



**Tan Chong International Limited**

**陳唱國際有限公司**

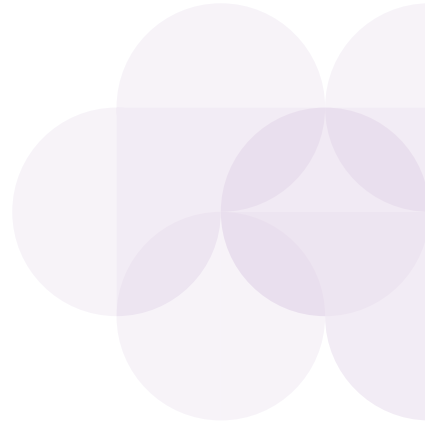
**Interim Report 2014**

Stock Code: 693

**Interim  
2014**



TAN CHONG  
INTERNATIONAL



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## Management Review

### RESULTS

In the 1st half of 2014 our company returned weak financial results, although we made significant advances in building future revenue potential by expanding our compatible business activities in a developed market. We have achieved this through increasing our stakes to 50.88% of voting rights in Zero Co., Ltd. This Japanese logistic company is ranked 1st and 2nd in market share for used and new vehicle transportation respectively. Zero Co., Ltd is listed on the 2nd section of Tokyo Stock Exchange and their annual turnover is approximately 55% of TCIL revenue. This rebalancing of our business activities to a developed market will concurrently improve our company risk profile.

Compared to the corresponding period of 2013, the half-year revenue of HK\$3.963 billion is down 16%. Profit attributable to shareholders at HK\$57.6 million is down 96%. On an operating business basis (excluding changes in Investment gain/loss and one-time items) it is HK\$151.9 million after tax and HK\$224.8 billion before tax, down 66% and 57% respectively.

The EBITDA is HK\$206.2 million, and on an operating business basis it is HK\$300.4 million. However, group Net Asset Per Share at the end of June 2014 rose to HK\$5.71 from HK\$5.48 at the end of December 2013.

The directors have declared an interim dividend of HK\$0.025 per share for the first half of 2014.

### THAILAND AND CHINA OPERATION

Although sales revenue in Singapore, Taiwan and Philippine increased, they could not make up for the sharp drop in the two large market of Thailand and China which decline 63% and 43% respectively.

In Thailand, the political problems since the last quarter of 2013 has dampened consumers and business confidence, and in particular affected our consumer and capital expenditure types of business demand. The political situation has since stabilized and initial sales indication gives us confidence that the 2nd half of 2014 should be better.

In China, since the structural change of the distribution system for Motor Image China from a Distributor to Dealer status last year, sales and profit revenue declined as a consequence. We expect sales in the 2nd half to be similar to 1st half.

In the manufacturing sector, our auto parts are still in the early stages of trying to gain meaningful traction with the auto manufacturers in China. We expect to do better in the 2nd half of 2014 because of new orders from Chang An Auto Company.

### SINGAPORE, TAIWAN AND PHILIPPINES OPERATIONS

In Singapore we expect double-digit growth in profit and revenue because of the success with our commercial vehicle in gaining market share.

Also in Taiwan and Philippines we expect to see higher profit and revenue growth.

## Management Review (continued)

### THAILAND, MALAYSIA AND INDONESIA CKD OPERATION

After more than one year of business operation in the Complete Knocked Down (“CKD”) market, we are still in the early stages of building the sale/service network. Some time is still needed to gain understanding and make inroads in these markets in the presence of current established and entrenched market players.

### ZERO COMPANY LTD., JAPAN

On 19th June 2014 the Company successfully acquired 50.88% of the voting rights of Zero Co., Ltd. This vehicle logistics company has annual revenue of more than US\$650 million and is ranked 1st. for used car (annual market size approximately 7 million units) with 20% market share, and 2nd for new vehicles (annual market size of approximately 5 million units) with approximately 30% market share. This company’s expertise in vehicle logistics and human resource management business can help improve cost competitiveness and quality standards in our ASEAN business operation. Their human resource management business when integrated with our ASEAN business networks can also give rise to a new scope of business for TCIL. Our next development is to expand with this subsidiary to maximize the collaborative benefits in ASEAN where we operate. Revenue and profit from Zero Co., Ltd will only be consolidated in the 2nd half of 2014.

