TAN CHONG
INTERNATIONAL

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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)

INTERIM RESULTS

The board of directors (the "Board") of Tan Chong International Limited (the "Company") wishes to announce the following unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018.

Consolidated Statement of Profit or Loss (Unaudited)
for the six months ended 30 June 2018

	Note	**Six months ended 30 June** **2018** **HK$'000** *(Unaudited)*	**2017** **HK$'000** *(Unaudited)*
Revenue	3	7,779,025	8,026,437
Cost of sales		(6,159,111)	(6,435,566)
Gross profit		1,619,914	1,590,871
Other net income		113,144	151,643
Distribution costs		(614,646)	(632,744)
Administrative expenses		(544,526)	(523,277)
Other operating expenses		(17,351)	(33,421)
Profit from operations		556,535	553,072
Finance costs		(46,652)	(40,431)
Share of profits less losses of associates		36,339	37,172
Profit before taxation	4	546,222	549,813
Income tax expense	5	(147,100)	(139,018)
Profit for the period		399,122	410,795
Attributable to:			
Equity shareholders of the Company		346,976	330,275
Non-controlling interests		52,146	80,520
Profit for the period		399,122	410,795
Earnings per share	7		
Basic and diluted		HK$0.17	HK$0.16

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
for the six months ended 30 June 2018

	Six months ended 30 June	
	2018	**2017**
	HK$'000	**HK$'000**
	(Unaudited)	*(Unaudited)*
Profit for the period	399,122	410,795
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(3,021)	6,881
Investments designated as at fair value through other comprehensive income:		
- changes in fair value recognised during the period	(226,840)	(566,931)
	(229,861)	(560,050)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(94,370)	373,424
- associates outside Hong Kong	(9,722)	44,510
	(104,092)	417,934
Other comprehensive income for the period	(333,953)	(142,116)
Total comprehensive income for the period	65,169	268,679
Attributable to:		
Equity shareholders of the Company	(1,138)	151,805
Non-controlling interests	66,307	116,874
Total comprehensive income for the period	65,169	268,679

Consolidated Statement of Financial Position (Unaudited)
at 30 June 2018

	Note	At 30 June 2018 HK$'000 *(Unaudited)*	At 31 December 2017 HK$'000 *(Audited)*
Non-current assets			
Investment properties		3,266,055	3,387,150
Other property, plant and equipment		4,218,949	4,078,353
Interest in leasehold land		66,707	73,005
Intangible assets		105,688	102,805
Goodwill		58,678	58,043
Interest in associates		883,909	856,331
Other financial assets		83,061	134,507
Hire purchase debtors and instalments receivable		261,546	288,661
Non-current prepayments		148,177	161,231
Deferred tax assets		55,614	44,378
		9,148,384	9,184,464
Current assets			
Investments designated as at fair value through other comprehensive income	8	2,576,265	2,800,128
Inventories		2,339,975	2,523,345
Properties held for sale		16,684	24,568
Trade debtors	9	1,187,395	1,085,648
Hire purchase debtors and instalments receivable		133,843	143,293
Other debtors, deposits and prepayments		592,431	483,098
Amount due from related companies		148	155
Cash and bank balances		3,599,046	3,436,956
		10,445,787	10,497,191
Current liabilities			
Unsecured bank overdrafts		35,818	88,807
Bank loans		2,604,356	3,045,316
Trade creditors	10	1,026,325	936,895
Other creditors and accruals		1,357,318	1,318,453
Amounts due to related companies		14,843	7,291
Obligations under finance leases		51,291	40,100
Current taxation		187,224	172,599
Provisions		70,457	72,905
		5,347,632	5,682,366
Net current assets		5,098,155	4,814,825
Total assets less current liabilities		14,246,539	13,999,289

Consolidated Statement of Financial Position (Unaudited) (continued)
at 30 June 2018

	At 30 June 2018 HK$'000 *(Unaudited)*	At 31 December 2017 HK$'000 *(Audited)*
Non-current liabilities		
Bank loans	1,141,453	876,254
Obligations under finance leases	125,736	155,546
Net defined benefit retirement obligations	131,769	131,308
Deferred tax liabilities	82,072	80,707
Provisions	28,652	31,946
	1,509,682	1,275,761
NET ASSETS	12,736,857	12,723,528
Capital and Reserves		
Share capital	1,006,655	1,006,655
Reserves	10,502,444	10,674,527
Total equity attributable to equity shareholders of the Company	11,509,099	11,681,182
Non-controlling interests	1,227,758	1,042,346
TOTAL EQUITY	12,736,857	12,723,528

Notes:

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The unaudited interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements.

