TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED
AND ITS SUBSIDIARIES

(Registration No. 306871)
(SGX: VI2)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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Table of contents

Chairman's Statement – 1H2023

Dear Shareholders,

Trans-China Automotive Holdings Limited (the "Company" or "TCA", and together with its subsidiaries, "the Group") experienced a challenging first half ended 30 June 2023. We started the year with optimism as the stringent COVID-19 pandemic controls that were in place for much of FY2022 were abandoned. As 2023 progressed, the Chinese economy was slower to recover than anticipated and overall growth and aggregate demand has been disappointing. At the same time, our industry is going through a drastic transition. Vehicle electrification is well underway, especially in large Chinese cities where TCA dealerships are typically located. These changes represent both challenges and opportunities for our business. Fortunately, our main automotive partners have some of the most complete and attractive new electric vehicle ("NEV") line-ups amongst premium car brands.

However, it is important to highlight that the Chinese automotive market is undergoing a period of hyper-competition with an extraordinary number of brands and products all fighting for a slice of the pie. This makes the current market environment highly challenging, and we will need to ensure that we continue to meet these challenges head on and so that we will have a successful transition with the market into the future.

Given the challenging environment, we are in constant communication with our automotive partners to share market information. Our partners are working with closely with us to revise and adjust their business terms and our sales plans in response to the hyper-competition. They are also increasing their financial commitments to the Chinese domestic market and to TCA directly. On our part, we continue to execute on a number of ongoing internal initiatives to improve operations and profitability.

Despite the difficult operating environment, we have successfully executed on our expansion plans over the past two years. In the last twelve months, we have opened the doors to our Genesis stores in Guangzhou, Changsha and Foshan, and a BMW Service Centre in Pingshan (a Shenzhen suburb). The Pingshan service centre will be upgraded to a full-fledged dealership in the future. These projects together with our existing dealerships, will position the Company well once the market conditions improve.

We have confidence in our business and the brands we work with. BMW continues to invest and upgrade its NEV line-ups while the Genesis's asset light model allows us to scale up operations with low incremental investment. We are confident that our strong foundation will allow TCA to ride though the current challenging market and that we will be well positioned as the market evolves.

Sincerely,

Francis Tjia

A. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		The Group		
		Unaudited 6 months ended 30 June 2023	**Unaudited 6 months ended 30 June 2022**	**+/(-) % Variance**
	Note	**RMB'000**	**RMB'000**	
Revenue	5	1,685,186	2,049,287	-17.8%
Cost of sales		(1,619,020)	(1,902,181)	-14.9%
Gross profit		**66,166**	**147,106**	**-55.0%**
Other income	7	83,335	49,344	68.9%
Other gains, net	8	1,247	102	1122.5%
Selling expenses		(56,596)	(48,662)	16.3%
Administrative expenses		(82,767)	(78,452)	5.5%
Operating profit		11,385	69,438	-83.6%
Finance income		1,538	5,116	-69.9%
Finance costs		(23,697)	(17,777)	33.3%
Finance costs, net	10	(22,159)	(12,661)	75.0%
(Loss)/profit before income tax	9	**(10,774)**	**56,777**	**-119.0%**
Income tax expense	12	(4,584)	(16,356)	-72.0%
(Loss)/profit for the period		**(15,358)**	**40,421**	**-138.0%**
Other comprehensive (loss)/income:				
Items that may be reclassified to profit or loss:				
- Currency translation difference		(4,150)	(2,559)	62.2%
Total comprehensive (loss)/income for the period		**(19,508)**	**37,862**	**-151.5%**
(Loss)/earnings per share attributable to owners of the Company				
Basic		(0.03)	0.07	-137.7%
Diluted		(0.03)	0.07	-137.7%

B. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

		The Group		The Company	
		Unaudited As at 30 June 2023	Audited As at 31 December 2022	Unaudited As at 30 June 2023	Audited As at 31 December 2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	237,810	227,942	-	-
Right-of-use assets		317,744	310,465	-	-
Intangible assets	15	78,506	78,909	-	-
Investments in subsidiaries		-	-	-*	-*
Deferred income tax assets		8,259	9,757	-	-
		642,319	627,073	-	-
Current assets					
Inventories		391,740	478,706	-	-
Trade and other receivables		213,463	239,520	-	-
Prepayments and deposits		85,467	159,589	44	87
Amounts due from subsidiaries	11	-	-	183,155	215,778
Pledged bank deposits		105,215	204,984	-	-
Cash and cash equivalents		121,801	106,305	1,371	27,385
		917,686	1,189,104	184,570	243,250
Total assets		**1,560,005**	**1,816,177**	**184,570**	**243,250**
Equity attributable to the owner of the Company					
Share capital	17	41,994	41,994	41,994	41,994
Share premium	17	82,796	82,796	82,796	82,796
Reserves		64,067	68,803	(293,849)	(299,149)
Retained earnings		83,709	102,490	276,558	283,160
Total equity		**272,566**	**296,083**	**107,499**	**108,801**