### PROSPECTS

We expect that the second half year will see satisfactory business performance, barring any unforeseen circumstances.

## Consolidated Income Statement

- unaudited

	Note	Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
Revenue	2	3,963,006	4,725,285
Cost of sales		(3,144,571)	(3,778,440)
<b>Gross profit</b>		818,435	946,845
Other operating income		100,778	1,294,579
Distribution costs		(311,829)	(340,221)
Administrative expenses		(379,116)	(308,926)
Other operating expenses		(115,668)	(5,169)
<b>Profit from operations</b>		112,600	1,587,108
Financing costs		(25,739)	(13,112)
Share of profits less losses of associates		43,704	33,925
<b>Profit before taxation</b>	3	130,565	1,607,921
Income tax expense	4	(57,771)	(62,831)
<b>Profit for the period</b>		72,794	1,545,090
Attributable to:			
Equity shareholders of the Company		57,600	1,531,570
Non-controlling interests		15,194	13,520
<b>Profit for the period</b>		72,794	1,545,090
<b>Earnings per share (cents)</b>	6		
Basic and diluted		2.9	76.1

The notes on pages 11 to 19 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 5.

## Consolidated Statement of Comprehensive Income - unaudited

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
<b>Profit for the period</b>	72,794	1,545,090
<b>Other comprehensive income for the period that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments)</b>		
Exchange differences on translation of financial statements of:		
- Overseas subsidiaries	39,422	(192,816)
- Associates	10,697	(46,774)
	50,119	(239,590)
Available-for-sale securities:		
- Changes in fair value recognised during the period	1,282	(3,674)
<b>Other comprehensive income for the period</b>	51,401	(243,264)
<b>Total comprehensive income for the period</b>	124,195	1,301,826
<b>Attributable to:</b>		
Equity shareholders of the company	109,341	1,289,053
Non-controlling interests	14,854	12,773
<b>Total comprehensive income for the period</b>	124,195	1,301,826

The notes on pages 11 to 19 form part of these financial statements.

## Consolidated Statement of Changes in Equity - unaudited

	<i>Attributable to equity shareholders of the Company</i>									
	Share capital	Share premium	Capital reserve	Translation reserve	Contributed surplus	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2013</b>	1,006,655	550,547	9,549	1,397,047	377,690	10,082	5,960,830	9,312,400	71,115	9,383,515
<b>Changes in equity for the six months ended 30 June 2013</b>										
Profit for the period	-	-	-	-	-	-	1,531,570	1,531,570	13,520	1,545,090
Other comprehensive income	-	-	-	(238,843)	-	(3,674)	-	(242,517)	(747)	(243,264)
<b>Total comprehensive income for the period</b>	-	-	-	(238,843)	-	(3,674)	1,531,570	1,289,053	12,773	1,301,826
Capital contribution received by a non-wholly owned subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	18,562	18,562
Dividends declared and approved during the period	-	-	-	-	-	-	(140,932)	(140,932)	-	(140,932)
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	1,006,655	550,547	9,549	1,158,204	377,690	6,408	7,351,468	10,460,521	102,450	10,562,971

The notes on pages 11 to 19 form part of these financial statements.



## Consolidated Statement of Changes in Equity (continued)

- unaudited

<i>Attributable to equity shareholders of the Company</i>										
	Share capital	Share premium	Capital reserve	Translation reserve	Contributed surplus	Fair value reserve	Retained profits	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2014</b>	1,006,655	550,547	9,549	1,130,948	377,690	5,146	7,827,352	10,907,887	115,518	11,023,405
<b>Changes in equity for the six months ended 30 June 2014</b>										
Profit for the period	-	-	-	-	-	-	57,600	57,600	15,194	72,794
Other comprehensive income	-	-	-	50,460	-	1,282	-	51,742	(341)	51,401
<b>Total comprehensive income for the period</b>	-	-	-	50,460	-	1,282	57,600	109,342	14,853	124,195
Capital contribution received by a non-wholly owned subsidiary from a non- controlling shareholder	-	-	-	-	-	-	-	-	517,157	517,157
Dividends declared and approved during the period	-	-	-	-	-	-	(161,065)	(161,065)	-	(161,065)
Dividends paid by non- wholly owned subsidiaries to non- controlling interests	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<u>1,006,655</u>	<u>550,547</u>	<u>9,549</u>	<u>1,181,408</u>	<u>377,690</u>	<u>6,428</u>	<u>7,723,887</u>	<u>10,856,164</u>	<u>647,528</u>	<u>11,503,692</u>

The notes on pages 11 to 19 form part of these financial statements.

