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Tan Chong International Limited

陳唱國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 693)

INTERIM RESULTS

The board of directors (the “Board”) of Tan Chong International Limited (the “Company”) wishes to announce the following unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023.

Consolidated Statement of Profit or Loss (Unaudited)

for the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	7,315,706	6,480,489
Cost of sales		<u>(5,944,267)</u>	<u>(5,451,443)</u>
Gross profit		1,371,439	1,029,046
Other net income		95,983	224,389
Distribution costs		(572,908)	(528,692)
Administrative expenses		(450,650)	(446,285)
Other operating expenses		<u>(11,842)</u>	<u>(7,287)</u>
Profit from operations		432,022	271,171
Finance costs		(105,672)	(28,574)
Share of profits less losses of associates		<u>1,035</u>	<u>34,105</u>
Profit before taxation	4	327,385	276,702
Income tax expense	5	<u>(140,029)</u>	<u>(103,838)</u>
Profit for the period		<u>187,356</u>	<u>172,864</u>
Attributable to:			
Equity shareholders of the Company		126,859	130,560
Non-controlling interests		<u>60,497</u>	<u>42,304</u>
Profit for the period		<u>187,356</u>	<u>172,864</u>
Earnings per share	7		
Basic and diluted (cents)		<u>6.30</u>	<u>6.48</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
for the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	<u>187,356</u>	<u>172,864</u>
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	13,407	(3,103)
Investments designated as at fair value through other comprehensive income: - changes in fair value recognised during the period	<u>308,828</u>	<u>(7,769)</u>
	<u>322,235</u>	<u>(10,872)</u>
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(260,416)	(455,726)
- associates outside Hong Kong	<u>59</u>	<u>(31,508)</u>
	<u>(260,357)</u>	<u>(487,234)</u>
Other comprehensive income for the period	<u>61,878</u>	<u>(498,106)</u>
Total comprehensive income for the period	<u><u>249,234</u></u>	<u><u>(325,242)</u></u>
Attributable to:		
Equity shareholders of the Company	263,352	(206,105)
Non-controlling interests	<u>(14,118)</u>	<u>(119,137)</u>
Total comprehensive income for the period	<u><u>249,234</u></u>	<u><u>(325,242)</u></u>

Consolidated Statement of Financial Position (Unaudited)

at 30 June 2023

		At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Non-current assets			
Investment properties		3,742,257	3,767,358
Property, plant and equipment		5,494,976	5,632,258
Intangible assets		87,432	39,250
Goodwill		42,798	79,498
Interest in associates		82,984	81,890
Investments designated as at fair value through other comprehensive income	8	1,721,272	1,414,993
Loans and advances		2,119,565	1,902,159
Receivables, deposits and prepayments		95,185	96,278
Deferred tax assets		71,602	67,535
		<u>13,458,071</u>	<u>13,081,219</u>
Current assets			
Inventories		2,302,307	1,573,408
Trade debtors	9	1,164,424	1,366,027
Loans and advances		3,110,434	2,638,592
Other debtors, deposits and prepayments		960,619	731,679
Amounts due from related companies		245	287
Cash and bank balances		1,745,661	2,587,009
		<u>9,283,690</u>	<u>8,897,002</u>
Current liabilities			
Unsecured bank overdrafts		86,542	244,302
Borrowings		4,785,817	4,244,931
Trade creditors	10	1,117,961	1,068,807
Other creditors and accruals		1,256,916	1,408,670
Amounts due to related companies		27,956	6,508
Lease liabilities		235,227	235,392
Current taxation		148,639	164,336
Provisions		17,377	17,725
		<u>7,676,435</u>	<u>7,390,671</u>
Net current assets		<u>1,607,255</u>	<u>1,506,331</u>
Total assets less current liabilities		<u>15,065,326</u>	<u>14,587,550</u>

Consolidated Statement of Financial Position (Unaudited) (continued)
at 30 June 2023

