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 audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022.

Consolidated statement of profit or loss for the year ended 31 December 2022

	Note	**2022**	**2021**
		HK$'000	*HK$'000*
Revenue	3, 4	13,478,667	11,864,957
Cost of sales		(11,168,524)	(9,819,638)
Gross profit		2,310,143	2,045,319
Other net income		680,699	619,213
Distribution costs		(1,090,817)	(999,512)
Administrative expenses		(1,014,690)	(995,056)
Other operating expenses		(46,110)	(23,735)
Profit from operations		839,225	646,229
Financing costs		(105,424)	(58,036)
Share of profits of associates		42,014	69,896
Profit before taxation	5	775,815	658,089
Income tax expense	6	(265,151)	(204,213)
Profit for the year		510,664	453,876
Attributable to:			
Equity shareholders of the Company		418,073	378,098
Non-controlling interests		92,591	75,778
Profit for the year		510,664	453,876
Earnings per share	8		
Basic and diluted (cents)		20.77	18.78

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	510,664	453,876
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 retirement obligations	(6,543)	931
Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the year	(222,436)	(169,836)
	(228,979)	(168,905)
Items that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(245,265)	(306,510)
- associates outside Hong Kong	(31,968)	14,127
Reclassification of translation reserve upon deemed disposal of an associate	(25,144)	(68)
	(302,377)	(292,451)
Other comprehensive income for the year	(531,356)	(461,356)
Total comprehensive income for the year	(20,692)	(7,480)
Attributable to:		
Equity shareholders of the Company	27,420	40,767
Non-controlling interests	(48,112)	(48,247)
Total comprehensive income for the year	(20,692)	(7,480)

Consolidated statement of financial position
at 31 December 2022

	Note	2022	2021
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		3,767,358	4,065,018
Property, plant and equipment		5,632,258	4,811,672
Intangible assets		39,250	53,469
Goodwill		79,498	31,769
Interest in associates		81,890	896,967
Investments designated as at fair value through other comprehensive income		1,414,993	1,642,997
Loans and advances		1,902,159	102,569
Receivables, deposits and prepayments		96,278	179,325
Deferred tax assets		67,535	56,721
		13,081,219	11,840,507
Current assets			
Inventories		1,573,408	1,450,435
Trade debtors	9	1,366,027	981,578
Loans and advances		2,638,592	78,897
Other debtors, deposits and prepayments		731,679	509,819
Amounts due from related companies		287	251
Cash and bank balances		2,587,009	2,475,773
		8,897,002	5,496,753
Current liabilities			
Unsecured bank overdrafts		244,302	144,950
Borrowings		4,244,931	996,151
Trade creditors	10	1,068,807	889,175
Other creditors and accruals		1,408,670	1,040,588
Amounts due to related companies		6,508	11,088
Lease liabilities		235,392	244,258
Current taxation		164,336	109,654
Provisions		17,725	24,547
		7,390,671	3,460,411
Net current assets		1,506,331	2,036,342
Total assets less current liabilities		14,587,550	13,876,849

Consolidated statement of financial position
at 31 December 2022 (continued)

	2022	2021
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	1,881,000	1,068,985
Lease liabilities	466,878	503,776
Net defined benefit retirement obligations	56,577	63,513
Deferred tax liabilities	236,329	107,178
Provisions	60,186	49,551
	2,700,970	1,793,003
NET ASSETS	11,886,580	12,083,846
CAPITAL AND RESERVES		
Share capital	1,006,655	1,006,655
Reserves	9,677,635	9,800,580
Total equity attributable to equity shareholders of the Company	10,684,290	10,807,235
Non-controlling interests	1,202,290	1,276,611
TOTAL EQUITY	11,886,580	12,083,846

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2022 included in this preliminary announcement of annual results is extracted from the Group's audited consolidated financial statements for the year.

