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 2024.

Consolidated statement of profit or loss
for the year ended 31 December 2024

	Note	**2024**	**2023**
		HK$'000	*HK$'000*
Revenue	3, 4	12,698,567	13,825,660
Cost of sales		(10,181,403)	(11,124,068)
Gross profit		2,517,164	2,701,592
Other net income		721,265	307,951
Distribution costs		(1,015,604)	(1,189,271)
Administrative expenses		(1,029,476)	(966,863)
Other operating (expenses)/income		(103,047)	4,475
Profit from operations		1,090,302	857,884
Financing costs		(209,339)	(217,472)
Share of profit of an associate		5,767	5,436
Profit before taxation	5	886,730	645,848
Income tax expense	6	(277,243)	(265,268)
Profit for the year		609,487	380,580
Attributable to:			
Equity shareholders of the Company		479,285	280,330
Non-controlling interests		130,202	100,250
Profit for the year		609,487	380,580
Earnings per share	8		
Basic and diluted (cents)		23.81	13.92

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2024

	2024	2023
	HK$'000	*HK$'000*
Profit for the year	609,487	380,580
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	18,823	13,009
Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the year	(29,290)	270,439
	(10,467)	283,448
Items that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(494,756)	(53,893)
- an associate outside Hong Kong	(1,067)	(504)
Reclassification of translation reserve upon disposal of subsidiaries	271	-
	(495,552)	(54,397)
Other comprehensive income for the year	(506,019)	229,051
Total comprehensive income for the year	103,468	609,631
Attributable to:		
Equity shareholders of the Company	67,625	555,158
Non-controlling interests	35,843	54,473
Total comprehensive income for the year	103,468	609,631

Consolidated statement of financial position
at 31 December 2024

	Note	2024	2023
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		4,505,162	4,000,037
Property, plant and equipment		5,509,974	5,605,648
Intangible assets		158,941	99,086
Goodwill		69,342	115,066
Interest in an associate		69,521	75,821
Investments designated as at fair value through other comprehensive income		1,648,105	1,680,554
Loans and advances		2,188,682	1,996,333
Receivables, deposits and prepayments		159,001	137,877
Deferred tax assets		92,096	88,991
		14,400,824	13,799,413
Current assets			
Inventories		2,192,689	2,276,780
Trade debtors	9	948,390	1,062,325
Loans and advances		3,132,532	3,457,749
Other debtors, deposits and prepayments		762,817	830,829
Amounts due from related companies		67	64
Cash and bank balances		2,242,933	1,909,287
		9,279,428	9,537,034
Current liabilities			
Unsecured bank overdrafts		352,832	453,187
Borrowings		4,825,116	4,617,498
Trade creditors	10	844,416	983,840
Other creditors and accruals		1,378,307	1,167,160
Amounts due to related companies		91	11,002
Lease liabilities		197,056	172,668
Current taxation		108,078	114,178
Provisions		7,970	14,639
		7,713,866	7,534,172
Net current assets		1,565,562	2,002,862
Total assets less current liabilities		15,966,386	15,802,275

Consolidated statement of financial position
at 31 December 2024 (continued)

	2024	**2023**
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	2,937,054	2,784,273
Lease liabilities	475,790	386,672
Defined benefit plan obligations	50,341	56,642
Deferred tax liabilities	281,276	272,325
Provisions	53,221	63,402
	3,797,682	3,563,314
NET ASSETS	12,168,704	12,238,961
CAPITAL AND RESERVES		
Share capital	1,006,655	1,006,655
Reserves	10,046,017	10,022,630
Total equity attributable to equity shareholders of the Company	11,052,672	11,029,285
Non-controlling interests	1,116,032	1,209,676
TOTAL EQUITY	12,168,704	12,238,961

Notes:

1. Basis of preparation

The financial information relating to the year ended 31 December 2024 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 2024 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 amendments to IFRSs issued by the International Accounting Standards Board ("IASB") to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* ("2020 amendments") and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* ("2022 amendments")
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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:

Amendments to IAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "IAS 1 amendments")

The IAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

2. Changes in accounting policies (continued)

(i) New and amended IFRSs (continued)

Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these financial statements as the Group has not entered into any supplier finance arrangements.

