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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)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

The announcement of unaudited financial results of Zero Co., Ltd. ("Zero") for the six-month period ended 31 December 2014 is originally prepared in Japanese. The attached announcement on the next page is a translation of the official announcement solely for the purpose of providing information.

By the order of the Board
Tan Chong International Limited
Joseph Ong Yong Loke
Deputy Chairman and Managing Director

Hong Kong, 12 February 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. The independent non-executive Directors are Mr. Lee Han Yang, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck.

Financial Results for the Six-Month Period Ended December 31, 2014

February 12, 2015

Company name: ZERO CO., LTD.

Code No: 9028

Tokyo Stock Exchange (Second Section)

(URL <http://www.zero-group.co.jp/>)

Representative: Takeo Kitamura, President and COO

Contact for inquiries: Mamoru Yoshida, Director, Tel: 044-520-0106
 General Manager, Corporate Planning Department

Date of financial report submission

February 13, 2015

Date to begin payment of dividend:

March 13, 2015

Additional materials for the financial results for 2Q FY2014

None

Briefing session for the financial results for 2Q FY2014

Yes (to analysts)

1. Consolidated Financial Results for the Six-Month Period Ended December 31, 2014 (From July 1, 2014 to December 31, 2014)

(1) Consolidated Results

(Figures less than one million yen are rounded down.)

Percentages shown below are the rates of increase or decrease compared with the same period of the previous year.

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six Months ended Dec. 31, 2014	35,158	9.9	1,073	-28.1	1,174	-23.1	660	-18.4
Six Months ended Dec. 31, 2013	31,981	11.0	1,493	152.6	1,526	141.1	810	176.3

(Note) Comprehensive income: FY2014 Second quarter 642 million yen (-25.4%)
 FY2013 Second quarter 861 million yen (184.6%)

	Earnings per share-basic	Earnings per share-diluted
	Yen	Yen
Six Month Period Ended Dec. 31, 2014	38.67	-
Six Month Period Ended Dec. 31, 2013	47.40	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2014	33,362	15,286	45.8	894.34
As of June 30, 2014	32,017	14,926	46.5	873.28

(Ref.) Shareholders' equity: As of Dec. 31, 2014: 15,286 million yen As of June 30, 2014: 14,926 million yen

2. Dividends

(Record date)	Dividend per share				
	At end of 1Q	At end of 2Q	At end of 3Q	At end of 4Q	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2013	-	8.00	-	14.10	22.10
FY2014	-	8.00	-	-	-
Forecast for FY2014	-	-	-	15.00	23.00

(Note) Revision from the latest dividend forecast: N/A

3. Consolidated Forecasts for FY2014 (From July 1, 2014 to June 30, 2015)

Percentages shown below for whole FY2014 are the rates of increase or decrease compared with the previous year.

	Sales		Operating income		Ordinary income		Net income		Earnings per share -basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Whole FY2014	69,500	2.8	2,900	1.6	2,950	0.4	1,570	3.9	91.85

(Note) Revision from the latest dividend forecast: N/A

*Remarks

- (1) Changes in important subsidiaries during period (Transfer of particular subsidiary which involves the change of scope of consolidation): N/A
- (2) Changes in accounting policies, procedure or notation method for documenting consolidated financial statements
 - ① Changes in accordance with the revision of accounting standards and others: Yes
 - ② Changes other than above: Yes
 - ③ Changes in accounting estimates: N/A
 - ④ Restatement of corrections: N/A
- (3) Number of issued shares (common shares)
 - ① Number of issued shares (including treasury stock) at the end of each period:
As of December 31, 2014: 17,560,242 As of June 30, 2014: 17,560,242
 - ② Number of treasury stock:
As of December 31, 2014: 467,732 As of June 30, 2014: 467,711
 - ③ Average number of issued shares during the fiscal year (excluding treasury shares)
FY2014: 17,092,521 FY2013: 17,092,531

Implementation status review procedure

This financial report is exempt from the review procedure based upon the Financial Instruments and Exchange Act. The financial statements are under the review procedure at the time of disclosure of this report.

Explanation regarding appropriate use of forecasts

Statements in this report relating to future matters such as earnings forecasts are based on the information presently available. Actual results may differ from those forecasts depending on various factors.

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1. Qualitative Information

(1) Analysis of business performance

The nation's economy during the first half of fiscal 2014 (referred to as the "current term") maintained a weaker yen and higher stock prices against the backdrop of the government's economic policy and the Bank of Japan's quantitative and qualitative easy monetary policy, and continues to show improvements in corporate earnings and employment situation. On the other hand, while the effect of the backlash of the last-minute rise in demand that occurred before the consumption tax rate hike is decreasing, the progress of that recovery is slow for individual consumption, being affected by concerns over increase in commodity prices from the weaker yen. As such, the economic prospect remains unclear.

