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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 2022.

Consolidated Statement of Profit or Loss (Unaudited)

for the six months ended 30 June 2022

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------------------|
| | | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 6,480,489 | 6,155,538 |
| Cost of sales | | <u>(5,451,443)</u> | <u>(5,127,803)</u> |
| Gross profit | | 1,029,046 | 1,027,735 |
| Other net income | | 224,389 | 169,362 |
| Distribution costs | | (528,692) | (514,470) |
| Administrative expenses | | (446,285) | (493,762) |
| Other operating expenses | | <u>(7,287)</u> | <u>(9,104)</u> |
| Profit from operations | | 271,171 | 179,761 |
| Finance costs | | (28,574) | (31,205) |
| Share of profits less losses of associates | | <u>34,105</u> | <u>35,519</u> |
| Profit before taxation | 4 | 276,702 | 184,075 |
| Income tax expense | 5 | <u>(103,838)</u> | <u>(105,493)</u> |
| Profit for the period | | <u><u>172,864</u></u> | <u><u>78,582</u></u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 130,560 | 27,094 |
| Non-controlling interests | | <u>42,304</u> | <u>51,488</u> |
| Profit for the period | | <u><u>172,864</u></u> | <u><u>78,582</u></u> |
| Earnings per share | 7 | | |
| Basic and diluted (cents) | | <u><u>6.48</u></u> | <u><u>1.35</u></u> |

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
for the six months ended 30 June 2022

| | Six months ended 30 June | |
|--|---------------------------------|-------------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Profit for the period | <u>172,864</u> | <u>78,582</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 | (3,103) | (1,938) |
| Investments designated as at fair value through other comprehensive income: - changes in fair value recognised during the period | <u>(7,769)</u> | <u>(1,362)</u> |
| | <u>(10,872)</u> | <u>(3,300)</u> |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on translation of financial statements of: | | |
| - subsidiaries outside Hong Kong | (455,726) | (221,336) |
| - associates outside Hong Kong | <u>(31,508)</u> | <u>5,534</u> |
| | <u>(487,234)</u> | <u>(215,802)</u> |
| Other comprehensive income for the period | <u>(498,106)</u> | <u>(219,102)</u> |
| Total comprehensive income for the period | <u><u>(325,242)</u></u> | <u><u>(140,520)</u></u> |
| Attributable to: | | |
| Equity shareholders of the Company | (206,105) | (112,733) |
| Non-controlling interests | <u>(119,137)</u> | <u>(27,787)</u> |
| Total comprehensive income for the period | <u><u>(325,242)</u></u> | <u><u>(140,520)</u></u> |

Consolidated Statement of Financial Position (Unaudited)

at 30 June 2022

| | | At 30 June 2022 HK\$'000 (Unaudited) | At 31 December 2021 HK\$'000 (Audited) |
|--|----|--|--|
| Non-current assets | | | |
| Investment properties | | 3,406,940 | 4,065,018 |
| Property, plant and equipment | | 4,409,873 | 4,811,672 |
| Intangible assets | | 40,224 | 53,469 |
| Goodwill | | 67,927 | 31,769 |
| Interest in associates | | 876,665 | 896,967 |
| Investments designated as at fair value through other comprehensive income | 8 | 1,627,053 | 1,642,997 |
| Hire purchase debtors and instalments receivable | | 87,353 | 102,569 |
| Receivables, deposits and prepayments | | 202,251 | 179,325 |
| Deferred tax assets | | 51,911 | 56,721 |
| | | <u>10,770,197</u> | <u>11,840,507</u> |
| Current assets | | | |
| Inventories | | 1,344,582 | 1,450,435 |
| Trade debtors | 9 | 1,011,097 | 981,578 |
| Hire purchase debtors and instalments receivable | | 59,030 | 78,897 |
| Other debtors, deposits and prepayments | | 827,919 | 509,819 |
| Amounts due from related companies | | 146 | 251 |
| Cash and bank balances | | 2,773,685 | 2,475,773 |
| | | <u>6,016,459</u> | <u>5,496,753</u> |
| Current liabilities | | | |
| Unsecured bank overdrafts | | 194,830 | 144,950 |
| Bank loans | | 1,707,191 | 996,151 |
| Trade creditors | 10 | 801,615 | 889,175 |
| Other creditors and accruals | | 971,796 | 1,040,588 |
| Amounts due to related companies | | 21,372 | 11,088 |
| Lease liabilities | | 210,778 | 244,258 |
| Current taxation | | 117,579 | 109,654 |
| Provisions | | 22,428 | 24,547 |
| | | <u>4,047,589</u> | <u>3,460,411</u> |
| Net current assets | | <u>1,968,870</u> | <u>2,036,342</u> |
| Total assets less current liabilities | | <u>12,739,067</u> | <u>13,876,849</u> |