The consolidated financial statements of the Company for the year ended 31 December 2022 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 Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") to these financial statements for the current accounting period:

• Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*

• Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3. Revenue

Revenue represents the sales value of goods sold, services provided to customers, rental income, interest income on loans and advances, 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	
	2022	**2021**
	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	5,048,992	4,625,843
- Rendering of services	7,894,714	7,065,077
- Management service fees	1,000	1,000
- Agency commission and handling fees	29,742	42,375
- Warranty income	490	1,597
Revenue from other sources:		
- Gross rental from investment properties that are fixed	120,140	98,981
- Interest income on loans and advances	203,662	30,084
- Rental income for motor vehicles held for leasing	179,927	-
	13,478,667	11,864,957

Disaggregation of revenue from contracts with customers by geographic markets is as follows:

	For the year ended 31 December	
	2022	**2021**
	HK$'000	*HK$'000*
Disaggregated by geographical location of customers		
- Singapore	1,342,647	1,502,912
- People's Republic of China ("PRC")	688,028	582,336
- Thailand	753,847	773,907
- Japan	7,429,832	6,648,430
- Taiwan	1,515,774	1,334,958
- Others	1,748,539	1,022,414
	13,478,667	11,864,957

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 (b). No operating segments have been aggregated to form the reportable segments.

(a) 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 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 distributor for various brands of forklift trucks. 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 sale or rental income. At present, the Group's activities in this segment are mainly carried out in Singapore and Hong Kong.

(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 and general cargo business in Japan.

(v) Other operations

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

4. Segment reporting (continued)

(b) 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 measures 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. The shares of profits from associates are not included in the segment EBITDA.

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 2022 is set out below.

	Motor vehicle distribution and dealership business		**Heavy commercial vehicle, industrial equipment distribution and dealership business**		**Property rentals and development**		**Transportation**		**Other operations**		**Consolidated**	
	For the year ended 31 December		**For the year ended 31 December**		**For the year ended 31 December**		**For the year ended 31 December**		**For the year ended 31 December**		**For the year ended 31 December**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition												
Point in time	4,709,007	4,170,262	88,405	194,244	-	-	-	-	281,322	261,337	5,078,734	4,625,843
Over time	332,791	334,255	78,517	70,837	105,326	85,760	7,429,832	6,648,430	453,467	99,832	8,399,933	7,239,114
Revenue from external customers	5,041,798	4,504,517	166,922	265,081	105,326	85,760	7,429,832	6,648,430	734,789	361,169	13,478,667	11,864,957
EBITDA	144,744	192,177	5,557	(37,168)	364,782	417,956	572,689	654,937	373,068	50,410	1,460,840	1,278,312

4. **Segment reporting (continued)**

(c) Reconciliation of reportable segment profit or loss

	For the year ended 31 December	
	2022	**2021**
	HK$'000	*HK$'000*
Total segment EBITDA	1,460,840	1,278,312
Depreciation and amortisation	(650,024)	(646,176)
Interest income	28,409	14,093
Finance costs	(105,424)	(58,036)
Share of profits of associates	42,014	69,896
Consolidated profit before taxation	775,815	658,089

5. **Profit before taxation**

	For the year ended 31 December	
	2022	**2021**
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	4,205,842	3,809,623
Interest expense	105,424	58,036
Depreciation		
- owned property, plant and equipment	311,109	269,241
- right-of-use assets	321,568	353,008
Amortisation of intangible assets	17,347	23,927
Bank and other interest income on financial assets measured at amortised cost	(28,409)	(14,093)
Dividend income		
- listed investments	(41,010)	(41,163)
- unlisted investments	(4,700)	-
Gain on disposal of investment properties	(335,316)	-
Valuation gains on investment properties, net	(113,213)	(372,397)

6. **Taxation**

Income tax expense:

	For the year ended 31 December 2022 *HK$'000*	2021 *HK$'000*
Current tax expense		
Provision for the year	269,647	191,813
(Over)/under-provision in respect of prior years	(4,053)	1,833
	265,594	193,646
Deferred tax expense		
Origination and reversal of temporary differences	(443)	10,567
Total income tax expense in the consolidated statement of profit or loss	265,151	204,213

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 2022 *HK$'000*	2021 *HK$'000*
Interim dividend paid of HK$0.025 per ordinary share (2021: HK$0.015 per ordinary share)	50,333	30,200
Final dividend proposed after the end of the reporting period of HK$0.075 per ordinary share (2021: HK$0.05 per ordinary share)	150,998	100,665
	201,331	130,865

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$418,073,000 (2021: HK$378,098,000) and the number of 2,013,309,000 ordinary shares (2021: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2022 and 2021 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 2022 *HK$'000*	2021 *HK$'000*
0-30 days	828,084	719,702
31-90 days	404,790	231,772
Over 90 days	133,153	30,104
	1,366,027	981,578

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 2022 *HK$'000*	2021 *HK$'000*
0-30 days	742,272	563,933
31-90 days	198,132	113,943
91-180 days	39,295	32,364
Over 180 days	89,108	178,935
	1,068,807	889,175

FINAL DIVIDEND

The Board recommends a final dividend of HK$0.075 per share on the shares in issue absorbing a total of HK$150,998,175 which will be payable on 21 June 2023 to shareholders whose names appear on the Register of Members on 5 June 2023, subject to the approval of shareholders at the Annual General Meeting to be held on 25 May 2023.