	At	At
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current liabilities		
Borrowings	2,324,600	1,881,000
Lease liabilities	403,648	466,878
Net defined benefit retirement obligations	35,480	56,577
Deferred tax liabilities	259,954	236,329
Provisions	62,377	60,186
	<u>3,086,059</u>	<u>2,700,970</u>
NET ASSETS	<u>11,979,267</u>	<u>11,886,580</u>
 CAPITAL AND RESERVES		
Share capital	1,006,655	1,006,655
Reserves	9,790,597	9,677,635
Total equity attributable to equity shareholders of the Company	<u>10,797,252</u>	<u>10,684,290</u>
Non-controlling interests	<u>1,182,015</u>	<u>1,202,290</u>
 TOTAL EQUITY	<u>11,979,267</u>	<u>11,886,580</u>

Notes:

1. Basis of preparation

The unaudited consolidated 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 consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements.

2. Changes in accounting policies

The Group has applied the following new and amended IFRSs issued by the International Accounting Standards Board ("IASB") to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and Segment Reporting

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:

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines		
- Sale of goods	2,681,234	2,377,863
- Rendering of services	4,169,456	4,018,890
- Agency commission and handling fees	16,551	19,061
- Warranty income	70	266
Revenue from other sources		
- Gross rentals from investment properties that are fixed	62,615	52,021
- Interest income on loans and advances	215,734	12,388
- Rental income for motor vehicles held for leasing	170,046	-
	<u>7,315,706</u>	<u>6,480,489</u>
	<u>7,315,706</u>	<u>6,480,489</u>
		Revenue
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Disaggregated by geographical location of customers		
- Singapore	909,526	522,977
- PRC	332,899	272,204
- Thailand	433,407	364,560
- Japan	3,906,313	3,809,112
- Taiwan	901,496	661,852
- Others	832,065	849,784
	<u>7,315,706</u>	<u>6,480,489</u>
	<u>7,315,706</u>	<u>6,480,489</u>

3. Revenue and Segment Reporting (continued)

(b) Segment results

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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 periods ended 30 June 2023 and 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	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Disaggregated by timing of revenue recognition												
Point in time	2,520,192	2,240,709	30,573	45,754	-	-	-	-	147,020	110,461	2,697,785	2,396,924
Over time	186,600	138,987	39,658	37,471	56,675	48,002	3,906,313	3,809,112	428,675	49,993	4,617,921	4,083,565
Revenue from external customers	2,706,792	2,379,696	70,231	83,225	56,675	48,002	3,906,313	3,809,112	575,695	160,454	7,315,706	6,480,489
EBITDA	162,879	67,320	3,284	5,184	64,869	189,515	311,775	309,953	237,915	(14,270)	780,722	557,702

3. Revenue and Segment Reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total segment EBITDA	780,722	557,702
Depreciation and amortisation	(364,821)	(296,064)
Interest income	16,121	9,533
Finance costs	(105,672)	(28,574)
Share of profits less losses of associates	1,035	34,105
Consolidated profit before taxation	327,385	276,702

4. Profit before taxation

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance costs	105,672	28,574
Depreciation		
- owned property, plant and equipment	188,099	155,112
- right-of-use assets	167,692	130,890
Amortisation of intangible assets	9,030	10,062
Dividend income	(21,840)	(20,932)
Gain on disposal of investment property	-	(171,178)
Gain on disposal of property, plant and equipment	(3,485)	(4,815)

5. Income tax expense

The analysis of income tax expense is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	363	396
Singapore	31,524	10,622
Others	108,142	92,820
	140,029	103,838

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2022: 16.5%) and 30.62% (2022: 30.62%), in the tax jurisdictions in which the Group operates.

