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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)

UPDATE OF S$500,000,000
MEDIUM TERM NOTE PROGRAMME

The Board is pleased to announce that on 28 April 2017 the Company and TCMS have updated the Programme to allow either the Company or TCMS to issue Notes in series of aggregate principal amount of up to S$500,000,000 (or its equivalent in other currencies) to professional investors only as described in the Offering Memorandum. The Offering Memorandum will be provided to certain professional investors. The Notes will be issued in series with different issue dates and terms and may be denominated in any currency subject to compliance with all relevant laws, regulations and directives. There will be no public offering of the Notes issued under the Updated Programme in Hong Kong, the United States or any other jurisdictions.

In connection with the Updated Programme, the Issuers will provide certain professional investors with recent corporate and financial information of the Group in the Offering Memorandum. For purposes of transparent and timely dissemination of information to Shareholders and the potential investors and given that certain aforesaid information has not been previously furnished to the Shareholders, an extract of the relevant information from the Offering Memorandum relating to risk factors, selected consolidated financial information of the Company and businesses of the Company and TCMS is attached to this announcement.

As the Issuers may or may not proceed with drawdown(s) under the Updated Programme, the timing of drawdown(s) (if any) is uncertain as it depends on market conditions, investor interest and corporate needs of the Group. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the issuance of the Notes will be made by the Company should the Subscription Agreement(s) be signed.

UPDATE OF S$500,000,000 MEDIUM TERM NOTE PROGRAMME BY THE COMPANY AND TCMS

Introduction

Reference is made to the Company's announcement dated 7 May 2014 in relation to the establishment of the Programme.

The Board is pleased to announce that on 28 April 2017, the Company and TCMS have updated the Programme to allow either the Company or TCMS to issue Notes in series of aggregate principal amount of up to S$500,000,000 (or its equivalent in other currencies) to professional investors only as described in the Offering Memorandum. The Offering Memorandum will be provided to certain professional investors. The Notes will be issued in series with different issue dates and terms and may be denominated in any currency subject to compliance with all relevant laws, regulations and directives. There will be no public offering of the Notes issued under the Updated Programme in Hong Kong, the United States or any other jurisdictions. The Notes may only be offered and sold outside the United States to persons who are not U.S. persons in offshore transactions in reliance on Regulation S.

Under the Updated Programme, either the Company or TCMS may issue Notes, and the Notes issued by TCMS will be unconditionally and irrevocably guaranteed by the Company.

The Issuers have no intention of listing the Updated Programme or the Notes on any stock exchange.

Proposed use of net proceeds

If the Notes are issued, the Company or TCMS intends to use the net proceeds from the issue of each series of Notes to finance capital expenditure and for general corporate purposes, or as set forth in the Pricing Supplement applicable to such issue of Notes.

Reasons for the Programme update

The Programme has been updated to:

(a) include TCMS as an issuer to issue Notes under the Updated Programme;

(b) appoint Mizuho Securities as the sole arranger under the Updated Programme; and

(c) provide updated corporate and financial information of the Group in the Offering Memorandum.

Information about the Company

In connection with the Updated Programme, the Issuers will provide certain professional investors with recent corporate and financial information of the Group in the Offering Memorandum. For purposes of transparent and timely dissemination of information to Shareholders and the potential investors and given that certain aforesaid information has not been previously furnished to the Shareholders, an extract of the relevant information from the Offering Memorandum relating to risk factors, selected consolidated financial information of the Company and businesses of the Company and TCMS is attached to this announcement.

GENERAL

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"**Board**"	the board of Directors
"**Company**"	Tan Chong International Limited, a company incorporated in Bermuda with limited liability
"**Directors**"	the directors of the Company
"**Group**"	Company and its subsidiaries
"**Hong Kong**"	the Hong Kong Special Administrative Region of People's Republic of China
"**Issuers**"	the Company and TCMS, and "**either Issuer**" means any one of them
"**Mizuho**"	Mizuho Securities (Singapore) Pte. Ltd.
"**Notes**"	medium term notes that may be issued from time to time by either Issuer under the Updated Programme
"**Offering Memorandum**"	an offering memorandum dated 28 April 2017 relating to the Updated Programme
"**Pricing Supplement**"	the document which sets out the terms specific to each series of Notes to be issued under the Updated Programme
"**Programme**"	the S$500,000,000 medium term note programme established by the Company by way of programme agreement dated 6 May 2014
"**Regulation S**"	Regulation S under the United States Securities Act of 1933, as amended
"**Shareholder**"	shareholders of the Company
"**Subscription Agreement**"	the agreement(s) proposed to be entered into between, among others, either Issuer and the lead manager under the Updated Programme in relation to the issuance of the Notes

"**TCMS**"	Tan Chong Motor Sales Pte Ltd, a wholly owned subsidiary of the Company incorporated in Singapore with limited liability
"Updated Programme"	the Programme updated by the Issuers by way of an amending and restating programme agreement dated 28 April 2017
"**United States**" or "**U.S.**"	the United States of America
"**S$**"	Singapore dollars, the lawful currency of Singapore

By the order of the Board
Tan Chong International Limited
Teo Siok Ghee
Liew Daphnie Pingyen
Joint Company Secretaries

Hong Kong, 28 April 2017

Website: http://www.tanchong.com

As at the date of this announcement, the Executive Directors are Mr. Tan Eng Soon, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Non-Executive Director is Mr. Joseph Ong Yong Loke. Independent Non-Executive Directors are Mr. Lee Han Yang, Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim and Mr. Teo Ek Kee.

RISK FACTORS

An investment in our Notes involves risks. You should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes. The risk factors set out below do not purport to be complete or comprehensive of all the investment considerations and risk factors that may be involved in our business, financial condition, results of operations or prospects or any decision to purchase, own or dispose of the Notes. Additional investment considerations and risk factors which we are currently unaware of may also impair our business, financial condition, results of operations or prospects. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially adversely affect our business, financial condition, results of operations and prospects. In such cases, our ability to comply with our obligations under the Trust Deed and the Notes may be adversely affected. Further, the Programme and the Notes will not be listed and there may not be a market or a market price for the Notes, and investors may lose all or part of their investments in the Notes. You should also consider the information provided below in connection with the forward-looking statements in this Offering Memorandum and the warning regarding forward-looking statements at the beginning of this Offering Memorandum.

Risks Relating to Our Business and Operations

We rely on a limited number of principal suppliers for a substantial majority of our sales inventory.

Our largest supplier and the supplier of our Subaru motor vehicles, Subaru, accounted for 15%,12% and 14% of our total purchases in the years ended 31 December 2014, 2015 and 2016, respectively, while Nissan accounted for 10%, 13% and 14% of our total purchases in the years ended 31 December 2014, 2015 and 2016, respectively. Our five largest suppliers accounted for 43%, 37% and 37% of our total purchases in the years ended 31 December 2014, 2015 and 2016, respectively.

Our rights to market and/or sell motor and heavy vehicles and their related parts and accessories are governed by our distribution and/or dealer agreements with the respective motor and heavy vehicle manufacturers. The distribution and/or dealer agreements that we have entered into with these manufacturers in some countries are on an exclusive basis and are for a fixed period of time. A majority of these distribution and/or dealer agreements are for a duration of between three and five years and have provisions for automatic renewal, while a significant number of these distribution and/or dealer agreements are for a duration of one year and do not have provisions for automatic renewal. In addition, a number of these agreements may be terminated by the supplier with immediate effect upon notice under certain circumstances, including insolvency and liquidation arrangements against us, failure on our part to obtain any consent of the vehicle manufacturers when required and breach on our part of any material obligations under the agreements. See "Business—Major Suppliers and Customers—Products with Distribution Agreements" for a summary of these distribution agreements.

We cannot assure you that one or more of our distribution agreements will not be terminated. In addition, we may not be able to renew our distribution agreements with our existing suppliers on the same commercially reasonable terms, on a timely basis or at all. It may also not be possible for us to enter into distribution agreements with, or obtain alternative products from, other suppliers on comparable or commercially reasonable terms or at all. Any deterioration of our relationship with our principal suppliers or quality and competitiveness of the products of these principal suppliers as well as the non-renewal of the distribution agreements on commercially reasonable terms with our principal suppliers may have a materially adverse effect on our business, financial condition, results of operations and prospects.

Any real or perceived problem with any model of Subaru, Nissan or other vehicles that we sell could have a material adverse effect on our business, financial condition, results of operations and prospects.

We sell predominantly Subaru and Nissan motor vehicles. Our reliance on two motor vehicle manufacturers makes us particularly vulnerable to any problems that might be associated with any particular model of motor vehicles manufactured by these manufacturers. We would be adversely affected if a design defect or mechanical problem with any such particular model were discovered, causing a widespread recall of such model. We may also have to make repairs to rectify any such defect or mechanical problem, which may adversely affect our ability to provide our customary after-sales service to our other existing customers. In addition, any such widespread recall may also adversely affect the reputation of such motor vehicle brands and result in lower sales volumes. We cannot assure you that the motor vehicles that we distribute will not be subject to a recall. Our business, financial condition, results of operations and prospects could be materially and adversely affected as a result of a negative perception of such motor vehicle brands due to real or perceived safety concerns or other problems, or the effect of such consumer protection laws.

Foreign exchange rate fluctuations may have a significant adverse impact on our business, financial condition, results of operations and prospects.

As a result of the geographic diversity of our business, changes in foreign currency rates could have an adverse impact on our business, financial condition, results of operations and prospects. Currency fluctuations affect us because of mismatches between the currencies in which operations costs are incurred and those in which revenues are received. Our revenues are typically denominated in local currencies in the jurisdictions in which we conduct business, such as Japanese yen, Taiwan dollar, Malaysian ringgit, Chinese renminbi, Singapore dollar and Thai baht. However, a significant portion of our costs of sales, principally our costs for purchasing our inventory, are denominated in Japanese yen. As such, the volatility in the Japanese yen in 2016 has negatively affected our cost of sales in a significant number of countries in which we operate. Any fluctuations in exchange rates between the currencies in which we receive our revenues and the currencies in which our operations costs are incurred could materially and adversely affect our profitability.

In addition, we have various investments and commitments denominated in foreign currencies, principally Japanese yen, U.S. dollar, Chinese renminbi and Singapore dollar. As of 31 December 2016, we had outstanding foreign-currency denominated equity securities outside Hong Kong, designated as at fair value through other comprehensive income amounting to HK$3,583.0 million (S$668.5 million), of which HK$3,527.1 million (S$658.0 million) were denominated in Japanese yen and substantially all of which relate to our shareholding interests in Subaru, with the remainder denominated in Singapore dollars. In addition, as of 31 December 2016, we had outstanding foreign-currency denominated commitments, principally under loan agreements, equivalent to HK$933.6 million (S$174.2 million). As a result of the Programme, we may increase our Singapore dollar, U.S. dollar and other foreign currency borrowings in the future. Therefore, any depreciation in the Hong Kong dollar against these foreign currencies would decrease the value of our investments and increase our obligations in Hong Kong dollar terms.

Our reported earnings may also be affected by fluctuations between the Hong Kong dollar, which is our reporting currency, and the non-Hong Kong dollar currencies in which some of our subsidiaries report their financial condition and results of operations. As a result, we may be adversely affected by foreign exchange translational losses due to fluctuations in the value of the Hong Kong dollar against the Japanese yen, Taiwan dollar, Chinese renminbi, Singapore dollar, Thai baht and other currencies in which we conduct our business.

In 2016, a 10% increase or decrease in the value of the Japanese yen against the Hong Kong dollar would have had a HK$358 million (S$66.8 million) increase or decrease, respectively, in our profit after tax, a 10% increase or decrease in the value of the U.S. dollar against the Hong Kong dollar would have had a HK$13 million (S$2.4 million) increase or decrease, respectively, in our profit after tax, a 10% increase or decrease in the value of the Singapore dollar against the Hong Kong dollar would have had a HK$79 million (S$14.7 million) increase or decrease, respectively, in our profit after tax, and a 10% increase or decrease in the value of the Chinese renminbi against the Hong Kong dollar would have had a HK$30 million (S$5.6 million) increase or decrease, respectively, in our profit after tax. The analysis above excludes differences that would result from the translation of the financial statements of our subsidiaries and associates outside Hong Kong into our reporting currency. See Note 35(c) of the notes to TCIL's audited consolidated financial statements for the year ended 31 December 2016 for further information.

Fluctuation in valuation of investments held by the Group may record gains or losses in other comprehensive income

As at 31 December 2016, the Group had HK$3,583.0 million (S$668.5 million) investments designated as at fair value through other comprehensive income. The vast majority of these investments are equity securities listed on the Tokyo Stock Exchange, and have been accumulated over the years as strategic long term investments. As valuation of listed equity securities depend on public stock market and individual stock price movements, these movements may have a positive or negative impact on other comprehensive income in the future – which may record unrealized gains or losses. Unrealised gains or losses on our listed investments reported in other comprehensive income are not expected to be reclassified to the consolidated statement of profit or loss.

A prolonged global economic downturn and political uncertainty could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our sales of motor vehicles, heavy commercial vehicles and industrial equipment, and property are dependent on the overall demand for such products, which are affected by (among other things) the global and regional economic environment. Economic stability in Europe, the United States of America and China is a key ingredient for growth in our business. A prolonged global economic downturn may have an adverse effect on our business, financial condition, results of operations and prospects.

In 2016, there has been uncertainty from major political developments in Europe and the United States of America – such as the Italian referendum on changes to Italy's constitution, the United Kingdom referendum on leaving the European Union, popularly referred to as "Brexit", and rising popularism in the United States of America. These events can affect individual consumer decisions as well as corporations, which may affect their purchasing decisions or in the case of corporations, their plans for workforce or capital investments. Changes in policies and such behaviour could significantly impact the respective economies and correspondingly, the global economic environment.

There is the possibility that U.S. Federal Reserve will increase U.S. interest rates in the coming years. This could have a negative impact on availability and cost of funding for individuals and businesses, causing a dampening of business sentiment, profitability and spending. Any reduction in global trade activity or elevated global market volatility due to a deterioration of cross-border relations could, in turn, affect the demand for our vehicle related products and services.

In relation to Brexit, it is still too early to know the full impact that Brexit will have on the U.K. and European economies. The value of the pound sterling has decreased against many currencies and remains near a multi-year low. It is not clear what it will mean in practice on the key issue of how British firms do business in the European Union. Corporations in Britain may encounter difficulties without the European Union membership benefits, including those which facilitate movement of funds, people and goods. As London plays an important role as a financial centre, this may lead to a drag on the European component of the global economy. Across Europe, any revised immigration policies could impact European Union unemployment levels. Economic growth may remain subdued reflecting low demand, uncertainties about the region's banking sector as well as lagging private consumption.

In Asia, risks may arise from apparent slowing down of Japan and China whilst volatility may arise from elections in the region. Slowing growth of the Chinese economy impacts global demand and commodity prices in particular. Global risks that can negatively affect Asia's medium-term growth prospects include financial dislocations associated with capital flow volatility and poor global growth. Regional financial conditions are increasingly determined by global factors such as U.S. interest rates and risk aversion. A disorderly reaction to any increase in the U.S. interest rates or unexpected changes to monetary policies in advanced economies could adversely affect capital flows and increase asset price volatility.

Domestic vulnerabilities could negatively impact investor sentiments, which may lead to a tightening of domestic financial conditions. Further, any difficulties faced by China to become a more consumption and service-sector oriented economy could drag on the region's growth. Government actions not aligned with region-wide policies supporting balanced growth could damage Asia's position as a growth leader. Therefore, risks arising globally and regionally could impact consumer sentiment and our customers' ability to purchase motor vehicles which could adversely affect our financial condition, results of operations and prospects.

Disruptions in global financial markets and economic conditions or changes in lending practices in the future may harm our ability to obtain financing on acceptable terms, which could hinder or prevent us from meeting capital needs.

Globally, the financial markets and economic conditions have been volatile and have faced disruption in recent years. Evolving domestic and global banking regulations such as the Basel III accords, which provide an international regulatory framework for banks, could increase the capital requirements and cost of capital for banks and financial institutions. This in turn could adversely affect our existing loan facilities, cost of financing and our ability to source additional funding for our operations. The cost of any available financing could increase significantly due to the possibility of increasing U.S. interest rates, increased banking regulations and volatile debt and equity markets. If there is significant deterioration of global financial markets and economic conditions in the future, we may be unable to obtain adequate funding under our present credit facilities due to reluctance from or the inability of lenders to meet funding obligations, market disruption events or increased costs, which may lead to an inability to obtain funds at the agreed interest rate of our credit facilities. Such deterioration may also cause lenders to be unwilling to provide us with new financing to the extent required to fund our ongoing operations and growth. These factors may hinder our ability to access financing or result in increased financing costs.

If financing or refinancing is not available when needed, or is available only on unfavourable terms, we may be unable to meet our obligations as they come due, or be unable to implement growth strategies, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could harm our business, financial condition, results of operations and prospects.

Singapore has promulgated various regulations that affect the demand and supply, and the selling prices, of motor vehicles in Singapore, which affects our business, financial condition, results of operations and prospects.

Singapore adopted the vehicle quota system in May 1990 to regulate the rate of growth of vehicles on Singapore's roads, at a rate that can be sustained by developments in land transport infrastructure. Under this system, the Singapore Land Transport Authority controls the number of new vehicles allowed for registration annually, while the market determines the price of owning a vehicle. Buyers of motor vehicles who wish to register a new vehicle in Singapore must first bid for and secure the relevant certificate of entitlement ("COE") for such vehicle, which represents the right to own a vehicle for 10 years. Other measures include an electronic road pricing ("ERP") system to manage road congestion, high duties, fees and taxes on motor vehicles in Singapore (including an Additional Registration Fee that is up to 180% of the open market value of the vehicle), and rules that lower the percentage of loan a borrower can take to purchase a car and the tenure of the loan. See "Business—Motor Vehicle Distribution—Regulations Affecting Car Ownership in Singapore" for a further discussion of such regulations.

