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

Trans-China Automotive Holdings Limited
Voluntary Business Update

Hong Kong, SAR – 5 May 2023 - Trans-China Automotive Holdings Limited ("**TCA**" or the "**Company**", and together with its subsidiaries, the "**Group**") wishes to provide shareholders with a business update for the three-month period from 1 January 2023 to 31 March 2023 ("**1Q2023**"). All currency amounts referred to in this update are in Chinese Renminbi unless stated otherwise. The financial information for 1Q2023 is based on the Group's latest unaudited consolidated management accounts.

Summary:

- Car sales in China declined 13.4% to 4.3 million in the first quarter of 2023 from the same period prior year[1]
- TCA's total revenue decreased by 18.5% in the first quarter of 2023 compared to same period prior year as a result lower automobiles sales revenue
- Construction of the new Foshan Genesis showroom is progressing well and is expected to open and commence operations in the second quarter of 2023

1Q2023 Business Update

The following table shows the quantity of vehicles sold and revenues for the first quarter of 2021 ("**1Q2021**"), the first quarter of 2022 ("**1Q2022**") and 1Q2023. The financial information is based on the Group's unaudited consolidated management accounts for 1Q2021, 1Q2022, and 1Q2023:

Quantity and Revenue	1Q2021	1Q2022	1Q2023	1Q2022 vs 1Q2021	1Q2023 vs 1Q2022
Units delivered[(1)]	3,117	2,663	2,249	(14.6)%	(15.5)%
Revenue (RMB'000)					
- Sales of automobiles[(1)]	1,168,719	970,704	769,841	(16.9)%	(20.7)%
- After sales services	125,130	124,353	121,610	(0.6)%	(2.2)%
- Agent commission	-	-	1,324	n.m.	n.m.
Revenue (RMB'000)	**1,293,849**	**1,095,057**	**892,775**	**(15.4)%**	**(18.5)%**
Revenue (S$'000)[(2)]	**276,463**	**234,991**	**173,354**	**(15.0)%**	**(26.2)%**

Note:

(1) Units delivered consists of new and pre-owned automobiles sold and cars delivered under agency arrangement; sales of automobiles consist of new and pre-owned automobile revenue
(2) Based on the average 3 months exchange rate of S$1.00: RMB4.68 in 1Q2021; RMB4.66 in 1Q2022; RMB5.15 in 1Q2023

[1] https://www.dongchedi.com/ugc/article/1763114424181775

Overall business environment

The Chinese economy is recovering. The economy grew by 4.5% in the first quarter of 2023 led by exports, infrastructure investment as well as improved retail spending and recovering property prices[2]. The growth rate was especially high compared against the low base in 1Q2022 when Shanghai and other parts of China were going through citywide lockdowns.

Despite a recovering economy, cars sales in China decreased by 13.4% units in the first quarter to 4.3 million units[1]. Car sales were disrupted by the COVID-19 outbreak that followed the relaxation of the pandemic controls in November 2022. Therefore, the traditional busy sales period for automobiles that starts in the fourth quarter and ends in the week before Chinese New Year in 2023 was significantly disrupted.

Electric vehicle ("EV") sales grew by 22.7% to 1.3 million units while internal combustion engine ("ICE") vehicles dropped by 23.4% to 2.9 million units in 1Q2023 compared with 1Q2022. Over the past few years there has been a rush of new EV introductions by pure EV startups such as Tesla, BYD, NIO, Xpeng, Li Auto, Neeta as well as established companies like Mercedes, BMW and Audi. Most of the new EV competition occupy the sub-RMB 300,000 segment, but there are also a few brands such as NIO and LI Auto which compete in the premium segment.

The fight for market share has affected all industry participants. The mid-market Japanese and Chinese ICE brands have been impacted the most but most of the premium marques including BMW, Mercedes-Benz and Audi have also been affected. Premium car sales declined by 3.7% to 790,000 units in the 1Q2023 compared with the same period prior year[3]. BMW 1Q2023 sales declined by 3.8% to 190,000 units compared with same period prior year while Mercedes-Benz dropped by 6.8% to 184,000 units and Audi declined by 14.5% to 137,000 units. Some premium EV brands such as NIO and Li Auto grew during this period lessening the decline in this category.

We believe the industry is headed to a "shake-out" where some of brands that do not achieve necessary volume to be financially viable will merge, be acquired or exit the industry. There have been fewer new entrants and the focus of most EV companies is to scale up volume as much as possible to realize better unit economics, cashflow and profitability. In January 2023, Tesla announced a price drop for their models which were quickly followed by other EV companies. This has led to the ongoing price-war in the Chinese automobile sector.

At this stage, it is uncertain how long the price war will last or which of the start-up EV companies will survive. We believe established brands like BMW and some of the better selling EV companies are expected to weather this disruption better.