6. Dividends

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interim dividend declared of HK\$0.03 (2022: HK\$0.025) per ordinary share	60,399	50,333

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit attributable to equity shareholders of the Company of HK\$126,859,000 (2022: HK\$130,560,000) and the weighted average number of shares of 2,013,309,000 (2022: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2023 and 2022 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

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

	At 30 June	At 31 December
	2023	2022
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Listed outside Hong Kong	1,720,209	1,411,977
Unlisted equity securities	1,063	3,016
	1,721,272	1,414,993

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

	Fair value		Dividend income recognised	
	At 30	At 31	Six months ended 30 June	
	June	December	2023	2022
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Investments in Subaru Corporation (Note)	1,667,879	1,364,885	21,103	16,556
Others	53,393	50,108	737	4,376
	1,721,272	1,414,993	21,840	20,932

Note:

Fair value gain of HK\$302,994,000 (2022: loss of HK\$5,112,000) was recognised in other comprehensive income for the six months ended 30 June 2023. There was no significant addition nor disposal for this equity security during the period ended 30 June 2023.

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

Note (continued):

Subaru Corporation is listed on the Tokyo Stock Exchange, it is mainly operating in two businesses, the Automotive business and the Aerospace business. In the area of Automotive, it is in the business of manufacture, repair and sales of passenger cars and their components. In the area of Aerospace, it is in the manufacture, repair and sales of airplanes, aerospace-related machinery and their components. The number of shares and percentage held of this investment are 11,408,000 shares and 1.5% of Subaru Corporation's issued shares respectively. The investment cost is JPY7.5 billion. This investment represents 7.3% of the Groups' total assets.

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

9. Trade debtors

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
0 - 30 days	911,628	828,084
31 - 90 days	142,119	404,790
Over 90 days	110,677	133,153
	<u>1,164,424</u>	<u>1,366,027</u>

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:

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
0 - 30 days	730,417	742,272
31 - 90 days	245,702	198,132
91 - 180 days	48,040	39,295
Over 180 days	93,802	89,108
	<u>1,117,961</u>	<u>1,068,807</u>

11. Share based transactions

(a) Share based transactions – 2015 Program

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

The maximum number of points which may be awarded to selected participants under the 2015 Program shall not exceed 500,000. The trust fund shall not have a definite expiration date and continue as long as the 2015 Program exists. Maximum amount of money to be contributed by the subsidiary is JPY500,000,000 (equivalent to HK\$28,712,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

The first grant date is 26 November 2015, in the years after, point is granted to the eligible recipient annually on 1 July. However, if the eligible recipient retires during the fiscal year, the point will be granted on the date of retirement in proportion.

Up to 30 June 2023, a total of 469,520 points were granted to selected participants.

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

	Number of points
Points granted to employees:	
On 26 November 2015	71,420
On 1 July 2016	60,000
On 1 July 2017	57,500
On 1 July 2018	63,000
On 1 July 2019	81,200
On 1 July 2020	81,200
On 1 July 2021	49,200
On 1 July 2022	6,000

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

	2023 Number of points	2022 Number of points
Outstanding at the beginning of the period	276,000	289,200
Forfeited during the period	-	(16,200)
Exercised during the period	-	(3,000)
Granted during the period	-	6,000
Outstanding at the end of the period	<u>276,000</u>	<u>276,000</u>
Exercisable at the end of the period	<u>276,000</u>	<u>276,000</u>

11. Share based transactions (continued)

(a) Share based transactions – 2015 Program (continued)

(iii) Fair value of points and assumptions

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

	1 July 2022	1 July 2021
Fair value of points and assumptions		
Fair value at measurement date	JPY1,020	JPY1,088
Share price	JPY1,054	JPY1,273
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	24.9%	32.7%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	1.0 years	4.6 years
Expected dividends	3.3%	3.4%
Risk-free interest rate (based on the yield of Japanese government bonds)	-0.1%	-0.1%

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

The closing prices of the subsidiary's shares immediately before the grant of the points on 1 July 2021 and 1 July 2022 were JPY1,273 (equivalent to HK\$86) and JPY1,054 (equivalent to HK\$62) per share respectively.

