Tan Chong International Limited

陳唱國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 693)

FINAL RESULTS

The Board of Directors (the "Board") of Tan Chong International Limited (the "Company") wishes to announce the following results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

Consolidated statement of profit or loss
for the year ended 31 December 2018

	Note	**2018** *HK$'000*	**2017** *HK$'000*
Revenue	3, 4	15,731,423	15,855,612
Cost of sales		(12,642,693)	(12,673,325)
Gross profit		3,088,730	3,182,287
Other net income		435,999	280,005
Distribution costs		(1,340,416)	(1,389,285)
Administrative expenses		(1,157,603)	(1,058,422)
Other operating expenses		(54,960)	(62,410)
Profit from operations		971,750	952,175
Financing costs		(92,426)	(87,538)
Share of profits less losses of associates		71,941	74,238
Profit before taxation	5	951,265	938,875
Income tax expense	6	(320,647)	(308,116)
Profit for the year		630,618	630,759
Attributable to:			
Equity shareholders of the Company		600,899	501,924
Non-controlling interests		29,719	128,835
Profit for the year		630,618	630,759
Earnings per share	8		
Basic and diluted		$0.30	$0.25

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	630,618	630,759
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	9,040	10,351
Investments designated as at fair value through other comprehensive income: - changes in fair value recognised during the year	(931,439)	(736,031)
	(922,399)	(725,680)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(94,568)	572,424
- associates outside Hong Kong	(37,444)	54,831
	(132,012)	627,255
Other comprehensive income for the year	(1,054,411)	(98,425)
Total comprehensive income for the year	(423,793)	532,334
Attributable to:		
Equity shareholders of the Company	(455,289)	343,042
Non-controlling interests	31,496	189,292
Total comprehensive income for the year	(423,793)	532,334

Consolidated statement of financial position
at 31 December 2018

	Note	2018	2017
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		3,443,029	3,387,150
Other property, plant and equipment		4,325,588	4,078,353
Interest in leasehold land		61,554	73,005
Intangible assets		110,633	102,805
Goodwill		43,486	58,043
Interest in associates		862,729	856,331
Other financial assets		57,179	134,507
Hire purchase debtors and instalments receivable		246,190	288,661
Non-current prepayments		134,832	161,231
Deferred tax assets		61,606	44,378
		9,346,826	9,184,464
Current assets			
Investments designated as at fair value through other comprehensive income		1,896,746	2,800,128
Inventories		2,166,126	2,523,345
Properties held for sale		16,644	24,568
Trade debtors	9	1,096,292	1,085,648
Hire purchase debtors and instalments receivable		116,497	143,293
Other debtors, deposits and prepayments		507,666	483,098
Amounts due from related companies		150	155
Cash and bank balances		3,090,532	3,436,956
		8,890,653	10,497,191
Current liabilities			
Unsecured bank overdrafts		97,600	88,807
Bank loans		2,010,779	3,045,316
Trade creditors	10	844,576	936,895
Other creditors and accruals		1,319,188	1,318,453
Amounts due to related companies		32,292	7,291
Obligations under finance leases		48,281	40,100
Current taxation		160,100	172,599
Provisions		79,896	72,905
		4,592,712	5,682,366
Net current assets		4,297,941	4,814,825
Total assets less current liabilities		13,644,767	13,999,289

Consolidated statement of financial position
at 31 December 2018 (continued)

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Bank loans	1,152,102	876,254
Obligations under finance leases	110,190	155,546
Net defined benefit retirement obligations	123,324	131,308
Deferred tax liabilities	75,303	80,707
Provisions	35,413	31,946
	1,496,332	1,275,761
NET ASSETS	12,148,435	12,723,528
Capital and reserves		
Share capital	1,006,655	1,006,655
Reserves	9,999,086	10,674,527
Total equity attributable to equity shareholders of the Company	11,005,741	11,681,182
Non-controlling interests	1,142,694	1,042,346
TOTAL EQUITY	12,148,435	12,723,528

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2018 included in this preliminary announcement of annual results is extracted from the Company's consolidated financial statements for the year ended 31 December 2018.

The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and all its subsidiaries and the Group's interest in associates and comply with International Financial Reporting Standards ("IFRSs"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. Changes in accounting policies

The International Accounting Standards Board has issued a number of 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:

(i) IFRS 9 (2014), Financial instruments
(ii) IFRS 15, Revenue from contracts with customers
(iii) IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9 (2014).

