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 2023.

Consolidated statement of profit or loss
for the year ended 31 December 2023

	Note	2023	2022
		HK$'000	*HK$'000*
Revenue	3, 4	13,825,660	13,478,667
Cost of sales		(11,124,068)	(11,168,524)
Gross profit		2,701,592	2,310,143
Other net income		307,951	680,699
Distribution costs		(1,189,271)	(1,090,817)
Administrative expenses		(966,863)	(1,014,690)
Other operating income/(expenses)		4,475	(46,110)
Profit from operations		857,884	839,225
Financing costs		(217,472)	(105,424)
Share of profits of associates		5,436	42,014
Profit before taxation	5	645,848	775,815
Income tax expense	6	(265,268)	(265,151)
Profit for the year		380,580	510,664
Attributable to:			
Equity shareholders of the Company		280,330	418,073
Non-controlling interests		100,250	92,591
Profit for the year		380,580	510,664
Earnings per share	8		
Basic and diluted (cents)		13.92	20.77

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	380,580	510,664
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	13,009	(6,543)
Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the year	270,439	(222,436)
	283,448	(228,979)
Items that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(53,893)	(245,265)
- associates outside Hong Kong	(504)	(31,968)
Reclassification of translation reserve upon deemed disposal of an associate	-	(25,144)
	(54,397)	(302,377)
Other comprehensive income for the year	229,051	(531,356)
Total comprehensive income for the year	609,631	(20,692)
Attributable to:		
Equity shareholders of the Company	555,158	27,420
Non-controlling interests	54,473	(48,112)
Total comprehensive income for the year	609,631	(20,692)

Consolidated statement of financial position
at 31 December 2023

	Note	2023	2022
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		4,000,037	3,767,358
Property, plant and equipment		5,605,648	5,632,258
Intangible assets		99,086	39,250
Goodwill		115,066	79,498
Interest in an associate		75,821	81,890
Investments designated as at fair value through other comprehensive income		1,680,554	1,414,993
Loans and advances		1,996,333	1,902,159
Receivables, deposits and prepayments		137,877	96,278
Deferred tax assets		88,991	67,535
		13,799,413	13,081,219
Current assets			
Inventories		2,276,780	1,573,408
Trade debtors	9	1,062,325	1,366,027
Loans and advances		3,457,749	2,638,592
Other debtors, deposits and prepayments		830,829	731,679
Amounts due from related companies		64	287
Cash and bank balances		1,909,287	2,587,009
		9,537,034	8,897,002
Current liabilities			
Unsecured bank overdrafts		453,187	244,302
Borrowings		4,617,498	4,244,931
Trade creditors	10	983,840	1,068,807
Other creditors and accruals		1,167,160	1,408,670
Amounts due to related companies		11,002	6,508
Lease liabilities		172,668	235,392
Current taxation		114,178	164,336
Provisions		14,639	17,725
		7,534,172	7,390,671
Net current assets		2,002,862	1,506,331
Total assets less current liabilities		15,802,275	14,587,550

Consolidated statement of financial position
at 31 December 2023 (continued)

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	2,784,273	1,881,000
Lease liabilities	386,672	466,878
Defined benefit plan obligations	56,642	56,577
Deferred tax liabilities	272,325	236,329
Provisions	63,402	60,186
	3,563,314	2,700,970
NET ASSETS	12,238,961	11,886,580
CAPITAL AND RESERVES		
Share capital	1,006,655	1,006,655
Reserves	10,022,630	9,677,635
Total equity attributable to equity shareholders of the Company	11,029,285	10,684,290
Non-controlling interests	1,209,676	1,202,290
TOTAL EQUITY	12,238,961	11,886,580

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2023 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 2023 comprise the Company and all its subsidiaries and the Group's interest in an associate 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

(i) New and amended IFRSs

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 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- 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*

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 new and amended IFRSs are discussed below:

IFRS 17, *Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2. Changes in accounting policies (continued)

(i) New and amended IFRSs (continued)

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

The Group has assessed the implications of this new guidance and concluded that it does not have a material impact on these financial statements.

