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TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

OVERSEAS REGULATORY ANNOUNCEMENT

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

The announcement of unaudited financial results of Zero Co., Ltd. for the six-month period ended 31 December 2017 is originally prepared in Japanese ("Original Announcement"). The attached announcement on the next page is a translation of the Original Announcement solely for the purpose of providing information.

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

Hong Kong, 9 February 2018

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

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

Summary of Consolidated Financial Results for the 2nd quarter ending of the fiscal year June 30, 2018

[Based on IFRS]

February 9, 2018

Company name: ZERO CO., LTD. Stock Exchange Listing: Tokyo
 Stock code: 9028 <http://www.zero-group.co.jp/>
 Representative: President & CEO Takeo Kitamura
 Inquiries: Director, General Manager Group Strategies Toshihiro Takahashi TEL 044-520-0106
 Scheduled Date of Submission of Quarterly Report: February 13, 2018 Scheduled date to commence dividend payments: March 12, 2018
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the 2nd quarter ending of the fiscal year June 30, 2018 (From July 1, 2017 to December 31, 2017)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Quarterly income		Profit attributable to owners of parent company		Total comprehensive income of the quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2017	38,559	1.2	1,929	Δ28.0	1,923	Δ27.8	969	Δ39.2	972	Δ39.0	1,201	Δ25.6
2Q FY2016	38,088	Δ1.4	2,677	2.7	2,664	Δ0.2	1,595	Δ8.4	1,595	Δ8.4	1,615	Δ0.3

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
2Q FY2017	58.59		58.51	
2Q FY2016	95.83		95.73	

(2) Consolidated financial position

	Total assets	Total capital	Equity attributable to owners of parent company	Equity ratio attributable to owners of parent company
	Millions of yen	Millions of yen	Millions of yen	%
2Q FY2017	38,123	21,295	21,285	55.8
FY2016	38,007	20,672	20,661	54.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
FY2016	---	15.00	---	36.90	51.90
FY2017	---	15.00	---	---	---
FY2017(forecast)	---	---	---	35.00	50.00

(Note) Amendment from the most recently announced dividend forecast: None

3. Forecast of consolidated financial results for the year ending June 30, 2018 (From July 1, 2017 to June 30, 2018)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Profit attributable to owners of parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	80,700	2.0	5,400	Δ4.1	5,330	Δ4.3	3,310	Δ4.2	199.94

(Note) Revisions from the most recently released business forecast: None

※(Note)

(1) Changes in significant subsidiary companies during the current quarter (Changes in the specific subsidiary companies following changes in the scope of consolidation):

No

New — Co. (Company name),

Exclusions — Co. (Company name)

(2) Changes in accounting policies, changes in accounting estimates

① Changes in the accounting policies required by IFRS : No

② Changes in the accounting policies due to other reasons : No

③ Changes in the accounting estimates : No

(3) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)

2Q FY2017	17,560,242 shares	FY2016	17,560,242 shares
② Number of treasury shares at the end of the period	1,030,367 shares	FY2016	1,030,367 shares
③ Average number of shares during the period (total up to this quarter)	16,595,875 shares	2Q FY2016	16,646,982 shares

※Earnings summary is not within the scope of the quarterly review

※Explanation of the proper use of financial results forecast and other notes

The earnings forecast, and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions that the Company considers reasonable. The actual results may differ significantly from these forecasts due to a wide range of factors such as economic status of the major domestic and international markets or exchange rates fluctuation.

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1. Qualitative information on the quarterly financial results.

(1) Discussion on the business performance

During the second quarter of the current fiscal year, as a result of gradual recovery of Japan's economy with improvements in consumer confidence there has been a steady improvement in the employment and income environment. In the automotive industry, the domestic manufacturers' domestic new car sales have been increasing by 101.0% (Japan Automobile Manufacturers' Association Statistical Data) as compared with the same quarter of the previous year (hereinafter referred to as the same period of the previous year) however, growth has gradually slowed. In terms of the used car market, it is showing a trend of picking up from the same quarter of the previous year.

Under these circumstances, the Group has promoted strategic sales activities in response to changes in the market environment in each segment, and has worked to develop new businesses and create highly value-added services. We are also continuing to work on compliance with laws and regulations, activities to strengthen group synergies, transport reforms, and work style reforms.