Consolidated Statement of Financial Position (Unaudited) (continued)
at 30 June 2022

| | At | At |
|--|--------------------------|--------------------------|
| | 30 June | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Non-current liabilities | | |
| Bank loans | 495,470 | 1,068,985 |
| Lease liabilities | 396,240 | 503,776 |
| Net defined benefit retirement obligations | 51,778 | 63,513 |
| Deferred tax liabilities | 90,013 | 107,178 |
| Provisions | 54,430 | 49,551 |
| | <u>1,087,931</u> | <u>1,793,003</u> |
| NET ASSETS | <u><u>11,651,136</u></u> | <u><u>12,083,846</u></u> |
| Capital and Reserves | | |
| Share capital | 1,006,655 | 1,006,655 |
| Reserves | 9,494,097 | 9,800,580 |
| Total equity attributable to equity shareholders of the Company | <u>10,500,752</u> | <u>10,807,235</u> |
| Non-controlling interests | <u>1,150,384</u> | <u>1,276,611</u> |
| TOTAL EQUITY | <u><u>11,651,136</u></u> | <u><u>12,083,846</u></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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

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*

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, hire purchase financing income, rental income, 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 | |
|--|---------------------------------|-------------------------|
| | 2022 | 2021 |
| | 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 | 2,377,863 | 2,394,349 |
| - Rendering of services | 4,018,890 | 3,669,850 |
| - Agency commission and handling fees | 19,061 | 24,000 |
| - Warranty income | 266 | 1,503 |
| Revenue from other sources | | |
| - Gross rentals from investment properties | 52,021 | 49,906 |
| - Hire purchase financing income | 12,388 | 15,930 |
| | <u>6,480,489</u> | <u>6,155,538</u> |
| | <u><u>6,480,489</u></u> | <u><u>6,155,538</u></u> |
| | Revenue | |
| | Six months ended 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Disaggregated by geographical location of customers | | |
| - Singapore | 522,977 | 845,753 |
| - PRC | 272,204 | 255,254 |
| - Thailand | 364,560 | 403,952 |
| - Japan | 3,809,112 | 3,453,156 |
| - Taiwan | 661,852 | 667,052 |
| - Others | 849,784 | 530,371 |
| | <u>6,480,489</u> | <u>6,155,538</u> |
| | <u><u>6,480,489</u></u> | <u><u>6,155,538</u></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 2022 and 2021 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 | |
| | 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 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Disaggregated by timing of revenue recognition | | | | | | | | | | | | |
| Point in time | 2,240,709 | 2,170,872 | 45,754 | 120,309 | - | - | - | - | 110,461 | 103,168 | 2,396,924 | 2,394,349 |
| Over time | 138,987 | 170,813 | 37,471 | 37,795 | 48,002 | 46,112 | 3,809,112 | 3,453,156 | 49,993 | 53,313 | 4,083,565 | 3,761,189 |
| Revenue from external customers | 2,379,696 | 2,341,685 | 83,225 | 158,104 | 48,002 | 46,112 | 3,809,112 | 3,453,156 | 160,454 | 156,481 | 6,480,489 | 6,155,538 |
| EBITDA | 67,320 | 120,118 | 5,184 | (42,990) | 189,515 | 27,646 | 309,953 | 370,830 | (14,270) | 13,412 | 557,702 | 489,016 |

3. Revenue and Segment Reporting (continued)

(c) Reconciliation of reportable segment profit or loss

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Total segment EBITDA | 557,702 | 489,016 |
| Depreciation and amortisation | (296,064) | (316,306) |
| Interest income | 9,533 | 7,051 |
| Finance costs | (28,574) | (31,205) |
| Share of profits less losses of associates | 34,105 | 35,519 |
| Consolidated profit before taxation | 276,702 | 184,075 |