During the period ended 30 June 2023, the Group recognised a net expense of HK\$176,000 (2022: HK\$540,000) as equity settled share based payments in relation to the 2015 Program.

(b) Share based transactions – 2022 Program

The Group has a stock compensation program which was adopted on 1 October 2022 (the "2022 program"). The 2022 Program is operated through a trustee which is independent of the Group. This is a performance-based scheme whereby on 12 December 2022, shares of a listed subsidiary are acquired by the trustee using funds contributed by the subsidiary. The shares are distributed by the trustee in accordance with the Rules on Distributions of Board Benefits of the subsidiary based on points given to each of the entitled directors and executive officers of the subsidiaries in view of their positions, with restriction of transfer. Incidentally, the shares of the subsidiary shall be distributed to the entitled recipients as a general rule when they leave their positions. For directors, 75% of the points granted can be converted into shares (one point per one share) and 25% of the points can be converted into cash based on prevailing market rate. For employees other than directors, each point granted can be converted into one share of the subsidiary at distribution. Transfer of points is restricted until the eligible recipient is retired.

The maximum number of points which may be awarded to selected participants under the 2022 Program shall not exceed 252,000 (84,000 per each fiscal year). The trust fund shall not have a definite expiration date and continue as long as the 2022 Program exists. Maximum amount of money to be contributed by the subsidiary is JPY292,824,000 (equivalent to HK\$16,815,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

The first grant date is 1 October 2022, in the years after, point is granted to the eligible recipient annually on 1 October. However, if the eligible recipient retires within 6 months of the benefit date, no share will be granted, in otherwise, the points will be granted on the date of retirement in proportion if they retire later than 6 months of the benefit date.

Up to 30 June 2023, a total of 35,000 points for equity-settled portion and 8,500 points for cash-settled portion were granted to selected participants.

11. Share based transactions (continued)

(b) Share based transactions – 2022 Program (continued)

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

	Equity- settled portion	Cash- settled portion
	Number of points	Number of points
On 1 October 2022	35,000	8,500

(ii) The movements of number of points and cash granted are as follows:

	2023		2022	
	Equity- settled portion	Cash- settled portion	Equity- settled portion	Cash- settled portion
	Number of points	Number of points	Number of points	Number of points
Outstanding at the beginning of the period	-	8,500	-	-
Exercised during the period	-	-	(35,000)	-
Granted during the period	-	-	35,000	8,500
Outstanding at the end of the period	-	8,500	-	8,500
Exercisable at the end of the period	-	8,500	-	8,500

(iii) Fair value of points and assumptions

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

**1 October
2022**

Fair value of points and assumptions

Fair value at measurement date	JPY934
Share price	JPY1,052
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	28.7%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	3.6 years
Expected dividends	3.3%
Risk-free interest rate (based on the yield of Japanese government bonds)	0.02%

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

The closing prices of the subsidiary's shares immediately before the grant of the points on 1 October 2022 were JPY1,052 (equivalent to HK\$62) per share.

During the period ended 30 June 2023, the Group recognised a net expense of HK\$968,000 (2022: HK\$Nil) for the equity settled share based payment and HK\$340,000 (2022: HK\$Nil) was recorded for the cash settled share based payments in relation to the 2022 Program.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.03 (2022: HK\$0.025) per ordinary share on the shares in issue amounting to a total of HK\$60,399,000 (2022: HK\$50,333,000), which will be payable on 26 September 2023 to shareholders of the Company whose names appear on the register of members of the Company on 12 September 2023. Dividend warrants will be sent to shareholders of the Company on 26 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 September 2023 to 12 September 2023, 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 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, not later than 4:30pm on 8 September 2023.

MANAGEMENT REVIEW

RESULTS

The Group is pleased to announce that it has achieved a 13% and 8% increase in revenue and after-tax profit respectively for the first half of 2023, as compared to the corresponding period in 2022.

These increases are partly due to the consolidation of financial performance for ETHOZ Group Limited ("ETHOZ", and its subsidiaries, collectively the "ETHOZ Group") into the Group's results for this period, after it became a wholly owned subsidiary of the Group in the second half of 2022.

