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 2020.

Consolidated statement of profit or loss
for the year ended 31 December 2020

	Note	**2020** *HK$'000*	**2019** *HK$'000*
Revenue	3, 4	12,319,495	14,533,351
Cost of sales		(9,967,055)	(11,752,447)
Gross profit		2,352,440	2,780,904
Other net income		227,082	328,360
Distribution costs		(1,198,207)	(1,413,194)
Administrative expenses		(1,074,118)	(1,107,517)
Other operating expenses		(33,085)	(23,077)
Profit from operations		274,112	565,476
Financing costs		(80,179)	(101,262)
Share of profits less losses of associates		73,241	71,709
Profit before taxation	5	267,174	535,923
Income tax expense	6	(182,003)	(224,871)
Profit for the year		85,171	311,052
Attributable to:			
Equity shareholders of the Company		9,507	212,932
Non-controlling interests		75,664	98,120
Profit for the year		85,171	311,052
Earnings per share	8		
Basic and diluted (cents)		0.47	10.58

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	2020 *HK$'000*	**2019** *HK$'000*
Profit for the year	85,171	311,052
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	13,394	(3,989)
Equity investments designated as at fair value through other comprehensive income - net movement in fair value reserves (non- recycling) during the year	(459,232)	309,836
Revaluation surplus:		
- change in fair value prior to transfer from other property, plant and equipment to investment properties	–	1,821
	(445,838)	307,668
Items that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	145,634	57,799
- associates outside Hong Kong	33,591	(10,310)
Release of translation reserve upon disposal of an associate	36,246	–
	215,471	47,489
Other comprehensive income for the year	(230,367)	355,157
Total comprehensive income for the year	(145,196)	666,209
Attributable to:		
Equity shareholders of the Company	(261,182)	540,277
Non-controlling interests	115,986	125,932
Total comprehensive income for the year	(145,196)	666,209

Consolidated statement of financial position
at 31 December 2020

	Note	**2020**	**2019**
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		3,707,785	3,628,592
Other property, plant and equipment		5,085,397	5,150,565
Intangible assets		77,117	106,057
Goodwill		45,772	39,168
Interest in associates		868,010	883,828
Other financial assets		42,380	65,441
Hire purchase debtors and instalments receivable		139,201	206,429
Receivables, deposits and prepayments		135,489	131,390
Deferred tax assets		58,586	53,280
		10,159,737	10,264,750
Current assets			
Investments designated as at fair value through other comprehensive income		1,771,051	2,211,149
Inventories		1,825,709	2,634,350
Properties held for sale		–	16,774
Trade debtors	9	1,107,760	1,319,206
Hire purchase debtors and instalments receivable		97,515	112,785
Other debtors, deposits and prepayments		436,840	515,544
Amounts due from related companies		970	171
Cash and bank balances		2,539,772	2,450,254
		7,779,617	9,260,233
Current liabilities			
Unsecured bank overdrafts		78,169	75,780
Bank loans		1,769,374	2,825,895
Trade creditors	10	813,235	1,122,535
Other creditors and accruals		1,064,385	1,390,460
Amounts due to related companies		10,607	14,502
Lease liabilities		247,942	277,832
Current taxation		116,156	94,895
Provisions		33,621	48,831
		4,133,489	5,850,730
Net current assets		3,646,128	3,409,503
Total assets less current liabilities		13,805,865	13,674,253

Consolidated statement of financial position
at 31 December 2020 (continued)

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans	897,764	319,975
Lease liabilities	501,544	552,707
Net defined benefit retirement obligations	76,578	109,115
Deferred tax liabilities	99,015	93,315
Provisions	49,839	48,264
	1,624,740	1,123,376
NET ASSETS	12,181,125	12,550,877
CAPITAL AND RESERVES		
Share capital	1,006,655	1,006,655
Reserves	9,848,870	10,309,852
Total equity attributable to equity shareholders of the Company	10,855,525	11,316,507
Non-controlling interests	1,325,600	1,234,370
TOTAL EQUITY	12,181,125	12,550,877

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2020 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 2020 comprise the Company and all its subsidiaries and the Group's interest in associates and comply with International Financial Reporting Standards ("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 number of amendments to IFRSs that are first effective for the current accounting period of the Group.

