253	13,644,767

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated statement of financial position at 31 December 2019 (continued)

	2019	2018
		(Note)
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans	319,975	1,152,102
Lease liabilities	552,707	110,190
Net defined benefit retirement obligations	109,115	123,324
Deferred tax liabilities	93,315	75,303
Provisions	48,264	35,413
	1,123,376	1,496,332
NET ASSETS	12,550,877	12,148,435
CAPITAL AND RESERVES		
Share capital	1,006,655	1,006,655
Reserves	10,309,852	9,999,086
Total equity attributable to equity shareholders of the Company	11,316,507	11,005,741
Non-controlling interests	1,234,370	1,142,694
TOTAL EQUITY	12,550,877	12,148,435

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2019 included in this preliminary announcement of annual results is extracted from the Group's audited consolidated financial statements for the year.

The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Company and all its subsidiaries and the Group's interest in associates and comply with IFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. Changes in accounting policies

The International Accounting Standards Board has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases - incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 which remain substantially unchanged.

2. Changes in accounting policies (continued)

IFRS 16, Leases (continued)

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.17%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

Upon the adoption of IFRS 16 on 1 January 2019, the Group recognised right-of-use assets under "other property, plant and equipment" of HK$ 855 million and a corresponding increase in lease liabilities, on leases previously classified as operating leases.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

3. Revenue

Revenue represents the sales value of goods sold, services provided to customers, hire purchase financing income, rental income, income from sales of properties, management service fees, agency commission and handling fees and warranty income, net of goods and services taxes where applicable, is analysed as follows:

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	For the year ended 31 December	
	2019	**2018**
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines		
- Sale of goods	7,173,058	8,905,012
- Rendering of services	7,108,678	6,526,370
- Gross proceeds from properties sold	-	18,536
- Management service fees	1,000	1,000
- Agency commission and handling fees	84,577	110,160
- Warranty income	21,600	14,944
Revenue from other sources:		
- Gross rentals from investment properties that are fixed	100,390	105,335
- Hire purchase financing income	44,048	50,066
	14,533,351	15,731,423

Disaggregation of revenue from contracts with customers by geographic markets is as follows:

	For the year ended 31 December	
	2019	**2018**
	HK$'000	*HK$'000*
Disaggregated by geographical location of customers		
- Singapore	2,137,648	3,662,475
- PRC	788,718	847,899
- Thailand	1,207,571	668,853
- Japan	6,625,694	6,078,989
- Taiwan	1,847,866	2,339,879
- Others	1,925,854	2,133,328
	14,533,351	15,731,423

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 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 People's Republic of China ("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 business

The Group is the sole distributor for Nissan forklift trucks in Singapore. 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 sale or 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.

4. Segment reporting (continued)

(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 2019 and 2018 is set out below.

	Motor vehicle distribution and dealership business		**Heavy commercial vehicle, industrial equipment distribution and dealership business**		**Property rentals and development**		**Transportation**		**Other operations**		**Consolidated**	
	For the year ended 31 December		**For the year ended 31 December**		**For the year ended 31 December**		**For the year ended 31 December**		**For the year ended 31 December**		**For the year ended 31 December**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
		(Note)		*(Note)*		*(Note)*		*(Note)*		*(Note)*		*(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition												
Point in time	6,757,203	8,487,256	135,390	137,414	-	18,536	-	-	280,465	280,342	7,173,058	8,923,548
Over time	429,128	399,799	70,552	94,061	96,239	101,113	6,625,694	6,078,989	138,680	133,913	7,360,293	6,807,875
Revenue from external customers	7,186,331	8,887,055	205,942	231,475	96,239	119,649	6,625,694	6,078,989	419,145	414,255	14,533,351	15,731,423
EBITDA	151,149	639,026	(14,850)	(23,498)	283,896	336,361	637,633	322,732	98,916	22,057	1,156,744	1,296,678

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4. Segment reporting (continued)

(b) Reconciliation of reportable segment profit or loss

	For the year ended 31 December 2019	2018
		(Note)
	HK$'000	*HK$'000*
Total segment EBITDA	1,156,744	1,296,678
Depreciation and amortisation	(619,191)	(363,418)
Interest income	27,923	38,490
Finance costs	(101,262)	(92,426)
Share of profits less losses of associates	71,709	71,941
Consolidated profit before taxation	535,923	951,265