Unlike outside Singapore, where the cost of acquiring a new vehicle principally depends on the selling price of that vehicle, in Singapore, the cost of acquiring a new vehicle depends not only on the selling price of a car but also the price of a COE and the car's open market value, based on which the vehicle's registration fee is calculated. Therefore, in

Singapore, our ability to compete is dependent on our selling prices for our cars, the price of a COE together with our ability to assist potential customers in successfully bidding for one, and our ability to lower the open market value of our cars by carefully selecting the specifications of the vehicle that we import to balance their associated value (and therefore import cost) with what our potential customers demand and are willing to pay for.

These regulations, in particular the vehicle quota system, have had a distorting effect on the competitive landscape for motor vehicles in Singapore and our ability to compete, which is reflected in the volatility in the number of motor vehicles that we sold in Singapore, and consequently our motor vehicle distribution revenue derived from Singapore. The institution of maximum loan-to-value restrictions on motor vehicle loans has also had, and we believe will continue to have, a disproportional adverse impact on premium and luxury car customers who have in recent years increasingly been moving towards mass market brands, which represents a key segment of our target customers.

Changes have been made to the vehicle quota system from time to time, including to minimise speculation in COEs. A new set of categorisation criteria to better delineate mass market cars from premium cars was introduced for all cars registered using COEs obtained from the February 2014 first open bidding exercise. The new categorisation retained the Category A criterion that the engine capacity of the car should not exceed 1,600cc, and added a new criterion that the engine power of the car should not exceed 130 bhp. All other cars that do not meet the new criteria fall under Category B. According to the Singapore Land Transport Authority, had this additional engine power criterion been applied to the 2012 vehicle registrations, almost 50% of cars in Category A would have moved into Category B. Distributors of non-mass market models that would have to be moved into Category B may bring in the same models with revised specifications so that such vehicles fall within the revised Category A. We cannot assure you that these changes will make the vehicle models that we sell, particularly our mass market models, more competitive or that we will be able to increase our sales volumes.

In addition, the Land Transport Authority imposes an Additional Registration Fee upon registration of a motor vehicle, which is a component of the selling price of our cars. The Additional Registration Fee regime has also been modified from time to time. Under the current regime, applicable to motor vehicles registered with COEs obtained from the first COE bidding exercise in March 2013, the Additional Registration Fees for motor vehicles with open market values of up to S$20,000 is at the rate of 100%, the next S$30,000 of open market value of the vehicle is at a rate of 140% and any open market value beyond S$50,000 is at a rate of 180%.

Changes in laws and regulations may increase our cost of sales or otherwise materially and adversely affect our business, financial condition, results of operations and prospects.

We are required to obtain various licences and permits, and to comply with various laws and regulations, in the jurisdictions in which we operate. These licences and permits are generally subject to conditions stipulated in them and/or to relevant laws and regulations under which such licences and permits are issued. In addition, certain of our licences and permits are subject to annual or periodic renewals. Accordingly, we need to constantly monitor and ensure our compliance with such conditions, laws and regulations, as well as the renewal of our licences and permits.

Any changes to current laws and regulations, or the introduction of new laws and regulations may have an impact on our licences and permits and on our business, and may result in higher costs. If we are unable to identify and adopt appropriate measures to reduce costs or pass on such increase in costs to our customers, sales of our motor vehicles will be adversely affected, which may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, any or all of these changes could result in an increase in the number of motor vehicles that we sell or result in higher revenues. An example is the introduction of Singapore consumer protection laws that provide remedies for goods with latent defects, which came into effect on 1 September 2012. Such laws require us to repair or replace a defective vehicle and, if repair or replacement is not possible or reasonable, require us to comply with our customers' request to reduce the selling price of the vehicle or provide a refund upon returning the vehicle.

At any one time, we also maintain a large inventory of vehicles to sell that meet the prevailing laws, regulations and other requirements when we order such vehicles from the manufacturers. However, such vehicles within our inventory (or ordered but not yet delivered) could fail to meet any changed or new laws, regulations or requirements. We could therefore not be able to sell them and may have to dispose of such vehicles at a loss or on terms that are not commercially attractive. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The frequency and appeal of new Nissan or Subaru models affect our ability to compete in the face of significant competition in the markets in which we operate.

The motor vehicle industry in Singapore and Hong Kong is mature and the various motor vehicle manufacturers are competing with each other and ourselves for limited demand. In addition, within the Motor Image Sales Region, the Subaru brand of motor vehicles is not well known and is in a niche market. Accordingly, we face significant competition from better-known or more mainstream brands.

In the motor vehicle business, the ability to anticipate changes in consumer preferences and requirements and the availability of a wide range of products and the regularity of new model introductions are often essential to the continued success of a brand. Nissan offers a wide range of passenger as well as commercial vehicle models. Over the years, Nissan has established a proven track record in respect of its ability to introduce new and improved vehicle models at regular intervals. Subaru specialises in serving the niche markets for all-wheel-drive vehicles, sport utilities and high performance cars, which it updates regularly. The ability of Nissan and Subaru to continue to produce new and improved models at regular intervals that appeal to potential purchasers has an impact on our ability to compete in an increasingly competitive market place. If Nissan's or Subaru's financial position or business continuity is weak, or their abilities to design, market and manufacture new motor vehicle models or vehicle spare parts and accessories are adversely affected, new and improved models may not be introduced at frequent-enough intervals, or may not appeal to potential customers. As a result, we may not be able to sell our motor vehicles at a commercially acceptable price or at a volume that would enable us to be profitable, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, if Subaru and we are not successful in improving the brand awareness of Subaru vehicles, we could be at a disadvantage in selling our motor vehicles in the Motor Image Sales Region. If we are not competitive in the markets that we operate in terms of brand, quality, delivery time and/or price, our business, financial condition, results of operations and prospects may be adversely affected.

Flooding has adversely affected, and any future flooding could adversely affect, our operations

Beginning in September 2011, widespread flooding affected much of Thailand, including areas where our assembly factories are located. The flooding caused widespread damage in Thailand, primarily in the northern and central regions of the country, including to a significant amount of the transportation infrastructure relied upon for supplying car parts to our factories. In addition, our factory in Pathumthani, Thailand sustained minor damage to office furniture, spare parts and trucks as a result of the floods, but there was no damage to the plant. The 2011 floods adversely impacted the Thai economy as a whole, resulting in a lower GDP growth forecast for 2011 compared with the rate projected prior to the floods. In addition, in 2013, various provinces in Thailand have experienced flooding, severely affecting the Amata Nakorn Industrial Estate where a number of automotive component suppliers are located.

In 2015, we experienced flooding at our automotive seat manufacturing plant in Nanjing, China, which resulted in production delays and stoppages which temporarily affected our seat production operations. We have since resumed production and orders. In 2016, heavy rains in Central and Eastern China broke levees, flood cities and villages, resulting in fatalities in the general population, damage to property and transportation stoppages.

Flooding can affect our operations due to its adverse impact on the supply chain. Flooding or heavy rains could result in loss of life, the displacement of large numbers of people and widespread destruction of property. Although our operations may be well protected against flood or otherwise be sited in areas not directly affected by floods, suppliers and operations may be severely affected. The impact of the floods depends on several factors, including the duration and severity of the flooding, the rate at which homes, businesses and infrastructure are repaired or replaced, industrial parks and factories are reopened and whether manufacturing levels return to those experienced prior to the flooding. There is no assurance that any future widespread flooding will not significantly harm the economies in which we operate, or will not result in a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to various risks related to legal proceedings or claims.

We, along with our directors, officers and/or controlling shareholders have been and in the future may be involved in allegations, litigation or legal or administrative proceedings. Regardless of the merits, responding to these matters and defending against claims and litigation can be difficult, expensive, time consuming and disruptive to our business operations. Moreover, the results of legal proceedings are difficult to predict. Any such allegations, lawsuits or proceedings could have a material adverse effect on our reputation and business.

Measures imposed by the Singapore government may have a material adverse effect on the Singapore property market.

The Singapore property market enjoyed a high rate of growth from 2009 to 2014, during which demand for and prices of residential units rose rapidly. Between 2011 and 2013, in an effort to curb property speculation, the Singapore government implemented a number of anti-speculation measures. Among the measures were imposing stamp duty on the sellers of residential properties (where the property is disposed of within four years of acquisition), imposing additional stamp duties on buyers that increase with each additional residential property purchased, requiring banks and financial institutions to impose a total debt servicing ratio framework for all property loans granted to individuals such that total monthly repayments of debt obligations should not exceed 60.0% of gross monthly income, tightening loan-to-value limits on housing loans (with more stringent limits on buyers with more than one housing loan), and increasing the supply of land. The continuation of such measures or the introduction of additional measures (including, but not limited to, charging income tax on the sellers for property gains from the sale of residential property where the property is disposed of within a number of years of acquisition), may reduce the attractiveness of property development and investment in Singapore and thereby affect our business, financial condition, results of operations and prospects.

The fair values of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, could materially and adversely impact our profitability.

We are required to reassess the fair values of our investment properties as of the date of our balance sheet. We cannot assure you that property prices will not decrease such that a downward revaluation of the properties is required. Real estate values are inherently difficult to value. We cannot assure you that our property interests will retain the price at which it may be valued or that our investment in such properties will be realised at the valuations or property values we have recorded or reflected in our financial statements.

In accordance with IFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. In relation to our investment properties, our policy is to undertake valuations at intervals of not more than three years by independent professional valuers on an open market value basis. In the intervening years, investment properties are valued by appropriately qualified persons within our group on an annual basis. Our investment properties were last revalued by an independent professional valuer as of 31 December 2015 on an open market for existing use basis which reflected market conditions at that date.

Based on such valuations, we recognised the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognised changes in fair values of investment properties on our consolidated income statements. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any governmental regulations, can substantially affect the fair value of our investment properties. All these factors are beyond our control. If the fair values of our investment properties continue declining, our profitability would be materially and adversely affected.

The interests of our single largest shareholder may differ from or conflict with our interests.

Tan Chong Consolidated Sdn. Bhd., the single largest shareholder of Tan Chong International Limited with a shareholding interest of 35.05% of Tan Chong International Limited as of the Latest Practicable Date, is also the single largest shareholder of TCMH. TCMH has a significant motor vehicle distribution business (including distributing Nissan motor vehicles) principally in Malaysia and, to a lesser extent, in Cambodia, Laos, Vietnam and Myanmar, that may compete with our motor vehicle distribution business.

Our Chairman, Mr. Tan Eng Soon, has an approximately 27.36% direct shareholding interest in the share capital of Tan Chong Consolidated Sdn. Bhd. See “Our Principal Shareholders” for details. Tan Chong Consolidated Sdn. Bhd. has substantial control over not only Tan Chong International Limited and its affairs and business, including the election of our directors and the approval of most other actions requiring the approval of our shareholders, but also those of TCMH and its subsidiaries. The interests of Tan Chong Consolidated Sdn. Bhd. and TCMH may differ from and conflict with our interests, and our single largest shareholder is free to exercise its votes according to its interests, including directing future business opportunities away from our group.

In the past, we had signed various non-competition undertakings with TCMH and certain of its subsidiaries. However, as a result of the manner in which the motor vehicle distribution market has evolved since then, we believe that such non-competition undertakings have been mutually terminated by the conduct of the relevant parties to such undertakings.

Our property valuations are based on various limitations and assumptions which, by their nature, are subjective and uncertain, and may materially differ from actual sale prices.

The valuations in respect of our property interests prepared by independent professional valuers or by qualified persons within our group do not take into account factors that may affect the value of our properties that occurred after the relevant dates of such valuations. Such valuations are subject to various methodologies, assumptions and facts that are relied on by such independent professional valuers or qualified persons with our group, some of which, by their nature, are subjective and uncertain, and may differ from actual results. If these assumptions are incorrect or if any of the other risks or contingencies that are considered when making such valuations actually occurs, the proceeds that we may be able to realise from these properties could be materially lower than their valuations. Further, unanticipated results of, or changes in, particular property developments or changes in general or local economic conditions or other relevant factors could affect such value.

In addition, we may experience delays in obtaining approvals required to develop certain lands, may become involved in litigation in respect of certain lands or may fail to develop certain lands for any reason, commercial or otherwise, and may not identify all material defects, breaches of contracts, laws and regulations and other deficiencies and factors that could affect the valuation. Accordingly, these valuations are not a prediction of the actual value that we expect to achieve from the sale of these properties. Any of these effects could adversely affect the valuations as well as our business, financial condition, results of operations and prospects.

We depend on our personnel, especially our executive officers and key management, and any difficulties attracting or retaining such personnel may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our success depends on the significant extent upon the continued services of our executive officers and other key management personnel, and in particular on Mr. Tan Eng Soon, our Chairman. The loss of any of our executive officers and other key management personnel or failure to recruit suitable or comparable replacements could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in our major customers could impact our transportation business.

Nissan in Japan is one of our major customers for our transportation business. Our subsidiary Zero has entered into several contracts with Nissan to govern our vehicle transportation operations and new vehicle inspection operations conducted with Nissan. These contracts stipulate that Nissan shall entrust such vehicle logistics related operations to Zero.

There is no assurance that Nissan will continue to engage our vehicle logistics services at the current level. Although we have enjoyed a long-standing relationship with Nissan, in the event where Nissan ceases or significantly reduces engagement of our services and we are unable to secure comparable business from other customers, our business, financial condition, results of operations and prospects may be adversely affected. In addition, there is no assurance that the terms of any renewal of Zero's contracts with Nissan will not be less favourable to us than the existing terms. In the event the terms of renewal are not commercially viable to us, our business and financial performance may be adversely affected.

Risks Relating to the PRC

PRC economic, political and social conditions, as well as governmental policies, could affect our business, financial condition, results of operations and prospects.

The PRC accounts for 17.0% of our total revenue in the year ended 31 December 2014, 10.9% of our total revenue in the year ended 31 December 2015 and 9.9% of our total revenue for the year ended 31 December 2016. Since 1 October 2013, Subaru of China has replaced distributorships with dealerships, and although we are no longer a Subaru distributor in China, we remain a main dealer group for Subaru in Southern China. Consequently, we are no longer in a position to sell Subaru motor vehicles to other Subaru dealers in Southern China and we expect our sales volumes and revenues derived from the sale of Subaru vehicles in China to be lower than in the past.

We are subject to economic, legal and regulatory conditions in the PRC that differ from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content of and control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition, results of operations or prospects.

In addition, many of the economic reforms carried out by the PRC government are unprecedented and expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may or may not have a positive effect on our operations and business development.

In China, stock market and currency volatility as well as slowing economic growth have and could continue to dampen Chinese consumer and business sentiment. Externally, global uncertainties, namely from the potential impact of fiscal and monetary policies as well as political uncertainty in Europe and other developed economies, may also weigh on the minds of PRC consumers going forward – affecting their household spending and their propensity to buy motor vehicles. Further, the automotive market in China is experiencing increased competition and a slow-down in growth. Correspondingly, these factors may negatively affect our sales volumes and revenues derived from the sale of Subaru vehicles in China.

We rely on a limited number of customers for our PRC manufacturing revenues.

We manufacture and sell vehicle seats in the PRC principally through our subsidiaries in China. Sales of vehicle seats accounted for 4%, 3% and 4% of our total revenues in the years ended 31 December 2014, 2015 and 2016, respectively. These sales are made mainly to two principal customers, with whom we do not have long term sale agreements. If these two principal customers decide not to purchase car seats from us in the future, we may not be able to sell the vehicle seats that we manufacture to other customers on similar or commercially reasonable terms or at all, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in governmental control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between Chinese renminbi and foreign currencies and the remittance of foreign exchange out of China. Any cash dividends that our PRC subsidiaries may pay to us or the servicing of any foreign currency denominated obligations of our PRC subsidiaries would require our PRC subsidiaries to convert their Chinese renminbi earnings into foreign currency. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("SAFE") by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Chinese renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.

The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development.

However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

Risks Relating to Thailand

A significant portion of our assets and operations are located in Thailand and we are subject to economic, legal and regulatory conditions in Thailand.

Thailand accounts for 7.9% of our total revenue for the year ended 31 December 2014, 7.9% of our total revenue for the year ended 31 December 2015 and 6.8% of our total revenue for the year ended 31 December 2016. Consequently, we are subject to economic, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other major economies. An economic downturn in Thailand or changes in policies on foreign exchange, wage and price controls, capital controls, prolonged inflation, an increase in regional interest rates, changes in taxation and limits on imports could have a material effect on our business, financial condition, results of operations and prospects.

According to the World Bank, Thailand's GDP grew by 7.2% and 5.7% respectively in 2012 and 2013, and shrank by 3.7% and 2.2%, respectively in 2014 and 2015. The Asian Development Bank, in its publication "Asian Development Outlook 2016 Update", has projected Thailand's GDP growth of 3.5% in 2017. Thailand's manufacturing and agricultural sectors, which employ about half the workforce, account for over 30% of Thailand's GDP.

Lower oil prices from 2015 helped save expenses of consumers but parts of the economy continued to be pressured by the purchasing power slowdown resulting from a mixed economic recovery and severe drought which reduced agricultural production in many areas. In addition, the industrial sector was affected by a decline in exports due to in part to the economic slowdown in China and several ASEAN countries. The tourism sector, a key driver of Thailand's economy, remained sluggish through part of 2015. In 2016, projections on Thailand's economy generally indicated gradual improvement driven by robust growth in tourism income in 2016 into 2017 – with the Asian Development Bank projecting 2017 GDP growth of 3.5%.

