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## 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 2021.

#### Consolidated statement of profit or loss for the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3, 4	11,864,957	12,319,495
Cost of sales		<u>(9,819,638)</u>	<u>(9,967,055)</u>
<b>Gross profit</b>		2,045,319	2,352,440
Other net income		619,213	227,082
Distribution costs		(999,512)	(1,198,207)
Administrative expenses		(995,056)	(1,074,118)
Other operating expenses		<u>(23,735)</u>	<u>(33,085)</u>
<b>Profit from operations</b>		646,229	274,112
Financing costs		(58,036)	(80,179)
Share of profits of associates		<u>69,896</u>	<u>73,241</u>
<b>Profit before taxation</b>	5	658,089	267,174
Income tax expense	6	<u>(204,213)</u>	<u>(182,003)</u>
<b>Profit for the year</b>		<u>453,876</u>	<u>85,171</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		378,098	9,507
Non-controlling interests		<u>75,778</u>	<u>75,664</u>
<b>Profit for the year</b>		<u>453,876</u>	<u>85,171</u>
<b>Earnings per share</b>	8		
Basic and diluted (cents)		<u>18.78</u>	<u>0.47</u>

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2021**

	<b>2021</b> <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
<b>Profit for the year</b>	453,876	85,171
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurement of net defined benefit retirement obligations	931	13,394
Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the year	(169,836)	(459,232)
	<u>(168,905)</u>	<u>(445,838)</u>
<b>Items that may be or are reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(306,510)	145,634
- associates outside Hong Kong	14,127	33,591
Reclassification of translation reserve upon deemed disposal/disposal of associates	(68)	36,246
	<u>(292,451)</u>	<u>215,471</u>
<b>Other comprehensive income for the year</b>	<u>(461,356)</u>	<u>(230,367)</u>
<b>Total comprehensive income for the year</b>	<u><u>(7,480)</u></u>	<u><u>(145,196)</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	40,767	(261,182)
Non-controlling interests	(48,247)	115,986
<b>Total comprehensive income for the year</b>	<u><u>(7,480)</u></u>	<u><u>(145,196)</u></u>

**Consolidated statement of financial position  
at 31 December 2021**

	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		4,065,018	3,707,785
Property, plant and equipment		4,811,672	5,085,397
Intangible assets		53,469	77,117
Goodwill		31,769	45,772
Interest in associates		896,967	868,010
Investments designated as at fair value through other comprehensive income		1,642,997	42,380
Hire purchase debtors and instalments receivable		102,569	139,201
Receivables, deposits and prepayments		179,325	135,489
Deferred tax assets		56,721	58,586
		<u>11,840,507</u>	<u>10,159,737</u>
<b>Current assets</b>			
Investments designated as at fair value through other comprehensive income		—	1,771,051
Inventories		1,450,435	1,825,709
Trade debtors	9	981,578	1,107,760
Hire purchase debtors and instalments receivable		78,897	97,515
Other debtors, deposits and prepayments		509,819	436,840
Amounts due from related companies		251	970
Cash and bank balances		2,475,773	2,539,772
		<u>5,496,753</u>	<u>7,779,617</u>
<b>Current liabilities</b>			
Unsecured bank overdrafts		144,950	78,169
Bank loans		996,151	1,769,374
Trade creditors	10	889,175	813,235
Other creditors and accruals		1,040,588	1,064,385
Amounts due to related companies		11,088	10,607
Lease liabilities		244,258	247,942
Current taxation		109,654	116,156
Provisions		24,547	33,621
		<u>3,460,411</u>	<u>4,133,489</u>
<b>Net current assets</b>		<u>2,036,342</u>	<u>3,646,128</u>
<b>Total assets less current liabilities</b>		<u>13,876,849</u>	<u>13,805,865</u>