2. Changes in accounting policies

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

• IFRS 9 (2014), Financial instruments
• IFRS 15, Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has early adopted IFRS 9 (2009) in relation to classification of financial assets. The Group has been impacted by IFRS 9 (2014) in relation to measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 (2014) and note 2(c) for IFRS 15.

(b) IFRS 9 (2014), Financial instruments

IFRS 9 (2014) introduces new requirements for calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 (2014) incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The new impairment model in IFRS 9 (2014) replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model (“ECLs”). Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group’s trade receivables and other financial assets.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. The Group has concluded that the impact of expected credit losses on financial assets is insignificant as at 1 January 2018.

2. Changes in accounting policies (continued)

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Previously, revenue arising from the provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
(ii) When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

In accordance with the transition provisions in IFRS 15, the Group has adopted the modified retrospective approach. The Group has assessed that the new revenue standard does not have significant impact on the timing of revenue recognition.

3. Segment Reporting

(a) Segment results

	Revenue Six months ended 30 June		EBITDA Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Business lines				
Motor vehicle distribution and dealership business	4,259,600	4,636,755	406,945	335,335
Heavy commercial vehicle, industrial equipment distribution and dealership business	131,089	141,941	(28,809)	(12,667)
Property rentals and development	71,324	81,693	92,357	76,828
Transportation	3,103,962	2,830,846	215,640	238,143
Other operations	213,050	335,202	13,323	41,802
	7,779,025	8,026,437	699,456	679,441

	Revenue Six months ended 30 June	
	2018	**2017**
	HK$'000	**HK$'000**
	(Unaudited)	*(Unaudited)*
Geographical areas		
Singapore	1,715,262	2,178,215
PRC	421,652	657,882
Thailand	365,615	268,321
Japan	3,103,962	2,830,846
Taiwan	1,157,170	1,114,082
Others	1,015,364	977,091
	7,779,025	8,026,437

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2018	**2017**
	HK$'000	**HK$'000**
	(Unaudited)	*(Unaudited)*
Total segment EBITDA	699,456	679,441
Depreciation and amortisation	(162,554)	(140,945)
Interest income	19,633	14,576
Finance costs	(46,652)	(40,431)
Share of profits less losses of associates	36,339	37,172
Consolidated profit before taxation	546,222	549,813

4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	*(Unaudited)*
Finance costs	46,652	40,431
Amortisation of interest in leasehold land	3,908	3,676
Depreciation of property, plant and equipment	158,646	137,269
Dividend income	(52,612)	(93,107)
Loss/(Gain) on disposal of property, plant and equipment	667	(6,077)

5. Income tax expense

The analysis of income tax expense is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	*(Unaudited)*
Hong Kong	1,996	548
Singapore	16,741	25,585
Others	128,363	112,885
	147,100	139,018

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2017: 16.5%) and 30.86% (2017: 30.86%), in the tax jurisdictions in which the Group operates.

6. Dividends

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	*(Unaudited)*
Interim dividend declared of HK$0.025 (2017: HK$0.025) per ordinary share	50,333	50,333

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on net profit attributable to equity shareholders of the Company of HK$346,976,000 (2017: HK$330,275,000) and the weighted average number of shares of 2,013,309,000 (2017: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2018 and 2017 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

8. Investments designated as at fair value through other comprehensive income

	At 30 June 2018 HK$'000 *(Unaudited)*	At 31 December 2017 HK$'000 *(Audited)*
Equity securities		
Listed outside Hong Kong, designated as at fair value through other comprehensive income	2,576,265	2,800,128

Financial assets at fair value through other comprehensive income

The Group designated all of its investments in equity securities as at fair value through other comprehensive income under IFRS 9 (2009) as listed below. This designation was chosen as the investments are held for strategic purposes.