Additional factors that may adversely affect the Thai economy include natural disasters, foreign exchange rate fluctuations, scarcity of credit or other financing, lower demand for products and services provided by companies in the region, increases in oil prices, other regulatory, political or economic developments in or affecting Thailand, and security threats in Southeast Asia. Any downturn in the Thai economy could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business may be affected by political conditions in Thailand.

Our business, financial condition, results of operations and prospects may be influenced in part by any rapid changes in the social and political situation in Thailand. A constitutional referendum was held in Thailand on 7 August 2016 and produced a positive outcome - paving the way for elections. Following the approval of the new constitution in April 2017, the general elections are expected to be slated for late 2018. We cannot predict whether any changes to Thailand's legal and regulatory environment will affect economic growth, which may or may not materially and adversely affect our business, financial condition, results of operations and prospects.

Risks Relating to Japan

Japan's economic, political and social conditions, as well as governmental policies, could affect our business, financial condition, results of operations and prospects.

Japan accounted for 24.3% of our total revenue in the year ended 31 December 2014, 33.8% of our total revenue in the year ended 31 December 2015 and 32.7% of our total revenue in the year ended 31 December 2016. Thus, our financial condition and results of operations are materially affected by general economic, political and social conditions, and financial markets in Japan.

The Japanese economy differs from the economies of other countries in many respects, including the amount of government involvement, level of development, growth rate and allocation of resources. The Japanese government has adopted a negative interest rate policy since June 2016 and announced large fiscal stimulus packages to boost the domestic economic, the effects of which are yet to be determined. Any adverse change in the economic, political and social conditions or government in Japan could have a material adverse effect on overall economic growth, which in turn could have a material adverse effect on our transportation business.

We may be subject to changes in laws and regulations affecting the transportation industry

The transportation industry is highly regulated and Zero's main transportation business requires it to hold (i) a general motor truck transportation business permit issued by the Director of the Kanto Regional Transportation Bureau No. 1992 pursuant to Article 3 of the Motor Truck Vehicle Transportation Business Act, and (ii) a second class consigned freight transportation business permit issued by the Director of the Forwards Division, Policy Bureau Freight. The aforementioned business permits are held by Zero for an infinite duration and are required for Zero to carry on its transportation business. If any of the business permits are rescinded for any reason, Zero may not be allowed to carry on all or part of its transportation business and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Any introduction of any new laws, regulations and policies, or amendment to any existing laws, regulations and policies that result in more stringent vehicle and workforce management standards in Japan may have an adverse impact on our revenue and prospects. For example, if there are any changes to the Japan Motor Truck Vehicle Transportation Business Act, the Consigned Motor Truck Transportation Business Act, Road Traffic Act, Road Transport Act and/or regulations on emissions, Zero may incur higher costs as a result of being required to comply with such changes. In the event that these stringent regulations are breached or Zero is unable to comply with the new laws, regulations and policies, our licenses and/or business activities may be suspended and our prospects for profitability may be adversely affected.

Tight labor supply impacts costs

Though the Japanese economy is on a recovery trend, the situation of labor supply and demand has been continuously tight due to the falling birth rate and aging population. As a result, a shortage of truck drivers in major metropolitan areas in Japan has become chronic and their labor costs elevated. Under these circumstances, there may be further increases in management costs and recruitment costs which could impact our business, financial condition, results of operations and prospects.

Increase in fuel prices

Fuel prices have been subject to considerable price volatility, over which we have little control. Any increase in fuel prices may result in higher costs. If we are unable to identify and adopt appropriate measures to reduce costs or pass on such increase in costs to our customers (e.g. through fuel surcharges), the higher costs may result in Zero's business, financial condition, results of operations and prospects being materially and adversely affected.

Damage from natural disasters or other large-scale disasters

Acts of God such as natural disasters are beyond our control. Japan is particularly prone to earthquakes due to its location, and Zero's business operations may be materially and adversely affected should such acts of God such as earthquakes, tsunamis, typhoons and other natural disasters, fires and other accidents occur and Zero suffers damages to the extent that it is required to suspend operations.

Limitations of this Offering Memorandum

This Offering Memorandum does not purport to nor does it contain all information that you may require in investigating our creditworthiness.

Neither this Offering Memorandum nor any document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Notes (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by TCIL, TCMS, the Arranger, the Trustee, any Dealer or the Agents that you should subscribe for or purchase or sell any of the Notes.

This Offering Memorandum is not, and does not purport to be, investment advice. You should make an investment in the Notes only after you have determined that such investment is suitable for your investment objectives. Determining whether an investment in the Notes is suitable is your responsibility, even if you have received information to assist you in making such a determination. You acknowledge that you have not relied on TCIL, TCMS, the Arranger, the Trustee, any Dealer, the Agents or any person affiliated with each of us or them in connection with your investigation of the accuracy or completeness of the information contained herein or of any additional information considered by you to be necessary in connection with your investment or divestment decision. You should determine for yourself the relevance of the information contained in this Offering Memorandum and any such other document or information (or any part thereof) and your investment or divestment should be, and will be deemed to be, based solely on your own independent investigation of the financial condition and affairs, and your own appraisal of the creditworthiness, of TCIL, TCMS, the terms and conditions of the Notes and any other factors relevant to your decision, including the merits and risks involved. You should consult with your legal, tax and financial advisers prior to deciding to make an investment in the Notes.

Risks Relating to the Notes

An investment in the Notes may not be a suitable investment for you.

You must determine the suitability of an investment in the Notes in light of your own circumstances. In particular, you should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement to this Offering Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of your particular financial situation, an investment in the Notes and the impact such investment will have on your overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which your financial activities are principally denominated;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

Notes to be issued under the Programme may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. You should not invest in Notes which are complex financial instruments unless you have the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact such investment will have on your overall investment portfolio.

The structure of a particular issuance of Notes may have features which contain particular risks for you.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Modification, waivers and substitution

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide, *inter alia*, that the Trustee may, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes.

Notes subject to optional redemption or repurchase

An optional redemption or optional repurchase feature is likely to limit the market value of the Notes. During any period when we may elect to redeem or repurchase Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed or repurchased. This also may be true prior to any redemption or repurchase period. We may be expected to redeem or repurchase Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, you generally would not be able to reinvest the redemption or repurchase proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed or repurchased and may only be able to do so at a significantly lower rate. You should consider reinvestment risk in light of other investments available at that time.

Floating Rate Notes with a multiplier or other leverage factor

Notes with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on our Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes where denominations involve integral multiples

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If Definitive Notes are issued, you should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

You may receive less interest or principal than expected as a result of exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement. This presents certain risks relating to currency conversions if your financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than such specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of such specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Notes are denominated would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. This risk is in addition to any performance risk that relates to the Issuer or the type of note being issued.

Enforcing your rights under the Notes across multiple jurisdictions may prove difficult.

TCIL is incorporated under the laws of Bermuda, while its shares are listed on the HKSE. The Notes and the Trust Deed are governed by the laws of Singapore.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in jurisdictions outside Singapore (including in Bermuda and Hong Kong) in addition to proceedings in Singapore. Any such multi-jurisdictional proceedings would be complex and costly for creditors and may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes will be subject to the insolvency and administrative laws of multiple jurisdictions, and we cannot assure you that you will be able to effectively enforce your rights in any such complex multiple bankruptcy, insolvency or other proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of such jurisdictions may be materially different from, or be in conflict with, each other and those with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes in the relevant jurisdictions or limit any amounts that you may receive.

TCIL is a holding company whose obligations under the Notes will be structurally subordinated to all existing and future obligations of its subsidiaries; moreover, TCIL will be dependent upon payments from its Subsidiaries to provide it with funds to meet its obligations under the Notes.

TCIL is a holding company and has no material business operations of its own. TCIL substantially depends upon dividends and other distributions and payments from its subsidiaries for its cash flow. In addition, substantially all of TCIL's assets are held by these entities. TCIL's ability to meet its obligations under the Notes is largely dependent upon the flow of funds from and among its subsidiaries. The ability of these companies to pay dividends or other distributions will depend on their respective distributable earnings, cash flow conditions, restrictions that may be contained in their respective debt instruments, applicable law and other arrangements. We cannot assure you that such companies will be able to make dividend payments and other distributions and payments in an amount sufficient to meet TCIL's cash requirements or to enable it to meet its payment obligations under the Notes.

As a result, TCIL's obligations under the Notes will be effectively subordinated to all existing and future obligations of its direct and indirect subsidiaries. All claims of creditors of these subsidiaries, including trade creditors, lenders and all other creditors, will have priority as to the assets of the subsidiaries over claims of TCIL and TCIL's creditors, including holders of Notes. As of 31 December 2016, we had total bank loans and overdrafts of HK$3,499 million (S$652.8 million). Subject to compliance with the financial covenants therein, the trust deed constituting the Notes (the "Trust Deed") does not contain any restrictions on the ability of TCIL or its respective subsidiaries to incur additional indebtedness. In addition, issues of equity interests by TCIL's subsidiaries could dilute the shareholding interest of the Issuer in such subsidiaries.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including intercompany loans among our group companies and the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and financial, competitive, regulatory and other factors beyond our control. Our businesses may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes, or to fund our other liquidity needs. If we are unable to generate sufficient cash flow to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to sell assets or restructure or refinance our indebtedness will depend on the condition of the financing and capital markets and our financial condition at such time. Any refinancing of any of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our existing or future debt instruments, including the Trust Deed, may limit or prevent us from taking any of these actions. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, would materially and adversely affect our financial condition and results of operations and our ability to satisfy the Issuer's obligations under the Notes.

The Issuers may not have the ability to raise the funds necessary to finance the Noteholders' option to require TCIL to redeem or repurchase Notes as required by the Trust Deed governing the Notes.

Upon the exercise by a Noteholder of its right to require the Relevant Issuer to redeem or repurchase Notes, the Relevant Issuer is required to redeem or repurchase all outstanding Notes held by such Noteholder at a purchase price in cash equal to the Redemption Amount (or in the case of a redemption upon a change of control, at 101% of the Redemption Amount of the Notes or 101% of the Early Redemption Amount of the Zero Coupon Notes), in each case plus accrued and unpaid interest to the date of purchase. If Noteholders holding a substantial principal amount of Notes exercise their option, we cannot assure you that the Relevant Issuer would have sufficient funds available at such time to pay the redemption or purchase price of the outstanding Notes. The Trust Deed does not contain provisions that require the Relevant Issuer to offer to repurchase or redeem the Notes in the event of a reorganisation, restructuring, merger, recapitalisation or similar transaction.

The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Noteholders. The Trustee is not obliged to take any such action if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. In addition, the Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such action directly.

We do not intend to list the Programme or the Notes on any stock exchange; you may not be able to buy or sell the Notes in the absence of a trading market and there may not be a market price for the Notes.

The Programme and the Notes will not be listed. Therefore, there may not be a market or a market price for, and you may not be able to sell, your Notes. Even if you were able to sell your Notes, the price at which you may be able to sell may not be the price that you would have been able to sell your Notes if such Notes had been listed and a trading market established in relation thereto. If Notes are traded, they could trade at prices that may be lower than their initial offering price depending on many factors, including prevailing interest rates, our financial condition and operating results and the market for similar securities. This is particularly the case for Notes that are especially sensitive to interest rate, currency, credit or market risks, and/or are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Neither the Issuers nor the Arranger or any Dealer has any obligation to make a market in the Notes. In addition, the market for debt securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the markets for the Notes, if any, will not be subject to similar disruptions. Any disruptions in these markets may have a material adverse effect on your investment in the Notes.

Developments in other markets may adversely affect the price of the Notes.

The price of the Notes, if any, may be adversely affected by declines in the international financial markets and world economic conditions. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including Singapore. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the price of the Notes, if any, could be materially and adversely affected.

The transfer of Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered, and the Issuers are not obligated to register the Notes under, the Securities Act, or the securities laws of any other jurisdiction. In addition, this Offering Memorandum has not been registered as a prospectus under the SFA. Accordingly, the Notes may not be offered or sold except pursuant to an exemption from or a transaction not subject to, the registration requirements of the Securities Act, the SFA and any other applicable laws. See "Subscription and Sale" for further details of certain selling restrictions applicable. We have not agreed to, or otherwise undertaken, to register this Offering Memorandum or the Notes (including by way of an exchange offer) with the Monetary Authority of Singapore ("MAS") or the U.S. Securities and Exchange Commission, and we have no intention to do so.

Favourable Singaporean taxation laws may be amended or revoked prior to the maturity of the Notes.

The Notes to be issued from time to time under the Programme, during the period from the date of this Offering Memorandum to 31 December 2018 are, pursuant to the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by the MAS on 28 June 2013, intended to be "qualifying debt securities" for the purposes of the Income Tax Act (Chapter 134 of Singapore) (the "ITA"), subject to the fulfilment of certain conditions more particularly described in the section "Taxation — Singapore". However, we cannot assure you that such tax laws and regulations will not be amended or revoked in the future or that such Notes will continue to enjoy the tax concessions in connection therewith.

Legal investment considerations may restrict certain investments.

Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisers to determine whether and to what extent (1) Notes are legal investments for you, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to your purchase of any Notes. If you are a financial institution, you should also consult your legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF TCIL

You should read the selected financial information presented below in conjunction with TCIL's audited consolidated financial statements as of and for the years ended 31 December 2014, 2015 and 2016, contained elsewhere in this Offering Memorandum. We have extracted the selected financial information as of and for the years ended 31 December 2014, 2015 and 2016 from TCIL's audited consolidated financial statements as of and for the years ended 31 December 2014, 2015 and 2016.

Our financial statements have been prepared in accordance with IFRS issued by IASB. The same accounting policies have been applied consistently during the relevant periods, other than for the adoption of IFRS 9 (2009), Financial Instruments ("IFRS 9 (2009)"), which is applied retrospectively. The adoption of IFRS 9 (2009) results in a change in accounting policy, and debt and equity securities are classified into investments designated as at fair value through other comprehensive income. We first applied the requirements of IFRS 9 (2009) on 1 January 2015. As a result, comparative results for the year ended 31 December 2014 were restated, as described in Note 1(c) of the Notes to the Financial Statements as of and for the year ended 31 December 2015. The selected financial information as at and for the year ended 31 December 2014 is derived from TCIL's audited financial statements for the year ended 31 December 2015 which are restated for this effect.

	Year Ended 31 December			
Consolidated Income Statement data:	**2014**	**2015**	**2016**	**2016**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Revenue	10,647.8	14,818.6	16,736.3	3,122.4
Cost of sales	(8,512.8)	(12,016.2)	(13,858.5)	(2,585.5)
Gross profit	2,135.0	2,802.4	2,877.9	536.9
Other net operating income	197.9	138.7	288.7	53.9
Distribution costs	(809.3)	(1,154.1)	(1,404.7)	(262.1)
Administrative expenses	(858.5)	(975.5)	(1,039.9)	194.0)
Other operating expenses	(29.2)	(36.2)	32.3)	(6.0)
Profit from operations	635.8	775.3	689.6	128.7
Financing costs	(63.3)	(82.7)	(88.6)	(16.5)
Share of profits less losses of associates	76.0	76.2	68.2	12.7
Profit before taxation	648.5	768.8	669.2	124.9
Income tax expense	(221.7)	(319.1)	(335.1)	(62.5)
Profit for the year	426.9	449.6	334.1	62.3
Attributable to:				
Equity shareholders of the Company	349.2	308.2	191.1	35.7
Non-controlling interests	77.6	141.4	143.0	26.7
Profit for the year	426.9	449.6	334.1	62.3

	As of 31 December			
Consolidated Balance Sheet data:	**2014**	**2015**	**2016**	**2016**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Assets:				
Cash and cash equivalents	2,912.5	3,166.2	2,891.3	539.4
Other current assets	7,812.5	7,772.3	8,451.8	1,576.8
Total non-current assets	8,112.5	8,029.2	8,154.6	1,521.4
Liabilities:				
Bank loans (current)	1,947.0	2,157.5	3,377.3	630.1
Bank loans (non-current)	1,316.0	1,047.6	36.2	6.8
Other current liabilities	2,275.9	2,351.2	3,401.0	634.5
Other non-current liabilities	1,036.7	989.3	394.4	73.6
Capital and Reserves:				
Share capital	1,006.7	1,006.7	1,006.7	187.8
Reserves	10,624.7	10,731.0	10,521.0	1,962.9
Total equity attributable to equity shareholders of the Company	11,631.3	11,737.7	11,527.7	2,150.7
Non-controlling interests	630.6	684.3	761.0	142.0
Total equity	12,261.9	12,422.0	12,288.7	2,292.7
Net assets	**12,261.9**	**12,422.0**	**12,288.7**	**2,292.7**

Consolidated Cash Flow Statement:	Year Ended 31 December			
	2014	2015	2016	2016
	HK$	HK$	HK$	S$
	(in millions)			
Net cash generated from/(used in) operating activities....	(298.4)	921.6	39.6	7.4
Net cash generated from/(used in) investing activities....	(540.7)	(382.4)	(169.1)	(31.5)
Net cash generated from/(used in) financing activities....	1,540.5	(171.7)	(132.7)	(24.8)
Net increase/(decrease) in cash and cash equivalents......	701.5	367.4	(262.3)	(48.9)

Financial Review of Results of Operations

The Year Ended 31 December 2016 Compared with the Year Ended 31 December 2015

Revenue

Our total revenue increased 12.9% from HK$14,818.6 million in the year ended 31 December 2015 ("FY2015") to HK$16,736.3 million (S$3,122.4 million) in the year ended 31 December 2016 ("FY2016"), primarily because of an increase in revenue from our motor vehicle distribution and dealership business, and our transportation business and our other operations, which was partially offset by decreases in revenues from our heavy commercial vehicle, industrial equipment distribution and dealership business.

