**Trans-China Automotive Holdings Limited**
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(Company Registration Number: 306871)
(Incorporated in the Cayman Islands on 18 December 2015)

**FOR IMMEDIATE RELEASE**

# TCA achieves revenue of RMB1,685.2 million for 1H2023; macroeconomic headwinds continue to impact post-pandemic recovery

- *Working closely with automotive partners to manage the operational challenges while implementing sales and marketing initiatives to improve operations and profitability*
- *Successfully executed expansion plans with new Genesis stores and BMW service centre to capture opportunities when market conditions improve*
- *Continues long-term strategy to reduce overall debt and strengthen financial position*

| Financial Highlights (RMB Million) | Six months ended 30 June | | |
|---|---|---|---|
| | **1H2023** | **1H2022** | **Change (%)** |
| Sales of Automobiles | **1,432.8** | 1,799.5 | (20.4) |
| Provision of After-Sales Services | **249.5** | 249.8 | (0.1) |
| Agent Commission | **2.9** | - | 100 |
| **Total Revenue** | **1,685.2** | 2,049.3 | (17.8) |
| Gross Profit | **66.2** | 147.1 | (55.0) |
| Gross Profit Margin (%) | **3.9** | 7.2 | (3.3) ppt |
| **Net Profit/(Loss)** | **(15.4)** | 40.4 | n.m. |

**SINGAPORE, 14 August 2023** – Leading PRC premium automobile dealership group, **Trans-China Automotive Holdings Limited (耀骅汽车集团)** ("**TCA**" or the "**Company**", and together with its subsidiaries, the "**Group**"), today reported revenue of RMB1,685.2 million for the first six months ended 30 June 2023 ("**1H2023**") as compared to revenue of RMB2,049.3 million in the same period a year ago ("**1H2022**").

Despite the lifting of all COVID-19 restrictions since January 2023, China's economic recovery is slower than anticipated. This is reflected by the gross domestic product growth of 6.3% for the second quarter, which saw only a marginal increase of 0.8% compared to the 2.2% in the first quarter.[1]

Together with the transition towards vehicle electrification, Chinese passenger vehicle sales have slowed in the first six months, rising only slightly by 2.7% to 9.5 million units, compared to the same period a year ago when COVID-19 restrictions were still in place.  Meanwhile, sales of new energy vehicles ("**NEV**") surged 37.3% to 3.1 million units as many NEV brands offered massive discounts which triggered an industry-wide price war and impacted the sales of the premium segment.[2]

In view of the foregoing, the Group recorded a net loss of RMB15.4 million in 1H2023, compared to a net profit of RMB40.4 million in 1H2022.

[1] 17 July 2023, Reuters – China's frail Q2 GDP growth raises urgency for more policy support
[2] 10 July 2023, Reuters – China's car sales shrink 2.9% in June as big-ticket spending falters

## 1H2023 performance review by segment

With the impact of the NEV disruption and the economic slowdown leading to more consumers being cautious on big-ticket spending, revenue from **Sales of Automobiles** declined 20.4% to RMB1,432.8 million from RMB1,799.5 million with the number of new cars sold declining to 4,131 units from 5,027 units in 1H2022. To cushion gross margin pressures and minimise the impact of the current market conditions, the Group had to revise its sales plans and business terms with its manufacturers for the year. Despite the additional financial support, significant discounts were offered to customers to meet its sales targets, resulting in a gross loss of RMB24.5 million for 1H2023 (1H2022: gross profit of RMB40.2 million).

The Group's **After-Sales Services** segment began to improve in the second quarter of the year after disruption in January when COVID-19 infection rates were high, bringing in revenue of RMB249.5 million for 1H2023, a marginal 0.1% dip from RMB249.8 million in 1H2022. However, gross profit declined 17.9% to RMB87.8 million with gross profit margin dipping to 35.2% from 42.8% in 1H2022, due to lower-than-average car usage in the first two months of 2023 and lesser repairs on accident cars which are more profitable.

During the period under review, the Group recorded total **Agent Commission** of RMB2.9 million which commenced operations under the agency model in the second half of 2022.

As a result, the Group's gross profit declined 55.0% to RMB66.2 million in 1H2023 compared to RMB147.1 million in 1H2022, while gross profit margin slipped 3.3 percentage point to 3.9% from 7.2% in 1H2022.

As at 30 June 2023, the Group's net current liabilities stood at RMB11.2 million due to net loss incurred as well as strategic investments in new locations. Nevertheless, TCA reduced its net interest-bearing liabilities by 25.8% with net debt to equity ratio improving to 1.8 times from 2.2 times as at 31 December 2022, with sufficient financial resources to fulfil its financial obligations over the next 12 months.

## Corporate Development and Outlook

In spite of challenging conditions, TCA has successfully completed its expansion plans during 1H2023 with the opening of its second and third Genesis showrooms in Changsha and Foshan in January and June 2023 respectively. Currently, the Group is renovating its Guangzhou BMW dealership as part of the manufacturer mandated dealership transformation, while the Chongqing BMW dealership is scheduled for renovation in 2024.

Given the evolving economic landscape and the significant shift in the car market in China, TCA is cautious about its future expansion plans as opening new dealerships would require significant financial commitment.

Meanwhile, BMW, TCA's main manufacturing partner, has also announced several initiatives that is in line with the industry's shift towards vehicle electrification. The brand has made further investment to develop the production of NEV batteries and expand its charging network in China. In addition, BMW is also expected to introduce a brand new i5 Series in the fourth quarter of 2023.

**Executive Chairman & Chief Executive Officer, Mr Francis Tjia (谢汉耀),** said: "*With China's swift and drastic transition towards vehicle electrification, the attractive NEV line-ups from our main automotive partners, BMW and Genesis, have supported sales for the demand for electrified vehicles. As NEV adoption continues to expand globally with China being the largest market for NEV sales, we will look to explore and evaluate opportunities in China and in neighbouring countries to start new NEV dealerships."*

Besides venturing deeper into the NEV market, the Group continues to prioritise on finding a suitable use for the land next to its Chongqing BMW store. As outlook for the sector remains soft, TCA will continue to execute its long-term strategy of deleveraging to reduce its reliance on bank borrowings.

Mr Francis Tjia said: "*While the macroeconomic environment remains uncertain and volatile, we will continue to work closely with our brands, strengthen our financial position, and implement our ongoing internal initiatives to improve operations and profitability. We are confident that these efforts will strategically position us for recovery once market conditions improve."*

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**About Trans-China Automotive Holdings Limited**

**Trans-China Automotive Holdings Limited (耀骅汽车集团)** ("**TCA**" or the "**Company**", and together with its subsidiaries, the "**Group**"), is a leading automobile dealership group with operations in the People's Republic of China ("**PRC**"). Focused on the distribution of premium and ultra-premium automobiles under the BMW, McLaren, and Genesis brands, the Group's dealerships are located in the PRC primarily in key cities in Greater Bay Area and other select tier two cities.

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

**Issued for and on behalf of Trans-China Automotive Holdings Limited**


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