2. Changes in accounting policies (continued)

(i) IFRS 9 (2014), Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

The Group has early adopted IFRS 9 (2009) on 1 January 2015. IFRS 9 (2009) is the first part of a project to replace IAS 39, Financial Instruments: Recognition and Measurement; and it replaces the classification and measurement requirements in IAS 39 for debt and equity securities.

Before the early adoption of IFRS 9 (2009), debt and equity securities of the Group were classified as available-for-sale securities and investments designated as at fair value through profit or loss respectively. Since the early adoption of IFRS 9 (2009) on 1 January 2015, debt and equity securities were classified into investments designated as at fair value through profit or loss and investments designated as at fair value through other comprehensive income respectively.

IFRS 9 (2014) completely replaces IAS 39 as the second part of the project. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 (2014) retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There was no significant effect upon initial application of IFRS 9 (2014) on 1 January 2018.

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

a Credit losses

IFRS 9 (2014) replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade debtors, hire purchases debtors and instalments receivable and other debtors);

The closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 is not significantly different from the opening loss allowance determined in accordance with IFRS 9 (2014) as at 1 January 2018.

b. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except that if, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) 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, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2. Changes in accounting policies (continued)

The Group has elected to use the cumulative effect transition method and there is no significant impact of initial application as an adjustment to the opening balance of equity at 1 January 2018. Comparative information continues to be reported under IASs 11 and 18, where applicable. 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 construction contracts and 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:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
C. 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.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

(iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

3. Revenue

Revenue represents the sales value of goods sold, services provided to customers, hire purchase financing income, rental income, income from sales of properties, management service fees, agency commission and handling fees and warranty income, net of goods and services taxes where applicable, is analysed as follows:

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows.

	For the year ended 31 December	
	2018	**2017**
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines		
Sale of goods	8,905,012	9,582,526
Rendering of services	6,526,370	5,885,516
Gross proceeds from properties sold	18,536	73,154
Management service fees	1,000	1,000
Agency commission and handling fees	110,160	154,739
Warranty income	14,944	15,087
Revenue from other sources:		
Gross rentals from investment properties	105,335	91,055
Hire purchase financing income	50,066	52,535
	15,731,423	15,855,612

4. Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the reportable segments as set out in note (a) below. No operating segments have been aggregated to form the reportable segments.

Business lines

(i) Motor vehicle distribution and dealership business

The Group is the distributor for Nissan vehicles in Singapore and distributor or dealer for Subaru vehicles in Singapore, Guangdong Province of the People's Republic of China ("PRC"), Hong Kong, Taiwan, Thailand and certain other Southeast Asia countries. The Group distributes various models of Nissan and Subaru passenger cars and Nissan light commercial vehicles.

(ii) Heavy commercial vehicle and industrial equipment distribution business

The Group is the sole distributor for Nissan forklift trucks in Singapore. The Group markets and distributes a wide range of heavy commercial vehicles and industrial equipment.

(iii) Property rentals and development

The Group has a number of property interests and is engaged in the development of various investment properties for sales and rental income. At present, the Group's activities in this segment are mainly carried out in Singapore and Hong Kong.

4. Segment reporting (continued)

Business lines

(iv) Transportation

The Group mainly carries out the vehicle logistics services to vehicles manufacturers in Japan. The Group also provides human resource management service in relation to transportation business in Japan.

(v) Other operations

Other operations mainly include investment holding, hire purchase financing, provision of workshop services and the manufacturing of vehicles seats.

(a) Segment results

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including bank and other interest income.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

	Group revenue from external customers		**EBITDA**	
	For the year ended 31 December		***For the year ended 31 December***	
	2018	**2017**	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Business lines				
Motor vehicle distribution and dealership business	8,887,055	9,326,644	639,026	579,343
Heavy commercial vehicle and industrial equipment distribution and dealership business	231,475	264,195	(23,498)	(49,676)
Property rentals and development	119,649	161,860	336,361	193,742
Transportation	6,078,989	5,531,370	322,732	450,130
Other operations	414,255	571,543	22,057	88,897
	15,731,423	15,855,612	1,296,678	1,262,436

4. Segment reporting (continued)

(a) Segment results (continued)

	Group revenue from external customers For the year ended 31 December	
	2018	**2017**
	HK$'000	*HK$'000*
Geographical areas		
Singapore	3,662,475	4,325,975
PRC	847,899	1,179,651
Thailand	668,853	556,333
Japan	6,078,989	5,531,370
Taiwan	2,339,879	2,209,640
Others	2,133,328	2,052,643
	15,731,423	15,855,612