MANAGEMENT REVIEW

RESULTS

Despite unprecedented challenges brought about by the COVID-19 pandemic, the Group achieved a 14% increase in revenue and 13% increase in after tax profit for 2022.

Even as business activities continued to be weighed down by supply chain disruptions and operational challenges during 2022, the Group remained resilient and agile in the face of uncertainty across the Asia Pacific region.

On the global front, the Ukraine war brought about staggering fuel and food prices, triggering inflation across the world. Geopolitical uncertainties further impacted consumer activities, while businesses adopted a more cautious approach due to fluctuating demand and unpredictable trends.

The Group's revenue for the year was HK$13.5 billion, a 14% increase compared to HK$11.9 billion in 2021. The revenue increase is mainly attributed to increases in sales volume within the Group's motor vehicle distribution and retail division, along with a revenue increase in the transportation and logistics business of Zero Co., Ltd. in Japan ("Zero").

The Group's after-tax profit for the year was HK$510.7 million, as compared to HK$453.9 million in 2021. The disposal of one of the Group's properties in Singapore and the profitability of ETHOZ Group Limited ("ETHOZ") contributed to this improvement in profit.

EBITDA increased 14% to HK$1.5 billion from HK$1.3 billion. Profit from operations was HK$839.2 million, with an operating profit margin of 6.2% as compared to the 5.4% registered in 2021.

The Group's net gearing ratio, which is computed by dividing the net debt with the total equity, was 32% as at 31 December 2022. The net debt recorded was HK$3,783.2 million, as compared to a net cash of HK$265.7 million as of 31 December 2021. The increase in net debt was largely due to the consolidation of ETHOZ, a leasing business by nature, into the accounts of the Group. Net debt is comprised of borrowings of HK$6,125.9 million and unsecured overdrafts of HK$244.3 million, less cash and bank balances of HK$2,587 million.

ROCE (Return on capital employed), which is computed by dividing earnings before interest and taxes (EBIT) with total equity plus non-current liabilities, increased to 5.8% as compared to 5.1% in 2021.

Net Asset Per Share as of 31 December 2022 was HK$5.90, a decrease from the HK$6.00 recorded at the end of December 2021.

As at the end of 2022, the Group's employee strength was 5,537 as compared to 5,105 in 2021. This is 8.5% increase over that of the past year due mainly to the consolidation of ETHOZ's workforce into the Group's headcounts. Relentless rationalization of the Group's businesses and work processes to increase productivity is a constant endeavour for the Group to stay competitive.

The Group takes cognizant of its social and corporate responsibilities, particularly in embracing solutions that address climate changes. In compliance to the regulatory, environmental and emission standard requirements of the countries where the Group distributes its products and provides services, it continues to be involved in initiatives and programs as well as active participation in the sustainability and conservation of the environment.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group had investments in listed and unlisted equity securities amounting to HK$1.4 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange. These were accumulated over the years as strategic investments. Fair value loss of HK$222 million was recognized in other comprehensive income during the year ended 31 December 2022. The loss was primarily due to share price changes of its listed investments, which were marked to market and was therefore unrealised. Such unrealised fair value loss on its investments was not reclassified to the Group's consolidated statement of profit or loss.

FINANCE

For the year 2022, total dividend payment will amount to HK$201.331 million as compared to HK$130.865 million paid for financial year 2021. With a proposed final dividend of HK$0.075 per share, and a paid interim dividend of HK$0.025 per share, the total dividend per share for financial year 2022 will be HK$0.10, an increase of 53.8% over that of the HK$0.065 dividend per share for 2021.