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	
	2024	**2023**
	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	3,776,124	5,033,458
- Rendering of services	7,907,065	7,831,027
- Management service fees	1,000	1,000
- Agency commission and handling fees	41,839	35,310
- Warranty income	2,525	785
Revenue from other sources:		
- Gross rental from investment properties that are fixed	135,159	129,052
- Interest income on loans and advances	446,293	451,764
- Rental income for motor vehicles held for leasing	388,562	343,264
	12,698,567	13,825,660

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

	For the year ended 31 December	
	2024	**2023**
	HK$'000	*HK$'000*
Disaggregated by geographical location of customers		
- Singapore	2,295,023	1,915,475
- People's Republic of China ("PRC")	521,456	704,754
- Thailand	309,479	657,266
- Japan	7,453,319	7,326,223
- Taiwan	840,429	1,503,248
- Others	1,278,861	1,718,694
	12,698,567	13,825,660

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 share of profit from an associate is 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 year ended 31 December 2024 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**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	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	3,477,891	4,651,155	59,785	62,895	-	-	-	-	280,287	354,718	3,817,963	5,068,768
Over time	322,250	357,217	63,700	80,232	128,337	112,684	7,453,319	7,326,223	912,998	880,536	8,880,604	8,756,892
Revenue from external customers	3,800,141	5,008,372	123,485	143,127	128,337	112,684	7,453,319	7,326,223	1,193,285	1,235,254	12,698,567	13,825,660
EBITDA	(115,449)	210,923	8,354	11,350	709,548	248,137	755,324	576,628	416,850	520,797	1,774,627	1,567,835

4. Segment reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	For the year ended 31 December	
	2024	**2023**
	HK$'000	*HK$'000*
Total segment EBITDA	1,774,627	1,567,835
Depreciation and amortisation	(709,605)	(734,403)
Interest income	25,280	24,452
Finance costs	(209,339)	(217,472)
Share of profit of an associate	5,767	5,436
Consolidated profit before taxation	886,730	645,848

5. Profit before taxation

	For the year ended 31 December	
	2024	**2023**
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	2,909,260	3,946,844
Interest expense	209,339	217,472
Depreciation		
- owned property, plant and equipment	398,757	391,662
- right-of-use assets	293,370	327,003
Amortisation of intangible assets	17,478	15,738
Bank and other interest income on financial assets measured at amortised cost	(25,280)	(24,452)
Dividend income from equity securities listed outside Hong Kong	(54,944)	(49,956)
Valuation gains on investment properties, net	(629,521)	(150,776)

6. Taxation

Income tax expense:

	For the year ended 31 December	
	2024	**2023**
	HK$'000	*HK$'000*
Current tax expense		
Provision for the year	286,833	278,128
Over-provision in respect of prior years	(6,079)	(4,482)
	280,754	273,646
Deferred tax expense		
Origination and reversal of temporary differences	(3,511)	(8,378)
Total income tax expense in the consolidated statement of profit or loss	277,243	265,268

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	
	2024	**2023**
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.02 per ordinary share (2023: HK$0.03 per ordinary share)	40,266	60,399
Final dividend proposed after the end of the reporting period of HK$0.055 per ordinary share (2023: HK$0.045 per ordinary share)	110,732	90,599
	150,998	150,998

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$479,285,000 (2023: HK$280,330,000) and the number of 2,013,309,000 ordinary shares (2023: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2024 and 2023 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	
	2024	**2023**
	HK$'000	*HK$'000*
0-30 days	741,504	721,891
31-90 days	189,297	319,816
Over 90 days	17,589	20,618
	948,390	1,062,325

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	
	2024	**2023**
	HK$'000	*HK$'000*
0-30 days	581,726	561,909
31-90 days	121,246	202,528
91-180 days	42,118	104,462
Over 180 days	99,326	114,941
	844,416	983,840

FINAL DIVIDEND

The Board recommends a final dividend of HK$0.055 per share on the shares in issue absorbing a total of HK$110,731,995 which will be payable on 26 June 2025 to shareholders whose names appear on the Register of Members on 5 June 2025, subject to the approval of shareholders at the Annual General Meeting to be held on 27 May 2025.