In the automobile industry, Japanese automakers' new vehicle sales in the domestic market turned out to be 95.8% of that in the corresponding quarter from the previous year (hereinafter referred as "year-on-year") (Japan Automobile Manufacturers Association's statistical data), as performance continued to be affected by the chilling effect of the consumption tax rate hike on consumer spending. The drop was slight immediately after the consumption tax rate hike, helped by shipment of outstanding orders, but in the current term the drop became sharper as a result of sluggishness in new orders. Exports to overseas markets upturned as the stronger yen was depreciated further, but recorded 96.0% year-on-year, strongly affected by the decrease of exports to North America, the largest market. Used car market also displayed a downward trend due to the chill in consumer spending. The breakdown indicates a downward trend in the registration of used cars which recorded a 94.6% year-on-year. On the other hand, the export of used cars continued to grow, recording 103.6% year-on-year.

Under these circumstances, in the vehicle-related business, our Group's major segment, sales from transportation business related to Nissan Motor Co., Ltd., our major customer, fell due to a drop in sales of new cars by Nissan Motor. However, we were successful in capturing new transportation demand and the overall sales of the vehicle-related business increased year-on-year. In the human resources business, thanks to steady efforts to develop new sales regions and customers through strong sales activities and enhanced sales operations, sales increased year-on-year. Sales also increased year-on-year in the general cargo transportation business.

【No. of Motor Vehicles Related to Domestic Distribution】

Unit : Units

Domestic Sales		July 2013-December 2013	July 2014-December 2014	Year-on-year Change (%)
New Vehicles				
Domestic automakers	*1	2,516,575	2,410,850	95.8%
(Nissan Motor Co. only)	*1	(331,242)	(283,150)	(85.5%)
Foreign automakers	*2	147,293	146,231	99.3%
Used Cars				
Passenger cars	*3	1,856,798	1,739,700	93.7%
Mini-cars	*4	1,431,718	1,370,996	95.8%
Total used cars		3,288,516	3,110,696	94.6%
Deregistered vehicles	*3	135,855	119,826	88.2%

Exports		July 2013-December 2013	July 2014-September December	Year-on-year Change (%)
Domestic automakers' new vehicles	*1	2,392,279	2,297,764	96.0%
(Nissan Motor)	*1	(311,483)	(254,084)	(81.6%)
Used passenger cars	*5	694,319	718,992	103.6%

*1: Calculated using the Japan Automobile Manufacturers Association's statistics

*2: Calculated using the Japan Automobile Importers Association's statistics

*3: Calculated using the Japan Automobile Dealers Association's statistics

*4: Calculated using the Japan Light Motor Vehicle and Motorcycle Association's statistics

*5: Calculated using the number of deregistered used cars for export listed in the Japan Automobile Dealers Association's statistics

As a result of these measures, our group's financial results for the current fiscal year to December 31, 2014 recorded sales of 35,158 million yen (109.9% year-on-year) and operating income of 1,073 million yen (71.9% year-on-year), thus posting year-on-year increase in sales but year-on-year decrease in operating income. Upon taking non-operating gains and losses into account, ordinary income was 1,174 million yen (76.9% year-on-year), and net income was 660 million yen (81.6% year-on-year).

① Automobile-related Business

In this business segment, domestic sales of Nissan Motor Company, our major customer, continued to be affected by the backlash of the last-minute rise in demand that occurred before the consumption tax rate hike, and posted sales of 283,150 units (85.5% year-on-year) of new vehicles in Japan. Exports also fell, and recorded 254,084 units (81.6% year-on-year) (Japan Automobile Manufacturers Association's statistical data). The effect of the foregoing was lower sales from transportation of new Nissan Motor cars, but on the other hand, transportation of new and used cars other than new cars of Nissan Motor, and other transportation-related business increased year-on-year, and we increased the overall sale from our automobile-related businesses.

As a result, this segment's sales rose to 26,969 million yen (109.8% year-on-year) but profit was 1,387 million yen (89.5% year-on-year). The vehicle transportation business faces serious challenges, with future demand being uncertain with the domestic automobile market having reached maturity, and the number of young job applicants is shrinking, reflecting the falling birthrate and the rapid aging of the population. In pursuit of higher profitability, we continue our effort to become a corporate group capable of steadily generating revenue by winning the trust of our customers and to maintain and increase sales by improving the quality of transportation, and in addition by strengthening and carrying out measures to reduce transportation costs.