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. Other than the amendment to IFRS16, *Covid-19-Related Rent Concessions,* the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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	
	2020	**2019**
	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	5,322,628	7,173,058
- Rendering of services	6,760,600	7,108,678
- Gross proceeds from properties sold	42,171	–
- Management service fees	1,000	1,000
- Agency commission and handling fees	66,741	84,577
- Warranty income	6,720	21,600
Revenue from other sources:		
- Gross rentals from investment properties that are fixed	85,038	100,390
- Hire purchase financing income	34,597	44,048
	12,319,495	14,533,351

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

	For the year ended 31 December	
	2020	**2019**
	HK$'000	*HK$'000*
Disaggregated by geographical location of customers		
- Singapore	1,536,054	2,137,648
- PRC	599,615	788,718
- Thailand	1,139,546	1,207,571
- Japan	6,343,451	6,625,694
- Taiwan	1,215,483	1,847,866
- Others	1,485,346	1,925,854
	12,319,495	14,533,351

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 distributor for various brands of forklift trucks. 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 and general cargo 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 2020 and 2019 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**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	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	4,981,400	6,757,203	122,169	135,390	42,171	–	–	–	219,059	280,465	5,364,799	7,173,058
Over time	359,455	429,128	63,345	70,552	75,936	96,239	6,343,451	6,625,694	112,509	138,680	6,954,696	7,360,293
Revenue from external customers	5,340,855	7,186,331	185,514	205,942	118,107	96,239	6,343,451	6,625,694	331,568	419,145	12,319,495	14,533,351
EBITDA	(4,312)	151,149	(67,758)	(14,850)	105,075	283,896	628,682	637,633	223,279	98,916	884,966	1,156,744

4. Segment reporting (continued)

(b) Reconciliation of reportable segment profit or loss

	For the year ended 31 December	
	2020	**2019**
	HK$'000	*HK$'000*
Total segment EBITDA	884,966	1,156,744
Depreciation and amortisation	(626,552)	(619,191)
Interest income	15,698	27,923
Finance costs	(80,179)	(101,262)
Share of profits less losses of associates	73,241	71,709
Consolidated profit before taxation	267,174	535,923

5. Profit before taxation

	For the year ended 31 December	
	2020	**2019**
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	4,137,170	5,490,482
Cost of properties sold	17,039	–
Interest expense	80,179	101,262
Depreciation		
- owned property, plant and equipment	207,412	226,587
- right-of-use assets	392,751	367,216
Amortisation of intangible assets	26,389	25,388
Bank and other interest income on financial assets measured at amortised cost	(15,698)	(27,923)
Dividend income		
- listed investments	(42,957)	(106,629)
- unlisted investments	–	(393)
Valuation gains on investment properties, net	(17,755)	(148,765)

6. Taxation

Income tax expense:

	For the year ended 31 December	
	2020	**2019**
	HK$'000	*HK$'000*
Current tax expense		
Provision for the year	177,194	203,696
Under/(over)-provision in respect of prior years	2,568	(3,370)
	179,762	200,326
Deferred tax expense		
Origination and reversal of temporary differences	2,241	24,545
Total income tax expense in the consolidated statement of profit or loss	182,003	224,871

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	
	2020	**2019**
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.01 per ordinary share (2019: HK$0.02 per ordinary share)	20,133	40,266
Final dividend proposed after the end of the reporting period of HK$0.03 per ordinary share (2019: HK$0.09 per ordinary share)	60,399	181,198
	80,532	221,464

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$9,507,000 (2019: HK$212,932,000) and the number of 2,013,309,000 ordinary shares (2019: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2020 and 2019 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 2020	2019
	HK$'000	*HK$'000*
0-30 days	736,097	949,923
31-90 days	277,199	320,648
Over 90 days	94,464	48,635
	1,107,760	1,319,206

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 2020	2019
	HK$'000	*HK$'000*
0-30 days	485,945	686,002
31-90 days	126,611	295,549
91-180 days	109,098	65,974
Over 180 days	91,581	75,010
	813,235	1,122,535

FINAL DIVIDEND

The Board recommends a final dividend of HK$0.03 per share on the shares in issue absorbing a total of HK$60,399,270 which will be payable on 25 June 2021 to shareholders whose names appear on the Register of Members on 3 June 2021, subject to the approval of shareholders at the Annual General Meeting to be held on 25 May 2021.

MANAGEMENT REVIEW

RESULTS

A year ago, since the beginning of 2020, Covid-19 was already well on its way to becoming the most severe public health emergency faced by the world. In the 11 countries where our Group's business activities and operations are located, governments in Japan, China and ASEAN implemented extreme measures to stem the flow of the health pandemic. When Covid-19 began to sweep through the countries, and with the infection rate accelerating, geopolitical measures introduced included lockdowns and restrictions on social movements and interactions. Together with the almost total suspension of industrial and retail activities, it resulted in weak economic consequences and soft consumer sentiment in the region. Our Group faced unprecedented challenges in its operations. The austere measures by the governments significantly impacted the Group's business and performance for the year ended 2020. The Group's 2020 results, including that of its transportation logistics operations by Zero Co. Ltd. ("Zero") in Japan, registered an overall decline in revenue and vehicle sale units.