**Consolidated statement of financial position  
at 31 December 2021 (continued)**

	<b>2021</b>	<b>2020</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Non-current liabilities</b>		
Bank loans	1,068,985	897,764
Lease liabilities	503,776	501,544
Net defined benefit retirement obligations	63,513	76,578
Deferred tax liabilities	107,178	99,015
Provisions	49,551	49,839
	<u>1,793,003</u>	<u>1,624,740</u>
<b>NET ASSETS</b>	<u>12,083,846</u>	<u>12,181,125</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,006,655	1,006,655
Reserves	<u>9,800,580</u>	<u>9,848,870</u>
<b>Total equity attributable to equity shareholders of the Company</b>	10,807,235	10,855,525
<b>Non-controlling interests</b>	<u>1,276,611</u>	<u>1,325,600</u>
<b>TOTAL EQUITY</b>	<u>12,083,846</u>	<u>12,181,125</u>

## Notes:

### 1. Basis of preparation

The financial information relating to the year ended 31 December 2021 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 2021 comprise the Company and all its subsidiaries and the Group's interest in associates 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

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:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

Other than the amendment to IFRS 16, 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 amended IFRSs are discussed below:

#### **Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)***

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

#### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2***

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities, and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

### 3. Revenue

Revenue represents the sales value of goods sold, services provided to customers, hire purchase financing income, rental income, income from sales of properties, 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:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products or services lines		
- Sale of goods	4,625,843	5,322,628
- Rendering of services	7,065,077	6,760,600
- Gross proceeds from properties sold	—	42,171
- Management service fees	1,000	1,000
- Agency commission and handling fees	42,375	66,741
- Warranty income	1,597	6,720
<b>Revenue from other sources:</b>		
- Gross rentals from investment properties that are fixed	98,981	85,038
- Hire purchase financing income	30,084	34,597
	<u>11,864,957</u>	<u>12,319,495</u>

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

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Disaggregated by geographical location of customers		
- Singapore	1,502,912	1,536,054
- People's Republic of China ("PRC")	582,336	599,615
- Thailand	773,907	1,139,546
- Japan	6,648,430	6,343,451
- Taiwan	1,334,958	1,215,483
- Others	1,022,414	1,485,346
	<u>11,864,957</u>	<u>12,319,495</u>

#### 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 (a) below. No operating segments have been aggregated to form the reportable segments.

##### **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, hire purchase financing, provision of workshop services and the manufacturing of vehicles seats.

#### 4. Segment reporting (continued)

##### (a) 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 measure 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.

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 years ended 31 December 2021 and 2020 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	4,170,262	4,981,400	194,244	122,169	—	42,171	—	—	261,337	219,059	4,625,843	5,364,799
Over time	334,255	359,455	70,837	63,345	85,760	75,936	6,648,430	6,343,451	99,832	112,509	7,239,114	6,954,696
Revenue from external customers	4,504,517	5,340,855	265,081	185,514	85,760	118,107	6,648,430	6,343,451	361,169	331,568	11,864,957	12,319,495
EBITDA	192,177	(4,312)	(37,168)	(67,758)	417,956	105,075	654,937	628,682	50,410	223,279	1,278,312	884,966

4. **Segment reporting (continued)**

(b) *Reconciliation of reportable segment profit or loss*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment EBITDA	1,278,312	884,966
Depreciation and amortisation	(646,176)	(626,552)
Interest income	14,093	15,698
Finance costs	(58,036)	(80,179)
Share of profits of associates	69,896	73,241
	<u>658,089</u>	<u>267,174</u>
<b>Consolidated profit before taxation</b>	<u><u>658,089</u></u>	<u><u>267,174</u></u>

5. **Profit before taxation**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	3,809,623	4,137,170
Cost of properties sold	—	17,039
Interest expense	58,036	80,179
Depreciation		
- owned property, plant and equipment	269,241	207,412
- right-of-use assets	353,008	392,751
Amortisation of intangible assets	23,927	26,389
Bank and other interest income on financial assets measured at amortised cost	(14,093)	(15,698)
Dividend income		
- listed investments	(41,163)	(42,957)
Valuation gains on investment properties, net	(372,397)	(17,755)
	<u><u>(372,397)</u></u>	<u><u>(17,755)</u></u>