It is noteworthy that the profit for this period was substantially derived from business operations, as compared to the previous corresponding period which was mainly from a one-off gain from the disposal of a property.

With continued resilience and agility, the Group was able to weather the challenges presented by an unpredictable geopolitical climate, as well as from the aftermath of the COVID-19 pandemic.

Economic challenges in China, in part caused by US-China trade friction and China-Taiwan political tension, posed restraints to the Group's operations in the Asia Pacific region.

As consumer behaviour and spending patterns were negatively affected by changes in social and economic policies across the region, the Group remained prudent in navigating fluctuating demands and unpredictable trends.

The Group's adaptability is key to remaining relevant and successful in a rapidly changing environment. By striking a balance between cautious optimism and prudent risk management, the Group remains confident in its outlook for the future.

The Group's revenue in the first half of 2023 was HK\$7.32 billion, a 13% increase as compared to HK\$6.48 billion in the first half of 2022. The Group's after-tax profit in the first half of 2023 was HK\$187.4 million, as compared to HK\$172.9 million in the corresponding period in 2022.

EBITDA increased 40% to HK\$781 million from HK\$558 million. Profit from operations was HK\$432 million, with an operating profit margin of 5.9% as compared to the 4.2% registered in the corresponding period in 2022.

The Group's net gearing ratio, which is computed by dividing the net debt with the total equity, was 45.5% as at 30 June 2023. The net debt recorded was HK\$5,451.3 million, as compared to HK\$3,783.2 million as of 31 December 2022. Net debt is comprised of borrowings of HK\$7,110.4 million and unsecured overdrafts of HK\$86.5 million, less cash and bank balances of HK\$1,745.6 million.

ROCE (Return on capital employed), which is computed by dividing earnings before interest and taxes (EBIT) with total equity plus non-current liabilities, was increased to 2.8% as compared to 2.3% for the first half of 2022.

RESULTS (continued)

Net Asset Per Share as of 30 June 2023 was HK\$5.95, an increase from the HK\$5.90 recorded at the end of December 2022.

The directors have declared an interim dividend of HK3.0 cents per share for the first half of 2023.

SIGNIFICANT INVESTMENTS

As of 30 June 2023, the Group had investments designated at fair value through other comprehensive income of HK\$1.721 billion. The investments consist of both listed and unlisted equity securities. Most of these investments are equity securities listed on the Tokyo Stock Exchange, that were accumulated over the years as strategic long-term investments. The Group recorded an unrealized gain on its investments designated as at fair value through other comprehensive income of HK\$309 million, as compared to the unrealized loss of HK\$7.8 million for the corresponding period in 2022. The gain is due to share price changes of its listed investments, which were marked to market and was reported in other comprehensive income statement for the period. Such unrealized fair value gain on its investments was not reclassified to the Group's consolidated statement of profit or loss.

SINGAPORE

In Singapore, total industry volume ("TIV") in the first half of 2023 contracted by 19% year-on-year in light of a continued low supply of Certificate of Entitlements ("COE") coupled with new record high COE premiums.

Despite the headwinds, Nissan did not suffer a decline in sales volume. This was mainly due to the growing popularity and expanding line-up of its electrified e-POWER range of vehicles. The Nissan e-POWER models, which collectively made up two thirds of Nissan sales in the first half of 2023, saw a 24% growth year-on-year. This improved performance has placed Nissan as the top fifth best-selling passenger car brand in Singapore. It was also the only brand amongst the top five that did not suffer year-on-year decline.

The Group is cautiously optimistic about the outlook for the second half of the year. TIV is projected to register growth, as the supply of COE is expected to increase in the second half of the year.

The Group's Subaru business in Singapore continues to face challenges from the tight supply of COE quota. TIV for passenger cars in the first half of 2023 shrank 20% against the corresponding period in 2022. However, Subaru's Singapore operations had a mere 5% drop against the corresponding period, as strong market acceptance of the New Forester E-Boxer model helped to mitigate potential losses.