In the second quarter of the current fiscal year under review, the Group's operating results were, sales revenue was 38,559 million yen (101.2% compared with the previous year), and operating income was 1,929 million yen (72.1% of the previous-year). Income before income taxes was 1,923 million yen (72.2% compared with the previous year), and net income attributable to the owner of the parent company was 972 million yen (61.0% compared with the previous year).

Unit sales data relating to domestically-distributed cars

Unit sales

Domestic sales	From July 2016 to December 2016	From July 2017 to December 2017	Compared to the previous year
New cars			
Domestic automakers *1	2,273,298	2,296,535	101.0%
(Nissan Motor) *1	(254,561)	(247,049)	(97.0%)
Overseas automakers *2	149,613	155,091	103.7%
Total New Cars	2,422,911	2,451,626	101.2%
Used cars			
Registered car *3	1,795,479	1,838,895	102.4%
Light vehicles *4	1,364,512	1,419,819	104.1%
Total	3,159,991	3,258,714	103.1%
Cars registered for permanent deletion *3	95,849	79,747	83.2%

Exports	From July 2016 to December 2016	From July 2017 to December 2017	Compared to the previous year
Domestic automakers' new cars *1	2,445,235	2,476,977	101.3%
Used passenger vehicles *5	641,643	591,281	92.2%

*1 Calculated based on the statistics provided by the Japan Automobile Manufacturers Association

*2 Calculated based on the statistics provided by the Japan Automobile Importers Association

*3 Calculated based on the statistics provided by the Japan Automobile Dealers Association

*4 Calculated based on the statistics provided by the Japan Light Motor Vehicle and Motorcycle Association

*5 Estimated based on the number of used cars to be exported which have been registered for deletion, which is recorded in the statistics provided by the Japan Automobile Dealers Association

The business performance of each segment is summarized below.

① Automobile-related business

In vehicle transportation, which is the core business, the revenue increased, due to promoting customer development activities to expand transactions of new cars and used car transports. On the other hand, in terms of used car exports, we are reviewing our strategy, and rebuilding our structure, resulting in a decline in revenue. In addition, we continue to strive to thoroughly manage cost, and we are reorganizing the transportation system including subsidiaries and cooperating companies with the aim of optimal operation of the nationwide distribution network to work on compliance of vehicle restriction ordinance and promote work style reform. However, labor cost increase due to the lack of transportation drivers, fuel cost rises, depreciation increase due to the increase of transportation vehicles and the cost related to the vehicle safety checking, made the negative impact on profit.

As a result, sales revenue amounted to 27,464 million yen (98.6% compared to the previous year), and segment profit was 2,117 million yen (76.8% compared to the previous year).

② Human resources business

With the trend of recovery in the economy, there is a trend toward increasing manpower demand for companies, but soaring labor costs and human resources in metropolitan areas are getting worse. The Group has promoted regional shifts from large cities with high labor costs to suburban cities, strengthened the sales structure, and has reviewed the product portfolio through strategic sales activities. In addition to the dispatch of drivers which firmly progressed, new business entry such as welfare, nursing care and housekeeping services became successful, however, increases in recruitment fees, and other initial cost mainly due to opening the airport related business is increasing. As a result, sales revenue amounted to 8,267 million yen (111.5% compared to the previous year), and segment profit was 275 million yen (93.0% compared to the previous year).

③ General cargo business

In cargo handling and loading at the harbor, business performance has been steadily growing. In addition to steadily acquiring orders from existing customers in warehouse and cargo transportation, resulting a increase in revenue. As a result, sales revenue was 2,827 million yen (100.2% compared to the previous year), segment profit was 536 million yen (95.4% compared with the same quarter of the previous year).

Corporate expenses (expenses pertaining to the management department of the Company) not included in the segment profit / loss are described in “2. Summary of quarterly Consolidated Financial Statements (Segment Information)”. As stated in “Adjustment amount”, it is recorded as 1,000 million yen.

(2) Discussion on the financial condition

① Status of assets, liabilities and capital

(Assets)

Current assets decreased by 1,819 million yen (9.2%) from the end of the previous consolidated fiscal year to 17,926 million yen.

This was mainly due to a decrease of 925 million yen in cash and cash equivalents, and a decrease of 771 million yen in operating receivables and other receivables, even though there was an increase of 92 million yen in inventory assets.