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

5. Profit before taxation

	For the year ended 31 December 2019	2018
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	5,490,482	6,647,886
Interest expense	101,262	92,426
Depreciation		
- owned property, plant and equipment*	226,587	262,276
- right-of-use assets*	367,216	72,396
Amortisation of intangible assets	25,388	28,746
Bank and other interest income on financial assets measured at amortised cost	(27,923)	(38,490)
Dividend income		
- listed investments	(106,629)	(104,338)
- unlisted investments	(393)	(398)
Valuation gains on investment properties, net	(148,765)	(184,091)

* *The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.*

6. Taxation

Income tax expense:

	For the year ended 31 December	
	2019	**2018**
	HK$'000	*HK$'000*
Current tax expense		
Provision for the year	203,696	333,729
Over-provision in respect of prior years	(3,370)	(671)
	200,326	333,058
Deferred tax expense		
Origination and reversal of temporary differences	24,545	(12,411)
Total income tax expense in the consolidated statement of profit or loss	224,871	320,647

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	
	2019	**2018**
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.020 per ordinary share (2018: HK$0.025 per ordinary share)	40,266	50,333
Final dividend proposed after the end of the reporting period of HK$0.090 per ordinary share (2018: HK$0.095 per ordinary share)	181,198	191,264
	221,464	241,597

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$212,932,000 (2018: HK$600,899,000) and the number of 2,013,309,000 ordinary shares (2018: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2019 and 2018 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, based on the invoice date and net of loss allowances, is as follows:

	As at 31 December 2019	2018
	HK$'000	*HK$'000*
0-30 days	949,923	771,678
31-90 days	320,648	277,336
Over 90 days	48,635	47,278
	1,319,206	1,096,292

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 2019	2018
	HK$'000	*HK$'000*
0-30 days	686,002	573,306
31-90 days	295,549	172,729
91-180 days	65,974	65,270
Over 180 days	75,010	33,271
	1,122,535	844,576

FINAL DIVIDEND

The Board recommends a final dividend of HK$0.090 per share on the shares in issue absorbing a total of HK$181,197,810 which will be payable on 24 June 2020 to shareholders whose names appear on the Register of Members on 5 June 2020, subject to the approval of shareholders at the Annual General Meeting to be held on 28 May 2020.

MANAGEMENT REVIEW

RESULTS

The Group recorded revenue of HK$14.5 billion, a 7.6% decrease from that of year 2018. The decline was primarily due to sales volume reduction of 16% in our motor vehicle distribution and retail division. The transportation and logistics business represented by ZERO CO. LTD ("Zero") in Japan continued to show growth in revenue and profit contribution to the Group. While the Group experienced a slowdown in Singapore, Malaysia and Taiwan, there were growth in Vietnam and Thailand. The Japanese Yen that was our input cost currency had remained relatively strong against the currencies of Asia Pacific Countries where our businesses are located.

Due to the headwinds to our top-line revenue, strength of Japanese Yen and reduction in our other income, the Group experienced a material reduction of 42% in our profit from operations.

Profit from operations decreased to HK$565.48 million.

Operating profit margin decreased to 3.9% from 6.2% recorded in 2018.

Profit for the year of HK$311.05 million for the year was 51% lower when compared to year 20l8.

Profit attributable to shareholders was HK$212.93 million, a 65% decrease over the previous year of 2018.

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 4.5% as compared to 7.4% in year 2018.

The Group's net gearing ratio, computed by dividing the net debt by total equity, was 6.1% as compared to 1.4% recorded in year 2018. (The net debt of HK$771.396 million in year 2019 comprised of borrowings of HK$3.146 billion plus unsecured overdrafts of HK$75.78 million, less cash and bank balances of HK$2.450 billion).

While developing the high growth market of Vietnam that will serve the Group well in the near future, the Group continues to push relentlessly forward with the on-going cost reduction and productivity initiatives to become a leaner and even more competitive organisation. The rapid industrialisation of Vietnam offers huge potentials for our Group’s growth in the automotive market, justifying the short term built-up of teething market expenses and operational costs.

