



Trans-China Automotive Holdings Limited
 #3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong
 (Company Registration Number: 306871)
 (Incorporated in the Cayman Islands on 18 December 2015)

Trans-China Automotive Holdings Limited Voluntary Business Update

Hong Kong, SAR – 1 November 2024 - Trans-China Automotive Holdings Limited ("TCA" or the "Company", and together with its subsidiaries, the "Group") wishes to provide shareholders with a business update for the nine-month period from 1 January 2024 to 30 September 2024 ("9M2024"). All currency amounts referred to in this update are in Chinese Renminbi unless stated otherwise. The financial information for 9M2024 is based on the Group's latest unaudited consolidated management accounts.

Summary:

- New car gross margin recovery during the third quarter on lower sales volume
- TCA's total revenue declined by 26.2% in the first nine months in 2024 compared with same period prior year as a result of lower automobile sales revenue
- Economic stimulus measures support key economic pillars⁴
- Premium car sales decreased by 5.9% in the first nine months in 2024 while the overall market increased by 2.2%¹
- Industry remains intensively competitive

9M2024 Business Update

The following table shows the quantity of vehicles sold and revenues for the first nine months in 2022 ("9M2022"), the first nine months in 2023 ("9M2023") and 9M2024. The financial information is based on the Group's unaudited consolidated management accounts for 9M2022, 9M2023, and 9M2024:

Quantity and Revenue	9M2022	9M2023	9M2024	9M2023 vs 9M2022	9M2024 vs 9M2023
Units delivered ⁽¹⁾	7,626	6,563	5,082	(13.9)%	(22.6)%
Revenue (RMB'000)					
- Sales of automobiles ⁽¹⁾	2,682,995	2,197,329	1,510,656	(18.1)%	(31.3)%
- After-sales services	385,922	378,282	390,950	(2.0)%	3.3%
- Agent commission	1,227	4,838	2,889	294.3%	(40.3)%
Revenue (RMB'000)	3,070,144	2,580,449	1,904,495	(16.0)%	(26.2)%
Revenue (S\$'000)⁽²⁾	639,613	492,452	354,655	(23.0)%	(28.0)%

Note:

- (1) Units delivered consists of new and pre-owned automobiles sold and cars delivered under agency arrangement; sales of automobiles consist of new and pre-owned automobile revenue
- (2) Based on the average 9 months exchange rate of S\$1.00 : RMB4.80 in 9M2022; RMB5.24 in 9M2023; RMB5.37 in 9M2024



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Overall business environment

The Chinese economy grew by 4.6% in the third quarter of 2024. This is the slowest GDP growth in 18 months and lower than the 2024 annual GDP growth target of approximately 5.0%². At the end of September, the Chinese government introduced a series of economic stimulus measures to reinvigorate the economy.

The key stimulus packages are aimed at boosting the real estate sector and increasing access to funding and liquidity for corporate enterprises. The real estate sector's contribution to China's overall GDP is estimated to be 30% and its influence extends far beyond³. This sector has been in a 3-year long downturn since the government began a campaign to reduce leverage at highly indebted developers. This policy, which resulted in rapidly falling real estate prices, combined with the economic hangover of pandemic-related policies and restrictions has changed consumer behavior continued to negatively affect consumer confidence.

While the different stimulus policies have yet to work through the economy and data have yet to reflect the real impact. There are also other stimulus measures under discussions but those have not been laid out. The overall on the ground sentiment is starting to improve. Since the announcement of these measure, real estate sales volume staged a rebound in many large cities⁴. The stock markets in Shanghai and Shenzhen have also staged a strong rebound, and economic commentary within China and internationally has started to focus on positive aspects of the China economy.

Car Market

The overall passenger vehicle market increased by 2.2% to 15.6 million units in 9M2024 as a result of continued replacement demand. Sales of new electric vehicles surpassed 50% of all vehicles sold in the 3rd quarter, and now dominate the entry-level and mass-market segments¹. As previously disclosed, the car market remains extremely competitive. The premium segment decreased by 5.9% to 2.5 million units. Both BMW and Mercedes have recorded lower sales of 13.7% and 10.6% respectively in the first nine months of 2024 compared to the same period prior year⁵. Major premium brands are holding back production volumes to balance out supply and demand, tempering the large price discounts seen at the end of the second quarter.

The car market continues to be oversupplied, with production volumes exceeding aggregate demand amid an ongoing onslaught of new brands and car models by local as well as global OEMs. Furthermore, many of the NEV brands are pricing their cars aggressively to build scale quickly, and virtually all NEV brands have reported losses as most of the new entrants are selling below costs to build scale. Many local governments are also offering NEV purchase subsidies, further exacerbating price distortions in the market.



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In order for the car market to normalize, an overall improvement in the economy coupled with an increase in aggregate demand and consumer confidence is required. We believe that the real estate revival is a crucial step in this direction. Additionally, we need to see a reduction in new investments into the automotive sector with fewer bail-outs and investments by government-related entities in local NEV brands. At the moment the difficult market conditions persists.

Automobile revenue and agent commission

Automobile revenue declined by 31.3% to RMB 1,510.7million in 9M2024. As a result of negative car sales margins, we negotiated for lower sales targets with our main brand partners. Our main markets which are located in the southern part of China have higher EV penetration because the climate is more favorable to year-around EV use whereas the cold winters in the northern and central part of China shortens the driving range for EVs. In addition, Guangdong province, where most of our stores are located, has recorded significantly lower GDP growth compared to the national average⁶. As a result, unit sales volume for our group is trailing the national average.