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	
	2023	**2022**
	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	5,033,458	5,048,992
- Rendering of services	7,831,027	7,894,714
- Management service fees	1,000	1,000
- Agency commission and handling fees	35,310	29,742
- Warranty income	785	490
Revenue from other sources:		
- Gross rental from investment properties that are fixed	129,052	120,140
- Interest income on loans and advances	451,764	203,662
- Rental income for motor vehicles held for leasing	343,264	179,927
	13,825,660	13,478,667

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

	For the year ended 31 December	
	2023	**2022**
	HK$'000	*HK$'000*
Disaggregated by geographical location of customers		
- Singapore	1,915,475	1,342,647
- People's Republic of China ("PRC")	704,754	688,028
- Thailand	657,266	753,847
- Japan	7,326,223	7,429,832
- Taiwan	1,503,248	1,515,774
- Others	1,718,694	1,748,539
	13,825,660	13,478,667

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 2023 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**	
	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*
Disaggregated by timing of revenue recognition												
Point in time	4,651,155	4,709,007	62,895	88,405	-	-	-	-	354,718	281,322	5,068,768	5,078,734
Over time	357,217	332,791	80,232	78,517	112,684	105,326	7,326,223	7,429,832	880,536	453,467	8,756,892	8,399,933
Revenue from external customers	5,008,372	5,041,798	143,127	166,922	112,684	105,326	7,326,223	7,429,832	1,235,254	734,789	13,825,660	13,478,667
EBITDA	210,923	144,744	11,350	5,557	248,137	364,782	576,628	572,689	520,797	373,068	1,567,835	1,460,840

4. **Segment reporting (continued)**

(c) Reconciliation of reportable segment profit or loss

	For the year ended 31 December 2023	2022
	HK$'000	*HK$'000*
Total segment EBITDA	1,567,835	1,460,840
Depreciation and amortisation	(734,403)	(650,024)
Interest income	24,452	28,409
Finance costs	(217,472)	(105,424)
Share of profits of associates	5,436	42,014
Consolidated profit before taxation	645,848	775,815

5. **Profit before taxation**

	For the year ended 31 December 2023	2022
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	3,946,844	4,205,842
Interest expense	217,472	105,424
Depreciation		
- owned property, plant and equipment	391,662	311,109
- right-of-use assets	327,003	321,568
Amortisation of intangible assets	15,738	17,347
Bank and other interest income on financial assets measured at amortised cost	(24,452)	(28,409)
Dividend income		
- listed investments	(49,956)	(41,010)
- unlisted investments	-	(4,700)
Gain on disposal of investment properties	-	(335,316)
Valuation gains on investment properties, net	(150,776)	(113,213)

6. Taxation

Income tax expense:

	For the year ended 31 December 2023 *HK$'000*	2022 *HK$'000*
Current tax expense		
Provision for the year	278,128	269,647
Over-provision in respect of prior years	(4,482)	(4,053)
	273,646	265,594
Deferred tax expense		
Origination and reversal of temporary differences	(8,378)	(443)
Total income tax expense in the consolidated statement of profit or loss	265,268	265,151

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 2023 *HK$'000*	2022 *HK$'000*
Interim dividend paid of HK$0.03 per ordinary share (2022: HK$0.025 per ordinary share)	60,399	50,333
Final dividend proposed after the end of the reporting period of HK$0.045 per ordinary share (2022: HK$0.075 per ordinary share)	90,599	150,998
	150,998	201,331

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$280,330,000 (2022: HK$418,073,000) and the number of 2,013,309,000 ordinary shares (2022: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2023 and 2022 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 2023	2022
	HK$'000	*HK$'000*
0-30 days	721,891	828,084
31-90 days	319,816	404,790
Over 90 days	20,618	133,153
	1,062,325	1,366,027

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 2023	2022
	HK$'000	*HK$'000*
0-30 days	561,909	742,272
31-90 days	202,528	198,132
91-180 days	104,462	39,295
Over 180 days	114,941	89,108
	983,840	1,068,807

FINAL DIVIDEND

The Board recommends a final dividend of HK$0.045 per share on the shares in issue absorbing a total of HK$90,598,905 which will be payable on 27 June 2024 to shareholders whose names appear on the Register of Members on 6 June 2024, subject to the approval of shareholders at the Annual General Meeting to be held on 28 May 2024.