In compliance to the regulatory, environmental and emission standard requirements of the countries that the Group operates in, the Group took positive efforts to participate in programs and incentives that encourage sustainability, conservation and reduced environmental impact. The Group recognises its human resources as valuable assets and its people as stewards of its business. It maintains its commitment to training, developing and retaining talented employees. The number of employees was 5,868 at the end of year 2019, an increase of 0.9% as compared to 5,815 in year 2018.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group had investments in listed and unlisted equity securities amounting to HK2.277 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange and were accumulated over the years as strategic long-term investments. Fair value gain of HK$309.8 million was recognised in other comprehensive income during the year ended 31 December 2019. The gain was primarily due to share price changes of its listed investments, which were marked to market and therefore unrealised. Such unrealised fair value gain on its investments is not expected to be reclassified to the Group's consolidated statement of profit or loss.

FINANCE

Dividend payment will amount to HK$221.46 million for year 2019. Final dividend will be HK9.0 cent per share (interim HK2.0 cents per share) totaling HK11.0 cents for financial year 2019. Consolidated net assets year-on-year increase to HK$6.23 per share from HK$6.03 per share recorded in year 2018, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

The Group experienced a 45% drop in vehicle sale units in Singapore for year 2019 compared to year 2018. In year 2019, reduced COE quota and stricter emission standards had impacted both our Nissan and Subaru businesses in Singapore. Despite these impediments, the Group's vehicle operation was satisfactory. With the introduction of stricter Vehicle Emission Scheme (VES) for 2020, the Group envisages that the Singapore motor vehicle market will experience further volatility in the years ahead.

The Group's property division continued to enjoy good occupancy rate during the year.

CHINA / HONG KONG

Amid prolonged disruptive social unrest adding to the grave uncertainties of an economic environment already frayed by Sino-US trade disputes, total new car sales in Hong Kong declined by 20% over that of the preceding year. Despite such difficulties, the Group's Subaru new car sales in Hong Kong increased by 3% as compared to its performance in 2018. Workshop after-sales services and revenue for 2019 also increased by 28% over the previous year. The Group is cautiously optimistic that it will be able to maintain its upwards performance in Hong Kong for year 2020.

In China, as a result of a slowing economy and trade friction with US, total new car sales fell by more than 8% in 2019 over that of 2018. Stricter emission standards introduced by the Chinese Government also dampened the demand of new cars. Despite the challenges, Our Group's new car sales in China dropped by 3%.

In the face of sluggish performance by car manufacturers in China, our automotive manufacturing operations in Nanjing and Xiamen continued with programs to upgrade its facilities to better serve its broadened customer base with new product line-ups. Sales in 2019 were stable though muted.

It is expected that year 2020 will see unprecedented upheavals to the Group's vehicle business in China.

CKD MARKETS OF THAILAND, VIETNAM AND MALAYSIA

Following the successful start of production this year of the Subaru Forester Series of Completely Knocked Down ("CKD"), the Group began distribution of these vehicles in both Thailand and Malaysia. Sales and marketing of these vehicles were carried out through our sales and dealer networks. During the 2nd half of the year, the Group commenced exports of these vehicles to our sales and dealer networks in Vietnam.

In year 2019, sales volume of the Subaru Forester in Thailand registered significant double digit increase over that which was achieved in preceding year. The increase in volume was partly due to better pricing positioning afforded as a result of having the vehicles assembled and manufactured in our own facilities in Thailand. Rising proportionately, however, were costs associated with sales and marketing activities as well as other incidental introductory expenses that were necessary to realign certain negative perceptions that customers have against locally manufactured vehicles. Our exercise to streamline less profitable segment of our business saw the Group continuing to down-size our truck and industrial machinery related operations. These efforts have yielded the Group significant reductions in expenses and overheads in Thailand.

In Malaysia, the Group faced some headwinds during the year due to constant changes in regulatory automotive policies that resulted in lower sales for year 2019. While the Group is re-organising itself regularly to be nimble and agile and positioning itself to seize opportunities that will arise during anticipated market turbulence, volatility and uncertainties are expected to persist in 2020.