## Consolidated Balance Sheet

- unaudited

	Note	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
<b>Non-current assets</b>			
Investment properties		2,999,768	2,654,853
Other property, plant and equipment		3,212,466	2,451,794
Interest in leasehold land		471,967	261,897
Intangible assets		132,008	-
Interest in associates		694,399	914,435
Other financial assets		157,941	97,114
Hire purchase debtors and instalments receivable		228,344	198,528
Non-current prepayments		109,221	23,053
Deferred tax assets		88,652	37,431
		8,094,766	6,639,105
<b>Current assets</b>			
Investments designated at fair value through profit or loss		2,483,126	2,576,625
Inventories		2,471,327	1,959,204
Properties held for sale		62,035	61,256
Trade debtors	7	1,138,747	905,522
Hire purchase debtors and instalments receivable		104,655	91,795
Other debtors, deposits and prepayments		559,906	337,594
Amount due from related companies		5,078	3,641
Cash and cash equivalents	8	2,367,668	2,228,857
		9,192,542	8,164,494
<b>Current liabilities</b>			
Unsecured bank overdrafts	8	46,446	370
Bank loans		2,434,403	2,098,553
Finance lease liabilities		31,937	-
Trade creditors	9	853,782	767,551
Other creditors and accruals		914,882	581,916
Amounts due to related companies		155,200	14,046
Current taxation		98,615	114,778
Provisions		52,821	28,271
Other current liabilities		7,970	-
		4,596,056	3,605,485
<b>Net current assets</b>		4,596,486	4,559,009
<b>Total assets less current liabilities</b>		12,691,252	11,198,114

The notes on pages 11 to 19 form part of these financial statements.

**Consolidated Balance Sheet (continued)**  
- *unaudited*

	Note	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
<b>Non-current liabilities</b>			
Bank loans		680,485	103,947
Finance lease liabilities		126,616	-
Employee benefits		217,064	-
Deferred tax liabilities		116,264	23,966
Provisions		37,618	46,796
Other non-current liabilities		9,513	-
		1,187,560	174,709
		1,187,560	174,709
<b>NET ASSETS</b>		<b>11,503,692</b>	<b>11,023,405</b>
<b>Capital and reserves</b>			
Share capital	10	1,006,655	1,006,655
Reserves		9,849,509	9,901,232
<b>Total equity attributable to equity shareholders of the Company</b>		10,856,164	10,907,887
<b>Non-controlling interests</b>		647,528	115,518
<b>TOTAL EQUITY</b>		<b>11,503,692</b>	<b>11,023,405</b>

The notes on pages 11 to 19 form part of these financial statements.

## Condensed Consolidated Cash Flow Statement

- unaudited

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Net cash (used in) / generated from operating activities	(262,139)	307,259
Net cash used in investing activities	(116,882)	(227,593)
Net cash generated from financing activities	<u>470,209</u>	<u>90,066</u>
Net increase in cash and cash equivalents	91,188	169,732
Cash and cash equivalents at 1 January	2,228,487	1,349,943
Effect of exchange differences	<u>1,547</u>	<u>(11,902)</u>
Cash and cash equivalents at 30 June	<u><u>2,321,222</u></u>	<u><u>1,507,773</u></u>

The notes on pages 11 to 19 form part of these financial statements.

## Notes to the Unaudited Financial Statements

### 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 2013 annual financial statements.

### 2 Segment Reporting

#### (a) Segment results

	Group Revenue		EBITDA	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Business lines</b>				
Motor vehicle distribution	3,334,510	3,419,495	204,335	335,855
Heavy commercial vehicle and industrial equipment distribution	299,222	931,346	18,450	143,397
Property rentals and development	59,714	105,777	17,759	49,051
Other operations	269,560	268,667	(34,379)	1,140,208
	<u>3,963,006</u>	<u>4,725,285</u>	<u>206,165</u>	<u>1,668,511</u>