	Fair value		Dividend income recognised	
	At 30 June 2018 HK$'000 *(Unaudited)*	At 31 December 2017 HK$'000 *(Audited)*	Six months ended 30 June 2018 HK$'000 *(Unaudited)*	Six months ended 30 June 2017 HK$'000 *(Unaudited)*
Investments in Subaru Corporation	2,572,576	2,795,378	51,691	50,314
Investments in SM Development Pte. Ltd.	10,674	10,845	404	36,391
Others	70,293	74,738	517	6,402
	2,653,543	2,880,961	52,612	93,107

Subaru Corporation ("Subaru"), listed on the Tokyo Stock Exchange, manufactures passenger cars, buses, motor vehicle parts and industrial machinery and the Company also produces aircraft parts. SM Development Pte. Ltd., an unlisted Singapore Company, is principally engaged in investments and joint ventures.

Fair value loss for the six months ended 30 June 2018 is mainly contributed by the HK$222,803,000 decrease in fair value of the Group's equity investment in Subaru. There was no significant addition nor disposal for this equity security during the period ended 30 June 2018.

There were no transfers of any cumulative gain or loss within equity during the period.

Reclassifications

There were no reclassifications of financial assets since the date of initial application of IFRS 9 (2009), being 1 January 2015.

9. Trade debtors

As of the end of the reporting period, the ageing analysis of trade debtors, based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2018 HK$'000 *(Unaudited)*	At 31 December 2017 HK$'000 *(Audited)*
0 - 30 days	839,189	814,766
31 - 60 days	170,935	139,808
61 - 90 days	91,149	55,222
Over 90 days	86,122	75,852
	1,187,395	1,085,648

The Group allows credit periods from seven days to six months.

10. Trade creditors

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	At 30 June 2018 HK$'000 *(Unaudited)*	At 31 December 2017 HK$'000 *(Audited)*
0 - 30 days	736,671	540,170
31 - 90 days	186,895	296,742
91 - 180 days	28,727	28,851
Over 180 days	74,032	71,132
	1,026,325	936,895

11. Equity settled share based transactions

The Group has a stock compensation program (the "Program") which was adopted on 26 November 2015. The Program is operated through a trustee which is independent of the Group. This is a performance-based scheme whereby on 18 December 2015, shares of a listed subsidiary are acquired by the trustee using money contributed as funds by the subsidiary. The shares are distributed by the trustee in accordance with the Rules on Distributions of Board Benefits of the subsidiary based on points given to each of the entitled employees in view of their positions and performance. Incidentally, the shares of the subsidiary shall be distributed to the entitled employees as a general rule when they leave their positions. Each point granted can be converted into one share of the subsidiary at distribution. No vesting condition is required after the points are granted.

The maximum number of points which may be awarded to selected participants under the Program shall not exceed 500,000. The trust fund shall not have a definite expiration date and continue as long as the Program exist. Maximum amount of money to be contributed by the subsidiary is JPY500,000,000 (equivalent to HK$36,138,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

The first grant date is 26 November 2015, in the years after, point is granted to the eligible recipient annually on 30 June. However, if the eligible recipient retires during the fiscal period, the point will be granted on the date of retirement in proportion.

Up to 30 June 2018, a total of 188,920 points were granted to selected participants.

11. Equity settled share based transactions (continued)

(a) The terms and conditions of the grants are as follows:

Points granted to employees:	Number of points
On 26 November 2015	71,420
On 1 July 2016	60,000
On 1 July 2017	57,500

(b) The movements of number of points granted are as follows:

	2018 Number of points	2017 Number of points
Outstanding at the beginning of the period	123,500	85,000
Exercised during the period	-	-
Forfeited during the period	(26,500)	(19,000)
Granted during the period	-	57,500
Outstanding at the end of the period	97,000	123,500
Exercisable at the end of the period	97,000	123,500

(c) Fair value of points and assumptions

The fair value of services received in return for points granted is measured by reference to the fair value of points granted. The estimate of the fair value of the points granted is measured based on a Black-Scholes model.