Non-current assets increased by 1,935 million yen (10.6%) from the end of the previous consolidated fiscal year to 20,197 million yen.

This was mainly due to an increase of 976 million yen in the machinery and transportation equipment in fixed assets and 380 million yen in goodwill and intangible assets.

As a result, total assets increased by 116 million yen (0.3%) from the end of the previous consolidated fiscal year to 38,123 million yen.

(Liabilities)

Current liabilities decreased by 449 million yen (3.7%) from the end of the previous consolidated fiscal year to 11,669 million yen.

This is mainly due to a decrease of 332 million yen in trade and other payable, and other current liabilities decreased by 298 million yen.

Non-current liabilities decreased by 56 million yen (1.1%) from the end of the previous consolidated fiscal year to 5,159 million yen.

As a result, total liabilities decreased by 506 million yen (2.9%) from the end of the previous consolidated fiscal year to 16,828 million yen.

(Total Equity)

Total shareholders' equity increased by 622 million yen (3.0%) from the end of the previous consolidated fiscal

year to 21,295 million yen.

This was mainly due to an increase of 412 million yen in retained earnings to the owner of the parent company, mainly due to the recording of profit for the quarter under review.

② Overview of cash flow

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the second quarter consolidated fiscal year under review amounted to 7,175 million yen, a decrease of 925 million yen from the end of the previous consolidated fiscal year.

The status of each cash flow for the second quarter of the current consolidated fiscal year and their factors are as follows.

(Cash flows from operating activities)

Cash provided by operating activities was 1,905 million yen, (as compared to Cash income of 656 million yen in the same quarter of the previous year).

The main breakdown of income is net income of 969 million yen and depreciation expenses of 667 million yen; the main breakdown of expenditure is 720 million yen in income tax payments.

(Cash flows from investing activities)

Net cash used in investing activities was 1,647million yen (as compared to 163 million yen in the same quarter of the previous year).

The main components of expenditure are expenditure of 950 million yen for acquisition of tangible fixed assets and investment properties, and 697 million yen for transfer of business.

(Cash flows from financing activities)

Net cash used as a result of financing activities was 1,182 million yen (as compared to 1,201 million yen in the same quarter of the previous year).

The main components of expenditure are expenditure of 483 million yen for repayment of long-term borrowings and payment of 609 million yen for dividends

(3) Explanation on future forecast information, such as consolidated earnings forecast

We have not made any amendments to the consolidated earnings forecast announced on 10th August 2017.

2. Summary of the consolidated quarterly financial statements and main noting

(1) Summary of the consolidated quarterly financial statement

(Unit: Million yen)

	End of previous consolidated fiscal year (30 June 2017)	End of 2 nd quarter of current consolidated fiscal year (31 December 2017)
Assets		
Current assets		
Cash and cash equivalents	8,101	7,175
Trade and other receivables	10,195	9,423
Inventories	532	625
Other financial assets	195	170
Other current assets	719	530
Total current assets	19,745	17,926
Non-current assets		
Property, plant and equipment	9,064	10,355
Goodwill, Intangible assets	2,499	2,879
Investments properties	3,628	3,572
Investments accounted for using the equity method	927	961
Other financial assets	1,837	2,113
Other non-current assets	83	90
Deferred tax assets	222	224
Total non-current assets	18,262	20,197
Total assets	38,007	38,123

(Unit: Million yen)

	End of previous consolidated fiscal year (30 June 2017)	End of the 2 nd quarter of the current consolidated fiscal year (31 December 2017)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,320	5,988
Borrowings	1,851	1,823
Other financial liabilities	555	577
Income taxes payable etc.	885	1,072
Other current liabilities	2,505	2,207
Total current liabilities	12,118	11,669
Non-current liabilities		
Borrowings	358	371
Other financial liabilities	2,339	2,327
Retirement benefits liabilities	2,078	1,892
Other non-current liabilities	331	346
Deferred tax liabilities	107	220
Total non-current liabilities	5,215	5,159
Total liabilities	17,334	16,828
Equity		
Share capital	3,390	3,390
Capital surplus	3,271	3,300
Treasury stock	△687	△687
Other components of equity	283	466
Retained earnings	14,403	14,815
Total equity attributable to owners of the parent	20,661	21,285
Non-controlling interest	11	10
Total equity	20,672	21,295
Total liabilities and equity	38,007	38,123

(2) Summary of the consolidated quarterly income statement

(Unit: Million yen)