* Below RMB1,000

B. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		The Group		The Company	
		Unaudited As at 30 June 2023	Audited As at 31 December 2022	Unaudited As at 30 June 2023	Audited As at 31 December 2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Bank and other borrowings	16	10,695	-	-	-
Lease liabilities		231,968	219,926	-	-
Deferred income tax liabilities		40,398	41,131	-	-
Amount due to the immediate holding company	11	75,509	71,790	75,509	71,790
		358,570	332,847	75,509	71,790
Current liabilities					
Trade and bills payable		331,622	611,484	-	-
Accruals and other payables		60,779	47,457	1,562	1,050
Contract liabilities		105,484	121,573	-	-
Amounts due to subsidiaries	11	-	-	-	24,846
Bank and other borrowings	16	405,730	382,378	-	36,763
Lease liabilities		22,936	20,844	-	-
Current income tax liabilities		2,318	3,511	-	-
		928,869	1,187,247	1,562	62,659
Total liabilities		**1,287,439**	**1,520,094**	**77,071**	**134,449**
Total equity and liabilities		**1,560,005**	**1,816,177**	**184,570**	**243,250**

C. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group

	Share capital	Share premium	Statutory reserve	Exchange reserve	Capital reserve	Distributable reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	**38,450**	**81,719**	**38,748**	**8,201**	**(171,630)**	**194,642**	**102,231**	**292,361**
Comprehensive income								
Profit for the period	-	-	-	-	-	-	40,421	40,421
Other comprehensive loss								
Currency translation differences	-	-	-	(2,559)	-	-	-	(2,559)
Total comprehensive income for the period	-	-	-	(2,559)	-	-	40,421	37,862
Transaction with owners								
Issuance of scrip dividend (Note 17)	3,544	1,077	-	-	-	-	(4,621)	-
Dividend paid	-	-	-	-	-	-	(10,405)	(10,405)
Total transaction with owners	3,544	1,077	-	-	-	-	(15,026)	(10,405)
As at 30 June 2022	**41,994**	**82,796**	**38,748**	**5,642**	**(171,630)**	**194,642**	**127,626**	**319,818**

C. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

The Group

	Share capital	Share premium	Statutory reserve	Exchange reserve	Capital reserve	Distributable reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	**41,994**	**82,796**	**44,421**	**1,370**	**(171,630)**	**194,642**	**102,490**	**296,083**
Comprehensive income								
Loss for the period	-	-	-	-	-	-	(15,358)	(15,358)
Other comprehensive loss								
Currency translation differences	-	-	-	(4,150)	-	-	-	(4,150)
Total comprehensive loss for the period	-	-	-	(4,150)	-	-	(15,358)	(19,508)
Transaction with owners								
Dividend paid	-	-	-	-	-	-	(4,009)	(4,009)
Total transaction with owners	-	-	-	-	-	-	(4,009)	(4,009)
As at 30 June 2023	**41,994**	**82,796**	**44,421**	**(2,780)**	**(171,630)**	**194,642**	**83,123**	**272,566**

D. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	The Group	
	Unaudited	**Unaudited**
	6 months ended	**6 months ended**
	30 June 2023	**30 June 2022**
	RMB'000	**RMB'000**
Cash flows from operating activities		
(Loss)/profit before income tax	(10,774)	56,777
Adjustments for:		
Depreciation of property, plant and equipment	21,294	14,412
Depreciation of right-of-use asset	16,703	15,952
Amortisation of goodwill and intangible assets	403	403
Gain on disposals of property, plant and equipment	(1,829)	(3,389)
Finance income	(1,538)	(5,116)
Finance costs	23,697	17,777
Provision for inventories written down	(1,475)	1,450
Gain on termination of lease	-	(58)
Operating cash flows before working capital changes	46,481	98,208
Changes in working capital:		
Inventories	88,441	(100,531)
Trade and other receivables, prepayments and deposits	98,447	293,594
Trade and bills payable, accruals and other payables	(266,784)	(218,217)
Contract liabilities	(16,089)	(84,294)
Cash used in operations	(49,504)	(11,240)
Income tax paid	(5,012)	(19,810)
Net cash used in operating activities	**(54,516)**	**(31,050)**

D. UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

	The Group	
	Unaudited 6 months ended 30 June 2023 RMB'000	**Unaudited 6 months ended 30 June 2022 RMB'000**
Cash flows from investing activities		
Interest received	3,268	5,116
Purchases of property, plant and equipment	(44,149)	(39,180)
Proceeds from disposal of property, plant and equipment	14,816	15,830
Net cash used in investing activities	**(26,065)**	**(18,234)**
Cash flows from financing activities		
Interest paid	(23,453)	(17,777)
Proceeds from bank and other borrowings	1,091,260	1,531,356
Repayment to bank and other borrowings	(1,058,289)	(1,646,319)
Principal elements of lease payments	(9,847)	(8,453)
Decrease of pledged bank deposit	99,769	200,671
Payment of dividend to the Company's equity holders	(4,009)	(10,405)
Net cash generated from financing activities	**95,431**	**49,073**
Net increase/(decrease) in cash and cash equivalents	**14,850**	**(211)**
Cash and cash equivalents		
Beginning of financial period	106,305	153,324
Effect of translation of cash and cash equivalents	646	4,131
End of financial period	**121,801**	**157,244**

E. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

Trans-China Automotive Holdings Limited (the "Company") is listed on the Catalist board of the Singapore Exchange and incorporated in the Cayman Islands on 18 December 2015 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as combined and revised, of the Cayman Islands). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the business of automobile dealerships in the premium market segment in the People's Republic of China ("PRC"), which includes (i) sales of new automobiles, (ii) provision of after-sales services, including maintenance and repair services; (iii) sale of automobile parts and accessories; and (iv) automobile agency services including related registration and insurance services.

2. Basis of preparation

The unaudited condensed interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with IFRSs, except for the adoption of new and amended standards effective as of 1 January 2023 as set out in Note 2.1. The unaudited condensed interim financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

Going concern

As at 30 June 2023, the Group's net current liabilities was RMB11.2million. Because the Group incurred a net loss for the period and invested in property, plant and equipment related to new locations. Management expects that based on cashflow projections that the Group has sufficient financial resources to meet its financial obligations in the next 12 months. Planned capital investments is expected to be significantly reduced and the Company access to financing facilities with tenure greater than 12 months. As such, the Group's interim consolidated financial statements are prepared on an ongoing basis.

2.1 New and amended standards adopted by the Group

(a) New standards and amendments - applicable 1 January 2023

The following are the new or amended IFRSs, interpretations and amendments to IFRSs that are relevant to the Group:

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 16 (Amendment)	Lease Liability in a Sales and Leaseback
IFRS 17 (Amendments)	Insurance Contracts
IFRS 17 (Amendment)	Initial Application of IFRS 17 and IFRS 9 - Comparative Information

(b) Standards and amendments issued but not yet effective

The following standards and interpretations had been issued but were not mandatory for interim reporting periods on 30 June 2023:

Interpretation 5 (2020) (Amendment)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of assessing of the impact of new standards and amendments to standards. The Group expects to adopt these new standards, amendments to standards and interpretations when they become effective.

3. Use of judgements and estimates

In preparing the unaudited condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

4. Segment reporting

The identification and disclosure of operating segment information is based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of passenger vehicles and provision of after-sales services.

(i) Information about geographical area

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting period.

(ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues.

5. Revenue

	Unaudited		
	6 months ended 30 June		
	2023	**2022**	**+/(-) Variance**
	RMB'000	**RMB'000**	**%**
Sale of automobiles	1,432,814	1,799,451	-20.4%
Provision of after-sales services	249,472	249,836	-0.1%
Agent commission	2,900	-	100%
	1,685,186	**2,049,287**	**-17.8%**

During the interim periods ended 30 June 2023, all of the Group's revenue is from contracts with customers and is recognised at a point in time (2022: Same).

6. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company:

	The Group		The Company	
	Unaudited	**Audited**	**Unaudited**	**Audited**
	30 June 2023	**31 December 2022**	**30 June 2023**	**31 December 2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Trade and other receivables	213,463	239,520	-	-
Deposits	9,429	8,401	-	-
Amounts due from subsidiaries	-	-	183,155	215,778
Pledged bank deposits	105,215	204,984	-	-
Cash and cash equivalents	121,801	106,305	1,371	27,385
	449,908	**559,210**	**184,526**	**243,163**
Financial liabilities				
Trade and bills payable, accruals and other payables (excluding salaries payables and other payables)	364,985	633,684	10	1,050
Bank and other borrowings	416,425	382,378	-	36,763
Amount due to the immediate holding company	75,509	71,790	75,509	71,790
Amounts due to subsidiaries	-	-	-	24,846
Lease liabilities	254,904	240,770	-	-
	1,111,823	**1,328,622**	**75,519**	**134,449**

7. Other income

	Unaudited		
	6 months ended 30 June		
	2023	**2022**	**+/(-) Variance**
	RMB'000	**RMB'000**	**%**
Handling and commission fee income	70,231	34,108	105.9%
Insurance rebates	2,342	4,457	-47.5%
Deposit forfeited by customers	1,269	28	4432.1%
Government grants	86	2,839	-97.0%
Pre-owned cars and fleet sale commissions	4,984	4,769	4.5%
Others	4,423	3,143	40.7%
	83,335	**49,344**	**68.9%**

8. Other gains, net

	Unaudited		
	6 months ended 30 June		
	2023	**2022**	**+/(-) Variance**
	RMB'000	**RMB'000**	**%**
Gain on disposals of property, plant and equipment	1,829	3,389	-46.0%
Exchange differences	123	(2,868)	-104.3%
Others	(705)	(419)	68.3%
	1,247	**102**	1122.5%