## 6. Taxation

### Income tax expense:

	For the year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
<b>Current tax expense</b>		
Provision for the year	191,813	177,194
Under-provision in respect of prior years	<u>1,833</u>	<u>2,568</u>
	193,646	179,762
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<u>10,567</u>	<u>2,241</u>
<b>Total income tax expense in the consolidated statement of profit or loss</b>	<u><u>204,213</u></u>	<u><u>182,003</u></u>

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	
	2021 HK\$'000	2020 HK\$'000
Interim dividend paid of HK\$0.015 per ordinary share (2020: HK\$0.01 per ordinary share)	30,200	20,133
Final dividend proposed after the end of the reporting period of HK\$0.05 per ordinary share (2020: HK\$0.03 per ordinary share)	<u>100,665</u>	<u>60,399</u>
	<u><u>130,865</u></u>	<u><u>80,532</u></u>

## 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\$378,098,000 (2020: HK\$9,507,000) and the number of 2,013,309,000 ordinary shares (2020: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2021 and 2020 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	
	2021	2020
	HK\$ '000	HK\$ '000
0-30 days	719,702	736,097
31-90 days	231,772	277,199
Over 90 days	30,104	94,464
	<u>981,578</u>	<u>1,107,760</u>

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	
	2021	2020
	HK\$ '000	HK\$ '000
0-30 days	563,933	485,945
31-90 days	113,943	126,611
91-180 days	32,364	109,098
Over 180 days	178,935	91,581
	<u>889,175</u>	<u>813,235</u>

## FINAL DIVIDEND

The Board recommends a final dividend of HK\$0.05 per share on the shares in issue absorbing a total of HK\$100,665,450 which will be payable on 24 June 2022 to shareholders whose names appear on the Register of Members on 1 June 2022, subject to the approval of shareholders at the Annual General Meeting to be held on 24 May 2022.

## MANAGEMENT REVIEW

### RESULTS

The world became acutely aware of the COVID-19 disease ever since the beginning of 2020. More than two years had passed; not only is the pandemic prevalent, it is still raging in many parts of the globe. In the Asia Pacific region where the Group has its operations, various kinds of human mobility, activities and business restrictions, controlled air travels and trade flows between countries continue to be highly regimented. Widespread supply chain disruptions, coupled with subdued business and guarded consumer sentiments had impacted negatively on most of our businesses. Our business operations in Japan were similarly affected. The Group's 2021 results as compared to 2020 registered an overall 4% decline in revenue with vehicles sale units dropping by 17%.

The Group recorded revenue of HK\$11.9 billion, a 4% decrease from that of year 2020. The decline was primarily due to sales volume reduction of 17% in our motor vehicle distribution and retail division. The transportation and logistics business represented by Zero Co., Ltd. in Japan ("Zero") however, showed a 5% increase in revenue as a result of the consolidation of the financial results of its subsidiary Zero SCM Logistics (Beijing) Co. Ltd from 1st July 2021. The Group experienced a slowdown in all its markets with the exception of Hong Kong and Taiwan where there were some increases in vehicle sales units. Facing all these challenges, the Group continues to right-size and streamline its operations. This resulted in the Group reducing its distribution costs by 17% and administrative expenses by 7%. Simultaneously, non-performing business units were either re-structured or disposed. On top of an earlier 8% reduction in personnel headcount in 2020, the Group's manpower saw a further reduction of 6% in 2021.

Despite the drop in revenue as highlighted above, the profit after tax of the Group for the year ended 2021 is substantially higher than that of the preceding year. The increase is mainly attributed to the valuation gains of the Group's investment properties as determined by independent professional valuers.

Profit from operations increased to HK\$646.23 million from HK\$274.11 million as recorded in 2020.

Operating profit margin increased to 5.4% as compared to the 2.2% recorded in 2020.

Profit for the year 2021 was HK\$453.88 million as compared to HK\$85.17 million for year 2020.