The consolidated net asset value per share decreased year-on-year to HK$5.90 from HK$6.00 in 2021, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

In Singapore, total industry volume ("TIV") in 2022 saw a sharp 27% contraction year-on-year due to an 8-year record low supply of Certificate of Entitlements ("COE"). TIV for passenger cars contracted by 32% year-on-year, while that for commercial vehicles contracted by 10%. The severe contraction in COE supply also led to a drastic increase in COE premiums across the board, hitting new record highs.

Mass-market brands, like Nissan, were most affected by the increase in COE premiums. Nissan sales saw a 58% contraction in 2022. Despite this and other challenges, Nissan not only managed to secure its position as one of the top 10 best-selling passenger car brands but also the second best-selling light commercial vehicle brand in Singapore.

Looking forward to 2023, TIV is expected to contract further but at a much slower rate as experienced in 2022. Nevertheless, the Group is cautiously optimistic that Nissan sales will outperform that of the market in 2023, leveraging on the strong performance of certain model ranges as experienced during the second half of 2022.

The Group's Subaru business in Singapore continues to be impacted by stringent vehicle emission surcharge, as well as a reduced COE quota. The Group recorded a double-digit decline in sales volume as compared to last year. With the growing consumer acceptance of Subaru Forester E-Boxer model which will mitigate the current vehicle emission surcharge, the Group expects some positive recovery in 2023.

In 2022, the Company took a strategic step to acquire the remaining interest in ETHOZ from its joint venture partners. Upon completion of the acquisition in July 2022, ETHOZ and its subsidiaries (the "ETHOZ Group") became wholly-owned subsidiaries of the Company. The ETHOZ Group was a very successful joint venture of the Company since 1981, and is now in a multi-disciplinary business encompassing automotive vehicle leasing, equipment leasing, and finance leasing of various asset classes. The ETHOZ Group has expanded with multiple operating offices in Singapore, Malaysia, and China.

As a wholly-owned subsidiary of the Company, the ETHOZ Group can now accelerate and extend the scope of geographical coverage for its proprietary business model. An enlarged ETHOZ Group will create multiple income streams from various territories and various businesses, providing insulation against a volatile worldwide economic order.

The ETHOZ Group has established itself as the leading vehicle rental company in Singapore with a fleet size of more than 3,000 units. The current regional governments push for electrification of vehicles offer a unique opportunity for the ETHOZ Group to expand rapidly in this growing sector. Together with the Group's existing vehicle sales and production footprint in the relevant region, the ETHOZ Group can work synergistically to expand its business with associated cost effectiveness.

In the light of uncertain global financial climate and its susceptibility to interest rate fluctuations, the ETHOZ Group has implemented risk-mitigation measures such as adjusting rental rates upon contract renewal. Additionally, the ETHOZ Group is experiencing high demand for its electric commercial vehicle fleet and is expanding accordingly. To reflect current market funding costs and avoid margin compression, the ETHOZ Group will expedite the replacement of its current receivables portfolio, which was historically based on lower rates. With its parent company's strong balance sheet and backing, the ETHOZ Group will have better and greater financial support from the banking community.

CHINA

In Hong Kong, Subaru was able to maintain its sales momentum despite stringent COVID-19 control measures and global microchip shortages that resulted in a shortfall of inventory in first half of 2022. With our dynamic inventory re-allocation system across the region, it managed to post a 14% increase in sales volume against a TIV for passenger cars ("TIVPC") growth of 4.1%.

In China, the Group's car business reaped the rewards from its diversification of dealership businesses at the end of 2021, which expanded to include Haval and Ora Electric vehicles. As a result, the Group posted a 74% growth in volume in its China market over 2021 against a TIVPC growth of 9.5%.

TAIWAN AND PHILIPPINES

The New Forester, which is a level 2 autonomous vehicle equipped with Eyesight 4.0, has been extremely well received in Taiwan. Despite microchip shortages which delayed delivery lead time for its popular New Forester for large part of 2022, the Group managed to secure sufficient allocation to fulfil its huge back orders and posted a 30% increase in sales volume against a 4.2% drop in TIVPC.

In Philippines, the Group posted 88% growth in sales volume against that of 2021. Our Subaru operations significantly outperformed the industry where TIVPC growth was 30.5%. In addition to strong sales momentum for the New Forester and XV models, the All New WRX and WRX Wagon models were well-received by the local market. The Group expects continuous strong growth with its strong product offerings.