9. Profit before taxation

Profit before taxation is carried at after charging the following:

	Unaudited		
	6 months ended 30 June		
	2023	2022	+/(-) Variance
	RMB'000	RMB'000	%
Cost of sales of motor vehicles and spare parts	1,604,946	1,885,427	-14.9%
Employee benefit expenses (including directors' emoluments)	73,610	74,360	-1.0%
(Reversal)/provision for inventories write-down	(1,531)	1,450	-205.6%
Auditor's remuneration	1,351	1,640	-17.6%
Advertising expenses	7,935	6,986	13.6%
Fuel and maintenance expenses	3,969	2,744	44.6%
Depreciation of property, plant and equipment	21,294	14,412	47.8%
Depreciation of right-of-use assets	16,703	15,952	4.7%
Amortisation of intangible assets	403	403	0.0%
Bank charges	1,205	782	54.1%
Entertainment	383	432	-11.3%
Legal and professional fees	2,429	1,739	39.7%
IT and security fees	4,255	3,571	19.2%
Office, communication and utilities expenses	6,314	4,986	26.6%
Other tax expenses	9,705	10,162	-4.5%
Short term lease expenses	2,123	2,643	-19.7%
Travelling expenses	1,571	1,475	6.5%
Others	1,718	131	1211.5%
	1,758,383	**2,029,295**	**-13.4%**
Represented by:			
Cost of sales	1,619,020	1,902,181	-14.9%
Selling expenses	56,596	48,662	16.3%
Administrative expenses	82,767	78,452	5.5%
	1,758,383	**2,029,295**	**-13.4%**

10. Finance costs, net

	Unaudited 6 months ended 30 June		
	2023	2022	+/(-) Variance
	RMB'000	RMB'000	%
Finance income			
-Bank interest income	1,538	5,116	-69.9%
	1,538	5,116	-69.9%
Finance costs			
-Interest expense on bills payable	(3,789)	(1,676)	126.1%
-Interest expense on bank and other borrowings	(11,242)	(7,767)	44.7%
-Interest expense on lease liability	(8,666)	(8,334)	4.0%
	(23,697)	(17,777)	33.3%
Finance costs, net	**(22,159)**	**(12,661)**	**75.0%**

11. Related party transactions/balances

Balances with the immediate holding company and subsidiaries:

		The Group		The Company	
		Unaudited	Audited	Unaudited	Audited
		30 June	31 December	30 June	31 December
	Note	2023	2022	2023	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Amount due to the immediate holding company	(i)	(75,509)	(71,790)	(75,509)	(71,790)
Amounts due to subsidiaries	(ii)	-	-	-	(24,846)
Amounts due from subsidiaries	(ii)	-	-	183,155	215,778

(i) The balance with the immediate holding company was unsecured, interest free and due on 30 June 2025.

(ii) The balances with subsidiaries were unsecured, interest free, receivable on demand, and their carrying values approximate their fair values.

12. Income tax expense

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the unaudited condensed consolidated statement of profit or loss are:

	Unaudited	
	6 months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax:		
- PRC corporate income tax	3,794	17,194
- Withholding tax	25	–
Deferred expense/ (income) tax credited to profit or loss	765	(838)
Income tax expense	4,584	16,356

13. Net asset value

	The Group		The Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
Net Asset Value per share (cents)	0.46	0.50	0.18	0.18
Net Asset Value (RMB'000)	272,566	296,083	107,499	108,801
Number of ordinary shares in issue	589,615,183	589,615,183	589,615,183	589,615,183

14. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets of RMB44,149,000 (2022: RMB39,180,000) and disposed of assets of RMB12,988,000 (2022: RMB12,441,000).

15. Intangible assets

	Goodwill	Dealership rights	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022			
Cost	52,922	32,443	85,365
Accumulated amortisation and impairment	-	(5,649)	(5,649)
Net book amount	52,922	26,794	79,716
As at 30 June 2022			
Opening net book amount	52,922	26,794	79,716
Amortisation	-	(403)	(403)
Closing net book amount	52,922	26,391	79,313
At 1 January 2023			
Cost	52,922	32,443	85,365
Accumulated amortisation and impairment	-	(6,456)	(6,456)
Net book amount	52,922	25,987	78,909
As at 30 June 2023			
Opening net book amount	52,922	25,987	78,909
Amortisation	-	(403)	(403)
Closing net book amount	52,922	25,584	78,506
As at 30 June 2023			
Cost	52,922	32,443	85,365
Accumulated amortisation and impairment	-	(6,859)	(6,859)
Net book amount	52,922	25,584	78,506

15. Intangible assets (Continued)

Goodwill is allocated to the Group's Cash Generating Units "CGUs" identified according to operating entities. Goodwill is allocated to relevant operating entities.