4. Profit before taxation

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Finance costs | 28,574 | 31,205 |
| Depreciation | | |
| - owned property, plant and equipment | 155,112 | 154,042 |
| - right-of-use assets | 130,890 | 149,540 |
| Amortisation of intangible assets | 10,062 | 12,724 |
| Dividend income | (20,932) | (20,692) |
| Gain on disposal of investment property | (171,178) | - |
| Gain on disposal of property, plant and equipment | (4,815) | (112,597) |

5. Income tax expense

The analysis of income tax expense is as follows:

| | Six months ended 30 June | |
|-----------|--------------------------|----------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Hong Kong | 396 | 432 |
| Singapore | 10,622 | 11,845 |
| Others | 92,820 | 93,216 |
| | 103,838 | 105,493 |

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2021: 16.5%) and 30.62% (2021: 30.62%), in the tax jurisdictions in which the Group operates.

6. Dividends

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Interim dividend declared of HK\$0.025 (2021: HK\$0.015) per ordinary share | 50,333 | 30,200 |

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of HK\$130,560,000 (2021: HK\$27,094,000) and the weighted average number of shares of 2,013,309,000 (2021: 2,013,309,000) in issue during the period.

Diluted earnings per share for the periods ended 30 June 2022 and 2021 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 |
|----------------------------|--------------------|-----------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Listed outside Hong Kong | 1,624,117 | 1,639,819 |
| Unlisted equity securities | 2,936 | 3,178 |
| | 1,627,053 | 1,642,997 |

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 | 2022 | 2021 |
| | 2022 | 2021 | 2022 | 2021 |
| | 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) | 1,584,351 | 1,589,463 | 16,556 | 20,192 |
| Others | 42,702 | 53,534 | 4,376 | 500 |
| | 1,627,053 | 1,642,997 | 20,932 | 20,692 |

Note:

Fair value loss of HK\$5,112,000 (2021: loss of HK\$12,541,000) was recognised in other comprehensive income for the six months ended 30 June 2022. There was no significant addition nor disposal for this equity security during the period ended 30 June 2022.

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 9.4% 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 2022 HK\$'000 (Unaudited) | At 31 December 2021 HK\$'000 (Audited) |
|--------------|---|---|
| 0 - 30 days | 742,748 | 719,702 |
| 31 - 90 days | 246,293 | 231,772 |
| Over 90 days | 22,056 | 30,104 |
| | <u>1,011,097</u> | <u>981,578</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 2022 HK\$'000 (Unaudited) | At 31 December 2021 HK\$'000 (Audited) |
|---------------|---|---|
| 0 - 30 days | 534,418 | 563,933 |
| 31 - 90 days | 146,107 | 113,943 |
| 91 - 180 days | 25,897 | 32,364 |
| Over 180 days | 95,193 | 178,935 |
| | <u>801,615</u> | <u>889,175</u> |

11. Equity settled share based transactions

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

The maximum number of points which may be awarded to selected participants under the Program shall not exceed 500,000. The trust fund shall not have a definite expiration date and continue as long as the Program exists. Maximum amount of money to be contributed by the subsidiary is JPY500,000,000 (equivalent to HK\$31,575,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

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

Up to 30 June 2022, a total of 463,520 points were granted to selected participants.

(a) 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 |
| | <u><u>463,520</u></u> |

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

| | 2022 Number of points | 2021 Number of points |
|--|--------------------------------------|--------------------------------------|
| Outstanding at the beginning of the period | 289,200 | 284,700 |
| Forfeited during the period | (16,700) | (21,200) |
| Exercised during the period | (500) | (23,500) |
| Granted during the period | - | 49,200 |
| Outstanding at the end of the period | <u>272,000</u> | <u>289,200</u> |
| Exercisable at the end of the period | <u>272,000</u> | <u>289,200</u> |

11. Equity settled share based transactions (continued)

(c) Fair value of points and assumptions

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

| | 1 July 2021 | 1 July 2020 |
|--|----------------|----------------|
| Fair value of points and assumptions | | |
| Fair value at measurement date | JPY1,088 | JPY726 |
| Share price | JPY1,273 | JPY868 |
| Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model) | 32.7% | 32.0% |
| Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model) | 4.6 years | 5.5 years |
| Expected dividends | 3.4% | 3.3% |
| 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 2020 and 1 July 2021 were JPY868 (equivalent to HK\$65) and JPY1,273 (equivalent to HK\$86) per share respectively.