	Group Revenue	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<b>Geographical areas</b>		
Singapore	1,009,493	687,195
Hong Kong	79,409	63,993
PRC	899,230	1,586,645
Thailand	439,781	1,173,453
Others	1,535,093	1,213,999
	<u>3,963,006</u>	<u>4,725,285</u>

## Notes to the Unaudited Financial Statements (continued)

### 2 Segment Reporting (continued)

#### (b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Total segment EBITDA	206,165	1,668,511
Depreciation and amortisation	(113,262)	(91,698)
Interest income	19,697	10,295
Finance costs	(25,739)	(13,112)
Share of profits less losses of associates	43,704	33,925
<b>Consolidated profit before taxation</b>	<b>130,565</b>	<b>1,607,921</b>

### 3 Profit before taxation

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest expense	25,739	13,112
Amortisation of interest in leasehold land	17,421	4,146
Depreciation of property, plant and equipment	95,841	87,552
Dividend income	(24,703)	(8,721)
Gain on disposal of property, plant and equipment	(5,728)	(6,720)
Decrease/(increase) in fair value of listed investments	94,273	(1,080,169)
Gain on a bargain purchase	(14,693)	-

## Notes to the Unaudited Financial Statements (continued)

### 4 Taxation

The analysis of income tax expense is as follows:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	1,094	-
Singapore	8,225	12,720
Elsewhere	48,452	50,111
	<u>57,771</u>	<u>62,831</u>

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2013: 16.5%) and 30% (2013: 30%), in the tax jurisdictions in which the Group operates.

### 5 Dividends

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
(i) Dividends attributable to the period Interim dividend declared of HK\$0.025 (2013: HK\$0.025) per ordinary share	<u>50,333</u>	<u>50,333</u>

The interim dividend has not been recognized as a liability at balance sheet date.

(ii) Dividends paid during the period Final dividend approved in respect of prior year of HK\$0.08 (2013: HK\$0.07) per ordinary share	<u>161,065</u>	<u>140,932</u>
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### 6 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on net profit attributable to equity shareholders of the Company of HK\$57,600,000 (2013: HK\$1,531,570,000) and the weighted average number of shares of 2,013,309,000 (2013: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2014 and 2013 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

## Notes to the Unaudited Financial Statements (continued)

### 7 Trade debtors

Included in trade debtors are debtors (net of impairment losses) with the following ageing analysis:

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
0 - 30 days	835,462	727,777
31 - 90 days	173,747	90,950
Over 90 days	129,538	86,795
	<u>1,138,747</u>	<u>905,522</u>

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

### 8 Cash and cash equivalents

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Bank deposits	286,830	518,855
Cash at bank	2,079,004	1,708,549
Cash in hand	1,834	1,453
Cash and cash equivalents in the balance sheet	<u>2,367,668</u>	<u>2,228,857</u>
Unsecured bank overdrafts	(46,446)	(370)
Cash and cash equivalents	<u>2,321,222</u>	<u>2,228,487</u>



## Notes to the Unaudited Financial Statements (continued)

### 9 Trade creditors

Included in trade creditors are creditors with the following ageing analysis:

	At 30 June 2014	At 31 December 2013
	HK\$'000	HK\$'000
0 - 30 days	649,641	581,890
31 - 90 days	128,929	124,730
91 - 180 days	55,580	42,734
Over 180 days	19,632	18,197
	<u>853,782</u>	<u>767,551</u>

### 10 Share capital

	At 30 June 2014	At 31 December 2013
	HK\$'000	HK\$'000
<b>Authorised:</b>		
3,000,000,000 ordinary shares of HK\$0.50 each	<u>1,500,000</u>	<u>1,500,000</u>
<b>Issued and fully paid:</b>		
2,013,309,000 ordinary shares of HK\$0.50 each	<u>1,006,655</u>	<u>1,006,655</u>

## Notes to the Unaudited Financial Statements (continued)

### 11 Fair value measurement of financial instruments

#### (i) Financial instruments carried at fair value

##### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurement as at 30 June 2014 categorised into				Fair value measurement as at 31 December 2013 categorised into			
	Fair value at 30 June 2014	Level 1	Level 2	Level 3	Fair value at 31 December 2013	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>								
<b>Recurring</b>								
<b>fair value</b>								
<b>measurements</b>								
Assets								
Available-for-sale debt securities, listed outside Hong Kong	73,135	73,135	-	-	75,559	75,559	-	-
Equity securities designated as at fair value through profit or loss, listed outside Hong Kong	2,483,126	2,483,126	-	-	2,576,625	2,576,625	-	-
	<u>2,556,261</u>	<u>2,556,261</u>	<u>-</u>	<u>-</u>	<u>2,652,184</u>	<u>2,652,184</u>	<u>-</u>	<u>-</u>