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows were then extrapolated using the estimated growth rates beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operates.

Management determined the budgeted revenue growth rate based on past performance and its expectation of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment of goodwill. There was no impairment provision for intangible assets during the period ended 30 June 2023 (2022: Nil).

16. Bank and other borrowings

	The Group		The Company	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Bank borrowings – secured	280,710	288,758	-	36,763
Borrowings from manufacturers – secured	46,372	65,599	-	-
Other borrowings – secured	78,648	28,021	-	-
	405,730	382,378	-	36,763
Non-current:				
Other borrowings – secured	10,695	-	-	-
Total bank and other borrowings	**416,425**	**382,378**	**-**	**36,763**

As at 30 June 2023 and 31 December 2022, certain borrowings of the Group were secured by pledge of assets of the Group, and corporate and personal guarantees by certain related parties of the Group.

The carrying values of assets pledged to various banks for securing bank and other borrowings are:

	The Group		The Company	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets	108,433	111,079	-	-
Property, plant and equipment	46,149	48,008	-	-

As at 30 June 2023 and 31 December 2022, borrowings from manufacturers are secured by floating charges applied on the automobiles held as inventories of the Group.

17. Share capital

	Number of ordinary shares	Share capital	Share premium	Total
		RMB'000	RMB'000	RMB'000
As at 1 January 2022	584,323,950	38,450	81,719	120,169
Issuance of scrip dividend (Note (a))	5,291,233	3,544	1,077	4,621
As at 31 December 2022, 1 January 2023 and 30 June 2023	**589,615,183**	**41,994**	**82,796**	**124,790**

Notes:

a) On 29 June 2022, the Company issued 5,291,233 new ordinary shares (the "New Shares") at an issue price of S$0.18 per share, to shareholders who have elected to participate in the Scrip Dividend Scheme.

18. Subsequent events

The Company has incorporated a new company in Thailand, namely TCA Auto (Thailand) Limited after the reporting period. Apart from this, there are no other material subsequent events undertaken by the Company or the subsidiaries of the Group after 30 June 2023.

F. Other Information Required by Appendix 7C of the Catalist Rules

1. Review

The unaudited condensed consolidated interim statement of financial position of Trans-China Automotive Holdings Limited (the "Company" or "TCA") and its subsidiaries (the "Group") as at 30 June 2023 and the related unaudited condensed consolidated interim statement of comprehensive income, unaudited condensed consolidated interim statement of changes in equity and unaudited condensed consolidated interim statement of cash flows for the six months period ended 30 June 2023 and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

Unaudited Condensed Consolidated Statement of Comprehensive Income

Revenue, Cost of Sales and Gross Profit

The Company's total revenue declined by 17.8% or RMB364.1 million to RMB1,685.2 million in the first six months of 2023 ("1H2023") from RMB2,049.3 million in the same period prior year ("1H2022"). Revenue declined in sales of automobiles and provision of after-sales services while the Company recorded agent commission during this period, a revenue segmented that was started in the second half of financial year ended 31 December 2022 ("FY2022").

We sold 4,131 cars and generated RMB1,432.8 million in sales of automobile during 1H2023 compared with sales of 5,027 cars and sales of RMB1,799.5 million in 1H2022 representing a decrease of 17.8% and 20.4% or RMB366.6 million respectively.

At the start of financial year ending 31 December 2023 ("FY2023"), there was optimism that the economy would rebound as the strict pandemic controls that weighed on the Chinese economy for much of FY2022 were lifted. However, after Chinese New Year 2023, the economy unexpectedly began to slow. The tepid economy combined with disruption from New Energy Vehicle ("NEV") manufacturers, created a challenging sales environment for premium cars[1]. Therefore, we had to grant higher discounts to our customers to meet our targets. We also cleared our inventory of longer aged stock. As a result, there was gross loss for automobile sales in 1H2023 of RMB(24.5) million compared with a gross profit of RMB40.2 million in 1H2022. This represents gross margins of (1.7%) in 1H2023 compared with 2.2% in 1H2022.

Automobile sales and profitability are highly dependent on the sales plan with the manufacturers for the year. Sales plan which includes volume targets are typically negotiated and set in the fourth quarter of the previous year. If the actual sales fall below the sales plan, certain manufacturer rebates may be reduced. As such, if the market conditions change significantly from the sales plan assumptions, we would need to discount our automobiles sometimes below costs, to meet the targets. We are working together closely with our manufacturer partners to minimize the impact of the current difficult environment. We have received additional financial support and adjustments to the FY2023 sales plan which alleviated the gross margin pressures on automobile sales in May and June.

Total after-sales services revenue in 1H2023 was RMB249.5 million, a decrease of 0.1% or RMB364,000 from 1H2022 when the Company generated RMB249.8 million. After-sales services were disrupted in January when COVID-19 infection rates were high following the end of pandemic control measures. After-sales services started to recover over the second quarter.