MANAGEMENT REVIEW

RESULTS

2024 was defined by persistent global economic headwinds marked by geopolitical conflicts, shifting consumer preferences in automotive markets, and continued financial market volatility. Despite these challenges, the Group demonstrated resilience through strategic adaptability and diversified business interests.

In this context, the Group reported revenue of HK$12.7 billion for the year, marking a modest 8% decrease from the HK$13.8 billion recorded in 2023. This decrease in revenue was largely attributable to the challenging conditions faced by the automotive division, driven by an unprecedented transformation reshaping the global automotive industry. The sector experienced extraordinary flux as established market dynamics were disrupted by the entry of new manufacturers, evolving regulatory frameworks, and volatile consumer preferences. This perfect storm of industry-wide challenges created a difficult operating environment for automotive companies across international markets.

Nevertheless, the Group delivered a notable profit after tax of HK$609.5 million for the year, representing a significant 60% increase compared to HK$380.6 million in 2023. This remarkable increase stemmed from several targeted initiatives across the Group’s business portfolio.

A key driver of this growth was the strategic transformation of the Group’s property, Wilby Central. Following a multi-year programme of enhancements to meet regulatory requirements, the property was successfully reclassified from residential to serviced apartment status, resulting in a significant valuation gain. Complementing this, ongoing renovation works at Wilby Bukit Timah - another of the Group’s apartment properties for leasing - further enhanced portfolio value by adding new dual key units. These initiatives underscore the Group’s proactive approach to maximising asset performance, even amid challenging market conditions.

Another important contributor was ZERO, the Group’s vehicle transportation and logistics division in Japan, which reported a robust 71% improvement in net profit year-on-year. Improved operational efficiency and strategic acquisitions that expanded market reach significantly boosted performance in this division.

These strategic initiatives, coupled with effective cost control measures and enhanced operational efficiency implemented across the Group - including a significant reduction in distribution costs within the automotive division - collectively strengthened financial performance. As a result, EBITDA increased by 13.2% to HK$1.8 billion from HK$1.6 billion. Profit from operations grew strongly by 27.1% to HK$1,090.3 million, compared to HK$857.9 million in 2023, with the operating profit margin improving to 8.6% from 6.2%.

The Group's net gearing ratio, which is computed by dividing the net debt with the total equity, was 48.3% as at 31 December 2024, compared to 48.6% in the previous year. The net debt recorded was HK$5,872.1 million, as compared to HK$5,945.7 million as of 31 December 2023. Net debt is comprised of borrowings of HK$7,762.2 million and unsecured overdrafts of HK$352.8 million, less cash and bank balances of HK$2,242.9 million.

ROCE (Return on capital employed), which is computed by dividing earnings before interest and taxes (EBIT) with total equity plus non-current liabilities, increased to 6.7% as compared to 5.3% in 2023.

Net Asset Per Share as of 31 December 2024 was HK$6.04, a decrease from the HK$6.08 recorded at the end of December 2023.

As at the end of 2024, the Group's employee strength was 4,912, as compared to 5,510 in 2023. This 11% decrease from the previous year was mainly due to the discontinuation of the Group's Subaru manufacturing plant in Thailand at the end of 2024, and ongoing business rationalisation efforts aimed at maintaining competitiveness.

The year also saw key developments across the Group’s operations, reflecting continued progress on strategic priorities. Following the closure of its automotive manufacturing plant in Thailand at the end of 2024, the Group has been actively pursuing asset optimisation through potential disposal or a long-term lease arrangement. Negotiations with credible counterparties are at an advanced stage, and the Group remains focused on finalising a transaction that maximises value. A formal announcement will be made upon conclusion.

RESULTS (CONTINUED)

Reference is made to the interim results announcement of the Company dated 29 August 2024 in relation to, among other things, the possibility of a separate listing of ETHOZ Group ("Potential Separate Listing"). The Group is currently undertaking preparatory work in respect of the Potential Separate Listing. Subject to obtaining of all requisite approvals and the final determination of the board of ETHOZ, it is anticipated that the Potential Separate Listing will be completed in the second half of 2025. Shareholders and investors of the Company are therefore cautioned that the Potential Separate Listing may or may not proceed. The Company will comply with the relevant Listing Rules requirements and make further announcement(s) in relation to the Potential Separate Listing as and when appropriate in accordance with the Listing Rules.