② Human Resources Business

In this segment, while companies seeking human resources are on the increase as the nation's economy is on a recovery trend, our corporate clients continue to be very strict in terms of dispatch and contract work fees. Under these circumstances, we were able to increase sales in this segment, thanks to steady efforts to develop new sales regions and customers through strong sales activities and enhanced sales operations in the employee dispatch business, and posted sales of 5,969 million yen (113.8% year on year) but due to increase in recruitment costs, etc., profits in this segment were 244 million yen (96.8% year-on-year).

③ General Cargo Transportation Business

Strong sales of 2,459 million yen (105.3% year-on-year) was recorded in this business segment. However, due to increase of outsourced work as a result of changes in the sales composition of port cargo handling, and increase in the cost of using owner-operator vehicles, this segment posted profit of 327 million yen (79.3% year-on-year).

Incidentally, concerning unclassifiable group-wide expenses (expenses concerning the company's administrative departments) and the amortization of goodwill, etc., which are not included in the above profit and loss by segment, they are recognized as "Adjustments" items as listed in "Segment Information" in "3. "Consolidated Financial Statements" and amounted to 886 million yen.

(2) Analysis of the financial condition

(Assets)

Compared to the end of the previous term, current assets increased by 409 million yen (2.9%) to 14,762 million yen. This is chiefly due to the increase of merchandise by 238 million yen and cash and deposits by 42 million yen.

Compared to the end of the previous term, fixed assets increased by 845 million yen (4.8%) to 18,600 million yen. This is chiefly due to the increase of investment securities by 448 million yen, and buildings and structures by 321 million yen.

As a result of the foregoing, compared to the end of the previous term, total assets increased by 1,254 million yen (3.9%) to 33,362 million yen.

(Liabilities)

Compared to the end of the previous term, current liabilities increased by 388 million yen (3.9%) to 10,455 million yen. This is chiefly due, despite the decrease of notes and accounts payable by 351 million yen, to the increase of short-term loans payable by 650 million yen.

Compared to the end of the previous term, long-term liabilities increased by 506 million yen (7.1%) to 7,620 million yen. This is chiefly due to the increase of long-term loans payable by 254 million yen and provision for retirement benefits by 194 million yen.

As a result of the foregoing, compared to the end of the previous term, total liabilities increased by 894 million yen (5.2%) to 18,076 million yen.

(Net Assets)

Compared to the end of the previous term, net assets increased by 359 million yen (2.4%) to 15,286 million yen. This is chiefly due the increase of retained earnings by 365 million yen.

(3) Forecast for the next consolidated fiscal year

The forecast has not changed from the consolidated forecast published on August 8, 2014.

2. Summary Information (Notes)

(1) Changes in important subsidiaries during period: N/A

(2) Application of particular accounting methods for quarterly consolidated financial statements: N/A

(3) Changes in accounting policies, accounting estimates and restatement of corrections

(Application of the ASBJ Statement)

Provisions set forth in Section 35 of the ASBJ Statement No.26 of May 17, 2012 (hereinafter referred to as the "Accounting Standard") and provisions set forth in Article 67 of the Guidance were applied from the current term. The calculation method of the retirement benefit obligation cost was reviewed and the method of attributing expected benefit to periods was also changed from straight-line attribution to benefit formula basis. In addition, the method of determination of discount rate was changed from the method based on the period approximate to the expected average remaining working lives of employees, to the method using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Based on the transitional treatment prescribed in Section 37 of the Accounting Standard, in applying the Standards, adjustments in retirement benefit obligation and service cost pursuant to changes in the calculation method have been posted as gains/losses in retained earnings.

As a result, liabilities concerning retirement benefits at the start of the current term increased by 240 million yen, and retained earnings decreased by 155 million yen. This has no material effect on operating profits, ordinary profits and income taxes – deferred of the current term.

(Changes in depreciation method of fixed assets)

The depreciation method that has been used in the past by our company and our domestic consolidated subsidiaries was straight-line method, except for buildings acquired on and after April 1, 1998 (excluding building-related equipment) and lease assets. This has been changed to declining-balance method from the previous term.

On May 15 2014, our company concluded a capital and business alliance agreement with Tan Chong International Limited to enter into full-scale business in the market of ASEAN countries, and in the future we expect to engage in full-scale overseas investment, including establishment of new logistics centers.

Taking the opportunity of such changes in the business environment, the depreciation method of tangible fixed assets was reviewed to unify accounting principles within our group, both domestic and overseas, and maintain comparability of periodic earnings. As the tangible fixed assets of our company and our domestic subsidiaries are within their useful lives and running stably, we have determined to change the depreciation to declining-balance method to expense at a constant rate over the useful life in order to more appropriately reflect the actual business operation.