After-sales gross profit for 1H2023 was RMB87.8 million, a decline of 17.9% or RMB19.2 million from 1H2022 when after-sales gross profit was RMB106.9 million. The revenue mix comprised of more maintenance service workorders which is less profitable than larger repairs such as accident cars. We attribute the decline to lower

[1] See section 5 for further discussions on industry trends

than average car usage in the first two months of FY2023. Consequently, the gross margin was 35.2% in 1H2023 compared to 42.8% in 1H2022.

Agent commission refers to the car deliveries transacted under the agency dealership arrangement. TCA does not take inventory of these cars but instead receives a fixed commission for each car delivered. The Company commenced operations for showrooms under the agency model in the second half of 2022 and opened additional showrooms in the first 1H2023. Total agent commission was RMB2.9 million for 1H2023.

<u>Other Income</u>

Other income increased by 68.9% or RMB34.0 million from RMB49.3 million in 1H2022 to RMB83.3 million in 1H2023. Other income is comprised of ancillary services such as commissions from selling finance and insurance products and other value-added services such as registration services. We marketed and sold more value-added services to our customers to partially offset the negative gross margins from sales of automobile.

<u>Other Gains</u>

Other gains were RMB1.2 million in 1H2023 compared with RMB102,000 in 1H2022. Other gains which are non-operating in nature, primarily comprised of gain on disposal of demonstration cars.

<u>Operating Expenses</u>

TCA officially opened Guangzhou Genesis showroom in August 2022, Changsha Genesis showroom in January 2023 and Foshan Genesis showroom in June 2023 and Shenzhen Pingshan BMW Service Centre in December 2022. These newly added locations resulted in facility expenses and additional employee expenses. Depending on the nature of expenses, it was allocated to selling expenses or administration expenses respectively.

Selling expenses increased by 16.3% or RMB7.9 million from RMB48.7 million in 1H2022 to RMB56.6 million in 1H2023. The primary reasons for the increase are higher advertising costs and additional premises costs and higher headcount related to expansion projects.

Administration expenses increased by 5.5% or RMB4.3 million from RMB78.5 million in 1H2022 to RMB82.8 million in 1H2023, primarily related to additional premises costs related to the expansion projects.

<u>Finance income & Finance Costs</u>

Our finance income is derived from term deposits with financial institutions. During the 1H2023, we had lower average cash balances as we funded the expansion projects and had higher average inventory balances. As a result, the Company's finance income fell by 69.9% or RMB3.6 million to RMB1.5 million in 1H2023 from RMB5.1 million in 1H2022.

Our finance costs increased by 33.3% or RMB5.9 million from RMB17.8 million to RMB23.7 million. The increase was primarily due to higher usage of other borrowings and longer tenured bills payable to carry higher average inventory.

<u>(Loss)/ Profit</u>

As a result of the foregoing, profit before tax decreased by 119.0% or RMB67.6 million from RMB56.8 million to a loss before taxes of RMB10.8 million. Net loss was RMB15.4 million in 1H2023 resulted in basic and fully diluted loss per share of RMB0.03, a reversal of net profit of RMB40.4 million with basic and fully diluted earnings per share of RMB0.07 in 1H2022.

Unaudited Condensed Consolidated Statement of Financial Position

Current assets

Total current assets were RMB917.7 million as at 30 June 2023 compared with RMB1,189.1 million as at 31 December 2022. Inventory comprising of automobiles and spare parts decreased by RMB87.0 million during the first six months of FY2023 because the sales period leading up to December 2022 were interrupted by high COVID infection rate following the relaxion of pandemic controls. Inventory levels in 1H2023 have remained elevated translating to 49.1 days compared with 36.5 days in the same period last year, due to soft sales environment. Trade and other receivables declined due to fall in business activity. Prepayments and deposits which are primarily comprised of deposits with manufacturers, decreased as there were lower levels of inventory replenishment as at 30 June 2023. Pledged bank deposits decreased by RMB99.8 million to RMB105.2 million as at 30 June 2023 from RMB205.0 million as at 31 December 2022, as a result of utilizing finance lines with lower security deposit requirements.

Non-current assets

Non-current assets increased to RMB642.3 million as at 30 June 2023 from RMB627.1 million as at 31 December 2022. The increase is due to the addition of property, plant and equipment and rights-of-use assets related to our expansion projects.

Non-current liabilities

Non-current liabilities increased by RMB25.7 million to RMB358.6 million as at 30 June 2023 from RMB332.8 million as at 31 December 2022, primarily as a result of increases in bank and other borrowings, lease liabilities and amount due to immediate holding company. We entered into 18-month loan arrangements with a financial institution to provide with longer-dated financing. Further, the increase in lease liabilities is related to new leases signed for showrooms and repair shops opened in the second half of 2022 and first half of 2023. Amount due to the immediate holding company remained unchanged at US$10.4 million as at 30 June 2023 and 31 December 2022. The balance is denominated in US dollars but presented in RMB. Due to US and RMB exchange rate movements, the amount due to immediate holding company increased by RMB3.7 million.