(b) Reconciliation of reportable segment profit or loss

	For the year ended 31 December	
	2018	**2017**
	HK$'000	*HK$'000*
Total segment EBITDA	1,296,678	1,262,436
Depreciation and amortisation	(363,418)	(341,135)
Interest income	38,490	30,874
Finance costs	(92,426)	(87,538)
Share of profits less losses of associates	71,941	74,238
Consolidated profit before taxation	951,265	938,875

5. Profit before taxation

	For the year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	6,647,886	7,670,695
Interest expense	92,426	87,538
Amortisation		
- interest in leasehold land	7,696	7,460
- intangible assets	28,746	21,218
Depreciation		
- assets held for use under operating leases	23,002	28,983
- other assets	303,974	283,474
Bank and other interest income	(38,490)	(30,874)
Dividend income		
- listed investments	(104,338)	(101,491)
- unlisted investments	(398)	(50,082)
(Gain)/loss on disposal of property, plant and equipment	(5,377)	5,192
Net gain on disposal of investment properties	(15,204)	-
Valuation gains on investment properties, net	(184,091)	(39,150)

6. Taxation

Income tax expense:

	For the year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current tax expense		
Provision for the year	333,729	304,569
Under-provision in respect of prior years	(671)	1,584
	333,058	306,153
Deferred tax expense		
Origination and reversal of temporary differences	(12,411)	1,963
Total income tax expense in the consolidated statement of profit or loss	320,647	308,116

Taxes on profits have been provided for at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdictions for the year.

7. Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	For the year ended 31 December 2018 *HK$'000*	2017 *HK$'000*
Interim dividend paid of HK$0.025 per ordinary share (2017: HK$0.025 per ordinary share)	50,333	50,333
Final dividend proposed after the end of the reporting period of HK$0.095 per ordinary share (2017: HK$0.085 per ordinary share)	191,264	171,131
	241,597	221,464

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$600,899,000 (2017: HK$501,924,000) and the number of 2,013,309,000 ordinary shares (2017: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2018 and 2017 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

9. Trade debtors

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowances, is as follows:

	As at 31 December 2018 *HK$'000*	2017 *HK$'000*
0-30 days	771,678	814,766
31-90 days	277,336	195,030
Over 90 days	47,278	75,852
	1,096,292	1,085,648

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

10. Trade creditors

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

	As at 31 December 2018 *HK$'000*	2017 *HK$'000*
0-30 days	573,306	540,170
31-90 days	172,729	296,742
91-180 days	65,270	28,851
Over 180 days	33,271	71,132
	844,576	936,895

FINAL DIVIDEND

The Board recommends a final dividend of HK$0.095 per share on the shares in issue absorbing a total of HK$191,264,355 which will be payable on 27 June 2019 to shareholders whose names appear on the Register of Members on 7 June 2019, subject to the approval of shareholders at the Annual General Meeting to be held on 29 May 2019.

MANAGEMENT REVIEW

RESULTS

The Group recorded revenue of HK$15.7 billion, a 1.00% decrease from that of year 2017. The decline was primarily due to sales volume reduction in our motor vehicle distribution and retail division. Though the transportation and logistics business represented by ZERO CO. LTD ("Zero") in Japan continues to show growth in revenue, it recorded a considerable drop in profit contribution to the Group. While the Group experienced a slowdown in Singapore, China and Philippines amid some growth in Hong Kong, it continues to achieve healthy revenue growth in Taiwan, Thailand and Malaysia vehicle markets. The Japanese Yen that is our input cost currency had remained relatively stable against the currencies of Asia Pacific Countries where our businesses are located.

Despite the headwinds to our top-line revenue, the Group achieved an improvement in our Profit from operation of 2%, due in part to an increase in other net income.

Profit from operations increased to HK$971.75 million.

Operating profit margin improved to 6.2% from 6.0% recorded in 2017.

Profit of HK$630.62 million for the year was almost flat compared to year 20l7.

Profit attributable to shareholders was HK$600.89 million, a 19.7% increase over the previous year of 2017.

The Group's return on capital employed (ROCE), computed by dividing earnings before interest and taxes (EBIT) by total equity and non-current liabilities, was 7.4% as compared to 7.1% in year 2017.