Fair value of points and assumptions	26 November 2015	1 July 2016	1 July 2017
Fair value at measurement date	JPY1,111	JPY991	JPY1,160
Share price	JPY1,405	JPY1,312	JPY1,587
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	41.3%	41.3%	39.3%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	6.3 years	7.2 years	8.2 years
Expected dividends	3.7%	3.9%	3.8%
Risk-free interest rate (based on the yield of Japanese government bonds)	0.1%	0.3%	0.0%

The expected volatility is based on the historic volatility (calculated based on the historical daily stock price of the period corresponding to the expected remaining period), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing prices of the subsidiary's shares immediately before the grant of the points on 1 July 2016 and 1 July 2017 were JPY1,312 (equivalent to HK$99) and JPY1,587 (equivalent to HK$110) per share respectively.

During the period ended 30 June 2018, the Group recognised a net expense of HK$356,000 (2017: HK$1,185,000) as equity settled share based payments in relation to the Program.

12. Comparative figures

The group has initially applied IFRS 15 and IFRS 9 (2014) at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK$0.025 (2017: HK$0.025) per ordinary share on the shares in issue amounting to a total of HK$50,333,000 (2017: HK$50,333,000), which will be payable on 28 September 2018 to shareholders of the Company whose names appear on the Register of Members on 17 September 2018. Dividend warrants will be sent to shareholders on 28 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 14 September 2018 to 17 September 2018, both days inclusive. During this period, no transfer of shares will be effected and registered.

In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 13 September 2018.

MANAGEMENT REVIEW

RESULTS

The first six months of 2018 was challenging. During the period, revenue and vehicle sale units declined by 3% and 10% respectively. Although the Group's transportation logistics operations by ZERO CO. LTD in Japan ("Zero") registered revenue increase, there was a profit decrease in its operations.

The Group has been and is working towards a leaner, more agile and competitive organization. It conducts continuous review across all areas that have both material long and short-term values to the Group. The Group is committed to reduce cost while improving productivity at all levels of the organization with the view to continually eliminate Non Value Added Activities. These actions have discerning improvements to the company's financial positions in the current period, as they did in the past, thus ensuring our long-term competitiveness and sustainability.

Construction of the Group's Subaru production plant located in Thailand is progressing satisfactorily. When completed, it will strategically cater to the growing Asean CKD markets. This positions the Group for positive and competitive growth in the long term.

The Group's revenue in the first 6 months of 2018 was HK$7.78 billion; a 3% decrease as compared to HK$8.03 billion for the first half of 2017. Despite the revenue drop, EBITDA and Profit registered satisfactory levels of HK$699 million and HK$399 million respectively, due largely to improvement in operating profit margin of 7.2% when compared to 6.9% achieved in the first half of 2017. These positive results are attributable to the reduction in distribution costs and other operating expenses.

Revenue and vehicle/industrial machinery sales for the period reached HK$7.78 billion and 14,860 units respectively as compared to HK$8.03 billion and 16,435 units for the corresponding period of 2017.

EBITDA of HK$699 million registered an increase of 3%, whilst Profit for the period of HK$399 million registered a decrease of 3% when compared to the first half of 2017.

The Group's net gearing ratio, computed by dividing the net debt with the total equity was 1.4% as compared to 4.5% for the period ending 31st December 2017.

ROCE, computed by dividing earnings before interest and taxes (EBIT) with total equity plus non-current liabilities, reduced to 4.0% for the period ending June 2018 as compared to 4.3% at the end of the first six months of 2017.