Profit attributable to shareholders for year 2021 was HK\$378.10 million.

The Group's return on capital (ROCE), computed by dividing earnings before interests and taxes (EBIT) by total equity and non-current liabilities, was 5.1 % as compared to 2.4% in year 2020.

The net-gearing ratio, computed by dividing the net debt by total equity is not applicable for year 2021 as the Group is in a net cash position. The net cash is HK\$265.687 million, comprising of cash and bank balances of HK\$2,475.773 million less borrowings of HK\$2,065.136 million and unsecured overdrafts of HK\$144.95 million.

As at the end of 2021, the Group's employee strength was 5,105 as compared to 5,407 in 2020. This is 6% decrease over that of the past year. Relentless rationalization of the Group's businesses and work processes to increase productivity is a constant endeavour for the Group to stay competitive.

The Group takes cognizant of its social and corporate responsibilities, particularly in embracing solutions that address climate changes. In compliance to the regulatory, environmental and emission standard requirements of the countries where the Group distributes its products and provides services, it continues to be involved in initiatives and programs as well as active participation in the sustainability and conservation of the environment.

## **SIGNIFICANT INVESTMENTS**

As at 31<sup>st</sup> December 2021, the Group had investments in listed and unlisted equity securities amounting to HK\$1.643 billion designated as 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\$170 million was recognized in other comprehensive income during the year ended 31 December 2021. The loss was primarily due to share price changes of its listed investments, which were marked to market and was therefore unrealized. Such unrealized fair value loss on its investments was not reclassified to the Group's consolidated statement of profit or loss.

## **FINANCE**

For the year 2021, dividend payment will amount to HK\$130.865 million. Final dividend will be HK5.0 cents per share (interim HK1.5 cents) totaling HK6.5 cents per share for the financial year 2021 as compared to HK4.0 cents for year 2020. Consolidated net asset year-on-year decrease to HK\$6.00 per share as compared to HK\$6.05 per share in 2020, after factoring in the changes in fair value of the listed equity securities.

## **SINGAPORE**

With the introduction of Enhanced Vehicular Emissions Scheme (“VES”) last year, coupled with tiered punitive penalties for vehicles that do not fully meet those stringent standards, the Group’s Subaru operations in Singapore faced significant challenges. There was a double-digit decline in its vehicle sales volume in 2021 as its model lineup attracted hefty penalties in the Enhanced VES regime. The Group has taken extensive cost-saving measures to ensure that its Singapore business remains lean in meeting the many expected challenges ahead.

The Group sees opportunity for recovery in 2022 as it will introduce the New Subaru Forester E-Boxer that is environmentally more friendly in second half of 2022. This new model is expected to attract lower penalties and thereby, more competitive against other brands of vehicles.

## **CHINA / HONG KONG**

Of all its markets in the region, the Group’s operations in Hong Kong were least impacted by COVID-19 onslaught. Despite the supply limitation caused by microchip shortages during the second half of 2021, the Group’s Hong Kong businesses experienced significant growth of 43% in vehicle sales volume for the year 2021. The Group believes that the vehicle supply situation will ease and gradually recover in the third quarter of 2022, translating into positive growth prospects for its Hong Kong operations.

The Group's car business in China experienced negative growth in 2021. Its performance in the second half of the year was better than that of the first half of the period as the COVID-19 situation in Southern China was brought under control. In 2021, the total electric vehicle (“EV”) sales volume in China increased by more than 200%. This market landscape, however posed tremendous pressure on the Group’s sales of Subaru vehicle, the products lineup of which is predominantly that of internal combustion engine. In 2022, with the introduction of its first electric Subaru SUV, the Group expects 30% increase in sales volume over that of 2021. At the end of 2021, the Group also started and invested in a dealership of Great Wall Motor Company Limited of China. Investments in this Chinese brand will continue in 2022. This is positive for growth opportunities for the Group's China operations.