As the Group looks ahead, it remains committed not only to financial and operational growth but also to sustainable and responsible business practices. It continues to monitor and adopt climate-friendly measures across its key markets. Beyond meeting local regulations on environmental standards and emissions, the Group actively engages in regional initiatives aimed at driving sustainable practices.

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the Group had investments in listed and unlisted equity securities amounting to HK$1.6 billion designated at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange. These were accumulated over the years as strategic investments. Fair value loss of HK$29 million was recognised in other comprehensive income during the year ended 31 December 2024. The loss was primarily due to share price changes of its listed investments, which were marked to market and was therefore unrealised. Such unrealised fair value loss on its investments was not reclassified to the Group's consolidated statement of profit or loss.

FINANCE

For the year 2024, total dividend payment will amount to HK$150.998 million as compared to HK$150.998 million paid for financial year 2023. With a proposed final dividend of HK$0.055 per share, and a paid interim dividend of HK$0.02 per share, the total dividend per share for financial year 2024 will be HK$0.075, similar to that of the HK$0.075 dividend per share for 2023.

The consolidated net asset value per share decreased year-on-year to HK$6.04 from HK$6.08 in 2023.

SINGAPORE

In Singapore, total industry volume ("TIV") expanded by 37% year-on-year in 2024 on the back of a recovery in the supply of Certificate of Entitlements ("COE"). TIV for passenger cars expanded by 42%, while that for commercial vehicles expanded by 14%.

<u>Nissan</u>

Nissan was able to expand its total sales by 27% year-on-year, with expansion seen for both its passenger and commercial vehicles. Nissan continues to enjoy strong demand for its electrified line-up and was able to retain its position as one of the top-10 selling passenger car brands in Singapore. Even more notable was the strong performance of its commercial vehicles, which led to Nissan emerging as the best-selling light commercial vehicle brand in Singapore.

Looking ahead to 2025, TIV is expected to continue expanding as the supply of COE continues to pick up. However, the recent influx of new brands into Singapore is likely to see more intense competition.

As such, while the Group is cautiously optimistic that Nissan sales will benefit from the expected continued expansion of the TIV, it is also mindful of the headwinds going into 2025.

<u>Subaru</u>

In 2024, the Group's Subaru operations tripled in sales, achieving nearly 203% growth over 2023, compared to a 42% rise in TIV.

The Subaru Forester e-Boxer, featuring the brand's proprietary 4th Generation EyeSight safety technology and an efficient hybrid powertrain, was well-received by customers seeking fuel-efficient models.

With a potentially larger COE quota in 2025 and the launch of a strong hybrid model boasting class-leading fuel efficiency of over 1,000km on a single tank, the Group is positive about further growth.

SINGAPORE (CONTINUED)

ETHOZ Group

ETHOZ Group's total revenue rose 2% to HK$882.3 million in 2024 from the corresponding period in 2023, primarily due to increases in vehicle rental income, interest income, and solar income.

Throughout the second half of 2024, interest costs fell gradually, especially after the Federal Reserve's announcement of interest rate cuts. Meanwhile, operating expenses increased in conjunction with the expansion of business activities.

ETHOZ Group is confident in the long-term prospects of its key businesses and markets in the region, remaining committed to sustainable growth in Singapore and the region while strategically leveraging upcoming opportunities.

CHINA

In Hong Kong, the Group's Subaru operations launched its first electric vehicle ("EV"), the Subaru Solterra, in the first quarter of 2024. The launch was a huge success and was well-received by the market due to its advanced safety features and electrification. Additionally, the Group reintroduced the legendary WRX Sedan and WRX Wagon in the third quarter of 2024, which had been highly anticipated for their class-leading driving dynamics and strong following.

The Group posted a 10% increase in sales volume in 2024 compared to 2023, outperforming the TIV growth of 6%. The Group is cautiously optimistic about its prospects in Hong Kong for 2025, as it plans to introduce a new strong hybrid model to complement its EV offering.

In China, the Group experienced a 49% decline in Subaru sales compared to 2023 due to challenging market conditions and extreme competition. Nevertheless, the Group maintains its position as the number one Subaru dealer group in Southern China where it operates, continuing to lead in market share notwithstanding the industry headwinds.