In Vietnam, the Group launched its new Subaru operations headquarter in Ho Chi Minh city. Sales of the Subaru Forester imported from Thailand registered healthy year on year growth. Buoyed by this success, the Group has plans for continued sales and network expansion in the coming years. The Group is optimistic of its operations there and expects it to develop further in tandem with the growth of Vietnam economy. In light of inherent cost advantages of CKD built vehicles for the CKD territories within ASEAN, the Group maintains its positive long-term view of its CKD business.

TAIWAN AND PHILIPPINES

The Philippines vehicle market stabilised in 2019 after a tumultuous 2018 that saw contraction of vehicle sales as a result of unprecedented introduction of vehicle tax reform policies implemented in that year. Our sales performance in Philippines has showed signs of stabilisation and normalisation. The Group expects satisfactory performance of its sales volume in 2020.

Taiwan market for new vehicle recorded negative growth in 2019. This impacted our operations there and the Group recorded a decline in its sales volume. Mindful of the intense pressure on sales and profit margins, the Group intensify its focus on cost optimisation initiatives to preserve profitability while at the same time, strengthening its resiliency to the challenges expected in 2020 and beyond. The Group will embark on initiatives to streamline its operations to reduce wastage and restructure our sales and retail infrastructure for improved operational efficiencies going forward.

JAPAN

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded another year of revenue increase amounting to HK$6.63 billion in year 2019. It recorded a 9% increase in revenue over that of year 2018. Profit also recorded a substantial increase, due largely to the following main factors.

(a) Increase in sales volume because of additional contribution by new businesses with Mitsubishi Motors Corporation that started in the second half of 2019.
(b) Revision of transportation charges that took effect from January 2019.
(c) Restructuring of its non-profitable business and cost reduction on a continuous basis.

All these were accomplished during a period of increased compliance cost for transportation business and vehicle restriction laws in Japan.

Zero’s vehicle transportation business has proven to be a reliable contributor to recurring revenue of the Group. It accounts for approximately 46% of the Group’s consolidated revenue. In line with continuous improvements in its workplace, Zero undertook steps to optimise their nationwide distribution network operations and promote positive work style reform.

The Group expects Zero’s performance for year 2020 to be satisfactory.

PROSPECTS

The Group believes that the global economic growth will slow down significantly, or even decline in 2020. The multi-faceted problems of world trade, global health issues and repositioning of major world powers make year 2020 not only challenging but unpredictably volatile.

The rapidly changing automotive industry safety standards and vehicle emissions policies, and global trend of customers meeting their transportation needs via services provided by ride hailing companies as opposed to purchasing or owning their own vehicles, is here to stay. These factors will further impact vehicle sales negatively.

The Group will continue to invest in the development of its motor and commercial vehicle businesses as it scales up its dealer and retail networks, supply chain logistics infrastructure and brand presence. It will focus on building the groundwork to capture emerging opportunities in our CKD markets of Malaysia, Thailand and Vietnam.

The world is now even more interconnected. Any negative effects will reverberate intensely farther in greater magnitude and will be felt faster and more acutely. Thus, to stay relevant in a sustainable manner, our focusing on developing a culture of resilience and cost competitiveness continuously is not only the backbone of our operations, but central to the management of our retail / distribution and logistics networks. It is also our encompassing investment philosophy. We are optimistic that these principles will guide our Group to a sustainable long-term growth of our businesses in the Asian markets, an area that holds vast opportunities and a region that offers great promise.

At the moment we are unable to determine the duration and severity of Covid-19 crisis and therefore we are unable to assess the full financial impact. We wish to highlight that a prolonged Covid-19 crisis will have a material effect on our 2020 financial results.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting ("AGM") which is scheduled on Thursday, 28 May 2020, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, 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, 22 May 2020.

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 Thursday, 4 June 2020 to Friday, 5 June 2020, 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 Wednesday, 3 June 2020.

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 28 May 2020 at 11:00 a.m. The Notice of Annual General Meeting will be sent to shareholders on or before 24 April 2020.

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.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2019.

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 requirements 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.

The Board is currently carrying out the responsibilities of the nomination committee.

By Order of the Board
Sng Chiew Huat
Finance Director

Hong Kong, 24 March 2020

Website: http://www.tanchong.com

As at the date of this announcement, the executive directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat. The non-executive director is Mr. Joseph Ong Yong Loke. The independent non-executive directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim and Mr. Teo Ek Kee.