ETHOZ Group became a wholly owned subsidiary of the Company, after the Group completed its acquisition in July 2022. Its financial results were subsequently consolidated into the Group's financial statements, starting from the second half of 2022. ETHOZ Group registered revenue of HK\$406 million for the first half of 2023. Its net profit after tax for the same period was HK\$45.6 million. They accounted for 5.6% and 24.3% of the Group's revenue and profit after tax respectively.

With a sluggish global economy, political unpredictability, and interest rate hikes on the horizon, the second half of 2023 will prove to be challenging. However, ETHOZ Group has a positive outlook for 2023, as its core businesses remain strong and it is confident of the long-term success of its businesses in the region. It plans to expand its corporate finance business in Singapore and equipment leasing business in China.

In anticipation of rising interest rates, ETHOZ Group is adjusting loan and rental rates in Singapore to improve its profits over time. It aims to achieve sustainable growth in the region by focusing on opportunities underpinned by strict credit evaluation, administered by a strong credit team.

CHINA

In Hong Kong, Subaru faced a slow start in the first half of 2023 due to stiff competition in the marketplace. However, with the introduction of the ALL-NEW Subaru Crosstrek, equipped with 4th Generation enhanced Eyesight technology, Subaru posted a slight 5% drop in sales against the corresponding period. Outlook for the second half of 2023 remains positive, due to growing acceptance of Subaru's strong product offerings.

In China, Subaru faced major price competition in the automotive market, as post-pandemic economic recovery slowed down. Nevertheless, the Group's diversification into multi-brand dealerships proved rewarding, with a 9% growth against the corresponding period.

TAIWAN AND PHILIPPINES

With the introduction of the All-New Subaru Crosstrek, Subaru WRX, and Subaru WRX Wagon in the first half of 2023, Subaru's Taiwan operations delivered a stellar 38% growth in sales volume against a backdrop of 16% increase in TIV. With improvements in inventory supply and strong product offerings, the Group is optimistic about its Taiwan performance for the second half of 2023.

In Philippines, the Group posted a massive 122% growth in sales volume against the corresponding period in 2022. This was largely due to the stabilization of inventory supply, as well as the introduction of the refreshed Subaru Evoltis, new Subaru WRX and WRX wagon.

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

The Group's joint venture plant in Thailand is into its fifth year of production of Subaru cars. These vehicles are sold through the Group's networks and dealers in Malaysia, Thailand, Vietnam and Cambodia.

In Malaysia, vehicle sales continued to encounter challenges, especially with the cessation of the Sales Tax Exemption scheme from 30 June 2022. Subaru operations in the territory suffered a 41% drop in sales volume, as compared to the corresponding period. However, the situation is expected to improve when the new Subaru Forester with 4th generation Eyesight technology gains sales momentum.

In Thailand, the newly introduced Subaru Forester with 4th generation Eyesight technology was well-received by buyers, who have grown to appreciate the quality of the Group's Thai-assembled product. With the dealers' strong commitment towards customer satisfaction, the Group's Thai operations posted an impressive 60% increase in sales volume against the corresponding period in 2022.

In Vietnam, TIV shrank by 32% against the corresponding period and the Group faced a 32% drop in sales volume compared to the corresponding period in 2022. However, the Group expects a strong recovery in the second half of 2023, as market conditions improve and Subaru rolls out aggressive marketing activities focused on its core technologies.

In Cambodia, the business faced a slow start in sales momentum with the late introduction of the New Subaru Forester, which resulted in a 27% drop in sales volume against the corresponding period. With consistent marketing and growing acceptance towards the brand, the Group expects to recover in the second half of 2023.

JAPAN

ZERO Co., Ltd (“ZERO”), the Group's vehicle transportation and logistics division, recorded a 3% increase in revenue to HK\$3.9 billion for the first half of 2023. The revenue increase was mainly due to strong performance of ZERO's used vehicle export business and an increase in the number of units for its vehicle transportation.