This change has no material effect on operating profits, ordinary profits and income taxes – deferred of the current term.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of June 30, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	5,236	5,278
Notes and accounts receivable - trade	7,492	7,461
Merchandise	324	562
Supplies	100	126
Deferred tax assets	269	257
Others	1,012	1,165
Allowance for doubtful accounts	(83)	(90)
Total current assets	14,353	14,762
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	3,083	3,405
Machinery, equipment and vehicles, net	172	282
Tools, furniture and fixtures, net	71	69
Land	8,279	8,288
Lease assets, net	1,592	1,734
Construction in progress	25	9
Total property, plant and equipment	13,224	13,789
Intangible assets		
Goodwill	1,479	1,406
Others	566	519
Total intangible assets	2,045	1,925
Investments and other assets		
Investment securities	989	1,438
Long-term loans receivable	75	65
Deferred tax assets	523	470
Others	1,031	1,032
Allowance for doubtful accounts	(136)	(121)
Total investments and other assets	2,483	2,884
Total fixed assets	17,754	18,600
Total assets	32,107	33,362

	As of June 30, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,478	3,127
Short-term loans payable	610	1,260
Current portion of long-term loans payable	1,193	1,376
Income taxes payable	792	523
Accrued consumption taxes	441	540
Allowance for bonuses	410	440
Allowance for sub-lease loss	15	15
Others	3,125	3,172
Total current liabilities	10,067	10,455
Long-term liabilities		
Long-term loans payable	1,663	1,918
Provision for retirement benefits for directors	422	463
Allowance for sub-lease loss	44	36
Provision for retirement benefits	2,182	2,376
Deferred tax liabilities	193	95
Deferred tax liabilities for land revaluation	1,088	1,088
Asset retirement obligation	38	83
Others	1,480	1,556
Total long-term liabilities	7,113	7,620
Total liabilities	17,181	18,076
Net assets		
Shareholders' equity		
Capital stock	3,390	3,390
Capital surplus	3,204	3,204
Retained earnings	8,870	9,236
Treasury stock	(152)	(152)
Total shareholders' equity	15,313	15,679
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	27	32
Revaluation reserve for land	(705)	(705)
Foreign currency translation adjustment	88	121
Accumulated retirement benefits adjustment	202	158
Total accumulated other comprehensive income	(386)	(392)
Total net assets	14,926	15,286
Total liabilities and net assets	32,107	33,362

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)
(First six months)

(Unit: million yen)

	First six months of FY13 (from July 1, 2013 to Dec. 31, 2013)	First six months of FY14 (from July 1, 2014 to Dec. 31, 2014)
Sales	31,981	35,158
Cost of sales	27,400	30,621
Gross profit	4,580	4,536
Selling, general and administrative expenses	3,087	3,462
Operating income	1,493	1,073
Non-operating income		
Interest income	1	1
Dividend income	0	1
Commission fee	38	30
Equity in earnings of affiliates	7	19
Sales of inventories	—	29
Others	39	54
Total non-operating income	87	137
Non-operating expenses		
Interest expenses	38	35
Others	16	2
Total non-operating expenses	55	37
Ordinary income	1,526	1,174
Extraordinary income		
Gain on sale of fixed assets	1	1
Compensation receivable	—	62
Total extraordinary income	1	64
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	0	4
Loss on cancellation of leasing contract	69	—
Others	3	—
Total extraordinary losses	73	5
Net income before tax adjustments	1,454	1,232
Income taxes	644	571
Income before minority interests	810	660
Net income	810	660

(Consolidated Comprehensive Income Statement)
 (First six months)

(Unit: million yen)

	First six months of FY13 (from July 1, 2013 to Dec. 31, 2013)	First six months of FY14 (from July 1, 2014 to Dec. 31, 2014)
Income before minority interests	810	660
Other comprehensive income		
Unrealized gains (losses) on securities	2	6
Accumulated retirement benefits adjustment	-	(44)
Equity of equity-method affiliate	48	18
Total other comprehensive income (loss)	50	(18)
Comprehensive income	861	642
(Breakdown)		
Parent company portion of comprehensive income	861	642