The Group recorded revenue of HK$12.3 billion, a 15.2% decrease from that of year 2019. The decline was primarily due to sales volume reduction of 35% in our motor vehicle distribution and retail division. The transportation and logistics business represented by Zero in Japan showed a 4.0% drop in revenue and 11% drop in its net profit contribution to the Group. In view of the Covid-19 pandemic, the Group experienced a drastic slowdown in all its markets except for its Vietnam operations.

Apart from the pandemic of Covid-19 that affected our top-line revenue in all markets, relative strength of Japanese Yen as well as reduction in our other income also resulted in the Group experiencing a material reduction of 52% in our profit from operations.

Profit from operations decreased to HK$274 million.

Operating profit margin decreased to 2.2% from 3.9% recorded in 2019.

Profit of HK$85.17 million for the year 2020 was 72.6% lower when compared to that of year 2019.

Profit attributable to shareholders was HK$9.51 million, a 95.5% decrease over the previous year of 2019.

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 2.4% as compared to 4.5% in year 2019.

The Group's net gearing ratio, computed by dividing the net debt by total equity, was 1.7% as compared to 6.1% recorded in year 2019 (The net debt of HK$205.535 million in year 2020 comprised of borrowings of HK$2,667.138 million plus unsecured overdrafts of HK$78.169 million, less cash and bank balances of HK$2,539.772 million).

Given the introduction of various vaccines to combat and subdue the effects of Covid-19, and the varying degree of successes experienced in the countries where our Group's operations are based, our Group continues to push ahead with on-going cost reduction programs and productivity initiatives. The Group is on track with its programs to evolve into a much leaner and an even more competitive organisation that will put the Group in good stead when business activities return and are poised to take off to another level in the new normalcy of economic cycles. The Group continues to focus on the expected high rate of industrialisation in Vietnam and Thailand, and where prudent and justified, to continue necessary investment to benefit from the vast opportunities for our Group's automotive business in the region.

The Group takes strong cognizant of its social and corporate responsibilities, particularly in pollution and climatic change. In full compliance to the regulatory, environmental and emission standard requirements of the countries where the Group distributes its products and provides its services, we continue with our efforts to be involved in initiatives and programs and participate in the sustainability and conservation of the environment. We intend to maintain playing our part in the minimisation of environment impact in the course of pursuit of our business activities. The Group regards our employees and human resources as key and one of our most valuable assets. It is committed to training, developing and retaining talented employees who will drive the Group forward. As at the end of 2020, the number of employees in the Group was 5,407. Comparing to the employee strength of 5,868 at the year of 2019, this is a decrease of 7.9%. Rationalisation of work processes to increase productivity is a constant endeavor for our Group.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group had investments in listed and unlisted equity securities amounted to HK$1.813 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange. These were accumulated over the years as strategic investments. Fair value loss of HK$459.2 million was recognised in other comprehensive income during the year ended 31 December 2020. The loss was primarily due to share price changes of its listed investments, which were marked to market and was therefore unrealised. Such unrealised fair value gain (loss) on its investments is not expected to be reclassified to the Group's consolidated statement of profit or loss.

FINANCE

For year 2020, dividend payment will amount to HK$80.53 million. Final dividend will be HK3.0 cents per share (interim HK1.0 cent per share) totaling HK4.0 cents per share for financial year 2020. Consolidated net assets year-on-year decrease to HK$6.05 per share as compared to HK$6.23 per share in 2019, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

The Covid-19 pandemic saw mandatory showroom closures and suspension of COE tender process for 3 out of the 12 months in 2020. Total industry new car sales fell by 37%. Our Group’s vehicle sales suffered. Nissan sales fell by 33% in 2020 over that of 2019. Subaru sales also dropped in tandem.

With the full resumption of COE tender process, the Group expects total industry new car sales to grow by approximately 10% in 2021. The Group is also cautiously optimistic that both Nissan and Subaru will deliver better sales performance in 2021. Nissan vehicles sales will benefit from its expanded electrified passenger car line up as it rides on the heels of further enhancement to the Vehicle Emission Scheme (VES) as well as the introduction of the new Early EV Adoption Incentive (EEAI) in January 2021. In addition, the Group also expects better performance for its Nissan light commercial vehicles that have transitioned fully to a cleaner emission petrol-driven only lineup that will conform to the new Commercial Vehicle Emission Scheme (CVES) expected to be introduced in April 2021.