	Previous 2 nd quarter of the consolidated fiscal year (from 1 July 2016 to 31 December 2016)	Current 2 nd quarter of the consolidated fiscal year (from 1 July 2017 to 31 December 2017)
Sales revenue	38,088	38,559
Cost of sales	Δ31,612	Δ32,444
Gross profit	6,476	6,115
Selling, general and administrative expenses	Δ4,008	Δ4,263
Other income	266	104
Other expenses	Δ56	Δ26
Operating profit	2,677	1,929
Finance income	22	37
Finance costs	Δ36	Δ42
Share of profit (loss) of investments accounted for using the equity method	Δ0	Δ0
Profit before tax	2,664	1,923
Income tax expense	Δ1,068	Δ954
Quarterly profit	1,595	969
Quarterly profit attributable to		
Owners of the parent company	1,595	972
Non-controlling interest:	-	Δ3
Quarterly profit	1,595	969
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	95.83	58.59
Diluted quarterly earnings per share (yen)	95.73	58.51

(3) Summary of the consolidated quarterly comprehensive income statement

(Unit: Million yen)

	Previous 2 nd quarter of the consolidated fiscal year (from 1 July 2016 to 31 December 2016)	Current 2 nd quarter of the consolidated fiscal year (from 1 July 2017 to 31 December 2017)
Quarterly profit	1,595	969
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Re-measurement of defined benefit pension plans	78	49
Total items that will not be reclassified to profit and loss	78	49
Items that may be reclassified to profit and loss		
Assets measured at fair value through other comprehensive income	50	148
Share of other comprehensive income of investments accounted for using the equity method	Δ109	34
Total items that may be reclassified to profit and loss	Δ58	182
Other comprehensive income for the year, net of tax	20	232
Total quarterly comprehensive income	1,615	1,201
Total quarterly comprehensive income attributable to:		
Owners of the parent company	1,615	1,204
Non-controlling interest	—	Δ3
Quarterly Comprehensive income	1,615	1,201

(4) Summary of the consolidated quarterly statement of changes in equity
 Second quarter of the previous fiscal year (from 1 July 2016 to 31 December 2016)

(Unit: Million yen)

	Equity attributable to the owner of the parent company									No controlling interest	Total equity
	Capital	Capital surplus	Treasury stock	Components of other capital				Profit Surplus	Total Equity attributable to the owner of the parent company owner		
				Conversion difference of foreign operations	Changes in fair value of available-for-sale financial assets	Remeasurement of defined benefit plan	Total of other capital components				
Balance on July 1, 2016	3,390	3,249	△561	△53	75	—	21	11,640	17,741	—	17,741
Quarterly profit								1,595	1,595	—	1,595
Other comprehensive income				△109	50	78	20		20	—	20
Comprehensive income for the quarter	—	—	—	△109	50	78	20	1,595	1,615	—	1,615
Acquisition of treasury stock			△0						△0	—	△0
Dividend of surplus								△620	△620	—	△620
Stock compensation transaction		4	17						21	—	21
Transfer from other capital components to retained earnings						△78	△78	78	—	—	—
Total transaction etc. with owner	—	4	17	—	—	△78	△78	△542	△598	—	△598
Balance on 31, December, 2016	3,390	3,254	△544	△163	126	—	△36	12,693	18,757	—	18,757

For the consolidated cumulative second quarter (from 1 July, 2017 to 31 December, 2017)

(Unit: Million yen)

	Equity attributable to the owner of the parent company									No controlling interest	Total equity
	Capital	Capital surplus	Treasury stock	Components of other capital				Profit Surplus	Total Equity attributable to the owner of the parent company owner		
				Conversion difference of foreign operations	Changes in fair value of available-for-sale financial assets	Remeasurement of defined benefit plan	Total of other capital components				
Balance on July 1, 2017	3,390	3,271	△687	△81	364	—	283	14,403	20,661	11	20,672
Quarterly profit								972	972	△3	969
Other comprehensive income				34	148	49	232		232		232
Comprehensive income for the year	—	—	—	34	148	49	232	972	1,204	△3	1,201
Dividend of surplus								△609	△609		△609
Stock compensation transaction		31							31		31
Other		△1							△1	1	—
Transfer from other capital components to retained earnings						△49	△49	49	—		—
Total transaction etc. with owner	—	29	—	—	—	△49	△49	△560	△580	1	△578
Balance at 31 December, 2017	3,390	3,300	△687	△46	512	—	466	14,815	21,285	10	21,295