The Group's net gearing ratio, computed by dividing the net debt by total equity, was 1.4% as compared to 4.5% recorded in year 2017. (The net debt of HK$169.600 million in year 2018 comprised of borrowings of HK$3.163billion plus unsecured overdrafts of HK$97.60 million, less cash and bank balances of HK$3.091billion)

The Group continues to push forward with the ongoing cost reduction and productivity initiatives to achieve a leaner and competitive organization that will serve it well in uncertain times. This has resulted in the strengthening of the Group's financial stability, building towards a more cost-efficient platform for long- term sustainable growth.

In compliance to the regulatory, environmental and emission standard requirements of the countries that the Group operates in, the Group took positive efforts to participate in programs and incentives that encourage sustainability, conservation and reduced environmental impact.

The Group recognizes its human resources as valuable assets and its people as stewards of its business. It maintains its commitment to training, developing and retaining talented employees. The number of employees at the end of year 2018 was 5,815, an increase of 1.45%, as compared to 5,732 in year 2017.

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group had investments in listed and unlisted equity securities amounting to HK$1.95 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange and were accumulated over the years as strategic long-term investments. Fair value loss of HK$931 million was recognized in other comprehensive income during the year ended 31 December 2018. The loss was primarily due to share price changes of its listed investments, which were marked to market and therefore unrealized. Such unrealized fair value loss on its investments is not expected to be reclassified to the Group's consolidated statement of profit or loss.

FINANCE

Dividend payment will amount to HK$242 million for year 2018. Final dividend will be HK9.5 cent per share (interim HK2.50 cents per share), totaling HK12.0 cents for financial year 2018. This represents 9.09% increase over the HK11.00 cents dividend for financial year 2017. Consolidated net assets year-on-year decrease to HK$6.03 per share from HK$6.32 per share recorded in year 2017, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

The Group experienced a 15% slowdown in revenue in year 2018 compared to year 2017. This is driven primarily by a contraction in vehicle sales volume. In year 2018, the reduced COE quota and stricter emission standards had impacted both the Nissan and Subaru businesses in Singapore. Despite these, the Group profitability from our vehicle operation was satisfactory. With the introduction of new 2018 Vehicle Emission Scheme (VES), the Group envisages the Singapore motor vehicle market will experience further volatility in the years ahead.

The property division continued to enjoy good occupancy, and profited from sale of investment properties in year 2018.

CHINA / HONG KONG

On the back of escalation of emission regulations and competitive dynamics in the motor vehicle market, the Group's China business recorded a decline in Subaru sales, even as Hong Kong experienced sales increase in year 2018. However, the Group will continue with its restructuring and sales initiatives to further enhance the Subaru brand presence and to build viable long-term operations in China. The Group's automotive seat manufacturing operations in Nanjing and Xiamen were similarly affected by the challenging domestic automotive environment and had begun to focus its efforts on expanding its existing customer base while adapting to the evolving policy trends to drive future growth as China is too huge a market to ignore.

CKD MARKETS OF THAILAND AND MALAYSIA

The Group's joint venture with Subaru Corporation that begun in February 2017 to produce Subaru vehicles in Thailand for export to the ASEAN markets, has officially commenced production in Thailand on 26th February 2019. The Group will distribute the vehicles produced by the joint venture through its Subaru retail and dealer networks across ASEAN.

In Malaysia, the Group achieved an increase in sales and expanded its market share, reflecting positively the traction and efforts in establishing the Subaru brand presence within the country. Thailand also recorded increased sales volume. The Group has started the sale of its Thailand-built Subaru Forester at relatively more competitive pricing for the "CKD" vehicles markets of Malaysia, Thailand and Vietnam. The Group's investment in its sales and service infrastructure across the CKD retail and dealer networks is beginning to bear fruit, as evidenced by the benefits derived from the augmented sales and distribution infrastructure.

In Thailand, our industrial and truck related operations continue with its strategic restructuring initiatives. Reviews are constantly made to assess the continuing viability of that market in the medium term. Meanwhile, the Group has refocused on new business opportunities and adapted vehicle model line-ups for maximum competitive advantage, while minimizing operating overheads. Proactive management has resulted in further headcount reduction of 17.6% in year 2018 over that of year 2017 which has in turn, recorded a reduction of 25.0 % over that of year 2016.

The Group continues to hold a positive long-term view of the business opportunities within the CKD territories of Thailand, Malaysia and Vietnam markets.