Net Asset Per Share at 30 June 2018 was HK$6.33, an increase from the HK$6.32 as recorded at the end of December 2017. The directors have declared an interim dividend of HK$0.025 per share for the half year of 2018.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group had investments designated as at fair value through other comprehensive income of HK$2.65 billion. The investments consist of both listed and unlisted equity securities. The vast majority of these investments are equity securities listed on the Tokyo Stock Exchange that were accumulated over the years as strategic long-term investments. The Group recorded an unrealized loss on its investments designated as at fair value through other comprehensive income of HK$227 million as compared to the unrealized loss of HK$567 million for the corresponding period in 2017. The loss is due to share prices decline of its listed investments, which are marked to market, and is reported in other comprehensive income statement for the period. It is not expected that such unrealized fair value loss on its investments will be reclassified to the Group's consolidated statement of profit or loss.

SINGAPORE AND CHINA

In Singapore, the new Vehicle Emission Scheme (VES) introduced at the beginning of 2018 had disrupted the passenger vehicle market. Furthermore, the tighter controls on vehicle population and shifting COE cycles that put pressure on COE availability have had affected sales volume for both our passenger and commercial vehicle segments. Together, they have impacted revenue and profits negatively as compared to the first half of 2017. With the phased implementation of the VES in the second half of 2018, the Group expects continued uncertainty this year.

Against the backdrop of changing global macroeconomic policies, the China domestic car market continues to be shaped by tightening automotive emission standards and new energy vehicle policies. With the industry shifting towards the SUV segment, we target to refocus our sales and marketing efforts on our core product line-up to compete more effectively against other automotive brands. The Group's seat manufacturing operations in Nanjing continues to be challenged by a slowdown in sales orders. It has since taken steps to build up and enlarge its customer base and adapt to the evolving China automotive supply chain industry.

TAIWAN AND PHILIPPINES

Taiwan recorded another strong performance in the first half of 2018, growing sales volume and market share, while benefitting from the positive effects of their enhanced dealer network management. In August 2018, the Group conducted the Asia launch of the latest Subaru Forester in Taiwan. The new Subaru Forester is one of the leading models in the Subaru vehicle line-up. Philippines refocused their model line-up positioning and achieved modest sales growth in the first half of 2018. However, the profitability there was affected by new government tax reforms that resulted in a challenging automotive environment.

CKD MARKETS

Our operations in the CKD markets of Thailand and Malaysia have started to gain a foothold with better demands for our products and services. However, sales volume has been negatively impacted by supply chain constraints and government policy changes. Operation streamlining and cost reduction initiatives in these countries have begun to show positive improvement in profit margins. In addition, our progressive investment in the sales and dealer network infrastructure promises continued growth in these countries in a sustainable manner.

With the targeted 2019 start of Subaru vehicle production in Thailand, the Group expects to incur additional start-up cost as we transition and ramp up production in Thailand. We continue to invest in a measured and considered manner towards the long-term goal of building a meaningful market share in Asia for the Subaru brand.

JAPAN

The Group's transportation logistics operations represented by Zero in Japan achieved single digit growth in revenue, despite the weakness in the domestic automobile new vehicle market in the first half of 2018. Zero's profitability, however, declined. The challenging business environment was further worsened by vehicle inspection issues, compliance cost for traffic/road laws, increased fuel cost, increased labour and work related over-time that is compounded by on-going work style reforms in Japan. Zero is responding to these challenges with initiatives to reorganize the business organization, reduce operating cost while taking strong initiatives to strengthen the national logistics network.

PROSPECTS

With increased risk enveloping the geopolitical and global trade environment, coupled with vehicle inspection issues within the automotive industry, the Group will focus on developing a culture of resilience and cost competitiveness. This continuous effort is the backbone of our operations, and central to the management of our retail/distribution and logistics network, and investment philosophy. We are optimistic that this will ensure a sustainable long-term growth of our businesses in the Asian markets.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the period ended 30 June 2018.

CORPORATE GOVERNANCE CODE

No Director is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2018, acting in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange. The non-executive Director and independent non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-Laws. The Chairman had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive Directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

The Board is currently carrying out the responsibilities of the nomination committee until it appoints suitable members to this committee.

By Order of the Board
Sng Chiew Huat
Finance Director
Hong Kong, 28 August 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. 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.