MANAGEMENT REVIEW

A zen garden is symbolic of control, moderation, and simplicity. Every grain of sand, every rock and tree has a special place, coming together to create a harmonious bigger picture, balancing perfectly as the seasons change.

RESULTS

In 2023, global economic growth was hampered by geopolitical conflicts, leading to widespread uncertainty. The ongoing war between Russia and Ukraine, compounded by the conflict between Israel and Hamas, disrupted international trade and the supply of crude oil. Additionally, rising inflation rates worldwide curtailed consumer spending, prompting nations to adopt austerity measures to reduce their budget deficits.

Within this context, the Group faced continued obstacles related to supply chain interruptions and operational hurdles. Despite these challenges, the Group managed to report a revenue of HK$13.8 billion for the year, marking a modest increase of 2.6% from the HK$13.5 billion recorded in 2022. This growth in revenue is largely due to the acquisition of ETHOZ Group in July 2022.

However, the Group's profit after tax for the year stood at HK$380.6 million, down 25.5% from HK$510.7 million in 2022, indicating a significant year-on-year decline.

EBITDA increased 7.3% to HK$1.6 billion from HK$1.5 billion. Profit from operations was HK$857.9 million, an increase of 2.2% from 2022 of HK$839.2 million, with an operating profit margin of 6.2% similar in percentage as that registered in 2022.

The Group’s net gearing ratio, which is computed by dividing the net debt with the total equity, was 48.6% as at 31 December 2023. The net debt recorded was HK$5,945.7 million, as compared to HK$3,783.2 million as of 31 December 2022. The increase in net debt was largely due to the consolidation of ETHOZ Group, a leasing business, into the accounts of the Group. Net debt is comprised of borrowings of HK$7,401.8 million and unsecured overdrafts of HK$453.2 million, less cash and bank balances of HK$1,909.3 million.

ROCE (Return on capital employed), which is computed by dividing earnings before interest and taxes (EBIT) with total equity plus non-current liabilities, decreased to 5.3% as compared to 5.8% in 2022.

Net Asset Per Share as of 31 December 2023 was HK$6.08, an increase from the HK$5.90 recorded at the end of December 2022.

As at the end of 2023, the Group’s employee strength was 5,510, as compared to 5,537 in 2022. This 0.5% decrease from the past year was due to the rationalisation of the Group’s businesses and work processes to remain competitive.

As sustainability continues to take centre stage, the Group has kept abreast of solutions that address climate change, especially in the countries where the Group operates. In addition to compliance with regulatory, environmental and emission standard requirements, the Group also actively participates in sustainability initiatives across the region.

SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group had investments in listed and unlisted equity securities amounting to HK$1.7 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 gain of HK$270 million was recognised in other comprehensive income during the year ended 31 December 2023. The gain was primarily due to share price changes of its listed investments, which were marked to market and was therefore unrealised. Such unrealised fair value gain on its investments was not reclassified to the Group's consolidated statement of profit or loss.

FINANCE

For the year 2023, total dividend payment will amount to HK$150.998 million as compared to HK$201.331 million paid for financial year 2022. With a proposed final dividend of HK$0.045 per share, and a paid interim dividend of HK$0.03 per share, the total dividend per share for financial year 2023 will be HK$0.075, an decrease of 25% over that of the HK$0.10 dividend per share for 2022.

The consolidated net asset value per share increased year-on-year to HK$6.08 from HK$5.90 in 2022, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

In Singapore, total industry volume ("TIV") in 2023 saw a smaller contraction of 10% year-on-year, as recovery in the supply of Certificate of Entitlements ("COE") started kicking in towards the end of the year. TIV for passenger cars contracted by 2% year-on-year, while that for commercial vehicles contracted by 33%. The continued contraction in COE supply also led to a drastic increase in COE premiums across the board, hitting new record highs.

Nissan

Despite the bumps in the road, Nissan passenger car sales saw a 52% growth year-on-year, rising in rank to become the 5th best-selling passenger car brand in Singapore. The brand saw a surge in demand for its electrified line-up, which is mostly equipped with Nissan's award-winning e-POWER technology.

Nissan's strong passenger car sales helped to mitigate the impact of the contraction of its commercial vehicle sales, which was reflective of commercial vehicle TIV contraction. As a result, Nissan still registered an overall 14% growth in sales year-on-year.