Our revenue from our motor vehicle distribution and dealership business increased 15.3% from HK$8,525.5 million in FY2015 to HK$9,828.9 million (S$1,833.8 million) in FY2016, principally because of an increase in the number of motor vehicles sold in most of our key markets. We sold 36,686 motor vehicles in FY2016, compared with 31,245 motor vehicles in FY2015, a 17.4% increase, principally from the strength of our sales in Singapore, Taiwan and Philippines, and the commencement of sales of the completely knocked down Subaru Forester model in Thailand and Malaysia, which was launched in March 2016.

Our revenue from our heavy commercial vehicle, industrial equipment distribution and dealership business decreased 22.6% from HK$670.3 million in FY2015 to HK$518.9 million (S$96.8 million) in FY2016, mainly because of a decrease in the number of heavy commercial vehicles and industrial equipment sold and as a result of the commencement of the restructuring and resizing of our truck business in Thailand. We sold 1,109 units in FY2016, compared with 1,577 units in FY2015.

Our revenue from our property rentals and development business increased 5.5% from HK$91.6 million in FY2015 to HK$96.6 million (S$18.0 million) in FY2016. We continue to face pricing pressures and a challenging environment in the Singapore rental market. We did not sell any properties held for sale in FY2016 and FY2015.

Our revenue from our transportation business, principally from Zero Co., Ltd. ("Zero") increased 9.3% from HK$5,007.1 million in FY2015 to HK$5,470.7 million (S$1,020.7 million) in FY2016. Despite a challenging Japanese automobile market, Zero has focused on winning orders from new and existing clients and delivering value-added services to its customers.

Our revenue from our other operations increased 56.7% from HK$524.1 million in FY2015 to HK$821.3 million (S$153.2 million) in FY2016, principally because of higher sales from our vehicle seat manufacturing business.

Cost of Sales

Our cost of sales increased 15.3% from HK$12,016.2 million in FY2015 to HK$13,858.5 million (S$2,585.5 million) in FY2016 in line with the increase in our total revenue, primarily reflecting an increase in sales volumes of our motor vehicles and the appreciation of our cost of sales denominated in Japanese yen against the operating currencies of our motor vehicle retail and distribution business.

Gross Profit

Our gross profit increased 2.7% from HK$2,802.4 million in FY2015 to HK$2,877.9 million (S$536.9 million) in FY2016. Our gross profit margin, which is our gross profit as a percentage of our total revenue, decreased from 18.9% in FY2015 to 17.2% in FY2016, principally due to the highly competitive environment and the average 11% appreciation of the Japanese yen against the operating currencies of our motor vehicle distribution and dealership business.

Other Net Operating Income

Our other net operating income increased 108.1% from HK$138.7 million in FY2015 to HK$288.7 million (S$53.9 million) in FY2016, primarily because of higher dividend income from our listed investments, gain on disposal of investment properties and net valuation gains on investment properties.

Distribution Costs

Our distribution costs increased 21.7% from HK$1,154.1 million in FY2015 to HK$1,404.7 million (S$262.1 million) in FY2016, mainly because of the increased sales in our completely built up markets and the incremental cost incurred in scaling up our completely knocked down operations to gain market presence and traction in the completely knocked down markets.

Administrative Expenses

Our administrative expenses increased 6.6% from HK$975.5 million in FY2015 to HK$1,039.9 million (S$194.0 million) in FY2016, principally as a result of an expansion of our distribution and retail network and scaling up of our motor vehicle distribution and dealership operations.

Other Operating Expenses

Our other operating expenses decreased 10.8% from HK$36.2 million in FY2015 to HK$32.3 million (S$6.0 million) in FY2016, principally because of a decrease in bank charges and other expenses.

Profit from Operations

As a result, our profit from operations decreased 11.1% from HK$775.3 million in FY2015 to HK$689.6 million (S$128.7 million) in FY2016. Our operating margin, which is our profit from operations as a percentage of our total revenues, decreased from 5.2% in FY2015 to 4.1% in FY2016.

Financing Costs

Our financing costs increased 7.1% from HK$82.7 million in FY2015 to HK$88.6 million (S$16.5 million) in FY2016, primarily because of an increase in our interest expense on bank loans, due to the increase in the outstanding principal amount of our bank loans. Our floating rates for our bank loans ranged from 0.33% to 7.6% per annum in FY2015 compared to a range from 0.33% to 6.5% per annum in FY2016.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates decreased 10.5% from HK$76.2 million in FY2015 to HK$68.2 million (S$12.7 million) in FY2016.

Profits before Taxation

Our profit before taxation decreased 13.0% from HK$768.8 million in FY2015 to HK$669.2 million (S$124.9 million) in FY2016.

Income Tax Expense

Our income tax expense increased 5.0% from HK$319.1 million in FY2015 to HK$335.1 million (S$62.5 million) in FY2016.

Profit for the Year

Our profit for the period decreased 25.7% from HK$449.6 million in FY2015 to HK$334.1 million (S$62.3 million) in FY2016.

Investments Designated as at Fair Value Through Other Comprehensive Income – Changes in Fair Value Recognised during the Year

As of 31 December 2016, we had investments designated as at fair value through other comprehensive income of HK$3,583.0 million (S$668.5 million), which represented listed and unlisted equity securities. The vast majority of these investments are equity securities listed on the Tokyo Stock Exchange, and have been accumulated over the years as strategic long-term investments. Our fair value gain on our investments designated as at fair value through other comprehensive income decreased from HK$498.2 million gain in FY2015 to HK$81.9 million (S$15.3 million) loss in FY2016.

Year Ended 31 December 2015 Compared With Year Ended 31 December 2014

Revenue

Our total revenue increased 39.2% from HK$10,647.8 million in the year ended 31 December 2014 ("FY2014") to HK$14,818.6 million in FY2015, primarily because of an increase in revenue from our motor vehicle distribution and dealership business, our heavy commercial vehicle, industrial equipment distribution and dealership business and our transportation business, which was partially offset by decreases in revenues from our property rentals and development business and our other operations.

Our revenue from our motor vehicle distribution and dealership business increased 25.9% from HK$6,772.9 million in FY2014 to HK$8,525.5 million in FY2015, principally because of an increase in the number of motor vehicles sold in Singapore, Taiwan, Thailand, Malaysia and Vietnam. We sold 31,245 motor vehicles in FY2015, compared with 23,076 motor vehicles for FY2014, primarily due to the significant growth in the Singapore passenger vehicle market and the outperformance of the Subaru brand sales in Taiwan. The Malaysia and Thailand completely knocked down markets also experienced growth driven by the Group's efforts to build the Subaru brand awareness and market penetration.

Our revenue from our heavy commercial vehicle, industrial equipment distribution and dealership business increased 12.3% from HK$597.0 million in FY2014 to HK$670.3 million in FY2015, mainly because of an increase in the number of heavy commercial vehicles and industrial equipment sold. We sold 1,247 units in 2014, compared with 1,577 units in FY2015, primarily because of an increase in Thailand's truck sales supported by the relatively stable political climate as compared to FY2014, as well as growth in Singapore's truck and forklift sales.

Our revenue from our property rentals and development business decreased 21.8% from HK$117.1 million in FY2014 to HK$91.6 million in FY2015, principally because of lower occupancy and the weak rental market in Singapore. We did not sell any properties held for sale in FY2014 and FY2015.

Our revenue from our transportation business increased 93.6% from HK$2,586.9 million in FY2014 to HK$5,007.1 million in FY2015, principally because of the effect of the full year consolidation in FY2015 of the financial results of Zero Co., Ltd. ("Zero"), which became our subsidiary in June 2014, as compared to the second half 2014 consolidation of Zero's revenue in FY2014. In addition, sales increase was also attributed to the increase in used car export exports, human resource business and customer diversification in our transportation business.

Our revenue from our other operations decreased 8.7% from HK$573.9 million in FY2014 to HK$524.1 million in FY2015, principally because of a decrease in production and sales volume of vehicle seats as a result of the temporary shutdown of our Nanjing seat manufacturing plant as a result of the impact of the flooding experienced in FY2015.

Cost of Sales

Our cost of sales increased 41.2% from HK$8,512.8 million in FY2014 to HK$12,016.2 million in FY2015, in line with the increase in our total revenue and higher foreign exchange losses.

Gross Profit

Our gross profit increased 31.3% from HK$2,135.0 million in FY2014 to HK$2,802.4 million in FY2015. Our gross profit margin, which is our gross profit as a percentage of our total revenue, decreased from 20.1% in FY2014 to 18.9% in FY2015, as a result of higher foreign exchange losses and the full year consolidation of Zero's financial results.

Other Net Operating Income

Our other net operating income decreased 29.9% from HK$197.9 million in FY2014 to HK$138.7 million (S$25.9 million) in FY2015, primarily because of a net valuation loss on investment properties of HK$53.1 million in FY2015 compared with a net valuation gain on investment properties of HK$42.7 million in FY2014, which was partially offset by an increase in marketing subsidies and an increase in dividend income from listed investments in FY2015.

Distribution Costs

Our distribution costs increased 42.6% from HK$809.3 million in FY2014 to HK$1,154.1 million in FY2015, mainly because of higher number of motor vehicles sold and increased cost from the build-up of the Group's regional distribution network, operational integration, advertising and promotion activities and expansion of its complete knock down operations.

Administrative Expenses

Our administrative expenses increased 13.6% from HK$858.5 million in FY2014 to HK$975.5 million in FY2015, primarily as a result of primarily as a result of the Group investing heavily in building the sales infrastructure, systems, human resources and distribution networks.

Other Operating Expenses

Our other operating expenses increased 24.0% from HK$29.2 million in FY2014 to HK$36.2 million in FY2015, because of an increase in bank charges and increase in provision on Nanjing flooding experienced in FY2015.

Profit from Operations

As a result, our profit from operations increased 21.9% from HK$635.8 million in FY2014 to HK$775.3 million in FY2015. Our operating margin, which is our profit from operations as a percentage of our total revenues, decreased from 6.0% in FY2014 to 5.2% in FY2015.

Financing Costs

Our financing costs increased 30.6% from HK$63.3 million in FY2014 to HK$82.7 million in FY2015, primarily because of the interest expense incurred in connection with the medium term notes that we issued in July 2014. Our floating rates for our bank loans ranged from 0.35% to 12.25% per annum in FY2014 compared to a range from 0.33% to 7.6% per annum in FY2015.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates increased 0.3% from HK$76.0 million in FY2014 to HK$76.2 million in FY2015.

Profit Before Taxation

Our profit before taxation increased 18.6% from HK$648.5 million in FY2014 to HK$768.8 million in FY2015.

Income Tax Expense

Our income tax expense increased 43.9% from HK$221.7 million in FY2014 to HK$319.1 million in FY2015, principally reflecting in tandem the increase in our profit before taxation.

Profit for the Year

Our profit for the year increased 5.3% from HK$426.9 million in FY2014 to HK$449.6 million in FY2015.

Investments Designated as at Fair Value Through Other Comprehensive Income – Changes in Fair Value Recognised during the Year

As of 31 December 2015, we had investments designated as at fair value through other comprehensive income of HK$3,683.8 million, which represented listed and unlisted equity securities. The vast majority of these investments are equity securities listed on the Tokyo Stock Exchange, and have been accumulated over the years as strategic long-term investments. Our fair value gain on our investments designated as at fair value through other comprehensive income decreased from HK$641.0 million in FY2014 to HK$498.2 million in FY2015.

TAN CHONG INTERNATIONAL LIMITED

We are an investment holding company and conduct our business in five business segments: motor vehicle distribution, transportation, heavy commercial vehicle and industrial equipment distribution, property rentals and development and other operations. We conduct our operations in Asia, principally in Singapore, Hong Kong, the PRC, Taiwan and various countries in key markets in the Association of Southeast Asian Nations ("ASEAN"). We have been listed on The Stock Exchange of Hong Kong Limited (the "HKSE") since 7 July 1998.

We were incorporated in Bermuda on 19 March 1997 as a company with limited liability. Our registered address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and our two principal places of business are in Hong Kong and Singapore. Our principal executive offices in Hong Kong are located at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, while our principal executive offices in Singapore are located at Tan Chong Motor Centre, 911 Bukit Timah Road, Singapore 589622. Prior to our incorporation, our business was conducted by Tan Chong Motor Holdings Berhad ("TCMH"), which was incorporated in Malaysia in 1972 and has been listed on the Bursa Malaysia (previously known as the KLSE) since 4 February 1974.

Our Nissan motor vehicle distribution business in Singapore is conducted through our indirect wholly-owned subsidiary, Tan Chong Motor Sales Pte. Ltd. ("TCMS") which was incorporated in Singapore on 14 December 1991 as a company with limited liability. TCMS's registered address and principal place of business is 911 Bukit Timah Road, Singapore 589622. TCMS is the exclusive distributor of Nissan passenger and light commercial vehicles in Singapore, and also engaged in the businesses of selling Nissan spare parts and providing workshop services. Our Subaru motor vehicle distribution business is carried out under the brand name "Motor Image".

Our total revenue was HK$10,647.8 million for the year ended 31 December 2014, HK$14,818.6 million for the year ended 31 December 2015 and HK$16,736.3 million (S$3,122.4 million) for the year ended 31 December 2016. Our total net assets were HK$12,261.9 million as of 31 December 2014, HK$12,422.0 million as of 31 December 2015 and HK$12,288.7 million (S$2,292.7 million) as of 31 December 2016.

Key events in our development since our incorporation include:

Year	Event
2017	Established a joint venture with Subaru for Subaru vehicle production in Thailand
2016	Commenced assembly of completely knocked down Subaru Forester SUVs in Malaysia
2015	Commenced assembly of completely knocked down MAN buses in Thailand
2014	Commenced assembly of completely knocked down Foton trucks in Thailand
2014	Acquired a controlling stake in Zero Co., Ltd.
2012	Commenced assembly of completely knocked down Subaru XV compact SUVs in Malaysia
2011	Obtained MAN Truck and Bus distributorship in Thailand
2011	Obtained Foton truck distributorship in Thailand
2010	Commenced assembly of vehicle seats at Nanjing Seat Assembly in the PRC
2007	Acquired controlling stake in Subaru of Taiwan
2005	Commenced sales of terrace housing units in Upper Aljunied Road, called Oasis@Mulberry
2004	Obtained Subaru distributorship in Philippines
2003	Started Subaru distribution in Southern China

In relation to our five business segments:

- ***Motor Vehicle Distribution.*** We are the exclusive distributor for various models of Nissan passenger and light commercial vehicles manufactured by Nissan in Singapore. We are also the exclusive distributor for various models of Subaru passenger vehicles manufactured by Subaru in various countries/areas in Asia (together, the "Motor Image Sales Region"), comprising Singapore, Hong Kong, Taiwan, Malaysia, Indonesia, Thailand, Philippines, Vietnam and Cambodia, as well as a main dealer group for Subaru motor vehicles in Southern China (PRC). Our motor vehicle distribution business accounted for HK$9,828.9 million (S$1,833.8 million), or 58.7%, of our total revenue for the year ended 31 December 2016.

- ***Transportation*** Our transportation business is carried out principally in Japan through our subsidiary Zero Co., Ltd. ("Zero"). We provide vehicle transportation services to auto makers and dealers, auto leasing business operators, house-moving business operators and other business operators. The general cargo business provides transportation, cargo-handling and storage services. We also provide manpower and private automobile dispatcher services to hospitals and kindergartens. Our transportation business accounted for HK$5,470.7 million (S$1,020.7 million), or 32.7%, of our total revenue for the year ended 31 December 2016.