(3) Consolidated Cash Flow Statement

	(Unit: million yen)	
	First six months of FY13 (from July 1, 2013 to Dec. 31, 2013)	First six months of FY14 (from July 1, 2014 to Dec. 31, 2014)
Net cash provided by operating activities		
Net income before tax adjustments	1,454	1,232
Depreciation	357	405
Depreciation of goodwill	164	169
Increase (decrease) in allowance for doubtful accounts	48	(7)
Increase (decrease) in allowance for bonuses	(4)	(5)
Increase (decrease) in provision for retirement benefits	(310)	-
Increase (decrease) in liabilities related to retirement benefits	-	(139)
Increase (decrease) in provision for directors' retirement benefits	(22)	35
Increase (decrease) in allowance for sub-lease loss	68	(7)
Interest and dividends	(2)	(2)
Interest expenses	38	35
Loss (gain) from sale of fixed assets	(1)	4
Loss (gain) from equity in earnings of affiliates	(7)	(19)
Compensation receivable	-	(62)
Decrease (increase) in notes and accounts receivable	3	211
Decrease (increase) in inventories	(29)	(264)
Decrease (increase) in other current assets	90	(158)
Increase (decrease) in trade payable	(24)	(361)
Decrease in other current liabilities	(451)	(169)
Increase (decrease) in accrued consumption taxes	(7)	79
Others, net	(22)	(8)
Subtotal	1,344	964

	First six months of FY13 (from July 1, 2013 to Dec. 31, 2013)	First six months of FY14 (from July 1, 2014 to Dec. 31, 2014)
Interest and dividends received	1	2
Interest expenses paid	(38)	(35)
Income taxes (paid) or refunded	(520)	(803)
Compensation received	-	62
Net cash provided by operating activities	787	191
Net cash used in investing activities		
Payments into time deposits	(0)	(2)
Purchase of property, plant and equipment	(50)	(505)
Proceeds from sale of property, plant and equipment	7	3
Purchase of intangible assets	(187)	(26)
Purchase of investment securities	(101)	(391)
Proceeds from sale and redemption of investment in securities	11	0
Payment for acquisition of subsidiary associated with change of scope of consolidation	(175)	-
Proceeds from acquisition of subsidiary associated with change of scope of consolidation	-	40
Payments of loans receivable	(60)	(141)
Proceeds from collection of loans receivable	85	160
Others	21	13
Net cash used in investing activities	(448)	(848)
Net cash used in financing activities		
Increase (decrease) in short-term loans payable	-	570
Proceeds from long-term loans payable	100	950
Repayment of long-term loans payable	(610)	(654)
Repayments of lease obligations	(158)	(157)
Purchase of treasury stock	-	(0)
Cash dividends paid	75	(241)
Net cash used in by financing activities	(744)	466
Net increase (decrease) in cash and cash equivalents	(405)	(190)
Cash and cash equivalents at beginning of term	4,785	5,148
Increase (decrease) in cash and cash equivalents associated with change of scope of consolidation	-	104
Cash and cash equivalents at end of term	4,379	5,063

(4) Notes to Consolidated Financial Statements

(Note for the assumption of going concern)
None.

(Note concerning major changes in shareholders' equity)
None.

Segment Information

1. Sales and profit for each reportable segment for the first six months of FY2013 (from July 1, 2013 to December 31, 2013)

(Unit: million yen)

	Automobile transportation-related	Human resources	General cargo transportation	Total	Elimination and corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales of external customers	24,546	5,119	2,315	31,981	-	31,981
(2) Internal sales between business segments or transfer	14	127	20	162	(162)	-
Total	24,561	5,247	2,336	32,144	(162)	31,981
Operating income	1,549	252	413	2,216	(722)	1,493

(Notes)

1. Elimination of -722 million yen includes corporate expense of -558 million yen, goodwill amortization of -164 million yen and elimination among the segments of 0 million yen. The corporate expense is the expense of the administrative departments which do not belong to any reported segment.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.

2. Sales and profit for each reportable segment for the first six months of FY2014 (from July 1, 2014 to December 31, 2014)

(Unit: million yen)

	Automobile transportation-related	Human resources	General cargo transportation	Total	Elimination and corporate (Note 1)	Consolidated (Note 2)
Sales						
(1) Sales for external customers	26,936	5,804	2,417	35,158	-	35,158
(2) Internal sales between business segments or transfer	32	164	41	239	(239)	-
Total	26,969	5,969	2,459	35,398	(239)	35,158
Operating income	1,387	244	327	1,960	(886)	1,073

(Notes)

1. Elimination of -886 million yen includes corporate expense of -717 million yen, goodwill amortization of -169 million yen and elimination among the segments of 0 million yen. The corporate expense is the expense of the administrative departments which do not belong to any reported segment.
2. The segment profit is adjusted according to the operating profit in the quarterly consolidated profit and loss statement.