ZERO's net profit for the first half of 2023 increased by 12% from the corresponding period last year. This was due to higher income arising from increased revenue, despite higher fuel costs caused by soaring crude oil prices and a sharp depreciation of the Japanese Yen. ZERO's implementation of a fuel surcharge system from September 2022 for its vehicle transportation business has mitigated the impact of soaring fuel costs.

ZERO forecasts that sales and distribution of automobiles in Japan will recover in its next financial year, as soon as the semiconductor shortage situation has stabilised. The company also expects the export of its used cars to slow down due to a lull in local demand.

HIRE PURCHASE AND FINANCING BUSINESS

The Group provides commercial loans and acts as lessor, under hire purchase contracts and finance lease.

a) Hire purchase and finance lease

Hire purchase contracts and finance lease are mainly of motor vehicles, consumer goods and IT (Information Technology) equipment, with operations in Singapore, China and Malaysia.

As at 30 June 2023, net receivables from hire purchase and finance lease amounted to HK\$2.0 billion or 38.7% of total loans and advances with 24%, 75% and 1% attributable to Singapore, China and Malaysia respectively and accounted for by 6,866 customers. These customers are made up of 5%, 88%, 5% and 2% of Multinational corporations, Small medium enterprises (“SME”), Sole proprietors/Limited partnerships and Non-profit or statutory related organizations respectively.

The ageing analysis of hire purchase and finance lease receivables is as follows: (i) balance with maturity of less than one year is HK\$872.7 million; (ii) balance with maturity between one year and five years is HK\$1.15 billion; (iii) balance with maturity between five years and seven years is HK\$1.9 million.

b) Commercial loans

Commercial loans, which are only extended to 515 customers in Singapore, make up 61.3% of total loans and advances amounting to HK\$3.2 billion as at 30 June 2023. In Singapore, such loans are not considered money lending business, as its loan activities are classified as excluded moneylenders (as defined in The Moneylenders Act 2008 of Singapore). These customers are made up of 5%, 75% and 20% of Multinational corporations, SME and Sole proprietors/Limited partnerships respectively.

The 3 main types of Commercial loans, namely Secured Commercial loans, unsecured loans under the Enterprise Financing Scheme granted by Enterprise Singapore (“ESG”) and unsecured loans make up 89%, 7% and 4% of total portfolio respectively.

Secured Commercial loans are mostly secured by properties. Risk is mitigated by low loans-to-value ratio of not more than 80% of good quality property value.

ESG Loans aimed to support the growth of SME sectors in Singapore with risk sharing ratio of up to 90% to be borne by ESG.

Unsecured loans are very selectively offered to high quality clients with strong ability to repay.

The ageing analysis of commercial loan receivables is as follows: (i) balance with maturity of less than one year is HK\$2.24 billion; (ii) balance with maturity between one year and three years is HK\$967.5 million.

As at 30 June 2023, total loans and advances outstanding from customers before impairment amounted to HK\$5.3 billion. The top 5 customers account for 11% of total loans and advances before impairment, which are all commercial loans secured by properties.

Major terms of loans granted

For the six months period ended 30 June 2023, the hire purchase and lease period under the hire purchase and finance lease business ranges from 1 to 7 years with related interests charged at 2.6% p.a. to 14% p.a. accordingly.

Commercial loans are offered over a credit period of 1 to 3 years, with interest rates ranging from 6% p.a. to 9% p.a. respectively.

Risk management policies

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

HIRE PURCHASE AND FINANCING BUSINESS (continued)

Risk management policies (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group is exposed to credit risks if any of the following occurs:

- A. Change of business model during loan tenure;
- B. Sudden headwind specific to the industry, such as a lack of supply of materials and labour during the COVID-19 pandemic for construction firms;
- C. Poor management of cash flow during a difficult and uncertain business climate;
- D. Aggressive expansion plans leading to financial instability; and
- E. Failure in a greenfield investment.