However, the tightening of penalties under Vehicle Emission Standards (VES) which is expected to be implemented in July 2021, will pose significant challenges for its Subaru operations in Singapore. Nonetheless, with introduction and availability of new Subaru models, the Group expects this effect to be mitigated, allowing for marginal growth in its Subaru operations for 2021.

The Group’s property division was affected and occupancy rate during the year was subdued.

CHINA / HONG KONG

Amid intermittent disruptive social unrest and the pandemic, 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 19% over that of the preceding year. Despite such difficulties, the Group’s Subaru new car sales in Hong Kong perseveres. Workshop after-sales services and revenue for 2020 in Hong Kong increased by 12% over the previous year. Though similar and other new challenges are expected ahead, the Group is nonetheless cautiously optimistic that it will be able to maintain its performance satisfactorily in Hong Kong for year 2021.

China, the first automotive market to be impacted by Covid-19 in 2020, experienced early contraction amid intensified competition, strict movement controls and tightened emissions regulations. Compounded by trade frictions with US, demands for new car sales dampened. Total new car sales fell by 7% over that of 2019. Despite mitigation by supportive government policies and tax incentives, the industry recorded a consecutive third-year contraction in 2020. Our China sales volumes were negatively impacted in 2020 and dropped 26%.

The automotive component manufacturing business in Nanjing and Xiamen though impacted by automakers’ sluggish demand, continues to retool and upgrade their production capabilities. We have diversified into new products and models to align with a broadened customer base and automakers’ product line ups, and transition towards new energy vehicles. Sales in 2020 were stable though muted. The Group takes a long-term view of the vast potential of the China automotive market and will continue to persevere for the long-term benefits that this prospective market offers.

COMPLETE KNOCK-DOWN ("CKD") MARKETS OF THAILAND, VIETNAM AND MALAYSIA

The Covid-19 pandemic, with its partial and oftentimes full lockdowns imposed on business and social activities shook consumers' confidence in all of the Group's CKD markets. The economic and social fallout took a heavy toll on demands for new vehicles in these markets.

In Thailand, the Group's joint venture car plant with Subaru Corporation Ltd reached the milestone of completing its first full year of production in 2020. Shipments of Thailand produced vehicles to Cambodia commenced in the second half of 2020. The Group is in the early stages of investing to build up the Subaru brand in the nascent Cambodian market.

The Group in Thailand saw a decline in sales from the previous year, as consumer demand was impacted by the poor economic outlook arising from the Covid-19 pandemic, intensified cost competition and perceived unstable political climate. For 2021, the Group is cautiously optimistic of a recovery in sales and profitability on the back of the rollout of Covid-19 vaccinations and a government focus on infrastructure development along the Eastern Economic Corridor. The truck operations in Thailand are continually being scaled down to minimise cost and waste.

Vietnam proved to be one of the better performing economies within Asia in 2020. With successful Covid-19 containment strategies and a beneficiary of global trade tensions, Vietnam recorded positive economic growth in spite of the pandemic. The Group begun the transformation of Vietnam as its CKD market in 2019 and has continued to see market share gains and strong high double-digit sales growth in 2020. A new Subaru operation headquarter in Ho Chi Minh city was established. Sales of the Subaru Forester imported from Thailand registered healthy year on year growth. The Group is optimistic of the prospects of its Vietnam operations and expects to develop its sales network further in tandem with the growth of the Vietnam economy.

In Malaysia, the Group faced tremendous headwinds during the year due to constant lockdowns, resulting in consumer fear that in turn, cascaded into lower sales for year 2020. The Group is continually re-organising itself to be nimble and agile to position itself to seize opportunities that will certainly arise in the future. Market turbulence, volatility and uncertainties are anticipated to persist in 2021.

Despite market disruptions from the pandemic, the Group continues to hold a positive long-term view of the inherent cost advantages of its CKD built vehicles and the business opportunities within ASEAN and the Group's CKD territories.

TAIWAN AND PHILIPPINES

In Taiwan, the Group recorded double-digit sales decline for 2020. There were disruptions to inventory stocking levels and intense competitive market pressure. Despite this, the Group was able to preserve profitability in Taiwan through extensive cost optimisation and reduction in sales and marketing overheads. Streamlining its operations to reduce wastages will continue. Sales and retail infrastructure for improved operational efficiencies will be pursued. With the introduction of its new Subaru Outback model, the Group is optimistic and envisages better contribution to its profitability. The Group expects pressures on global automotive supply chain in 2021 to cause uncertainties and stock imbalances to persist.