During the period ended 30 June 2022, the Group recognised a net expense of HK\$540,000 (2021: HK\$1,007,000) as equity settled share based payments in relation to the Program.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.025 (2021: HK\$0.015) per ordinary share on the shares in issue amounting to a total of HK\$50,333,000 (2021: HK\$30,200,000), which will be payable on 21 September 2022 to shareholders of the Company whose names appear on the register of members of the Company on 9 September 2022. Dividend warrants will be sent to shareholders of the Company on 21 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 September 2022 to 9 September 2022, 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 7 September 2022.

MANAGEMENT REVIEW

RESULTS

Despite unprecedented challenges brought about by the COVID-19 pandemic, the Group achieved a 5% increase in revenue and 120% increase in after tax profit in the first half of 2022.

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

Government and travel restrictions continued to limit economic growth across the 10 countries within the Asia Pacific region in which the Group operates.

In China, strict lockdowns over extended periods in some cities caused abrupt standstills in certain factories and down-stream supporting industries. Restrictions on air travel and stringent quarantine requirements in Hong Kong also took a considerable toll on consumer confidence and spending habits.

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 outlook in the face of fluctuating demand and unpredictable trends.

The Group's revenue in the first half of 2022 was HK\$6.480 billion, a 5% increase compared to HK\$6.156 billion in the first half of 2021. The Group's after-tax profit in the first half of 2022 was HK\$172.9 million, as compared to HK\$78.6 million in the corresponding period in 2021. The disposal of one of the Group's properties in Singapore contributed significantly to this improvement in profit.

EBITDA increased 14% to HK\$558 million from HK\$489 million. Profit from operations was HK\$271.2 million, with an operating profit margin of 4.2% as compared to the 2.9% registered in the corresponding period in 2021.

The Group's net gearing ratio, which is computed by dividing the net debt with the total equity, is not applicable as of 30 June 2022 because the Group was in a net cash position at that date. The net cash recorded was HK\$376.2 million, as compared to HK\$265.7 million as of 31 December 2021. Net cash is comprised of cash and bank balances of HK\$2,773.7 million, less borrowings of HK\$2,202.7 million and unsecured overdrafts of HK\$194.8 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 2.3% as compared to 1.5% for the first half of 2021.

Net Asset Per Share as of 30 June 2022 was HK\$5.79, a decrease from the HK\$6.00 recorded at the end of December 2021.

The directors have declared an interim dividend of HK2.5 cents per share for the first half of 2022.

SIGNIFICANT INVESTMENTS

As of 30 June 2022, the Group had investments designated at fair value through other comprehensive income of HK\$1.627 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 loss on its investments designated as at fair value through other comprehensive income of HK\$7.8 million, as compared to the unrealized loss of HK\$1.4 million for the corresponding period in 2021. The loss 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 loss on its investments was not reclassified to the Group's consolidated statement of profit or loss.

SINGAPORE AND CHINA

In Singapore, total industry volume (“TIV”) in the first half of 2022 saw a sharp 39% contraction year-on-year due to an 8-year record low supply of Certificate of Entitlements (“COE”). TIV for passenger cars contracted by 36% year-on-year, while that for light commercial vehicles contracted even more by 56%. The severe contraction in COE supply also led to a drastic increase in COE premiums across the board, hitting multi-year record highs.

Mass-market brands like Nissan were most affected by the increase in COE premiums. Nissan sales saw a 59% contraction in the first half of 2022, as compared to the corresponding period in 2021. Despite these challenges, Nissan managed to secure its position as one of the top 10 best-selling passenger car brands in Singapore. In addition, it was also named the second best-selling light commercial vehicle brand in Singapore.

The outlook for Nissan sales remains challenging for the second half of the year. TIV is expected to contract further by 12% compared to the first half of the year, as COE supply continues to shrink.

The Group’s Subaru business in Singapore continues to be impacted by stringent vehicle emission surcharges, as well as a reduced COE quota. The Group recorded a double-digit decline in sales volume as compared to the corresponding period last year. However, Singapore operations are expected to improve with the introduction of the New Forester E-Boxer model in the second half of 2022, as the new model will mitigate the current vehicle emission surcharges.