Current liabilities

Current liabilities decreased to RMB 928.9 million as at 30 June 2023 from RMB1,187.2 million as at 31 December 2022. Our trade and bills payables decreased by RMB279.9 million to RMB331.6 million as at 30 June 2023 from RMB611.5 million as at 31 December 2023 primarily as a result of using more bank and other borrowings for working capital needs. As a result, Bank and other borrowings increased by RMB23.4 million to RMB405.7 million in the six-month period. Accruals and other payables increased as a result of settlement after the period-end. Contract liabilities decreased by RMB16.1 million to RMB105.5 million as at 30 June 2023 from RMB121.6 million as at 31 December 2022, as a result of lower business activity. Lease liabilities increased by RMB2.1 million to RMB22.9 million as at 30 June 2023 from RMB20.8 million at 31 December 2022 due to new premises lease. Current income tax liabilities decreased by RMB1.2 million due to reduced profitability of our operating subsidiaries to RMB2.3 million as at 30 June 2023 from RMB3.5 million as at 31 December 2022.

Equity

Equity for the Group decreased by RMB23.5 million to RMB272.6 million as at 30 June 2023 from RMB296.1 million as at 31 December 2022. The decrease is primarily due to loss for the period and dividends paid.

Unaudited Condensed Consolidated Statement of Cash Flows

Operating Activities

Operating activities before changes to working capital was RMB46.5 million in 1H2023 compared to RMB98.2 million in 1H2022. The decrease is primarily due to lower profitability. Operating activities after working capital changes were RMB(49.5) million primarily as a result of reduction in bills payable due to higher proportion of our working capital needs being financed by bank and other borrowings, decreases in inventory and prepayments and deposits freed for working capital.

Investing Activities

Investing activities was RMB26.1 million in 1H2023 which consisted of investment of RMB44.1 million in capital expenditures relating to the Changsha Genesis and Foshan Genesis store, offset by proceeds from disposal of property, plant and equipment of demonstration cars.

Financing Activities

Financing activities was RMB95.4 million in 1H2023. This consisted primarily of net borrowings of RMB33.0 million and repayment of pledged bank deposits of RMB99.8 million offset by interest payments of RMB23.5 million, lease payments of RMB9.8 million and dividend payment of RMB4.0 million.

Corporate Development

Since the initial public offering, TCA has completed three Genesis showrooms and BMW service center located in Shenzhen. The Company is currently renovating its Guangzhou BMW dealership as part of the manufacturer mandated dealership transformation. TCA's Foshan BMW and Shenzhen BMW dealerships have already upgraded to this standard. Chongqing BMW dealership is scheduled to be renovated in 2024.

In terms of future expansion, we are cautious given that the Chinese car market is going through a significant change. We have to carefully manage the risks of starting another dealership as each new investment represents significant financial commitment. Our priority remains to find suitable use for our land in Chongqing next to our BMW dealership. We also orienting ourselves forward to the vehicle electrification. We are evaluating opportunities in China and in neighboring countries that are ready for the NEV adoption to start NEV dealerships.

Debt Management

During the first half of 2023, we reduced net interest-bearing liabilities to RMB480.5 million as at 30 June 2023 from RMB647.9 million as at 31 December 2022 despite carrying higher average inventory in 1H2023. Our net debt to equity ratio improved to 1.8x as at 30 June 2023 from 2.2x as at 31 December 2022, but was higher than compared to debt to equity ratio of 1.4x as at 30 June 2022. During periods of slower sales where inventory is building, we may increase our borrowings to ensure sufficient liquidity for operations. However, we remain committed to our long-term strategy of deleveraging and be less reliant on bank financing to insulate the Company from credit cycles.

3. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Company announced profit warning on 12 July 2023. The financial results are in line with the explanation stated in the profit warning announcement.

5. A commentary at the date of the announcement of significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and next 12 months

The Chinese economy grew by 6.3% (year-over-year) in the second quarter and only 0.8% compared to the first quarter of 2023. The growth was considered to be below expectations, because the economy was hampered by stringent Covid-19 measures in prior year. Key economic gauges such as housing sales, youth employment and industrial activity have stalled since a promising start in the first quarter of 2023[2].

According to the China Passenger Car Association[3], Chinese passenger vehicle sales grew by 2.7% to 9.5 million units in first half of 2023 compared to the same period in 2022 which were then affected by COVID-19 lockdowns. The first half of 2023 vehicle sales were 4.1% lower than first half of 2021 when the Chinese economy were relatively robust. During the first half of 2023, NEV sales grew by 37.3% units to 3.0 million units.

NEV transition is well underway in China. Over the last years, new entrants, many of them home-grown, and some existing manufacturers have introduced NEVs in China. The adoption of these vehicles has been quick because many local governments support the transition to NEVs with purchase tax breaks. NEV also benefit from being exempt from license plate restrictions implemented in some cities. As such, larger cities such as Guangzhou and Shenzhen, where the Company has dealerships, have seen higher NEV penetration rates than smaller cities.