Our new car gross margins for the third quarter improved compared to the two preceding quarters in FY2024. Part of this was due to the lower sales volumes, which reduced inventory and discount pressure. Additionally, we received extra rebate support from our OEMs to assist in offsetting negative margins. Extra rebates from OEMs are booked as positive contributions to gross margins.

Agent commission refers to the delivery fee TCA receives for Genesis cars under an agency dealership business arrangement. Under the agency dealership business arrangement, the Group does not take inventory of cars but instead receives a fee for each car delivered. Agent commission declined as a result of difficult market conditions.

After-sales services revenue

After-sales revenue grew by 3.3% to RMB 391.0 million in 9M2024. We continue to focus heavily on marketing and CRM-related efforts to draw customers to our dealerships for after-sales services. As a result, even in a difficult economic environment we were able to maintain a positive momentum in our after-sales business.

Corporate Developments Update

We have completed our Chongqing BMW dealership renovation to the latest BMW dealership standards. We have seen improved store traffic and received positive feedback from customers that have visited our refreshed showroom since reopening in August. All of TCA BMW stores are completely updated to the new franchise standards.

Our Shenzhen BMW Service centre continues to perform well and has recorded sequential quarterly revenue improvements since opening. As discussed in our previous updates, we will



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not be upgrading the location to a full dealership due to the capital commitment and the risks involved in opening an additional outlet in a soft market.

We have three Genesis locations. We opened the Guangzhou location in FY2022 while the Changsha and Foshan locations were opened in FY2023. As a new brand to China, it has been challenging to gain brand recognition at a time where there are many new car brands. As such, the sales ramp up have been below our expectations. We remain in close contact with our manufacturer partner to work together to increase brand visibility and optimize operations.

From time to time as part of normal business practise we enter into discussions with third parties such as our brand partners, other manufacturer brands or industry peers, to identify areas of cooperation. To date, there are no reportable developments stemming from these discussions. We have no further corporate development activities planned in FY2024. The priority of the Group is to conserve cash and preserve liquidity.

Chongqing Dealership Renovation





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Outlook

As a dealer of established luxury brands, our business is dependent on positive economic sentiment, especially for urban middle-class consumers. We are hopeful that the stimulus measures introduced by the government will be successful in boosting the economy and reinstate general confidence of consumers and households. Recent real estate & housing data shows a nascent rebound as property buyers are regaining confidence⁴. If this trend holds, we expect to eventually see improved economic activity and consumer behaviour with a renewed interest in aspirational luxury brands.

While the economic backdrop is improving, it is uncertain if the benefits of stimulus will flow to our sector in the immediate term. The current conditions in the car industry continue to be challenging and require close coordination and cooperation with our brand partners and finance partners. Liquidity for the Group is tight, and we address this by reducing the volume of cars sold at a loss. We are in active discussions with our OEM partners in that regard. We also benefit from good relationships with our financial service providers, most of whom have been working with the Group for many years.

Over time, the domestic automotive industry will likely head towards an eventual shakeout and necessary consolidation. We will remain cautious with any large expenditures and will continue to emphasize cost control, while focusing on positive margin services such as after-sales services. When market conditions eventually improve, the Company aims to be well-positioned for future growth.

- END -

References

¹ <http://www.cpcaauto.com/newslist.php?types=csjd&id=3619>

² https://xueqiu.com/5539280156/308737260?_uqc_source=ugcbaiducard

³ <https://www.acuitykp.com/blog/chinas-real-estate-market/>

⁴ https://www.sohu.com/a/820744244_122014422

⁵ The company estimates based on insurance data and the following sources

<https://news.yiche.com/hao/wenzhang/95179481/>

<https://baijiahao.baidu.com/s?id=1812879038025018263&wfr=spider&for=pc>

<https://www.pcauto.com.cn/jxwd/4517/45176344.html>

<https://news.qq.com/rain/a/20241016A03BU300>

⁶ <https://finance.sina.com.cn/roll/2024-10-22/doc-inctmwyx4374983.shtml>

About Trans-China Automotive Holdings Limited (SGX: V12)

Trans-China Automotive Holdings Limited (耀 汽车集团) (“TCA” or the “Company”, and together with its subsidiaries, the “Group”) is a leading automobile dealership group with operations in the People’s Republic of China (“PRC”). Focused on the distribution of premium and super premium automobiles under the BMW, McLaren and Genesis brands, the Group’s dealerships are in key cities in the PRC namely, Foshan, Shenzhen, Guangzhou, Chongqing, and Changsha. Its multiple business segments include the sale of new automobiles



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under its dealerships, sale of preowned automobiles that come from customer trade-ins, auction companies and other suppliers of used cars, provision of automobile agency services which are ancillary services such as automobile financing, insurance and car registration services, and provision of after-sales services which include repairs, maintenance and inspection of automobiles as well as the retailing of automobile parts and accessories.

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Disclaimer

Figures for 9M2022, 9M2023 and 9M2024 stated in this business update are unaudited and are subject to revision. The financial figures contained herein have not been audited nor reviewed by the auditors.

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