TAIWAN AND THE PHILIPPINES

In Taiwan, the Group saw a 48% decline in sales volume in 2024 compared to 2023, primarily due to intensifying competition from newly introduced brands and products in the market, against a 4% contraction in TIV. The Group is confident of recovery in its Taiwan operations in 2025 with the planned introduction of a new strong hybrid model.

In the Philippines, the preferential tax regime on electrified models has impacted the Group's performance, resulting in a 48% decrease in sales volume year-on-year. However, with the planned introduction of Subaru hybrid models in the Philippines, the Group is optimistic about its prospects in 2025.

MALAYSIA, THAILAND, VIETNAM AND CAMBODIA

With the discontinuation of the Group's Subaru assembly business at the end of 2024, the Group has shifted its marketing and brand positioning strategy in Malaysia, Thailand, Vietnam, and Cambodia to Complete Build Up (CBU) models from Japan. Utilising various trade agreements, the Group is able to introduce Japan-made products to these markets in a faster and more cost-efficient manner.

In Malaysia, with the introduction of multiple new brands in the market, Subaru operations posted a 29% drop in sales volume compared to the previous year. While the market remains challenging, the Group expects a recovery in 2025, encouraged by the market's acceptance of its new marketing initiatives and the reliability of Subaru products.

In Thailand, despite the government's continued heavy support toward EVs and the introduction of multiple new brands in the market, Thailand's TIV dropped by 17% compared to 2023. The Group's Thai operations posted a decline of 60% in sales volume against 2023. The Group remains confident in Thailand's long-term business prospects as it maintains a committed retail network of dealers.

The Vietnamese government's introduction of a registration tax support for locally-assembled vehicles in 2024 impacted the Group's operations in Vietnam, where it saw a 30% decline in sales volume compared to 2023. With the cessation of such support at the end of 2024, the Group is optimistic about its prospects in Vietnamese market. Its enhanced marketing efforts to reposition the Subaru brand are also showing promising returns with a growing population of Subaru owners, contributing toward positive word of mouth on product quality and reliability.

MALAYSIA, THAILAND, VIETNAM AND CAMBODIA (CONTINUED)

In Cambodia, with the weakening market and worsening economic situation, the Group posted a 31% decline in sales volume against the previous year. With recovering sentiments and stable market conditions, the Group remains positive about its business outlook for 2025.

JAPAN

ZERO, the Group's vehicle transportation and logistics division that is listed on the Second Section of the Tokyo Stock Exchange, recorded a 2% increase in revenue to HK$7.5 billion for 2024. ZERO's net profit for the year increased by 71%, as compared to the previous year. The depreciation of the Japanese Yen against the Group's reporting currency in HK$ negatively impacted the revenue and net profit contributed by ZERO. The Japanese Yen weakened by 7% 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 10% and 85% respectively. The increase in ZERO's revenue was mainly driven by higher handling volume, an upward revision of fees for its vehicle transportation business, and the consolidation of So-ing Co., Ltd., which was acquired in November 2023. So-ing Co., Ltd mainly deals in auto auction site operations.

The increase in net profit was attributable to higher income from increased revenue, despite facing higher costs due to compliance with crew working hour regulations, rising recruitment and labor cost, and higher vehicle maintenance costs.

ZERO anticipates its revenue from used vehicle exports to stabilise, considering exchange rate trends and local demand. It also expects operating income to improve due to the promotion of efficiency improvement in the vehicle transportation business, as well as the impact of the rate revision.

HIRE PURCHASE AND FINANCING BUSINESS

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

a) <u>Hire purchase and finance lease</u>

   Hire purchase contracts and finance leases are mainly for solar panels, forklifts, farming equipment and office automation, with operations in Singapore, China, and Malaysia.