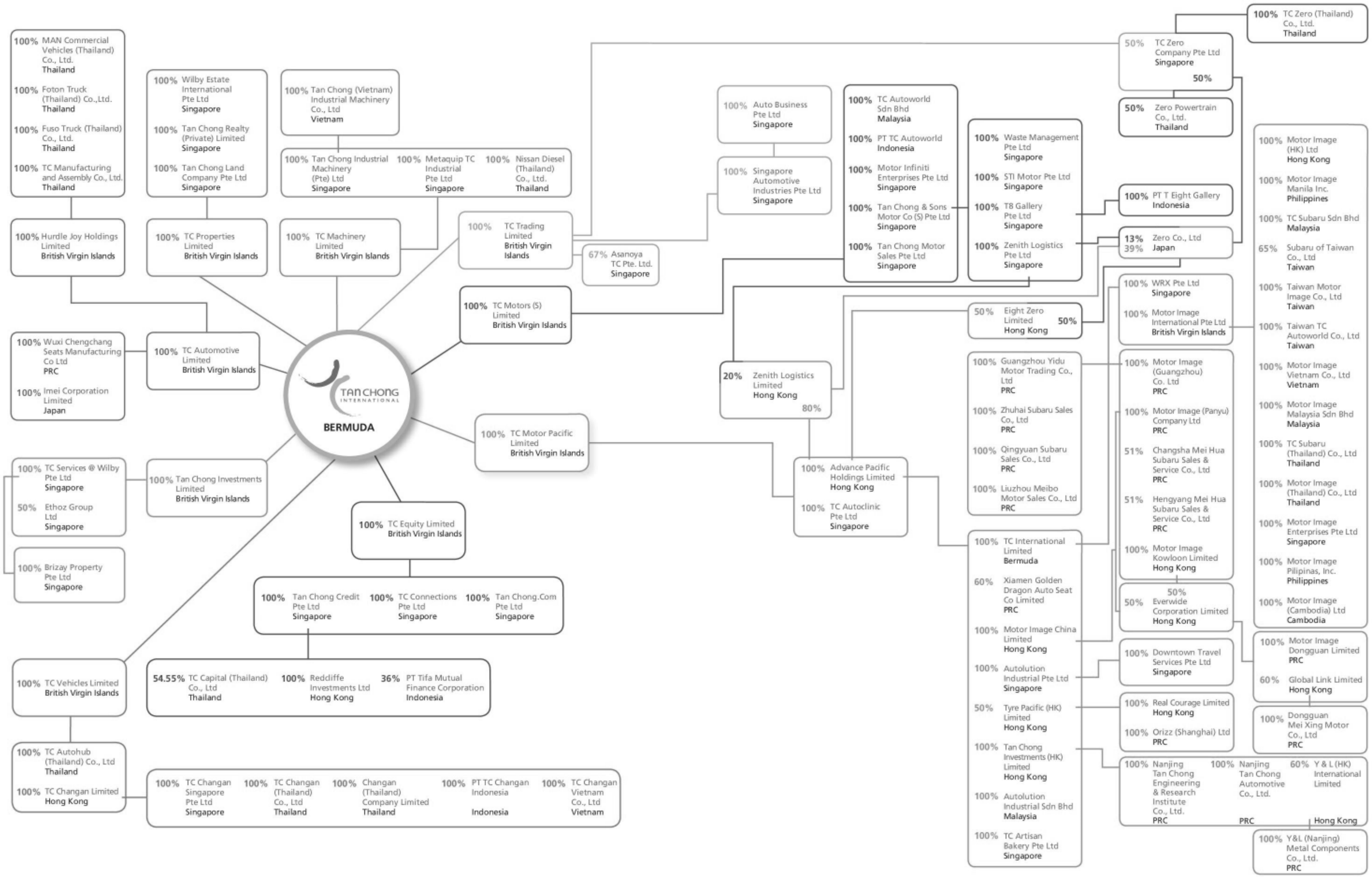
- ***Heavy Commercial Vehicle and Industrial Equipment Distribution.*** We market and distribute a wide range of heavy commercial vehicles and industrial equipment. This includes various models of Foton trucks, MAN trucks and buses, Schwing-Stetter concrete machinery (concrete mixers, pumps and placing booms) and Hangcha forklift trucks in Thailand, We are the sole distributor of various models of UniCarriers (formerly branded as Nissan) forklift trucks in Singapore and Vietnam and are the sole distributor of JAC trucks in Singapore. We also assemble certain models of Foton trucks and MAN buses in Thailand. Our heavy commercial vehicle and industrial equipment distribution business accounted for HK$518.9 million (S$96.8 million), or 3.1%, of our total revenue for the year ended 31 December 2016.

- ***Property Rentals and Development.*** We have a property portfolio and are engaged in the development of various properties in order to meet our internal property needs as well as for sales and rental income. Our property rentals and development business is carried out principally in Singapore and Hong Kong. Our property rentals and development business accounted for HK$96.6 million (S$18.0 million), or 0.6%, of our total revenue for the year ended 31 December 2016.

- ***Other Operations.*** Our other operations include principally vehicle leasing and rentals, investment holding, hire purchase financing, provision of workshop services, the manufacturing of vehicle seats and other miscellaneous businesses. Our other operations accounted for HK$821.3 million (S$153.2 million), or 4.9%, of our total revenue for the year ended 31 December 2016.

Corporate Structure

The chart below shows our corporate structure as of 31 December 2016.



Competitive Strengths

Established Brand Name and Track Record in the Region

Our Tan Chong and Motor Image brand names are well established in Asia. Our history in selling motor vehicles in Asia provides reassurance to our customers that we are a reliable company to purchase motor vehicles from and that we provide strong customer and after-sales services. We have been selling Nissan passenger and light commercial vehicles and Subaru passenger vehicles in Asia since 1966 and 1987 respectively. Motor vehicles have a long ownership cycle, and many people choose to purchase their vehicle from us due to our established reputation in the market. The Tan Chong name, in connection with TCIL, was named by Nissan as the "Best National Sales Company" in 2013 through 2016 for its combined strong performance in sales growth, market share and customer satisfaction. Further, Motor Image won the "Subaru sales award" from Subaru in 2015 for excellent sales performance in three of its markets – namely Taiwan, Philippines and Singapore. For the past 15 consecutive years since 2000, Motor Image has won sales or market growth awards from Subaru in its collective business regions/areas.

Long-standing Relationship with Global Brands

We have long-standing relationships with many of our automotive manufacturer principals. We have been the exclusive distributor of Nissan passenger and light commercial vehicles in Singapore since 1966. In addition, we have been the exclusive distributor of Subaru passenger vehicles in Singapore since 1987 and in Hong Kong since 1990. As an authorised distributor of Subaru, we have a presence in 10 countries and have identified ASEAN as the key engine for the brand's future growth. These long-standing exclusive distributorships have enabled us to establish and maintain strong relationships with Nissan and Subaru, the manufacturers of Nissan and Subaru vehicles, respectively. We also have a leading position in Singapore's passenger motor vehicle market and were ranked third in Singapore by the combined number of annual new registrations of Nissan and Subaru passenger motor vehicles in 2015 according to the Singapore Land Transport Authority. Through our strength in the distribution and sale of motor vehicles in Asia, we offer our principal partners an understanding of local consumers' needs and wants, and an established track record in vehicle distribution.

Established in Yokohama, Japan in 1933, Nissan manufactures vehicles in 17 countries around the world, including Japan. In 2015, Nissan claimed the top spot in the SUV segment in Singapore, with the Nissan Qashqai model being the top selling SUV model, according to the Motor Traders Association of Singapore. Nissan was also the top seller in the light goods vehicle segment for 6 consecutive years from 2010, and was the second best selling passenger car brand in terms of sales in 2015 registering a significant growth when compared to 2014, according to data from the Motor Traders Association of Singapore. We sold 5,100 Nissan passenger and light commercial vehicles in the year ended 31 December 2014, 9,324 Nissan passenger and light commercial vehicles in the year ended 31 December 2015, and 10,768 Nissan passenger and light commercial vehicles in the year ended 31 December 2016. Three Nissan passenger vehicle models, namely Altima, Sentra and Rogue, (the Singapore market names being Teana, Sylphy and X-Trail, respectively) were awarded "Top Safety Pick" status by the Insurance Institute for Highway Safety in the United States in 2016.

Subaru was established in Japan in July 1953 and manufactures vehicles in the United States of America and Japan. In 2015, the Subaru Forester model was the second best-selling SUV model in Singapore, according to the Motor Traders Association of Singapore. 2015 also saw strong growth momentum of Subaru sales in Thailand, Malaysia and Taiwan, outperforming the industry. We sold 17,976 Subaru passenger vehicles in the year ended 31 December 2014, 21,921 Subaru passenger vehicles in the year ended 31 December 2015, and 25,918 Subaru passenger vehicles in the year ended 31 December 2016. Subaru is well known for its all-wheel-drive vehicles and also for the safety of its vehicles. Six Subaru passenger vehicle models, namely Legacy, Outback, Forester, WRX, XV Crosstrek and Impreza, have been awarded "Top Safety Pick" status by the Insurance Institute for Highway Safety in the United States in 2016. Many Subaru vehicle models have also received various industry safety awards from several organisations worldwide. A major 2016 milestone for Subaru was the Subaru Impreza model being named Japan Car of the Year for 2016-2017, placing ahead of the second-placed Toyota Prius model and the third-placed Audi A4 model. This Japanese domestic market award is given to newly released or redesigned vehicles. The newest iteration of the Subaru Impreza model was re-launched in 2016 with the new Subaru Global Platform and Eyesight – Driver Assist Technology, an active safety system for front crash prevention.

Broad Geographic Footprint and Diversified Revenue Within Asia

Because of our long-standing relationship with Subaru, we have over the years expanded our initial exclusive distributorship of Subaru vehicles in Singapore and Hong Kong to Taiwan, Malaysia, Indonesia, Thailand, Philippines, Vietnam and Cambodia. In addition, we have also penetrated the PRC motor vehicle market and are currently the main dealer group of Subaru vehicles in Southern China. We conduct our direct sales activities principally at our vehicle showrooms in our branches. As of 31 December 2016, we had a total of three Nissan showrooms (all in Singapore) and 48 Subaru showrooms across the region. As of 31 December 2016, we have a total of two Nissan dealerships and 83 Subaru dealerships.

From 2016 to 2020, real GDP growth in ASEAN economies is expected to average 5.2% annually according to a 2016 Organisation for Economic Co-operation and Development (OECD) report. We expect that due to rising income levels across the region, an increasing number of households will join the middle class and attain the financial means to make their first motor vehicle purchase.

We believe that our broad geographic footprint and motor vehicle distribution network within Asia will enable us to capitalise on the growth in Asian emerging markets for the upcoming years. As very few motor vehicle distribution companies operate across 10 countries within Asia, our broad geographic footprint in Asia enables us to efficiently share resources and knowledge, with the target to have the quickest flow and implementation of policies and information into the retail chain.

Our presence in 10 countries within Asia allows us to have greater stability via diversified sources of revenue and reduces our dependence on any one market.

Stable and Experienced Senior Management Team

Our key management team, led by Mr. Tan Eng Soon, has extensive managerial experience, particularly in the motor and heavy commercial vehicle distribution market in Asia. Our key management team comprises 26 executive directors and senior executive officers with the vast majority having an average experience in the motor vehicle industry of approximately 27 years. A majority of the key management team have also been with us for more than 17 years. Our management team has, over the years, demonstrated its ability to successfully grow our business, expand into various geographic markets in Asia, build our brand identity and establish a wide distribution network in Asia.

Vertical Integration in the Automotive Value Chain

Following our acquisition of a controlling majority stake in Zero in 2014, our largest business segment, namely the motor vehicle distribution business segment, is now complemented by the transportation business segment carried out by Zero in Japan. The transportation business by itself is our second largest business segment, accounting for 33.8% of and 32.7% of our total revenue for the years ended 31 December 2015 and 31 December 2016, respectively. The two business segments are highly complementary. Zero's biggest customer in Japan is Nissan which is also one of our main principals of our motor vehicle distribution business segment in Singapore. The Group distributes Subaru cars in Thailand and Singapore and leverages on Zero's expertise to transport such vehicles in these two markets. It is our aim to take advantage of our presence in various geographic markets in Asia through our motor vehicle distribution business segment to expand Zero's transportation business beyond Japan. We intend to leverage on Zero's strong reputation and relationship with other Japanese car brands and insurers to increase referrals to our after-sales workshops and accident repair services. We are optimistic that our wide geographic footprint within Asia will provide further opportunities for vertical integration between our two largest business segments within the automotive value chain.

Strong Financial Position based on Prudent Fiscal Management

Our business segments have a stable and diversified earnings base. As at 31 December 2016, we had a consolidated net debt position of HK$1,240.0 million (equivalent to S$231.3 million), calculated based on cash and cash equivalents of HK$2,891.3 million (equivalent to S$539.4 million) and consolidated bank loans and other debt of HK$4,131.3 million (equivalent to S$770.8 million). The Group is focused on prudent fiscal management within our group. Our business segments sustain operations primarily through cash from their operating activities. The Group can leverage its strong cash flow to finance investment growth and development. We believe that this, together with our strong balance sheet position and low gearing ratio, enable us to invest, expand and further strengthen each of our business segments.

Our Strategies

Diversify and Expand Completely Knocked Down Vehicle Assembly

Many countries in which we operate have high import duties and taxes applicable to imports of motor vehicles. However, ASEAN countries do not impose import duties on motor vehicles assembled in any ASEAN country that is part of the ASEAN Free Trade Area ("AFTA"). Motor vehicles that have been assembled from completely knocked down vehicle kits within AFTA benefit from significantly lower import duty compared to completely built-up vehicles, and as such are able to be priced more competitively within the AFTA market.

In 2012 and 2016 respectively, we began the commercial assembly of completely knocked down Subaru XV passenger vehicles and Subaru Forester passenger vehicles in Malaysia through contract assembly arrangements with Tan Chong Motor Assemblies Sdn Bhd ("TCMA Malaysia").

In February 2017, we established a joint venture with Subaru for Subaru vehicle production in Thailand. The Group and Subaru will own 74.9% and 25.1% of the joint venture company respectively. We intend to work with Subaru to expand completely knocked down production of Subaru vehicles for distribution in the Southeast Asian region. The joint venture company aims to commence production in 2019 and the Group will distribute the vehicles produced by the joint venture company through its Subaru dealer network in the region.

We are continuously considering and evaluating the assembly of other brands and models of vehicles in the future from completely knocked down vehicle kits, depending on market conditions.

Expand Profitable Existing Businesses

We currently distribute Nissan passenger and light commercial vehicles in Singapore, and Subaru passenger vehicles in nine countries/areas, namely Singapore, Hong Kong, Taiwan, Malaysia, Indonesia, Thailand, Philippines, Vietnam and Cambodia. We are also the main dealer group of Subaru vehicles in Southern China. We intend to achieve an increase in sales within our current operating countries by increasing the number of outlets as well as continuing to invest in staff training and development to increase our levels of professionalism and enhance our customers' experience. We are focused on building our Subaru brand so as to achieve greater sales momentum and market share penetration in the existing CKD Market countries in which we operate. We continue to evaluate entry into new geographic markets within Asia to broaden our geographic footprint and capitalise on the growth in Asian emerging markets.

Our customers for our after-sales services such as maintenance and repair services and body and paint jobs are principally customers who have purchased our new motor vehicles. We also service other brands of motor vehicles as we believe that our high levels of service will attract customers who have purchased other vehicle brands and may encourage such customers to buy our motor vehicles in the future.

Evaluate New Business Opportunities that are Complementary to our Existing Businesses

While our primary focus is on the profitable growth of our existing business, our management may also consider and evaluate, on an opportunistic basis, expansion into new business segments, provided that such new business opportunities are complementary to, or serve to enhance, existing operations or competencies within our group. For example, we have recently begun to work with used car dealers to sell pre-owned motor vehicles that we have certified in Singapore, and may extend such a business model to other countries.

Motor Vehicle Distribution

We have been the exclusive distributor for Nissan passenger and light commercial vehicles in Singapore manufactured by Nissan since 1966. As at 31 December 2016, the models of the Nissan passenger vehicles that we distribute in Singapore are the Note, Almera, Sylphy, Teana, Juke, Qashqai, X-Trail, Elgrand and GT-R, while the models of the Nissan light commercial vehicles that we distribute in Singapore are Cabstar, NV200, NV350 and NP300. Three Nissan passenger vehicle models, namely Altima, Sentra and Rogue, (the Singapore market names being Teana, Sylphy and X-Trail, respectively), were awarded "Top Safety Pick" status by the Insurance Institute for Highway Safety in the United States in 2016. According to the Motor Traders Association of Singapore, Nissan has been the best-selling light goods vehicle brand in Singapore each year from 2010 up to 2015.

Our revenues from the sale of Nissan passenger and light commercial vehicles amounted to HK$1,543.0 million, or 14.5% of our revenues, in the year ended 31 December 2014, HK$2,550.1 million, or 17.2% of our revenues, in the year ended 31 December 2015 and HK$2,997.9 million (S$559.3 million), or 17.9% of our revenues, in the year ended 31 December 2016. We sold 5,100 Nissan passenger and light commercial vehicles in the year ended 31 December 2014, 9,324 Nissan passenger and light commercial vehicles in the year ended 31 December 2015 and 10,768 Nissan passenger and light commercial vehicles in the year ended 31 December 2016.

We are also the exclusive distributor for Subaru passenger vehicles manufactured by Subaru in the Motor Image Sales Region comprising of Singapore, Hong Kong, Taiwan, Taiwan, Thailand, Philippines, Malaysia, Indonesia, Cambodia and Vietnam, and are the main dealer group for Subaru motor vehicles in Southern China. We first became the exclusive distributor of Subaru passenger vehicles for Singapore in 1987 and for Hong Kong in 1990, and subsequently obtained the exclusive distributorship of Subaru passenger vehicles for Taiwan, Malaysia, Indonesia, Thailand, the Philippines, Vietnam and Cambodia. As at 31 December 2016, the models of the Subaru motor vehicles we distribute include the Legacy, Impreza, Levorg, Outback, XV, Forester, WRX, WRX STI and Subaru BRZ.

We commercially assemble Subaru XV compact SUV passenger vehicles and Subaru Forester SUV passenger vehicles from completely knocked down vehicle kits in Malaysia through contract assembly arrangements with TCMA Malaysia. The assembled passenger vehicles are sold directly in Malaysia and exported to Thailand for sale there. Subaru is well known for its all-wheel-drive vehicles and also for the safety of its vehicles. Six Subaru passenger vehicle models, namely the Legacy, Outback, Forester, WRX, XV Crosstrek and Impreza, have been awarded "Top Safety Pick" status by the Insurance Institute for Highway Safety in the United States in 2016. In 2016, the new iteration of the Subaru Impreza model was named Japan Car of the Year for 2016-2017. The new Subaru Global Platform together with the Eyesight –

Drive Assist Technology, an active safety system for front crash prevention, were re-launched in the new Subaru Impreza model in 2016, further reinforcing Subaru's strong product range.

Our revenues from the sale of Subaru passenger vehicles amounted to HK$5,102.5 million, or 47.9% of our revenues, in the year ended 31 December 2014, HK$5,825.8 million, or 39.3% of our revenues, in the year ended 31 December 2015 and HK$6,626.8 million (S$1,236.3 million), or 39.6% of our revenues, in the year ended 31 December 2016. We sold 17,976 Subaru vehicles in the year ended 31 December 2014, 21,921 Subaru vehicles in the year ended 31 December 2015 and 25,918 Subaru vehicles in the year ended 31 December 2016.