The Philippines vehicle market was severely impacted by Covid-19 and contracted approximately 40% in 2020. Accordingly, the Group suffered a significant decline in sales as operations continued to be severely impacted by nationwide lockdown and social distancing measures. Continued waves of resurgence in Covid-19 cases and together with the announcement of new tariffs on imported vehicles in early 2021, there is likely to be further uncertainties for the Philippines vehicle market in the coming periods. The Group took decisive cost control countermeasures in reducing redundancies to create a leaner and more responsive operating structure. We are optimistic of positive results arising from the launch of new models such as the 7-seater Subaru Evoltis and Outback in 2021. The Group expects satisfactory performance of its sales volume in 2021. The Group believes in the long-term future and potential of this market because of its huge population base and relatively high literacy and affluence.

JAPAN

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded revenue decline of 4% to HK$6.34 billion in year 2020. The Covid-19 pandemic in Japan was largely responsible for lower vehicle transportation volumes and its pre-delivery maintenance and inspection business. In the face of revenue decline and impact from consumption tax increase in the previous year, Zero targeted on its profit recovery initiatives which resulted in a year on year increase in operating profit in the second half of 2020. Despite promotion of work style reforms and increasing hiring cost for drivers, Zero remains focused on its effective cost management efforts, systemic vehicle allocation and optimisation of the nationwide distribution network.

The second half 2020 showed a recovery in transportation for both used and new car transportation with profitability improvements in the human resources business and general cargo business. The human resources business was impacted severely by the reduction in the driver dispatch and airport-related personnel business. However, profitability improvements were achieved as a result of efforts to reduce expenses and putting to effective use of employment subsidy support. The general cargo business benefited from the withdrawal from unprofitable business and the acquisition of new customers, with a planned shift towards bio-mass power generation in 2021.

Zero's vehicle transportation business has proven to be a stable component of recurring revenue for the Group, accounting for approximately half of the Group's consolidated revenue. The Group anticipates Zero to perform satisfactorily in the year 2021.

PROSPECTS

The Group believes that the global economic growth will be better this year, after the unprecedented negative events of last year. The multi-faceted problems of world trade, global health issues and repositioning of major world powers will make year 2021 and beyond, not only challenging but unpredictably volatile.

Economies of the countries of the Asian regions in which the Group has its operations are expected to take longer to recover from the Covid-19 pandemic crisis, than they have had in the past in overcoming other economic recessions. As vaccines against Covid-19 viruses are being rolled out in stages across the region, there is little concrete evidence these vaccines will be an effective lasting defense against future attacks by these viruses and other mutating variants of the disease. While China and a small number of countries are showing promising signs of a steady uptick in their economic recovery, other countries in the world are not as robust in their fight against Covid-19. Emerging geopolitical tensions are also rearing their ugly heads between some of the world's largest trading nations that include USA, EU, China, Japan and Australasia. The resolution of these tensions is expected to be long and laborious, and any realignment of global trading patterns will have a material impact on the rate of economic recovery of the countries in which the Group operates. Cyclical changes in the earnings of businesses and gyration in incomes for households will cause added uncertainties, resulting in restrain in spending and investments.

The Group is vigilant against the rapid changes in regional and world economic order and will continue to adapt to the new normalcy of business activities. The Group is keeping a close watch and continues to meet the challenges imposed by the ever-changing automotive emission standards and policies that are shaped by the impact of fossil fuel powered vehicles on atmospheric and climatic environment.

The Group's perseverance in the past in cultivating resilience and cost competitiveness across all areas of our business activities has seen us standing in good stead amidst the sea of changes and turmoil caused by the full impact of Covid-19 during the last year. Although we are uncertain of the lingering effects of the pandemic and while it is still being evaluated, our prudence in investment policies and focus on efficient management of our retail & distribution networks, logistics and other core business activities will continue to guide us toward a sustainable and long-term growth of our Group.

At the moment we are unable to determine the duration and severity of Covid-19 crisis and therefore are unable to assess the full financial impact in 2021. We wish to highlight that a prolonged Covid-19 crisis will have a negative material effect on our 2021 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 Tuesday, 25 May 2021, the register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 18 May 2021.

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, 1 June 2021 to Thursday, 3 June 2021, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 31 May 2021.

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 2021 at 11:00 a.m. The Notice of Annual General Meeting will be sent to shareholders on or before 23 April 2021.

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 2020 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 2020.

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, 30 March 2021

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.