Looking ahead to 2024, TIV is expected to expand as the supply of COE picks up the pace, setting the stage for the next TIV growth cycle.

As such, the Group is cautiously optimistic that Nissan sales will be able to leverage on the strong performance achieved in 2023 to outperform market trends in 2024.

Subaru

In 2023, the Group's Subaru business in Singapore saw the launch of the All New Subaru Crosstrek E-Boxer. Equipped with the brand's proprietary 4th Generation Eyesight safety technology and powered by an efficient hybrid powertrain, the Subaru Crosstrek is a welcome addition to the brand's line-up, especially amidst the tightening of vehicle emission standards.

Sales performance in 2023 was impacted by limited COE quota in Singapore, thus resulting in a drop of 12% as compared to 2022. However, the Group expects a strong recovery in 2024 with Subaru's enhanced line-up and a projected increase in COE quota.

ETHOZ Group

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$864.2 million for the year 2023. Its net profit after tax for the same period was HK$110.2 million. It accounted for 6.3% and 29.0% of the Group's revenue and profit after tax respectively.

Despite a sluggish global economy and political instability, ETHOZ Group remains optimistic about the challenging year ahead. With the re-opening of China's borders, ETHOZ Group plans to continue its expansion plans for its equipment leasing business in China, while concurrently strengthening its auto leasing business in Singapore.

ETHOZ Group 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, the introduction of the All-New Subaru Crosstrek was well-received given its advanced safety features and class-leading driving dynamics.

The Group posted a slight drop of 13% in sales volume in 2023 as compared to 2022. This was largely caused by a short supply of microchips. However, it has received a robust stream of pre-orders for the New Subaru Solterra Electric Vehicle, deliveries of which will start in Q1 2024.

In China, the Group saw a 39% drop in Subaru sales as compared to 2022. This was mainly due to the tightening of emission standards in China, which resulted in the suspension of Subaru Forester deliveries for 4 months.

However, the drop in Subaru's sales was neutralised by the Group's Haval and Ora dealerships businesses, which saw a healthy growth of 11% in sales volume as compared to 2022.

TAIWAN AND THE PHILIPPINES

2023 was an exciting year for the Group's operations in Taiwan, with the introduction of the All-New Subaru Crosstrek and the All-New Subaru WRX/ WRX Wagon.

With the addition of these 2 models to the line-up, Subaru Taiwan was able to post a more competitive performance in 2023. Sales volume had a marginal dip of 11% from 2022, which was mostly brought about by temporary microchip shortages in the first half of 2023.

In the Philippines, the Group posted a massive growth of 38% in sales volume compared with 2022. This was brought about by the successful introduction of the All-New Subaru Crosstrek, All-New Subaru WRX/Wagon and the refreshed Subaru Evoltis. Customers in the Philippines continue to choose Subaru due to the brand's reputation for performance, safety and reliability.

MALAYSIA, THAILAND, VIETNAM AND CAMBODIA

In Malaysia, with the return of Sales Tax in 2023, Subaru operations posted a 35% drop in sales volume as compared to the previous year. However, the Group expects a strong recovery in 2024, with the market's positive acceptance of the facelifted Subaru Forester.

In Thailand, the Group faced resistance to its sales momentum due to the government's subsidy for electric vehicles. However, successful marketing efforts to target off-road users gave Subaru Thailand a boost, resulting in a 2% growth in sales volume compared to the previous year.

As the Thai government has announced a reduction in subsidies for electric vehicles in 2024, Subaru Thailand expects to see stronger growth in the upcoming year.

In Vietnam, the challenging economic situation resulted in TIV shrinking by 23% from 2022. However, with a committed network of dealers and aggressive marketing efforts in Vietnam, Subaru improved its performance in the country by 6% from the previous year. The Group expects a strong comeback in 2024, as the economic situation in Vietnam improves.

In Cambodia, with the weakening market and worsening economic situation, industry shrank by 14% against 2022. The Group posted a 35% decline in sales volume against the previous year, which was in the midst of exceptional growth.