The main ambits of its credit risk framework include: (A) Credit Approval and (B) Credit Monitoring (Existing Live Contracts).

(A) Credit Approval

Prior to onboarding a new customer, the Group performs screening checks such as Know Your Client, Anti-Money Laundering and Countering the Financing of Terrorism, before a Credit Proposal is submitted to the Credit Risk department for review.

The credit approval team for the Group, which is based at the headquarters in Singapore, adopts a holistic approach to assessing credit risk of the loan.

It considers a combination of quantitative and qualitative factors as provided in the table below. These factors are benchmarked against industry norms and reviewed by a competent team with over two decades of industry experience.

Quantitative Factors	Qualitative Factors
<ul style="list-style-type: none">• Balance Sheet Evaluation• Profit & Loss Evaluation• Financial Ratios Evaluation• Cash Conversion Cycle Evaluation• Bank Statement Evaluation• New and Existing Projects Cash Flow• Loan-to-value of collateral	<ul style="list-style-type: none">• Business Model/ modus operandi• Management team/Owners Profile and risk appetite• Track records via its operating history• Market positioning of borrower• Major customers and suppliers• The outlook of the industry or sector it is operating in

For its commercial loans business in particular, the Group obtains credit enhancements in the form of corporate guarantees/personal guarantees and/or properties securities.

The Credit Risk Policy formalizes limits for single obligor/group obligor and the industry which is reviewed monthly.

(B) Credit Monitoring (Existing Live Contracts)

The Group reviews its portfolio on a regular basis to ensure that it is serviced promptly, with no deterioration in asset quality.

The Credit Control Department is responsible for following up with customers on the following:

- A. Daily - each Credit Control officer has to perform at least 55 calls, which are logged into the system and reviewed by the supervisor in charge.
- B. Daily review of Direct Debit Authorization rejections, when the Credit Control officer will call the customer to arrange for the next deduction.
- C. Monthly review of collection ratio reports and Aging meetings with senior management.
- D. Site visits where appropriate.
- E. Issuance of reminders and demand letters where required to repossess the property/ies.

HIRE PURCHASE AND FINANCING BUSINESS (continued)

Loan impairment policies and impairment assessments

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Amount outstanding from loans and advances are assessed for impairment regularly by reviewing the non-performing amounts. Non-performing customers are identified, discussed, and followed up during the monthly ageing meetings. Management includes the non-performing amounts as part of the IFRS 9 provision requirements.

As at 30 June 2023, impairment loss allowance of HK\$42.0 million (31 December 2022: HK\$76.4 million) has been made for loans and advances, of which (i) HK\$36.3 million was related to hire purchase and finance lease receivables and (ii) around HK\$5.7 million was related to loans receivables. The decrease was mainly attributable to settlements made by some of the borrowers of the Group in Singapore and China. Ageing amount past due more than 90 days was especially reduced in China, as the reopening of the economy resulted in a decline in non-performance loans. Bad debt written off was also less than 0.1% for the first 6 months of 2023.

PROSPECTS

The future remains unpredictable, with ongoing geopolitical instability, the continuing war in Ukraine and climate change creating a ripple effect throughout the region. Increased interest rates and a weak economy have also impacted business activities and consumer spending.

The dynamic nature of these circumstances has hindered the Group's ability to make an accurate forecast for the second half of 2023. However, the Group continues to be resilient and agile in the face of rising challenges, approaching each endeavour with cautious optimism.

By staying attuned to economic fluctuations, changing consumer trends and the geopolitical climate, the Group is confident in its ability to future-proof its operations across the region.

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 unaudited consolidated interim financial statements of the Group for the period ended 30 June 2023.

CORPORATE GOVERNANCE CODE

No Director is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2023, acting in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange. The non-executive Director and independent non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's By-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.

By Order of the Board

Sng Chiew Huat

Finance Director

Hong Kong, 23 August 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.