   As of 31 December 2024, net receivables from hire purchase and finance lease amounted to HK$2.36 billion or 44% of total loans and advances with 12%, 86%, and 2% attributable to Singapore, China, and Malaysia respectively, and accounted for by 8,057 customers. These customers are made up of 93%, 4%, and 3% of small and medium enterprises ("SMEs"), Sole Proprietors/Limited Partnerships, and non-profit or statutory-related organisations 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$1.07 billion; (ii) balance with maturity between one year and five years is HK$1.28 billion; (iii) balance with maturity between five years and seven years is HK$11 million.

b) <u>Commercial loans</u>

   Commercial loans, which are only extended to 372 customers in Singapore, make up 56% of total loans and advances amounting to HK$2.96 billion as of 31 December 2024. These customers are made up of 69% and 31% of SMEs and Sole Proprietors/Limited Partnerships respectively.

   The three main types of commercial loans, namely secured commercial loans, ESG loans under the Enterprise Financing Scheme granted by Enterprise Singapore ("ESG"), and unsecured loans make up 95%, 1%, and 4% of the total commercial loans portfolio respectively.

   Secured commercial loans are mostly secured by good quality properties in Singapore. Risk is mitigated by low loan-to-value ratio of not more than 80% which provides a strong margin of safety in the event of write-off.

   ESG loans aim to support the growth of SME sectors in Singapore with a risk-sharing ratio of up to 90% to be borne by ESG.

HIRE PURCHASE AND FINANCING BUSINESS (CONTINUED)

b) Commercial loans (continued)

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$2.06 billion; (ii) balance with maturity between one year and five years is HK$0.9 billion.

As at 31 December 2024, total loans and advances outstanding from customers before impairment amounted to HK$5.37 billion. The top five customers account for 14% of total loans and advances before impairment, which are all commercial loans secured by properties.

Major terms of loans granted

For the year ended 31 December 2024, the hire purchase and lease period under the hire purchase and finance lease business range from 1 to 8 years with related interests charged at 2.5% p.a. to 14% p.a. accordingly.

Commercial loans are offered over a tenure of 1 to 3 years, with interest rates ranging from 6% p.a. to 11% 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'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;
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 • Outlook of the industry or sector it is operating in

HIRE PURCHASE AND FINANCING BUSINESS (CONTINUED)

Risk management policies (continued)

A) Credit Approval (continued)

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

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

B) Credit Monitoring (Existing Live Contracts)

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

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

A. Daily - each Credit Control Officer has to perform at least 55 calls, which are logged into the system and reviewed by the supervisor in charge.
B. Daily review of Direct Debit Authorisation 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 reorganisation.

The gross carrying amount of a financial asset is written off 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.

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 2024, impairment loss allowance of HK$47.6 million (31 December 2023: HK$39.4 million) has been made for loans and advances. Bad debt written off was 0.3% for the whole year of 2024.

PROSPECTS

Looking ahead, the Group expects increased uncertainty driven by major global political transitions, bringing new policies that may significantly reshape international trade, regulatory frameworks, and market dynamics. These new challenges, layered upon existing geopolitical tensions, create a volatile business environment that demands exceptional agility.

However, having successfully navigated through numerous economic cycles over decades of operation, the Group faces these challenges from a position of experience and resilience. Its longevity demonstrates an ability to adapt amid changing circumstances while maintaining core values and business fundamentals – qualities that will serve well in navigating the uncertain waters ahead.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("Annual General Meeting") which is scheduled on Tuesday, 27 May 2025, the register of members of the Company will be closed from Wednesday, 21 May 2025 to Tuesday, 27 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, 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, 20 May 2025.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the Annual General Meeting), the register of members of the Company will be closed from Tuesday, 3 June 2025 to Thursday, 5 June 2025, 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 this 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, 2 June 2025.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 27 May 2025 at 11:00 a.m. The Notice of Annual General Meeting will be made available to shareholders on or before 25 April 2025.

RETIREMENT OF A NON-EXECUTIVE DIRECTOR

Mr. Joseph Ong Yong Loke ("Mr. Ong"), a non-executive director of the Company, will retire by rotation at the Annual General Meeting according to the bye-laws of the Company. Mr. Ong will not offer himself for re-election. Mr. Ong has confirmed that he has no disagreement with the Board and that he is not aware of any matter in respect of his retirement as a non-executive director of the Company that needs to be brought to the attention of the shareholders of the Company.

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 2024 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 2024.

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 2025

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, Mdm. Sng Chiew Huat and Ms. Gillian Tan Tsui Lyn. 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.