JAPAN

ZERO, the Group's vehicle transportation and logistics division that is listed on the Second Section of the Tokyo Stock Exchange, recorded a 1.4% decrease in revenue to HK$7.3 billion for year 2023. ZERO's net profit for the year increased by 6.8%, as compared to the previous year. The depreciation of Japanese Yen against the Group's reporting currency in HK$ negatively impacted the revenue and net profit contributed by ZERO. The Japanese Yen weakened by 7.1% against the HK$ year on year.

In terms of ZERO's revenue and net profit recorded in its operating currency of Japanese Yen, its revenue and net profit rose by 6.2% and 15.0% respectively. The increase in ZERO's revenue was mainly due to an increase in the volume of used vehicle export business and handling volume for vehicle transportation business during the year 2023.

JAPAN (CONTINUED)

The increase in net profit was due to higher income arising from increased revenue, despite higher fuel costs caused by soaring crude oil prices and a depreciation of the JPY. ZERO's implementation of a fuel surcharge system from September 2022 for its vehicle transportation business mitigated the impact of soaring fuel costs.

Additionally, ZERO's subsidiaries saw notable increases in profit, driven by the increase in fuel handling at its biomass electric power plant, increased profitability in the vehicle transportation business in China and the newly acquired So-ing Co. Ltd in November 2023. So-ing Co., Ltd deals in vehicle transportation and auto auction site operations.

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 31 December 2023, net receivables from hire purchase and finance lease amounted to HK$2.3 billion or 42.3% of total loans and advances with 19%, 80% and 1% attributable to Singapore, China and Malaysia respectively and accounted for by 6,809 customers. These customers are made up of 4%, 89%, 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$1.1 billion; (ii) balance with maturity between one year and five years is HK$1.2 billion; (iii) balance with maturity between five years and seven years is HK$4.7 million.

b) Commercial loans

   Commercial loans, which are only extended to 557 customers in Singapore, make up 57.7% of total loans and advances amounting to HK$3.1 billion as at 31 December 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 4%, 70% and 26% of Multinational corporations, SME and Sole proprietors/Limited partnerships respectively.

   The three 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 91%, 5% 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$2.4 billion; (ii) balance with maturity between one year and three years is HK$745.1 million.

As at 31 December 2023, total loans and advances outstanding from customers before impairment amounted to HK$5.5 billion. The top 5 customers account for 10% of total loans and advances before impairment, which are all commercial loans secured by properties.

HIRE PURCHASE AND FINANCING BUSINESS (CONTINUED)

Major terms of loans granted

For the year ended 31 December 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 2.5% p.a. to 12.0% p.a. accordingly.

Commercial loans are offered over a credit period of 1 to 3 years, with interest rates ranging from 6.0% p.a. to 9.0% 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.

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
• 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	• 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 formalises limits for single obligor/group obligor and the industry which is reviewed monthly.

HIRE PURCHASE AND FINANCING BUSINESS (CONTINUED)

Risk management policies (continued)

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.

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 31 December 2023, impairment loss allowance of HK$39.4 million (31 December 2022: HK$76.4 million) has been made for loans and advances, of which (i) HK$32.7 million was related to hire purchase and finance lease receivables and (ii) HK$6.7 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 0.3% for the year ended 31 December 2023 (0.1% for the first 6 months of 2023).

PROSPECTS

Geopolitical tensions and a slow-moving economy have tested the Group's path to growth, yet our dedication to our stakeholders, partners, and environmental responsibilities remains unwavering. By continuously optimising our business operations, refining our workflows, and broadening our range of services, we have set the stage for improved performance in the upcoming years.

In a world that changes swiftly, our adaptability, anchored by our core principles, stands firm. Similar to a zen garden, which remains steadfast through every season, we hold to our foundational values, navigating each period of transformation with resilience and flexibility.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting ("AGM") which is scheduled on Tuesday, 28 May 2024, the register of members of the Company will be closed from Wednesday, 22 May 2024 to Tuesday, 28 May 2024, 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 Tuesday, 21 May 2024.

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 Tuesday, 4 June 2024 to Thursday, 6 June 2024, 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 Monday, 3 June 2024.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 May 2024 at 11:00 a.m. The Notice of Annual General Meeting will be made available to shareholders on or before 26 April 2024.

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 figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2023.

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 C1 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, 28 March 2024

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.