During the six months ended 30 June 2014, there were no transfers among Level 1, Level 2 and Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

## Notes to the Unaudited Financial Statements (continued)

### 11 Fair value measurement of financial instruments (continued)

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

### 12 Capital commitments

Capital commitments outstanding at 30 June 2014 not provided for in the financial statements were as follows:

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Authorised and contracted for:		
- Construction of properties	<u>188,023</u>	<u>228,804</u>

### 13 Business acquisition

In June 2014, a subsidiary of the Group acquired 27.97% equity interest in Zero Co., Ltd ("Zero"). Zero was an associate of the Group prior to the acquisition. Its principal businesses are in vehicle logistics, general cargo transportation and human resource management. After the acquisition, the Group now holds in aggregate approximately 50.88% of the Common Shares through its indirect wholly-owned subsidiaries, Zenith Logistics Limited (as to approximately 27.97%) and Zenith Logistics Pte Ltd (as to approximately 22.91%).

The Group did not have material acquisition during the period ended 30 June 2013.

Details of the estimated fair values of the identifiable assets and liabilities of Zero and gain on a bargain purchase in respect of acquisition at the acquisition date were as follows:

	HK\$'000
Purchase consideration	
Cash consideration	305,268
Fair value of interest in associates	<u>209,497</u>
Total consideration	<u>514,765</u>

Less: estimated fair values of identifiable assets acquired and liabilities assumed recognised

## Notes to the Unaudited Financial Statements (continued)

### 13 Business acquisition (continued)

	HK\$'000
<b>Assets</b>	
Investment properties	315,465
Other property, plant and equipment	718,272
Intangible assets	132,008
Other financial assets	76,662
Hire purchase debtors and instalments receivable – non-current	3,440
Non-current prepayments	73,771
Deferred tax assets	57,281
Inventories	36,443
Trade debtors	573,168
Hire purchase debtors and instalments receivable	916
Other debtors, deposits and prepayments	77,907
Cash and cash equivalents	389,132
	<u>2,454,465</u>
<b>Liabilities</b>	
Unsecured bank overdrafts	34,397
Bank loans	114,634
Finance lease liabilities	31,937
Trade creditors	255,421
Other creditors and accruals	305,389
Current taxation	47,918
Provisions	21,945
Other current liabilities	7,970
Bank loans – non-current	138,827
Finance lease liabilities – non-current	126,616
Employee benefits	217,064
Deferred tax liabilities	95,815
Provisions – non-current	6,418
Other non-current liabilities	9,513
	<u>1,413,864</u>
<b>Total identifiable net assets acquired</b>	<u>1,040,601</u>
<b>Less: Non-controlling interests</b>	<u>(511,143)</u>
<b>Total identifiable net assets acquired after non-controlling interests</b>	<u>529,458</u>
<b>Gain on a bargain purchase</b>	<u>14,693</u>
<b>Analysis of cash flows on acquisition</b>	
Cash consideration	(305,268)
Cash and cash equivalents acquired	354,735
<b>Net cash inflow</b>	<u>49,467</u>

Note:

The gain on a bargain purchase arising from the acquisition represents the slight differential between the price paid and the net assets acquired because of timing and foreign exchange differences to integrate the subsidiary company into the Group's existing businesses.

## Notes to the Unaudited Financial Statements (continued)

### 14 Connected transactions

The following is a summary of significant transactions carried out in the normal course of business between the Group and its related companies during the period:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Sale of goods and services to related companies	1,255	3,164
Purchase of goods and services from related companies	<u>177,661</u>	<u>159,587</u>

All the sales and purchases and services rendered were on normal commercial terms.

### 15 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

## Other Information

### Interim Dividend

The Board is pleased to declare an interim dividend of HK\$0.025(2013: HK\$0.025) per ordinary share on the shares in issue amounting to a total of HK\$50,333,000 (2013: HK\$50,333,000), which will be payable on 25 September 2014 to shareholders whose names appear on the Register of Members on 22 September 2014. Dividend warrants will be sent to shareholders on 25 September 2014.