COMPLETE KNOCK-DOWN ("CKD") MARKETS OF MALAYSIA, THAILAND, VIETNAM AND CAMBODIA

The Group's joint venture plant in Thailand is into its fourth year of production of Subaru cars. These vehicles are sold through the Group's networks and dealers in Malaysia, Thailand, Vietnam and Cambodia. The Group aims to boost its plant's production by at least 60% in 2023 as compared to the previous year.

In Malaysia, with Sales Tax Exemption extended till 30 June 2022 coupled with strong economic recovery post COVID-19, the Group posted a 101% growth in sales volume against 2021, outperforming the TIVPC growth of 42.2%.

In Thailand, the Group posted a 25% growth in sales volume against that of 2021, outperforming a TIVPC growth of 11.6%. Despite challenging economic conditions in first half of 2022, the recovery of tourism has fueled growth and positive consumer sentiments in the second half of 2022.

In Vietnam, the Group posted a 121% increase in sales volume compared to what was achieved in 2021. Our Subaru operations also outperformed the market significantly as TIVPC growth was 30.9%. As the Thailand-produced Forester remains a top choice for Vietnamese customers due to its high-quality standard, the Group is confident of continuous growth there.

In Cambodia, the sale of Thailand-produced cars only started in 2020. The Group achieved a 167% increase over that of the previous year. This was due to consistent marketing efforts, which greatly improved Subaru's brand and product awareness in the local market.

JAPAN

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded a 12% increase in revenue to HK$7.4 billion for year 2022. The revenue increase is mainly due to the strong performance of Zero's used vehicle export business and an increase in the number of units for its vehicle transportation contracts.

The depreciation of Japanese Yen against the Group's reporting currency in HK$ has had a negative impact on the net profit contributed by Zero. Zero's net profit for the year decreased by 6% as compared to the previous year. This is due to the Japanese Yen weakened by 15% against the HK$ year on year. In terms of Zero's net profit recorded in its operating currency of Japanese Yen, its net profit rose by 10% due to higher utilization rates resulting from increased sales revenue. This was despite the impact of higher fuel costs, caused by soaring crude oil prices and the rapid depreciation of the Japanese Yen. Zero's introduction of a fuel surcharge in September 2022 for its vehicle transportation business has mitigated the impact of soaring fuel costs.

Zero is optimistic that its sales revenue will gradually improve in its next financial year with the suppression of the COVID-19 pandemic and progressing of Japan's economy activities. Furthermore, automobile production in Japan is expected to improve gradually once semiconductor shortages and supply of automobile parts from factories in Southeast Asia have stabilized in the region.

PROSPECTS

Despite the world's recovery from the COVID-19 pandemic, economic uncertainties and geopolitical tensions within the region continue to pose challenges to the Group's businesses. Rapidly changing automotive industry safety standards, evolving vehicle emissions policies and a swift progression towards greener vehicles are just some of the challenges that continue to significantly impact the Group's main vehicle businesses. In addition, the global trend of ride hailing services has changed consumer mindsets about owning personal vehicles.

PROSPECTS (continued)

As global trade activities continue to evolve, the Group remains resilient and agile by diversifying its corporate business portfolios. The Group is optimistic that its acquisition of ETHOZ last year will not only make its vehicle businesses more stable but also contribute to its overall financial performance.

Looking ahead, the Group anticipates a brighter outlook for 2023, due to better and swifter fulfilment of pent-up demand for vehicles. With vehicle deliveries remaining robust, the Group expects to show a stronger performance for 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting ("AGM") which is scheduled on Thursday, 25 May 2023, the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19 May 2023.

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 Friday, 2 June 2023 to Monday, 5 June 2023, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 1 June 2023.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 25 May 2023 at 11:00 a.m. The Notice of Annual General Meeting will be sent to shareholders on or before 21 April 2023.

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.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2022.

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 principles and code provisions of the Corporate Governance Code set out in part 2 of the 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 Corporate Governance 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.

By Order of the Board
Sng Chiew Huat
Finance Director

Hong Kong, 27 March 2023

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 directors are Mr. Joseph Ong Yong Loke and Ms. Gillian Tan Tsui Lyn. The independent non-executive directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim, Mr. Teo Ek Kee and Mr. Charles Tseng Chia Chun.