The table below shows a breakdown by geography of our motor vehicle distribution revenue for the periods indicated.

	Year Ended 31 December			
Region	**2014**	**2015**	**2016**	**2016**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Singapore	1,949.1	3,314.4	4,261.3	795.0
Hong Kong	96.6	105.9	117.7	22.0
PRC	1,399.5	1,256.2	997.9	186.2
Thailand	392.8	636.7	718.1	134.0
Japan	—	—	—	—
Others	2,935.0	3,212.2	3,733.9	696.6
Total	6,773.0	8,525.5	9,828.9	1,833.8

We sold a total of 23,076 motor vehicles in the year ended 31 December 2014, 31,245 motor vehicles in the year ended 31 December 2015 and 36,686 vehicles in the year ended 31 December 2016. Subaru and Nissan motor vehicles are sold typically through showrooms in our branches and appointed dealers in our sales regions. Our branches and dealers are supported by modern and highly equipped service workshops and well-stocked parts warehouses. The main thrust of our marketing strategy is aimed at product quality and customer satisfaction, the two key factors to lasting customer loyalty. See "—Motor Vehicle Distribution Sales and Marketing" for further details of our branch and dealer networks and our sales and marketing strategies.

Our customers place orders for new motor vehicles by signing a standard sales agreement with us. The standard terms include provisions relating to the price of the vehicle, full payment and delivery. In Singapore, the standard terms also include provisions relating to registration fee, Certificate of Entitlement (COE), road tax, GST, custom duty, excise or other applicable taxes or levies. In Singapore, we are also entitled to vary the quoted price of the motor vehicle in accordance with market conditions, such as any changes in the prices of COEs. In the regions which we operate, we are also entitled to withhold registration and delivery of a motor vehicle until full payment has been received.

Motor Vehicle Distribution Sales, Marketing and After-Sales Services

Our motor vehicle customers are members of the public, car rental companies and the general business community. Our sales activities are conducted principally directly through our branches with our own sales teams. However, we also appoint dealers for the Nissan and Subaru motor vehicles that we distribute. Our motor vehicle distribution marketing activities include advertising in various media channels such as newspapers, social media, radio and television, conducting road shows and motor shows, and sponsoring various events such as sporting events, shows, competitions and concerts. In addition, we place strong emphasis on after-sales services such as vehicle servicing, body repairs, spare parts and customer care.

Branches and Dealers

We have branches in ten countries, which are directly operated by our staff, and are organised with the country headquarters in the main capital city of each country and branch outlets located strategically in key cities in each country. We have appointed dealers in nine countries and we sell our vehicles to our dealers either on a wholesale or retail sales basis. Our motor vehicle distribution division does not provide any credit facilities to our dealers, who must make payment to us in full or through financing provided by various financial institutions before any vehicle may be collected. In Thailand, we provide floorplan financing support to our dealers through TC Capital (Thailand) Co., Ltd. ("TCCT"), our hire purchase and vehicle financing arm in Thailand. Our dealership agreements with our dealers are renewed on an annual basis, subject to the achievement of sales targets.

The table below shows the number of branches and dealers that we have as of 31 December 2016.

Country	**Branches**	**Dealers**
Nissan:		
Singapore	3	2

Subaru:		
Singapore	2	0
Hong Kong	1	1
Taiwan	6	14
Indonesia	4	3
Malaysia	7	31
Thailand	8	22
Philippines	3	9
Cambodia	1	0
Vietnam	2	3
China	14	0
Total	48	83

Our direct sales activities are conducted principally at vehicle showrooms. As of 31 December 2016, we had a total of five Nissan outlets (all in Singapore) and 131 Subaru outlets throughout Asia. In Southern China, where we are the main dealer group for Subaru, we have developed a retail network of 14 Subaru showrooms. At our showrooms, various models of our Nissan and Subaru motor vehicles are prominently displayed, and potential customers are able to inspect and test drive these vehicles. See "—Property Rentals and Development—Properties Used for Our Operations" for a summary description of our showrooms in Singapore.

Marketing Activities

Our marketing activities are carried out by our branches and are extended to dealers to ensure consistent brand representation. We pre-approve all marketing activities carried out by our dealers. For Nissan, we regularly sponsor the free-to-air television show "Moneymind" as well as weekend radio programs on Singapore's most popular radio stations.

As part of our on-going strategic focus on making the Nissan brand more relevant and appealing to the emerging younger car buyer population, we continue to utilize certain models (namely Qashqai and X-Trail) as our main communication models. In 2017, we will add another strategic communication model – the Pulsar hatchback. We believe these core models will be strong contributors to our sales volume, given their growing popularity, and build a more vibrant image for the Nissan brand as a whole. At the same time, Nissan as a company with a history of breakthroughs, is advancing and implementing technologies that are paving the way for the future. The latest Nissan Intelligent Mobility ("IM") innovations released by Nissan include its new proprietary e-Power and ProPilot technologies, both of which have won numerous accolades since their introduction. Going forward for Singapore, we can also expect new models to be equipped with more Nissan IM innovations that offer better end-user experience.

We will also continue to focus on increasing our sales of Nissan Light commercial vehicle in anticipation of the growth in replacement demand for light commercial vehicles in Singapore in 2017.

Because Subaru is a niche brand and targeted at a specific market segment, we focus our Subaru marketing activities on increasing brand awareness and consumer education of Subaru's core technologies. In the highly competitive car marketplace, our marketing strategy is not only to communicate a differentiated message but select platforms that are highly visible and uniquely owned. In doing so, the marketing strategy for our Subaru business in 2017 will rest on three main pillars – Unique Technologies, Global Icons and Customer Engagements. With respect to Unique Technologies, Subaru will introduce a new platform technology, the Subaru Global Platform, that underpins the new Impreza and which will also be used in the majority of Subaru's future models. The Subaru Global Platform uses advanced materials and new processes, credited with endowing the new Impreza chassis with a driving feel that compares favourably with its class competitors. Safety is a bedrock of Subaru's philosophy and in 2017 we will see the introduction of Eyesight – Driver Assist Technology. Subaru's Eyesight uses state of the art cameras and software to monitor the road ahead and can automatically react when it detects danger. Advancements like the Subaru Global Platform and the Eyesight driver assist technology define the technological revolution that is happening within Subaru. Our experience, exposure and reputation in the region make it appealing for Global Icons to partner us. Following our partnership with world renowned dog behaviourist Cesar Milan in 2016, we intend to continue to work with Cesar Millan to entertain and educate dog owners across the region through live workshops and the second season of the television program, Cesar Recruit Asia. Another member of our Global Icon approach is Guinness World Record Holder Russ Swift, who will continue to showcase the handling of Subaru cars to the many fans in the region 15 years in the running. Finally, Homer Simpson from the popular animated television series – "The Simpsons" will be making an appearance in an upcoming Subaru television commercial. The relationships we have forged with these Global Icons give us an exposure and brand awareness level that is far beyond what can be achieved through conventional marketing methods. Under Customer Engagements, we will be embarking on the Subaru Ultimate Test Drive across the region. Subaru cars are known for their handling prowess and with this programme, prospective buyers will be able to experience Subaru's trademark Symmetrical All Wheel Drive and Boxer engine and superior handling around a specially designed track for a unique and memorable test drive.

We continue to conduct the Subaru Palm Challenge in Singapore, which was first introduced in 2001, where participants compete to win a Subaru vehicle by outlasting the competition and being the last person standing while keeping a palm firmly pressed on a Subaru car, with only a five-minute break every six hours. We also sponsor cable television shows such as Asia's Next Top Model and Supermodel Me to improve our image among the younger demographic, which is one of our key customer segments.

Customer Relationship Management

We have established a customer relationship management system that incorporates a loyalty programme, called DUO. The main objective is to deliver "unique experiences" to its members thereby encouraging them to stay connected with us. DUO is currently rolled out in Singapore, Thailand and Hong Kong, and we are looking to expand it to Malaysia and the Philippines in 2017. The main tenet of "unique experiences" is to offer value and special opportunities. Through the DUO programme, we endeavour to work with partners that can provide unique offerings to our DUO members. In addition, DUO offers a redemption programme where members can receive one DUO dollar for every dollar spent within our Group. These DUO dollars, or points, can be redeemed for automobile-related merchandise, car servicing vouchers, car rental packages and other products and services. Through these rewards, we believe we are able to leverage on our customer base to create recurring sales for our products and services. Through the DUO programme, we also organise a variety of events for the DUO members, including various motoring-related workshops, road trips and customer appreciation cocktails at our showrooms.

After-Sales Services

The after-sales services that we offer our customers include maintenance and repair services. The customers who are eligible for our after-sales services are principally those who have purchased our new motor vehicles. We are the authorised service centres for Nissan and Subaru motor vehicles in Singapore and all the other countries/areas in which we operate. We provide regular scheduled maintenance services and routine inspections for new motor vehicles that we sell, based on the mileage and age of the vehicles. These schedules are typically recommended by the relevant motor vehicle manufacturer. The maintenance services normally include oil changes, spark plug and air filter replacements, and wheel alignment.

We provide repair services for motor vehicles that are under warranty or otherwise. Our repair services typically include repair of manufacturer's defects, replacement of parts owing to wear and tear, and repair of damage resulting from collisions or other accidents.

Warranties

Warranties for the motor vehicles sold by us are provided by the relevant manufacturer or us. The warranty period for our motor vehicles is typically between 24 and 60 months or 50,000 kilometres and 100,000 kilometres, whichever comes first, starting from the date the motor vehicle is registered. For motor vehicles with a manufacturer's warranty, we are able to make a claim against the relevant manufacturer for repairing the motor vehicle. The repair works consist of claimable and non-claimable works. For claimable works, we perform the repairs and subsequently claim the cost of repairs from the relevant manufacturer. For non-claimable works, our customers will have to bear the cost of repairs.

Following the introduction of consumer protection laws in Singapore that provide remedies for goods with latent defects, which came into effect on 1 September 2012, we are required to repair or replace a defective motor vehicle in Singapore and, if repair or replacement is not possible or reasonable, our customers may request for a price reduction or return the defective motor vehicle for a refund. See "—Regulations Affective Car Ownership in Singapore—Consumer Protection Laws Relating to Motor Vehicles" for further details.

Regulations Affecting Car Ownership in Singapore

Singapore has in place various regulations that affect the demand and supply, and the price, of motor vehicles in Singapore, which affects our business, financial condition, results of operations and prospects. See "Risk Factors—Risks Relating to Our Business and Operations—Singapore has promulgated various regulations that affect the demand and supply, and the price, of motor vehicles in Singapore, which affects our business, financial condition, results of operations and prospects" for further details.

The Vehicle Quota System

Singapore adopted the vehicle quota system in May 1990 to regulate the rate of growth of vehicles on Singapore's roads. Under this system, the Singapore Land Transport Authority controls the number of new vehicles allowed for registration annually, while the market determines the price of owning a vehicle. Buyers of new motor vehicles in Singapore must first bid for and secure the relevant COE for such vehicle, which represents the right to own a vehicle for 10 years. At the end of such period, vehicle owners may choose to deregister their motor vehicle or revalidate their COE for another five- or ten-year period by paying the prevailing COE premium.

The vehicle quota system classifies vehicles into five COE categories:

- A: Cars (Up to 1,600 cc and 130bhp);
- B: Cars (Above 1,600 cc or 130bhp);
- C: Goods vehicles and buses;
- D: Motorcycles; and
- E: "Open" (for any type of vehicle).

The COE quota is computed and set every three months. COEs are allocated through an open bidding process, which is conducted twice a month. For competitive reasons, motor distributors (including ourselves) may agree to vary their selling prices of the motor vehicles to reflect the estimated price of COEs at the time of writing of the sales contract. The prices of COEs have fluctuated widely since the vehicle quota system was first introduced. Often, the price of the COE can be as high as or higher than the price of the vehicle. Between 1 January 2013 and 31 December 2015, COEs have ranged from a low of S$54,301 to a high of S$92,100 for a Category A vehicle and from a low of S$55,001 to a high of S$96,210 for a Category B vehicle. In bidding rounds of the preceding 10 years, the COE prices have been as low as S$2 and as high as S$97,889.

Changes have been made to the vehicle quota system from time to time, including measures to minimise speculation in COEs, announced in September 2013. A new set of categorisation criteria to better delineate mass market cars from premium cars has been introduced for all cars registered using COEs obtained from the February 2014 first open bidding exercise. The new categorisation retained the existing Category A criterion that the engine capacity of the car should not exceed 1,600cc, and added a new criterion that the engine power of the car should not exceed 130 bhp. All other cars that do not meet the new criteria fall under Category B.

Electronic Road Pricing

In September 1998, Singapore introduced an electronic road pricing ("ERP") system to manage road congestion. Based on a pay-as-you-use principle, motorists are charged when they pass a control point for the use of a priced road during peak hours. These ERP control points make up a cordon around the city centre and are also located on congested sections of expressways and ring/radial roads. ERP rates vary for different roads and time periods depending on local traffic conditions and also vary depending on vehicle type.

Duties, Fees and Taxes

Duties, fees and taxes on motor vehicles in Singapore are among the highest in the world. The Land Transport Authority imposes an additional registration fee (the "Additional Registration Fee") upon registration of a motor vehicle. The Additional Registration Fee regime has been periodically amended to reflect changes in governmental policies, and is calculated based on a percentage of the open market value of the vehicle. Under the current structure, applicable to motor vehicles registered with COEs obtained from the first COE bidding exercise in March 2013, the Additional Registration Fees for motor vehicles with open market values of up to S$20,000 is 100% of the open market value, the next S$30,000 of open market value of the vehicle is 140% of the open market value and any open market value beyond S$50,000 is 180% of the open market value. In addition, excise duty of 20% of the open market value and road tax that is dependent on the engine capacity of the vehicle must be paid to register a motor vehicle. A vehicle's open market value is the value of a vehicle assessed by the Singapore Customs, taking into account purchase price, freight, insurance and all other charges incidental to the sale and delivery of the car from its country of manufacture to Singapore.

Restrictions on Motor Vehicle Loans

The Monetary Authority of Singapore promulgated new rules relating to the grant of motor vehicle loans by financial institutions that became effective on 26 February 2013. The new rules lower the percentage of a loan a borrower can take to purchase a car and the maximum tenure of the loan, with the maximum loan-to-value of either 50% or 60% of the purchase price, including relevant taxes and COE, depending on the vehicle's open market value. As a result, a purchaser of a motor vehicle will be required to make a bigger cash down payment than purchasers in other countries. In addition, the tenor of a motor vehicle loan must be capped at a maximum of five years. As of 27 May 2016, the rules were revised such that the maximum loan allowed increased to either 60% or 70% of the vehicle purchase price if the vehicle's Open Market Value is above or below S$20,000 respectively, and the maximum loan tenure lengthened to 7 years from the previous maximum of 5 years.

Consumer Protection Laws Relating to Motor Vehicles

With effect from 1 September 2012, consumer protection laws that provide remedies for goods with latent defects were added to the Consumer Protection (Fair Trading) Act, with related amendments to the Hire Purchase Act and the Road Traffic Act (for provisions governing motor vehicles). Such consumer protection laws provide remedies to consumers who purchase motor vehicles that fail to conform to contract at the time of delivery. Unless the motor vehicle dealer can prove otherwise, a defect proven to exist within six months of delivery is presumed to have existed at the time of delivery. Beyond the six-month period, the consumer is required to show that the defect existed at the time of delivery to make a claim under such laws.

Under such laws, the motor vehicle dealer may first offer to repair or replace the defective motor vehicle within a reasonable period of time and without significant inconvenience to the consumer. If repair or replacement is not possible or reasonable or if the dealer did not provide repair or replacement within a reasonable period and without significant inconvenience to the consumer, the consumer may keep the defective motor vehicle and request for a reduction in price or return the defective motor vehicle for a refund, the amount of which would depend on the use the consumer had made of the motor vehicle.

Early Turnover Scheme

The Early Turnover Scheme ("ETS") was introduced by the Singapore government in 2013 to encourage the early replacement of old and more polluting diesel vehicles with cleaner models, by allowing owners to transfer the unused COE period from their existing vehicle to their replacement vehicle, and a bonus COE period for the replacement vehicle which is proportional to the existing vehicle's remaining 20-year lifespan. The ETS is in place up to 31 July 2017 and is widely expected to be extended beyond then. We have been able to capitalise on the ETS to expand our commercial vehicle sales such that Nissan has been the best-selling light goods vehicle brand in Singapore from 2010 to 2015 according to the Motor Traders Association of Singapore. Under the ETS, the COE for the replacement vehicle is not restricted in quota (unlike the COE for new vehicles which is subject to the vehicle quota system controlled by the Singapore Land Transport Authority). This incentivises vehicle owners to participate in the ETS to replace their old diesel vehicles and has resulted in an increase of Nissan commercial vehicle sales in Singapore.

Motor Vehicle Distribution Competition

We compete with other motor vehicle distributorships and dealerships in the markets that we operate in. Our principal competitors are the distributors and dealers of various Japanese and Korean motor passenger vehicles, including Toyota, Honda, Mazda, Hyundai and Kia, and the distributors and dealers of various Japanese and Korean light commercial vehicles, with Toyota typically being the main market leader. In certain markets, continental brands like Volkswagen, Volvo and Mercedes are also our competitors due to vehicle pricing. We compete with brands with strong brand awareness, a wide product range and a long historical presence in the markets that we distribute our vehicles.

Most of our competitors have local assembly plants in the major markets that we compete, enabling them to enjoy lower duties and taxes, resulting in more competitive selling prices. We compete principally on having newer models of vehicles, the look and quality of the motor vehicles and, to a lesser extent, on price.