In Hong Kong, Subaru was able to maintain its sales momentum despite stringent COVID-19 control measures and global microchip shortages resulting in a shortfall of inventory. It posted a modest 2% decline in sales volume, with a healthy level of back orders to be fulfilled once the supply of inventory recovers in the second half of 2022.

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 44% growth in volume in its China market over the corresponding period last year. Barring any further COVID-19 outbreaks and microchip shortages, the Group has a positive outlook for its automotive dealership business in China.

TAIWAN AND PHILIPPINES

Despite microchip shortages which delayed delivery lead time for its popular New Forester, the Group’s vehicle sales in Taiwan experienced marginal growth in the first half of 2022.

The New Forester, which is a level 2 autonomous vehicle equipped with Eyesight 4.0, has been extremely well received. With improvements in inventory supply, the Group is optimistic about its Taiwan performance for the second half of 2022.

In Philippines, the Group posted a 38% growth in sales volume against the corresponding period in 2021. In addition to strong sales momentum for the New Forester and XV models, the All New WRX and WRX Wagon were well-received by the local market. The Group expects strong year-on-year growth from its Philippines operations, especially with the easing of restrictions in the country.

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.

In Malaysia, with Sales Tax Exemption extended till 30 June 2022 coupled with promising economic recovery post COVID-19, the Group posted a 196% growth in sales volume against the corresponding period in 2021.

In Thailand, the Group posted a 18% growth in sales volume against the corresponding period in 2021. Despite rising global oil prices and general economic uncertainties in the country, the Group believes that the recovery of Thailand’s tourism industry and other economic activities will bring about better prospects for the second half of 2022.

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

In Vietnam, the Group posted a 97% increase in sales volume compared to the corresponding period in 2021. As the Thailand-produced Forester remains a top choice for Vietnamese customers due to its good quality, the Group is optimistic about year-on-year growth for its operations in Vietnam.

In Cambodia, the sale of Thailand-produced cars only started in 2020. The Group achieved a 633% increase over its small volume sales from 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 recorded a 10% increase in revenue to HK\$3.8 billion for first half of 2022. The revenue increase is partly due to the consolidation of the financial results of Zero SCM Logistics (Beijing) Co., Ltd. (“Zero SCM”), as well as the steady growth in ZERO’s used car export business. ZERO increased its stake in Zero SCM from 25% to 65% in July 2021.

ZERO’s net profit for the first half of 2022 decreased by 23% from the corresponding period last year. This was due to a slump in automobile distribution in Japan, which resulted in a decline in the number of units ferried under ZERO’s transportation contracts. Other contributing factors include soaring fuel costs and the depreciation of Japanese yen against the Group’s reporting currency in HK\$.

ZERO expects to mitigate the fluctuation of fuel costs with the implementation of a fuel surcharge system for its vehicle transportation business. Although recovery from the impact of COVID-19 remains uncertain, ZERO is nevertheless optimistic that sales revenue will gradually improve in its next financial year. Furthermore, automobile production in Japan is expected to improve marginally once semiconductor shortages and supply of automobile parts from factories in Southeast Asia have stabilized in the region.

PROSPECTS

As the world recovers from the COVID-19 pandemic and grapples with geopolitical instability, the Group foresees rising challenges to global trade activities. Rapidly changing automotive industry safety standards, evolving vehicle emissions policies and a swift progression towards greener vehicles pose significant challenges to the Group’s main vehicle businesses. In addition, the global trend of ride hailing services has changed consumer mindsets about owning their own vehicles.

While the Group remains resilient and agile in the face of these challenges, the fluidity of the COVID-19 situation prevents the Group from making meaningful predictions and assessing the full financial impact of its overall performance for 2022.

Looking forward, the Group expects a brighter outlook for the second half of the year due to increased demand triggered by shortages of vehicle supplies. As vehicle deliveries begin to stabilize and demand remains robust, the Group expects a stronger performance for the second half of the year.

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 2022.

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 2022, acting in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange. The non-executive Director and independent non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws. The Chairman had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive Directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

By Order of the Board

Sng Chiew Huat

Finance Director

Hong Kong, 22 August 2022

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

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim, Mr. Teo Ek Kee and Mr. Charles Tseng Chia Chun.