TAIWAN AND PHILIPPINES

Taiwan performed well in year 2018 with another consecutive year of revenue growth. Its sales volume increase outpaced the broader automotive industry, and consequently expanded its market share. The Group also experienced growth in profit margins as it has commenced operations at its new vehicle distribution center, integrate its operations vertically, and build its sales and marketing infrastructure that paves the way for higher future growth. Philippines exhibited decline in sales performance for year 2018. Sales were affected by new tax reform laws that were implemented at the beginning of year 2018. The broader impact on the Philippine automotive market and domestic consumption poses uncertainty for year 2019.

JAPAN

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded another year of revenue increase amounting to HK$6.08 billion in year 2018. It recorded a 10% increase in revenue compared to year 2017. However, the profit recorded a decline of 69%, due to the following main factors.

(a) Increase in personnel cost following a generally tight labour market, and government-mandated reduction in overtime work.
(b) Higher fuel cost.
(c) Increased compliance cost for transportation and vehicle restriction laws in Japan.

The vehicle transportation business has proven to be a reliable contributor to recurring revenue of the Group. It accounts for approximately one third of the Group's consolidated revenue. In year 2018 Japan transportation and logistics business were impacted by the weaknesses in vehicle export and issues that were related to checks on vehicle safety and recalls. In line with continuous improvements in workplace, Zero undertook steps to optimize their nationwide distribution network operations and promotion of work style reform. The Group expects Zero's performance for year 2019 to be satisfactory.

PROSPECTS

The Group believes the global economic growth will slow down or decline in 2019. We are at the tail end of one of the longest growth cycles, where the US has recorded one of its longest expansions (120 months). The Japanese economy too has recorded its longest postwar economic expansion (74 months). The slowdown in China's growth appears to be accelerating. Topping this is geopolitical uncertainties that poses the biggest risk in this interconnected world. Of significant risks to the Group's business are trade tensions between major powers, political uncertainties in Europe and UK and upcoming elections in many of the Asia Pacific countries where the Group's businesses are located. Thus, the operating environment in the Group's markets will remain volatile. With irregular interest rate vacillations, changing automotive safety and vehicle emission policies in various operating countries and the macro uncertainties described earlier, the Group shall not only be prudent, but vigilant and conservative in all its endeavours going forward in year 2019.

We will continue to stay focused on value-added activities and opportunities that create sustainable and long-term profitability. It will continue to invest in the development of its motor and commercial vehicle business as it scales up its dealer and retail networks, supply chain logistics infrastructure and brand presence, with a focus on building the groundwork to capture emerging opportunities in our CKD markets of Malaysia, Thailand and Vietnam.

The Group's Subaru Plant in Thailand officially started production for delivery to the CKD markets on 26th February 2019. The first 99 vehicles will be delivered to customers on 29th March 2019. The new production facility in Thailand demonstrates the Group's commitment and confidence in the future of the Asian market.

Subsequent to the launch of the Subaru Global Platform in year 2017, Eyesight, Subaru's latest safety and driver assist technology, was introduced in January 2018 to boost and further enhance the Subaru brand value. The Group will push on with programs and initiatives to further streamline its operations and eliminate unnecessary costs with a view towards building a more stable business foundation, while being responsive and resilient in meeting the constantly evolving business environment.

Barring unforeseen circumstances, the Group expects to perform satisfactorily in year 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting ("AGM") which is scheduled on Wednesday, 29 May 2019, the register of members of the Company will be closed from Thursday, 23 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Shop No. 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 May 2019.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the forthcoming AGM of the Company), the register of members of the Company will be closed from Wednesday, 5 June 2019 to Friday, 7 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend as stated in the Announcement, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Shop No. 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 4 June 2019.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Dynasty Club, 7/F South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on 29 May 2019 at 11:00a.m.. The Notice of Annual General Meeting will be sent to shareholders on or before 26 April 2019.

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Tan Chong International Limited (the "Company") is committed to the observance of good corporate governance to protect the interests and rights of shareholders and the financial performance of the Company and its subsidiaries (collectively the "Group"). The Board has adopted the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that form part of the disclosure requirements under the Listing Rules. Throughout the year under review, the Company has complied with most of the code provisions set out in the CG Code. Where applicable various self-regulatory and monitoring measures were adopted for effective corporate governance practice.

The non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-Laws.

Mr. Tan Eng Soon ("Mr. Tan") currently holds the offices of Chairman and Chief Executive Officer. Mr. Tan has been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

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

By Order of the Board
Sng Chiew Huat
Finance Director

Hong Kong, 27 March 2019

Website: http://www.tanchong.com

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