In addition, in Singapore, various regulations have been put in place to minimise the ownership and use of motor vehicles. See "—Regulations Affecting Car Ownership in Singapore" above for a description of such regulations. Unlike outside Singapore, where the cost of acquiring a new vehicle principally depends on the selling price of that vehicle, in Singapore, the cost of acquiring a new vehicle depends not only on the selling price of a car but also the price of a COE and the car's open market value, based on which the vehicle's registration fee is calculated. Therefore, in Singapore, our ability to compete is dependent on our ability to assist potential customers in successfully bidding for the COE, and our ability to lower the open market value of our cars by importing vehicles with the particular specifications that meet our potential customers' needs and wants.

These regulations, in particular the vehicle quota system, have had a distorting effect on the competitive landscape for motor vehicles in Singapore and our ability to compete, which is reflected in the volatility in the number of motor vehicles sold and consequently our motor vehicle distribution revenue derived from Singapore. As the COE quota has increased from a low point in 2013, such increase had a favourable impact on the sales of motor vehicles in Singapore. We are taking full advantage of this expansion in the COE supply but continue to anticipate its cyclical nature and associated effects on our business. The institution of maximum loan-to-value restrictions on motor vehicle loans has also had, and we believe will continue to have, a disproportional adverse impact on the segment of premium and luxury car customers, who have in recent years increasingly moved towards mass market brands, which represents a key segment of our target customers.

Transportation

Our transportation business is principally carried out in Japan through our subsidiary Zero Co., Ltd. ("Zero"). Zero is a company incorporated in Japan in October 1961. Its common shares are listed on the Second Section of Tokyo Stock Exchange under the securities code "9028" in 2005. The principal businesses of Zero include (a) an automobile-related business providing vehicle transportation services to auto makers and dealers, auto leasing business operators, house-moving business operators and other business operators; (b) a general cargo business comprising transportation, cargo-handling, storage of products and raw material; and (c) a human resources business providing private automobile dispatcher services to various customers such as hospitals and kindergartens. As of 31 December 2016, Zero operates 37 sales branches, 14 customer service centres, 10 service centres, 11 car selection sites, and engages 69 subcontractors covering vehicle transportation throughout Japan.

Zero was established in October 1961 as Nissan Transportation Co, Ltd., a subsidiary of Nissan Motor Co., Ltd. From 1985, Zero began to transport imported foreign brands such as BMW. In 2001, Zero became independent via a management buyout, and it changed its name to the current Zero Co., Ltd.

We first became a shareholder in Zero in 2004 with an interest in approximately 20.7% of the then issued share capital of Zero. We subsequently increased our shareholding in Zero to 22.91% through a series of acquisitions. In 2013, Zero and the Group established TC Zero Company Pte. Ltd. ("TC Zero"), a joint venture company in Singapore and a subsidiary operation in Thailand. In May 2014, we launched a tender offer for the common shares of Zero to further strengthen our co-operation with Zero (the "Tender Offer"). As a result of the Tender Offer, we further increased our equity interest in Zero, then an associate, from 22.91% to 50.88% and Zero became our subsidiary with effect from 19 June 2014. The Group commenced consolidation of Zero's financial results from June 2014 onwards. As of 31 December 2016, Zero is comprised of 14 subsidiaries and 6 affiliates. As of 31 December 2016, we hold 8,696,702 shares or 52.32% of Zero.

On 15 May 2014, we entered into the Capital and Business Alliance Agreement ("CBA Agreement") with Zero to establish a closer capital and business alliance in order to expand Zero's automobile-related business in the ASEAN region. This includes the development of an automotive value chain aimed to support the automotive industry from the manufacturing level and down to scrapping in the ASEAN market and the promotion of joint business such as body repair, painting and transportation of automobiles, the auction business and after-sales services. As of 31 December 2016 the Group has established Zero operations in Taiwan, Thailand and Singapore, and is contemplating further expansion within Asia.

Group revenue from our transportation business amounted to HK$2,586.9 million, or 24.3% of our revenue, in the year ended 31 December 2014, HK$5,007.1 million, or 33.8% of our revenue, in the year ended 31 December 2015, and HK$5,470.7 million (or S$1,020.7 million), or 32.7% of our revenue, in the year ended 31 December 2016.

Automobile-related Business

In Japan, Zero is ranked 1st for used car transportation (based on annual market size of approximately 7 million units) with an approximately 20% market share, and 2nd for new vehicle transportation (based on annual market size of approximately 5 million units) with an approximately 30% market share, based on market data from the Japan Automobile Dealers Association.

In this business sub-segment, Nissan remains a longstanding customer of Zero. Zero has entered into several contracts with Nissan to govern vehicle transportation operations and new vehicle inspection operations. These contracts stipulate that Nissan shall entrust such vehicle logistics operations to Zero.

Vehicle Transportation

Zero is responsible for deliveries of new vehicles made by Japanese automakers from plants and other imported cars to dealers throughout Japan. Zero provides various transport related services, such as transfer in-compound and vehicle storage. Zero also undertakes that transport of imported vehicles from the port to pre-delivery inspection workshops and dealers throughout Japan.

Zero delivers used cars to auction sites throughout Japan and also transports vehicles traded at auctions to clients, vehicles purchased via the Internet, as well as trade-in and expired lease vehicles. Zero provides comprehensive transportation support to clients in the used vehicle market, including registration. Zero also provides a used-car export service which can undertake procurement through shipment of used cars sourced in Japan to key markets for such cars, in particular, Southeast Asia.

Zero also provides door-to-door transportation of private cars and motorbikes when individuals and families relocate.

Vehicle Maintenance

Zero provides integrated logistics services from car storage, inspection, optional parts installation and pre-delivery inspection to transport. For imported cars, Zero also offers customs clearance and homologation services. These comprehensive services include a servicing network consisting of 50 workshops – including both Zero's own workshops and those of cooperative firms. Zero leverages on its experience with its own heavy vehicles and trailers, which undergo daily inspections and maintenance, to assist its customers with governmental inspection, general repair and other requirements for heavy vehicles.

Other Maintenance Services

Zero provides other maintenance related services – ranging from the management of parts distribution centres to the painting of bumpers and special vehicle maintenance.

Handling and Vehicle Inspection at Auto Auction

Zero can handle every operation involved in the car auction process - from receiving, cleaning and preparing vehicles for the auction, through affixing auction tags, moving and positioning vehicles to record keeping. Zero's inspectors check the vehicles and advise on the vehicle inspection process.

Used Car Auctions

Zero operates car auctions, called "Car Selection" at eleven venues across Japan. Car selections are specially designed for trade-in vehicles and expired-lease vehicles. Zero undertakes the transport of these cars and also operates an information service, via the Internet, which provides a list of vehicles in the auctions as well as auction results. This service is only for the Japanese domestic market and requires membership for access.

Human Resources Business

Zero provides staff placement services – ranging from temporary office staff to health care professionals. Zero also provides shuttle-bus and passenger pick-up services such as for hotel guests, hospital patients and school children. Zero has a base of corporate clients and actively develops new customers through strategic sales activities and enhanced sales operations.

General Cargo Transportation Business

With a nationwide network, Zero undertakes the transport of a wide range of general merchandise, including home electrical appliances, food, commodities such as coal and housing materials.

Regulations Affecting Our Transportation Business in Japan

Zero's main transportation business requires it to hold (i) a general motor truck transportation business permit issued by the Director of the Kanto Regional Transportation Bureau No. 1992 pursuant to Article 3 of the Motor Truck Vehicle Transportation Business Act, and (ii) a second class consigned freight transportation business permit issued by the Director of the Forwards Division, Policy Bureau Freight. The aforementioned business permits are held by Zero for an infinite duration and are required for Zero to carry on its transportation business.

Heavy Commercial Vehicle and Industrial Equipment Distribution

We distribute various models of Foton heavy duty and medium duty trucks, MAN trucks and buses, Schwing-Stetter concrete machinery (concrete mixers, pumps and placing booms) and Hangcha forklift trucks in Thailand. The current range of MAN products offered by us include TGS trucks, the CLA trucks (in mixer, tipper and truck tractor configurations) as well as various models of bus chassis. We are the sole distributor of UniCarriers (formerly branded as Nissan) forklift trucks in Singapore and Vietnam, and distribute JAC trucks in Singapore and Thailand.

We assemble Foton trucks and MAN buses from completely knocked down vehicle kits through our subsidiary TC Manufacturing and Assembly Co., Ltd. in Thailand. The assembled Foton trucks and MAN buses are sold directly in Thailand.

The table below shows a breakdown by geography of our heavy commercial vehicle and industrial equipment distribution revenue for the periods indicated.

	Year Ended 31 December			
Region	**2014**	**2015**	**2016**	**2016**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Singapore	144.6	132.5	92.1	17.2
Hong Kong	—	—	—	—
PRC	—	—	—	—
Thailand	440.0	519.9	407.0	75.9
Japan	—	—	—	—
Others	12.4	17.9	19.8	3.7
Total	597.0	670.3	518.9	96.8

We sold a total of 1,247 heavy commercial vehicles and forklift trucks in the year ended 31 December 2014, 1,577 heavy commercial vehicles and forklift trucks in in the year ended 31 December 2015 and 1,109 heavy commercial vehicles and forklift trucks in the year ended 31 December 2016.

Heavy Commercial Vehicle and Industrial Equipment Distribution Sales and Marketing

Our commercial vehicle and industrial equipment customers are haulage and transport providers, construction companies, certain manufacturing companies and the general business community. In Singapore, our heavy commercial vehicle and industrial equipment sales activities are conducted principally directly through our own sales force, whereas in Thailand, we engage in a combination of direct sales and sales through 30 non-exclusive dealers. We use various marketing methods, including marketing directly to clients, and advertising in various media such as online-digital, billboards, newspapers, television, radio and trade journals. We also provide after-sales services to our heavy commercial vehicle customers.

Heavy Commercial Vehicle and Industrial Equipment Distribution Competition

We compete with other heavy commercial vehicle distributorships market leaders such as Hino and Isuzu, and industrial equipment distributorships and dealerships in the markets that we operate. We compete primarily on quality, adaptability of the vehicle, reliability, enhanced skill levels, availability of spare parts and price. We offer after-sales servicing to a variety of makes and models of light and heavy commercial vehicles as well as industrial equipment and passenger vehicles. To provide easier access to service and support to our customers, we are currently in process of identifying suitable dealers for expansion in other Thai provinces.

Property Rentals and Development

We have property interests in Singapore through our wholly-owned subsidiaries, Tan Chong Realty (Private) Limited and Wilby Estate International Pte Ltd. These two subsidiaries are principally engaged in property-related businesses, including the development of our land bank, the provision of management and maintenance services for our properties, including the maintenance and upkeep of all buildings, security, liaison with all relevant government departments and provision of building services, such as cleaning.

The table below shows a breakdown by geography of our property rentals and development revenue for the periods indicated.

	Year Ended 31 December			
Region	**2014**	**2015**	**2016**	**2016**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Singapore	111.0	87.6	90.8	16.9
Hong Kong	6.1	4.0	5.8	1.1
PRC	—	—	—	—
Thailand	—	—	—	—
Japan	—	—	—	—
Others	—	—	—	—
Total	117.1	91.6	96.6	18.0

We began our property rentals and development business to meet our own property needs and as a result of the re-zoning of the land which we own for our motor vehicle business from industrial use to residential use. We have earmarked a substantial majority of the re-zoned land for development and the remainder for our serviced apartment business. While we intend to manage any development ourselves, we have a policy of appointing external professionals to deal with architectural, engineering and construction matters of any development.

Properties Used for Our Operations

Tan Chong Motor Centre

The Tan Chong Motor Centre is located at 911 & 913 Bukit Timah Road, a north-south thoroughfare in the middle of Singapore. The Tan Chong Motor Centre is a substantial development with a large motor showroom on the ground level of the main building, and three floors of offices, which was constructed in 1982. Adjacent to the showroom building is a separate three-level office block. A motor vehicle service workshop with over 2,000 square metres of floor space lies at the rear of the property. The site area is approximately 18,400 square metres with a total gross floor area of about 9,666 square metres. The property is situated on freehold site with a current plot ratio of 1.32 and a potential development plot ratio of 2.07. The land has been re-zoned for residential use for any future development that occurs. We have no current plans to redevelop these premises.

Subaru Showroom and Service Centre

Our Subaru Showroom and Service Centre in Singapore is located at 25 Leng Kee Road, the principal area for motor dealerships in Singapore. The site area is approximately 2,230 square metres with a total gross floor area of about 5,221 square metres. The land is held on a lease term of 99 years commencing on 10 April 1960. The property at 25 Leng Keng Road is amalgamated with 8 and 10 Kung Chong Road, which we have developed into a mega motor distribution centre to house our Subaru and Nissan motor vehicle distribution business in Singapore. The facility includes showrooms, service centres, parts centres and other support facilities. We have obtained the Temporary Occupation Permits ("TOP") and occupied the building for our operations since 6 January 2014. We are currently in the midst of applying for the Certificate of Statutory Completion ("CSC") in respect of the building.

Other Properties

We also hold other properties in Singapore and outside Singapore, including in Hong Kong and the PRC, for our own business operations.

The table below summarises the key data of all properties used for our operations.

Location	**Description**	**Land Area (square feet)**	**Tenure**	**Expiry Date**
14 Upper Aljunied Road Singapore 367843	Property held for sale	18,004	Freehold	—
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058
816 & 818 Upper Bukit Timah Road Singapore 678149/50	Shophouses (own use)	2,155	Leasehold	15 April 2874
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622/3	Showroom, workshop and office (own use)	198,606	Freehold	—
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	—
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	131,750 92,158	Leasehold Leasehold	15 April 2036 15 April 2036
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053
59 Moo 1, Rangsit-Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	—

Location	Description	Land Area (square feet)	Tenure	Expiry Date
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	—
12/17 Moo 2, Seri Thai Road Khlong Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	—
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	—
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	—
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520, Thailand	Production plant (own use)	1,130,211	Freehold	—
44410 ChalongKrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Vehicle yard (own use)	1,083,747	Freehold	—
Jalan Sultan Iskandar Muda No. 24, Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041
Komplek Ruko Mahkota Raya Blok D No. 9-12A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032
Jalan Raden Patah Komplek Sumber Jaya B9 – B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2035
Lembar K-8-4 Kotak F-G/1 Teluk Tering Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028
Jalan Bypass Ngurah Rai No. 643 Desa Pemogan Denpasar Bali, Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043
Jiangyin Residence No. 49 Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	Unspecified term
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048

Location	Description	Land Area (square feet)	Tenure	Expiry Date
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062
West of Xi Wai Huan Yangliu Town Lianhe Sub-district Zhengxiang District Hengyang Hunan Province, China	Showroom and workshop (own use)	6,226	Leasehold	16 May 2052
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	—
No. 38-2, Dong Yuan Road, Zhongli District. Taoyuan City, Taiwan	Showroom, workshop, office and warehouse (own use)	143,622	Freehold	—
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	—
212 Vietnam-Singapore Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046
Kawasaki-shi, Kanagawa, Japan	Vehicle distribution center (own use) / Delivery center (investment)	147,112	Freehold	—
Fukuoka-shi, Fukuoka, Japan	Vehicle distribution center (own use)	89,079	Freehold	—
Kasuya-gun, Fukuoka, Japan	Auction venue (own use) / Vehicle yard (investment)	272,853	Freehold	—
Tagazyo-shi, Miyagi, Japan	Vehicle distribution center (own use)	139,055	Freehold	—
Yokosuka-shi, Kanagawa, Japan	Vehicle maintenance shop (own use)	53,254	Freehold	—
Nagoya-shi, Aichi, Japan	Vehicle distribution center (own use)	244,023	Freehold	—
Miyako-gun, Fukuoka, Japan	Vehicle yard (own use & investment)	208,590	Freehold	—
Koza-gun, Kanagawa, Japan	Vehicle maintenance shop (own use)	35,595	Freehold	—
Miyako-gun, Fukuoka, Japan	Vehicle maintenance shop (own use)	142,336	Freehold	—
Kagoshima-shi, Kagoshima, Japan	Vehicle distribution center (own use)	79,074	Freehold	—

Location	Description	Land Area (square feet)	Tenure	Expiry Date
Tomakomai-shi, Hokkaido, Japan	Vehicle distribution center (own use)	142,279	Freehold	—
Mooka-shi, Tochigi, Japan	Vehicle maintenance shop (own use)	54,167	Freehold	—

Properties Held for Investment Purposes

We also hold property for investment purposes. The table below summarises the key data of such properties.

Location	Description	Land Area (square feet)	Tenure	Expiry Date
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060
15 Queen Street Tan Chong Tower Singapore 188537	Office, restaurant and apartments for rental (investment)	22,193	Freehold	—
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 – 276304	Condominiums for rental (investment)	200,991	Freehold	—
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (investment)	198,976	Leasehold	6 April 2078
Miyako-gun, Fukuoka, Japan	Delivery center (investment)	92,982	Freehold	—
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	87,767	Freehold	—
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	47,391	Freehold	—

Tan Chong Tower

Tan Chong Tower is located at 15 Queen Street near the commercial hub of the city of Singapore. Tan Chong Tower was built in 1982 and refurbished in 2010. The site is on freehold land. The property comprises a 19-storey commercial cum residential complex with a total floor area of approximately 12,500 square metres. It is made up of a four-storey podium block consisting of food outlets and offices and a 15-storey tower block consisting of 138 apartments. In addition, the building has two basement levels allocated as parking areas and a mezzanine floor containing offices. The tenants of Tan Chong Tower are principally corporate clients. The apartments are subject to a programme of regular upgrading and renewal to ensure that they remain attractive and competitive in the market place.