The proliferation of NEV products and fight for market share have turned automobile purchase into a buyers' market. Earlier in the year, leading NEV brands began to discount aggressively which ignited a price war as other brands followed. Combined with a sluggish economy, this have hurt car sales and gross margins for the incumbent players. Most of these NEV products fall below the premium segment (>RMB300,000) and the fastest growth segment are cars priced between RMB100,000 to RMB250,000[4]. As such, the corresponding the impact on the premium market has been less sharp than on the mid-segment cars like the Japanese marques. The top six Japanese manufacturers which focuses on the mid-market segment saw Chinese sales volume drop by 19.9% drop (y-o-y) in the first half of 2023[5]. In contrast, BMW grew volume by 3.7% to 392,000 units and its closest competitor, Mercedes grew by 6.0% to 377,000 units. It is estimated that Audi dropped by 6.6% to 317,000 units in the first half of 2023 compared with 1H2022[6]. The premium car manufacturers are responding to the difficult market conditions with additional dealer rebates, sales target adjustments and electrified versions of the respective brands most popular models.

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2 Update: China's GDP Grew 6.3% in Second Quarter, Missing Market Expectations (caixinglobal.com)

3 China's Car Sales Slow as Price War Disrupts Market (caixinglobal.com)

4 June 2023 China Automobile Production and Sales Report_Sohu Auto_Sohu.com

5 https://www.scmp.com/business/china-business/article/3228145/sales-japanese-carmakers-toyota-nissan-and-honda-sink-china-they-fall-behind-ev-race

6 BBA's sales in China in the first half of the year are clearly differentiated, Mercedes-Benz BMW is growing, Audi is further left behind _ Oriental Fortune Network (eastmoney.com)

BMW, our main manufacturing partner, will be introducing a brand new i5 Series, a fully electric sedan in the fourth quarter of 2023. This car model will join a full line up of electric versions of its most popular brand. BMW has also announced further investment in China to develop advanced NEV batteries and expand its charging network will broaden the appeal of BMW's electric cars.

While the Company and TCA's manufacturing partners have taken steps to lessen the impact of the NEV disruption, the current market is intensely competitive. At this stage, it is uncertain when the market conditions will improve and therefore the Company's expectation is that in the immediate term the outlook for the sector will remain soft.

6. Dividend information

(a) Current financial period reported on

Whether an interim (final) ordinary dividend has been declared or recommend?

No dividends has been declared or recommended for the current financial period.

(b) Previous corresponding period

Whether an interim (final) ordinary dividend has been declared or recommend?

No dividend has been declared or recommended for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable

(d) Book closure date

Not applicable.

6a. If no dividend has been declared or recommended, a statement to that effect and the reason (s) for the decisions

No dividend has been declared or recommended for the financial period ended 30 June 2023 as the Company intends to reserve its cash resources for investments.

7. Interested person transactions

The Group has not obtained a general mandate from shareholders for Interested Person Transactions ("**IPT**").

There were no other IPT greater than S$100,000 or more for 1H2023.

8. Status of the use of IPO funds raised

The Group raised net proceeds from the initial public offering of S$16.3 million (the "**IPO Proceeds**"). As of the date of the announcement, total of S$11.3 million was utilized for payment to contractors and suppliers relating to the construction of the Shenzhen BMW service center, Guangzhou Genesis showroom and Foshan Genesis showroom as well payment of BMW spare parts inventory. The balance of the IPO Proceeds as follows:

	Allocation of net proceeds	**Amount utilized as at the date of this announcement**	**Balance as at the date of this announcement**
	S$'000	**S$'000**	**S$'000**
Increasing the number of our dealerships, showrooms and service centres in cities where we have existing operations, namely in Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan	11,000	6,000	5,000
Expanding our business through growing our dealership network to new regions, diversifying to other premium and ultra-premium automobile brands, and expanding and diversifying into complementary businesses	3,000	3,000	-
General working capital purposes	2,311	2,311	-
Total	**16,311**	**11,311**	**5,000**

9. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7H under Rule 720(1) of the Catalist Rules of the SGX-ST.

10. Disclosures required pursuant to Rule 706A of the Catalist Rules

The Company incorporated TCA Auto (Thailand) Limited on 3 August 2023 in Bangkok, Thailand with registered capital of THB 5,000,000. The incorporation was funded through internal resources and was not expected to have any material impact on the net tangible assets and earnings per share of the Company for the current financial year ended 30 June 2023. The principal activities of the newly incorporated company are to engage in automobile sales and provision of after-sales services.

11. Confirmation by the Board

On behalf of the Board of Directors of the Company, I, the undersigned, hereby confirm to the best of my knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months period ended 30 June 2023 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Francis Tjia

Executive Chairman and Chief Executive Officer

14 August 2023