[2] China's economy rebounds more than expected after Covid reopening | Financial Times
[3] http://www.cpcaauto.com/newslist.php?types=csjd&id=3074

Automobiles sales revenue

TCA's automobiles sales revenue decreased by 20.7% to RMB769.8 million in 1Q2023 as a result of reduced sales targets and disruption to normal sales by the high COVID-19 infection rates affecting China in the first two months of 2023 and competitive market environment.

The auto market weakened in the second half of FY2022 due to a slow economy. As a result, we worked together with our EOM partners to reduce FY2023 sales targets for our stores. Lower sales targets alleviate pressure on automobile gross margins because fewer cars are required to be sold to qualify for OEM rebates.

This was proved prudent as after the COVID-19 control policies were lifted in November 2022, the ensuing COVID-19 infection wave disrupted the traditional busy sales period. Further, in the current intensively competitive environment large discounts are offered to customers on automobiles. As such, the lower sales volume help soften the financial impact to the Company.

After sales services revenue

Revenue from after sales services during 1Q2023 was RMB121.6 million, representing a decrease of 2.2% as compared to 1Q2022. Overall car usage declined significantly in January when the COVID-19 infections rates were high which affected overall demand for aftersales services.

Agent commission

Agent commission refers to the delivery fee TCA receives for Genesis cars under an agency dealership business arrangement. Under the agency dealership business arrangement, the Group does not take inventory of cars but instead receives a fee for each car delivered. This revenue segment was started in FY2022 and we expect to further grow this segment in FY2023 as we will have full year operating results from our Genesis stores.

Corporate Developments

Genesis

TCA opened its Guangzhou Genesis showroom in August 2022 and its Changsha Genesis showroom in January 2023. We are currently in the process of building out our third showroom in Foshan. This showroom is targeted to open in the second quarter of 2023.

Genesis is a new entrant to the Chinese market having just launched the brand two years ago. Currently there are twelve dealerships in China covering most of the major cities. The brand philosophy is to operate one dealer per city on an agency model which limits the intra-brand competition and lowers the working capital requirements for the dealers. In March 2023, Genesis launched the much lauded GV60, a fully electric SUV in China. At the Shanghai Autoshow in April 2023, Genesis further introduced the GV70, mid-sized SUV, and G90, an executive sedan. Genesis now has a full line up of car to serve the Chinese market. TCA is focused on increasing marketing and selling activities broaden the brand and product awareness.

Genesis G90 – executive sedan

Inside of Foshan Genesis

Exterior View of Foshan Genesis

Other Opportunities

We continue to look for opportunities to develop the vacant land owned by the Company next to our Chongqing BMW showroom. The area is sufficiently for one large dealership or two medium sized stores. At the moment, we are in various stages of discussions with different brand partners to secure a dealership appointment.

We are also on the lookout for opportunities in the EV space within and outside of China. At the moment, we have begun preliminary discussions to explore potential cooperation opportunities.

Outlook

The COVID-19 control policies that dragged the economy for the last two years are behind us and we are eagerly looking ahead as the country is returning normalcy. The Chinese economy is recovering and local governments continue to support spending by providing tax breaks and rebates for car purchases. All these supportive measures provide tail wind for car sales.

Electrification has brought significant changes to the Chinese auto industry. While this will bring disruption to the overall business, we are confident in the dealership business model and the role of the auto dealers play in value chain. Dealers are an important interface to customers where we not only provide the brand's primary touch point and service to customer but also provide working capital for the manufactures.

The price war started by the EV brands will likely trigger a shake-out and eventually a consolidation. In this phase, industry profit will impacted and all participants are affected. Therefore, in this uncertain environment TCA is cautious with any large expenditures and will continue to emphasize cost control. When the market conditions improve, the Company will be well positioned for future growth.

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About Trans-China Automotive Holdings Limited (SGX: VI2)

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 super premium automobiles under the BMW, McLaren and Genesis brands, the Group's dealerships are in key cities in the PRC namely, Foshan, Shenzhen, Guangzhou, Chongqing, Changsha, and Wuhan. Its multiple business segments include the sale of new automobiles under its dealerships, sale of preowned automobiles that come from customer trade-ins, auction companies and other suppliers of used cars, provision of automobile agency services which are ancillary services such as automobile financing, insurance and car registration services, and provision of after-sales services which include repairs, maintenance and inspection of automobiles as well as the retailing of automobile parts and accessories.

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Disclaimer

Figures for 1Q2021, 1Q2022 and 1Q2023 stated in this business update are unaudited and are subject to revision. The financial figures contained herein have not been audited nor reviewed by the auditors.

The Company wishes to emphasise that none of the forward-looking statements in this document is intended to be a profit forecast, and should not be treated as such.

This document should be read as an overview of the Group's current business activities and operating environment which may contain statements relating to the Group's growth strategy and future business aspirations, based on the Directors' best knowledge. These statements involve risks and uncertainties and should not be solely relied upon by investors or potential investors when making an investment decision. The Group will not be responsible for any consequences resulting from the use of this material as well as the reliance upon any opinion or statement contained herein.

Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

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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.

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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