The Wilby Residence

The Wilby Residence is a luxury condominium project located at 25, 29, 31 and 33 Wilby Road, an up-market neighbourhood in Singapore. The site is on freehold land. A total of 181 apartment units have been built, with a total floor area of approximately 27,000 square metres, situated in one eight-level building and three four-level blocks. Facilities include a modern club house, tennis courts and a swimming pool. 180 units are available for rent while the remaining unit has been retained for our own use.

Properties Developed for Sale

We have developed our property at 14 Upper Aljunied Road into 77 units of terrace housing for sale, out of which 70 units were sold as of 31 December 2016. The development is known as Oasis@Mulberry. The property is surrounded by low rise residential housing.

Properties with Potential for Future Development

Our factory and warehouse located at 798 and 800 Upper Bukit Timah Road has a total leasehold land area of 198,976 square feet until 6 April 2082. The property has the potential to be developed for residential use. We are considering the timing for redevelopment carefully in light of the various cooling measures in the property market promulgated by the Singapore government.

Other Operations

Our other operations include principally the manufacturing of vehicle seats, rentals, leasing and limousine services, provision of workshop services, hire purchase financing and other auto-related financial services and miscellaneous business. The table below shows a breakdown by geography of our revenue from our other operations for the periods indicated.

	Year Ended 31 December			
Region	**2014**	**2015**	**2016**	**2016**
	HK$	**HK$**	**HK$**	**S$**
		(in millions)		
Singapore	143.5	150.4	149.1	27.8
Hong Kong	13.8	1.2	1.2	0.2
PRC	409.2	363.9	658.0	122.8
Thailand	7.1	8.5	13.1	2.4
Japan	—	—	—	—
Others	0.3	0.1	—	—
Total	573.9	524.1	821.3	153.2

Manufacturing of Vehicle Seats

We manufacture vehicle seats in the PRC, principally in Nanjing and Xiamen through our subsidiaries Nanjing Tan Chong Automotive Co. Limited and Xiamen Golden Dragon Auto Seat Co. Limited, respectively. These subsidiaries specialise in producing auto seats and accessories for a wide range of transport vehicles, including medium-to-large coaches, trucks, mini passenger cars, mini coaches, project machinery, agricultural machinery, electrical vehicles.

Car Rentals, Leasing and Limousine Services

We have a 50.0% shareholding interest in Ethoz Group Ltd ("Ethoz"), a vehicle leasing group and provider of automotive solutions. The other shareholders of Ethoz are ORIX Corporation and ORIX Leasing Singapore. Ethoz also has businesses in equipment leasing, capital solutions, healthcare and logistics. Ethoz also operates an independent vehicle workshop in Singapore, providing both retail and corporate customers with fleet management and vehicle repair and maintenance services. Since 2008, Ethoz has expanded into China, establishing offices in Guangzhou, Shanghai, Beijing, Shandong, Chengdu and Shenyang.

In mid-2016, Ethoz launched a new car rental service called ETHOZCab to serve Singapore's private hire car industry. ETHOZCab, a wholly owned subsidiary of ETHOZ, will progressively roll out a fleet of vehicles catered to interested hirers who are considering or are already providing private hire chauffeur services for corporate clientele, or as agents for private hire transportation networks, such as Uber, Grab and more. Among the available vehicle models for hire include Mazda 3, Toyota Altis and other fuel efficient models.

We also provide car rental services, and limousine services in Singapore, through our wholly-owned subsidiary, Downtown Travel Services Pte Ltd which has a rental/limousine fleet of 204 passenger vehicles as of 31 December 2016.

Workshop Services and Auto Parts

Our workshop services include accident repairs, warranty claims, servicing, polishing, lubricants/oil changes, tyre changes, provision of vehicle accessories and spare parts and conducting vehicle inspection. Other than Nissan and Subaru vehicles, we also offer workshop services to other brands of vehicles.

Financial Services

The purchase of vehicles in Singapore is usually financed by way of a hire purchase arrangement with banks and finance companies, where the buyer generally makes an initial down payment of 30% to 40% of the cost of the vehicle followed by a series of monthly instalment payments over a period of up to 7 years. We have our own hire purchase financing arm, Tan Chong Credit Pte Limited ("TC Credit") and TC Capital (Thailand) Co., Ltd. ("TCCT"), which were formed to complement our vehicle distribution business in Singapore and Thailand respectively. Both TC Credit and TCCT follow a conservative credit policy by lending only to purchasers of vehicles sold or distributed by the Group.

Instead of competing generally with banks and finance companies in providing hire purchase facilities, TC Credit focuses on lending to our Nissan light commercial vehicle customers, offering a combination of "one-stop" service, competitive rates and personalised services. As a result, its business volume moves to a large degree in tandem with the sale volume of Nissan light commercial vehicles. TC Credit follows a conservative credit policy of lending only to buyers who are required to make a minimum 10% down payment on commercial vehicles. The terms range from one to nine years, during which the titles of the vehicles remain with TC Credit. To complement our objective of offering a full range of auto related services to vehicle customers, TC Credit also acts as an agent for a leading insurance company to provide motor insurance to existing Nissan car owners and new car buyers, and receives a commission for its services. TC Credit also helps the insured to process insurance claims as the need arises. As an agent, TC Credit has no liability for any insured risks.

In Thailand, our subsidiary TCCT provides wholesale financing for dealers selling our various brands in Thailand, which will allow the dealers the capability to keep floor stock, and maintain an inventory that they can move quickly. The wholesale financing is supported by bankers' guarantees provided by such dealers. It also provides end customer financing for passenger and commercial vehicles.

We also hold a 36% shareholding interest in PT Tifa Mutual Finance Corporation ("Tifa"), an Indonesian finance company that is listed on the Indonesia Stock Exchange. Tifa is in the business of leasing, factoring and consumer finance.

Investment Holding

We have other financial assets comprising unlisted equity securities designated as at fair value through other comprehensive income amounting to HK$27.3 million (S$5.1 million) as of 31 December 2016 and debt securities listed outside Hong Kong with a market value of HK$53.1 million (S$9.9 million) as of 31 December 2016. See Note 19 of the notes to TCIL's audited consolidated financial statements for the year ended 31 December 2016 for details. In addition, we have a mixed portfolio of equity securities designated as at fair value through other comprehensive income comprising, *inter alia* shares in Subaru, which is listed on the Tokyo Stock Exchange. The total fair value of such portfolio was HK$3,583.0 million (S$668.5 million) as of 31 December 2016. See Note 20 of the notes to TCIL's audited consolidated financial statements for the year ended 31 December 2016 for details.

Major Suppliers and Customers

Suppliers

Our largest supplier, Subaru, accounted for 15%, 13% and 14% of our total purchases in the years ended 31 December 2014, 2015 and 2016, respectively. We have a 1.45% shareholding interest in Subaru as of 31 December 2016. Nissan accounted for 10%, 13% and 14% of our total purchases in the years ended 31 December 2014, 2015 and 2016, respectively. Our five largest suppliers accounted for 43%, 37% and 37% of our total purchases in the years ended 31 December 2014, 2015 and 2016, respectively.

We pay our major suppliers in Japanese yen and Singapore dollar. Our operating subsidiaries regularly monitor their foreign exchange exposure and may hedge their position, depending on the size of the exposure, the future outlook of the particular currency unit and the ability of the company to pass on any changes in cost. However, to remain responsive to market forces and our major competitors, we generally do not conduct mid to long term hedging. Most of our major competitors also import vehicles and parts from Japan with payment in Japanese yen. Therefore, if the yen appreciates, they may be expected to raise their prices. In addition, the strengthening of Japanese yen usually only affects part of the selling price, such as in Singapore where the COE represents a significant part of the total selling price relative to the actual cost of the vehicle. Further, we also negotiate prices with our suppliers on a regular basis, taking into account our foreign exchange exposure and the strength of the Japanese yen amongst several factors.

The relationships with Nissan and Subaru have been in place since 1958 and the mid-1980s respectively, and are governed by distribution agreements that are subject to periodic renewal. We believe that we have an excellent relationship with our suppliers and we are not aware of any circumstances that will result in the termination or non-renewal of the distribution agreements.

Products with Distribution Agreements

We have distribution and/or dealership agreements with various vehicle and heavy equipment manufacturers which include authorisation for us to sell and (where applicable) assemble such products under the respective names of the various distributors. Our distributorship and/or dealership agreements typically contain the following key provisions:

- We are required to comply with the minimum annual purchases and sales targets, either in accordance with the distributorship and/or dealership agreements or which are determined before the start of the following year based on the discussions and negotiations between us and vehicle manufactures as well as the prevailing economic conditions.

- We are required to ensure that our after-sales services are carried out in accordance with the guidelines provided by vehicle manufacturers in terms of, inter alia, tools, service centre facilities and adequately stocked spare parts and staff training.

- We are required to provide repair services to our customers in respect of the new vehicles, which are covered by the warranties provided by the vehicle manufacturers. These services are required to be carried out in accordance with vehicle manufacturer's warranty policies and procedures.

- We are generally required, at our own expense, to undertake marketing and sales activities to promote our vehicles.

- We are entitled to use the names and trademarks of vehicle manufacturers in a manner consistent with the standards set by them for the purposes of promoting our vehicles.

- The payment terms vary under each of our distributorship and/or dealership agreements. For instance, some agreements require us to pay a specified non-refundable prepayment at the time of placing a purchase order, while others do not require us to make any prepayment and require full payment only upon delivery.

- Our distributorship and/or dealership agreements are typically for a fixed period of time, with a small number of such agreements renewed automatically for subsequent periods of one year each for an indefinite period. Our distributorship and/or dealership agreements typically allow either party to terminate the agreement by giving prior written notice of at least six months. However, vehicle manufacturers are entitled to terminate their distributorship or dealership agreement with immediate effect upon notice under certain circumstances, including insolvency and liquidation arrangements against us, failure on our part to obtain any consent of the vehicle manufacturers when required and breach on our part of any material obligations under the agreements.

- Certain of our distributorship and/or dealership agreements contain provisions which place restrictions on any change in shareholders or change in control of our Group.

Whilst the agreements generally allow the suppliers to advise on or exert influence over the conduct of the business, in practice it is recognised that appointed distributors are in a better position to formulate their own business plans and marketing strategies, particularly in matters relating to product pricing, promotion and credit control. Upon the introduction of each new model, the relevant supplier informs the distributor of the import cost of the vehicle in Japanese yen, US dollars or Singapore dollars. The local selling price of the vehicles in the relevant currency, however, is determined by the distributor. The role of the suppliers is to support the distributor's efforts through the provision of good products, catalogues and sales guides, advertising and promotional materials, technical training and management conferences.

Customers

Our customers are principally individuals and dealers who purchase our motor vehicles or heavy commercial vehicles. We did not have any customer who accounted for 5% or more of our revenues for the year ended 31 December 2014, whilst one customer accounted for approximately 6% and 5% of our revenues in the years ended 31 December 2015 and 31 December 2016 respectively.

Intellectual Property

We use a number of trademarks, trade names and service marks in connection with our business, including "Tan Chong International" and "Motor Image". We have registered such trademarks in each of the jurisdictions in which we operate. We have a licence to use the various brand names for the vehicles and equipment that we distribute, including

Nissan and Subaru, pursuant to our exclusive distributorship agreements that we have entered into with the manufacturers of such vehicles or equipment, as the case may be.

Insurance

We have business all-risks insurance against property damage, fire, theft and burglary, as well as insurance covering public liability, employer's liability, accidents and directors' and officers' liability. We also have motor insurance. We maintain such insurance in an amount that our directors consider to be adequate.

Employees

We had 5,951 employees as of 31 December 2014, 6,059 employees as of 31 December 2015 and 6,131 employees as of 31 December 2016 as follows.

	Headcount by Geography		
	As of 31 December		
Region	**2014**	**2015**	**2016**
Singapore	803	846	889
Hong Kong	59	64	66
PRC	1,265	1,287	1,412
Thailand	793	880	656
Japan	2,009	2,061	2,101
Others	1,022	921	1,007
Total	5,951	6,059	6,131

	Staff Headcount by Business Segment		
	As of 31 December		
Business Segment	**2014**	**2015**	**2016**
Motor Vehicle Distribution	2,132	2,097	2,331
Heavy Commercial Vehicle and Industrial Equipment Distribution	816	877	587
Transportation	2,009	2,061	2,101
Property Rentals and Development	50	52	58
Others	944	972	1,054
Total	5,951	6,059	6,131

Legal Proceedings

From time to time, we may be involved in legal proceedings concerning matters that arise in our day-to-day business operations. Save as disclosed below, to the best of our knowledge, we are not aware of any material litigation, arbitration or other legal proceedings instituted, pending or threatened against us that are not in the ordinary course of business.

Disputes in Thailand and arbitration in Japan in relation to our business in Thailand

We are involved in arbitration proceedings in Japan relating to several agreements with Mitsubishi Fuso Truck and Bus Corporation ("Mitsubishi"), namely a distributorship agreement between our wholly owned subsidiary Fuso Truck (Thailand) Co., Ltd ("FTT") and Mitsubishi, a name use and trademark user agreement between FTT and Mitsubishi, a component supply agreement and license agreement between our wholly owned subsidiary TC Manufacturing And Assembly Co., Ltd ("TCMA") and Mitsubishi, and a component supply agreement and license agreement between our associate Zero Powertrain Co., Ltd. ("ZPT"), all dated 1 April 2015 (together, the "Existing Agreements"). Mitsubishi is a company incorporated in Japan and is owned 89.29% by Daimler AG and 10.71% by the Mitsubishi group of companies.

Mitsubishi issued respective notices to have the Existing Agreements lapse after 31 March 2016 in purported preparation for substituted new agreements between the parties thereafter. FTT, TCMA and ZPT (together, the "Thai Entities") disagreed. A condition to Thai Entities' consideration of the proposal of such new agreements was proper compensation from Mitsubishi for ending the Existing Agreements.

Mitsubishi has filed distinct Request for Arbitration with the Japan Commercial Arbitration Association ("JCAA") with respect to certain provisions of the Existing Agreements between Mitsubishi and each of FTT, TCMA and ZPT. Among other reliefs, Mitsubishi is seeking a declaration by JCAA that each of the said Existing Agreements has expired in accordance with their contractual terms, and that Mitsubishi has no liabilities for damages or otherwise by reason of such respective expiries.

We are of the view that the course of dealings and substantive relationships between Mitsubishi and Thai Entities precludes Mitsubishi from having the right of and/or the entitlement to exercise a unilateral termination of the Existing Agreements by passage of time or the simple giving of notice.

Apart from the Existing Agreements for which Mitsubishi has formally requested for arbitration, there are other disputes between Thai Entities and Mitsubishi and/or its related entities. The Thai Entities have given a general notice to Mitsubishi and its related entities of its intention to claim damages and other remedies for their respective actions which the Thai Entities are asserting to have been carried out other than in good faith (as required under the governing law of all the relevant agreements between the parties); and/or frustrating and/or denying the legitimate expectations of the respective Thai Entities; and/or misappropriating the commercial proprietary rights of relevant Thai Entities.

The Thai Entities are in the process of receiving advice from external legal counsel both as regards pursuit of its intended claims; and appropriate responses to the Requests for Arbitration.

Ongoing process in Indonesia

In July 2014, the Director General Customs and Excise in Indonesia issued a notice to a subsidiary of the Group claiming entitlement to additional import duties, related taxes and penalties for cars imported during 2012 and 2013. The Group does not agree with such claim and has applied to the Indonesian Courts to dispute such claim. As of the Latest Practicable Date, the legal process is still ongoing, no conclusion was reached.

Based on all available facts, including the opinion of an Indonesian tax consultant and legal advisor, we have made a provision in respect of custom duties of IDR20,432,499,000 (equivalent to HK$11,774,000 based on the prevailing exchange rate as of 31 December 2016) in TCIL's audited consolidated financial statements for the financial year ended 31 December 2016.

Owing to the uncertainty inherent in a case of this nature, the final outcome may adversely affect our future financial statements.

TAN CHONG MOTOR SALES PTE LTD

History and Background

Tan Chong Motor Sales Pte. Ltd. ("TCMS"), an indirect wholly-owned subsidiary of TCIL, was incorporated as a private limited liability company on 14 December 1991 and carries on the business of retail sale of Nissan motor vehicles, retail sale of related spare parts and accessories involving distribution of said spare parts and the provision of workshop services. TCMS is a wholly owned subsidiary of TC Motor (S) Limited, which is in turn a wholly owned subsidiary of Tan Chong International Limited.

Principal Business Activities

TCMS is the exclusive Nissan distributor of passenger and light commercial vehicles in Singapore. Located strategically around Singapore, TCMS provides its customers with comprehensive sales, service and spare parts facilities.

Tan Chong International Limited has housed the Nissan brand, previously through Tan Chong and Sons Motor Pte. Ltd. and now through TCMS, for more than five decades and has established the company as one of the leading names in automobiles in Singapore. Nissan has been the number one selling brand of light commercial vehicles in Singapore since 2010. The Tan Chong name, through TCMS operations and in connection with TCIL, was named by Nissan as the "Best National Sales Company" in 2013 through 2016 for its combined strong performance in sales growth, market share and customer satisfaction.

Major achievements of TCMS in 2015, as awarded by the Motor Traders Association of Singapore (which ceased releasing sales data from 2016), include:

1. Best-selling SUV Brand
2. Best-selling SUV – Nissan Qashqai
3. Best-selling Light Goods Vehicle brand for 6 consecutive years
4. Best-selling Compact Van – Nissan NV200
5. Best-selling Full Size Van – Nissan NV350
6. No. 2 Best-selling Passenger Car Brand
7. No. 2 Best-selling Overall Brand (Passenger & Commercial Vehicles)