### Closure of Register of Members

The Register of Members will be closed from 19 September 2014 to 22 September 2014, 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 18 September 2014.

### Directors' Interests and Short Positions in Shares

The directors who held office as at 30 June 2014 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

Long positions	Ordinary shares of HK\$0.50 each					Percentage of total issued shares
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Other interests	Total	
<i>Executive Directors:</i>						
Tan Eng Soon	111,999,972	-	431,376,000	1,027,584,147 (Note 3)	1,570,960,119	78.02%
Joseph Ong Yong Loke	684,000	795,000	940,536	-	2,419,536	0.12%
Tan Kheng Leong	2,205,000	210,000	-	1,568,545,119 (Note 4)	1,570,960,119	78.02%
Sng Chiew Huat	900,000	-	-	-	900,000	0.04%
Glenn Tan Chun Hong	99,000	-	-	-	99,000	0.0049%

#### Notes:

- (1) These shares are beneficially owned by the spouses of Joseph Ong Yong Loke and Tan Kheng Leong, respectively, and hence they are deemed to be interested in these shares respectively.
- (2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.
- (3) In addition to Tan Eng Soon's personal and corporate interests of 111,999,972 Shares and 431,376,000 Shares respectively, he is deemed to be interested in 1,027,584,147 Shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,570,960,119 Shares.
- (4) In addition to Tan Kheng Leong's personal and family interests of 2,205,000 Shares and 210,000 Shares respectively, he is deemed to be interested in 1,568,545,119 Shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,570,960,119 Shares.

## Other Information (continued)

### Directors' Interests and Short Positions in Shares (continued)

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 30 June 2014, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the period to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange.

At no time during the period was the Company, any of its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Substantial Interests in the Share Capital of the Company

The Company has been notified of the following interests (other than a director of the Company) in the Company's issued shares as at 30 June 2014 amounting to 5% or more of the ordinary shares in issue:

Name	Long/short Positions	Note	Ordinary shares held	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	Long	(1)	1,570,960,119	78.02%
Dato' Tan Heng Chew	Long	(2)	1,570,960,119	78.02%
Promenade Group Limited	Long	(3)	302,067,000	15.00%

#### Notes:

- (1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company. The 1,570,960,119 Shares referred to above include 705,819,720 Shares beneficially held by Tan Chong Consolidated Sdn. Bhd. and 865,140,399 Shares in which Tan Chong Consolidated Sdn. Bhd. is interested pursuant to sections 317 and 318 of the SFO.
- (2) Based on the disclosure of interests filed, Dato' Tan Heng Chew has personal, family and corporate interests of 28,990,986 Shares, 328,170 Shares, and 37,848,000 Shares respectively. He is also deemed to be interested in 1,503,792,963 Shares pursuant to sections 317 and 318 of the SFO, making a total of interests in respect of 1,570,960,119 Shares.
- (3) Tan Eng Soon is the controlling shareholder of Promenade Group Limited.

Save as disclosed above, no persons, other than a director of the Company whose interests are set out above, had registered interests in the share capital of the Company that was required to be recorded in the register under section 336 of the SFO.

## Other Information (continued)

### 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 2014.

### Directors' Securities Transactions

Pursuant to the Model Code requirements as set out in Appendix 10 of the Listing Rules of the Stock Exchange, all directors confirmed that they have complied with the required standard and its code of conduct regarding directors' securities transactions for the accounting period under review.

### Corporate Governance Code

No director of the Company 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 2014, acting in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange. The 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.

Following the passing away of the late Mr. Masatoshi Matsuo on 19 March 2014, the nomination committee currently comprises one member only. The Board will consider the replacement to fill the vacancy of member of the nomination committee held by the late Mr. Masatoshi Matsuo as soon as practicable.

By Order of the Board  
**Sng Chiew Huat**  
Finance Director  
Hong Kong, 29 August 2014

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

*As at the date of this announcement, the Executive Directors are Mr. Tan Eng Soon, Mr. Joseph Ong Yong Loke, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Mr. Glenn Tan Chun Hong. Independent Non-Executive Directors are Mr. Lee Han Yang, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck. The Honorary Life Counselor of the Company is Tan Sri Dato' Tan Kim Hor.*



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