(5) Summary of the consolidated quarterly statement of cash flows

(Unit: Million yen)

	Previous 2 nd quarter of the consolidated fiscal year (from 1 July 2016 to 31 December2016)	Current 2 nd quarter of the consolidated fiscal year (from 1 July 2017 to 31 December2017)
Cash flows from operating activities:		
Quarterly profit	1,595	969
Depreciation and amortization	529	667
Interest income and dividends	△8	△6
Interest expenses	32	36
Share of (profit) loss of investments accounted for using the equity method	0	0
Income tax expense	1,068	954
(Increase) decrease in trade receivables (△ indicates increase)	△799	696
(Increase) decrease in inventories (△ indicates increase)	274	△91
Increase (decrease) in trade payables (△ indicates decrease)	△3	△561
Increase (decrease) in retirement benefit liabilities (△ indicates decrease)	△57	△104
Other	△405	96
Sub total	2,227	2,655
Interest and dividend received	8	6
Interest paid	△32	△36
Income taxes paid	△1,546	△720
Net cash provided by (used in) operating activities	656	1,905
Cash flows from investing activities:		
Payments for property, plant and equipment	△189	△950
Proceeds from sales of property, plant and equipment	62	20
Payments for intangible assets	△161	△128
Payments for loans receivable	△9	△7
Proceeds from collection of loans receivable	19	37
Expenditure for Acquisition of business	—	△697
Other	115	76
Net cash provided by (used in) investing activities	△163	△1,647

(Unit: Million yen)

	Previous 2 nd quarter of the consolidated fiscal year (from 1 July 2016 to 31 December 2016)	Current 2 nd quarter of the consolidated fiscal year (from 1 July 2017 to 31 December 2017)
Cash flows from financing activities		
Net change in short-term borrowings (Δ indicates decrease)	280	230
Proceeds from long-term borrowings	50	—
Repayment of long-term borrowings	Δ 629	Δ 483
Repayment of finance lease liabilities	Δ 281	Δ 319
Dividends paid	Δ 620	Δ 609
Repayment of treasury stock acquisition	Δ 0	—
Net cash provided by (used in) financing activities	Δ 1,201	Δ 1,182
Increase (decrease) in cash and cash equivalents, net (Δ indicates decrease)	Δ 708	Δ 925
Cash and cash equivalents at the beginning of the quarter	7,924	8,101
Cash and cash equivalents at the end of the quarter	7,215	7,175

(6) Notes on summary consolidated quarterly financial statements

(Notes on going concern assumption)

N/A

(Segment Information)

Segment information of the group is as follows:

2nd quarter of the previous consolidated fiscal year (from 1 July 2016 to 31 December 2016)

(Unit: Million yen)

	Automotive related business	Human resources business	General cargo business	Total	Adjustment amount (Note)	Amount recorded on quarterly consolidated financial statements
Sales revenue						
Revenue to external customers	27,850	7,415	2,822	38,088	—	38,088
Revenue between segments	41	275	56	372	Δ372	—
Total	27,891	7,691	2,878	38,461	Δ372	38,088
Segment Profit (Operating Income)	2,756	296	561	3,614	Δ936	2,677

(Note) Adjustment for segment profit Δ936 million includes corporate expenses Δ936 million yen and intersegment transaction elimination 0 million yen. Corporate expenses are expenses related to the management department of the Company not attributable to the reporting segments.

Current fiscal year (from 1 July 2017 to 31 December 2017)

(Unit: Million yen)

	Automotive related business	Human resources business	General cargo business	Total	Adjustment amount (Note)	Amount recorded on quarterly consolidated financial statements
Sales revenue						
Revenue to external customers	27,464	8,267	2,827	38,559	—	38,559
Revenue between segments	37	398	202	639	Δ639	—
Total	27,502	8,666	3,030	39,198	Δ639	38,559
Segment Profit (Operating Income)	2,117	275	536	2,929	Δ1,000	1,929

(Note) Adjustment of segment profit Δ1,000 million includes corporate expenses Δ1,000 million yen and elimination of intersegment transactions 0 million yen. Corporate expenses are expenses related to the management department of the Company not attributable to the reporting segments.