## **COMPLETE KNOCK-DOWN (“CKD”) MARKETS OF VIETNAM, THAILAND AND MALAYSIA**

The Group's CKD markets faced enormous challenges due to the severe COVID-19 pandemic that affected these markets the most in 2021. The prolonged period of restrictive control measures consequently affected the Group's sales last year, causing the Group to record a 47% drop in sales volume. Nevertheless, the respective markets gained some momentum towards the end of 2021. Accordingly, the Group anticipates a positive recovery of its business in 2022.

Vietnam, country in Asia with the most stringent nationwide lock-down measures to combat COVID-19, caused our operations there to trickle to a halt for more than 3 months. Furthermore, the lock-down in Vietnam also resulted in short supply of automotive parts that in turn, caused delays in the start of assembly of the Group’s new Subaru XV in Malaysia. Despite strong recovery in the last quarter of 2021, there was a 44% drop in sales volume for the year as compared to that achieved in 2020.

## **COMPLETE KNOCK-DOWN ("CKD") MARKETS OF VIETNAM, THAILAND AND MALAYSIA (continued)**

Like its other Asian neighbours, Thailand had her fair share of COVID-19 restrictive problems and challenges. The sales volume there dropped by 51%. On a brighter note, our Thailand joint venture factory with Subaru Corporation sees steady recovery of production output towards end of 2021 as sales slowly began to recover. The Group anticipates further increases in production and sales volume in 2022.

Malaysia's deepened COVID-19 measures resulted in 3 months closures of all non-essential businesses, that include the suspension of car showrooms and automotive assembly lines. Consequently, the Group's sales volume was down 41%. Despite the challenges, the Group made strong recovery towards the end of 2021. The Group is optimistic of speedy sales recovery in 2022 following the introduction of new Subaru XV model that is enhanced with the highly popular Eyesight safety technology.

## **TAIWAN AND PHILIPPINES**

The Group's vehicle sales in Taiwan performed better in the second half of 2021 as compared to the first half. Overall, Taiwan registered a marginal increase of 5% in sales units despite the frequent disruptions in supply chain amid a prolonged Level 3 COVID-19 control measures implemented there.

Philippines delivered a stellar recovery with an 8% annual growth in sales revenue in 2021. This was the result of good response by the consumers to the new 7-Seater SUV Subaru Evoltis and Subaru Outback models introduced there. Going forward, the Group expects to face challenges due to supply constraints of these models.

## **JAPAN**

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded a 5% increase in revenue to HK\$6.6 billion for year 2021. The revenue increase is due in part to consolidation of the financial results of Zero SCM Logistics (Beijing) Co., Ltd ("Zero SCM") as its subsidiary from 1 July 2021, as well as the steady growth in Zero's used car export business. Zero increased its stake in Zero SCM from 25% to 65% in 2021.

Zero's net profit for the year decreased by 3% over that of previous year 2020. This is due to a decline in the number of units ferried under its transportation contracts as a result of a slump in automobile distribution in Japan. Other factors include soaring fuel cost in the second half of the year as well as lower government employment subsidies received as compared to the previous year.

Even though there are signs of gradual recovery from the impact of COVID-19, rising fuel costs, coupled with slowdown in automobile production activities in Japan due to continued shortage of semiconductor which in turn affects the supply of automobile parts from factories in Southeast Asia, Zero's business performance next year may be curbed. Furthermore, there appears to be a resurgence of the dreaded COVID-19.

## **PROSPECTS**

The past two years had seen unprecedented negative events. The multi-faceted problems of world trade, global health issues and repositioning of major world powers will make year 2022 and beyond not only challenging but also unpredictable and highly volatile. Navigating and surviving this new multi polar world will be very challenging, requiring foresight and wisdom. The Group is optimistic and is well poised to weather these challenges.

Economies of the Asian regions in which the Group has its operations are expected to recover gradually as more countries of the world begin to open up. The Group is mindful that even as vaccines against COVID-19 viruses are being rolled out in stages across the world, there is little concrete evidence that these vaccines provide effective lasting protections against future attacks by mutant variants of the COVID-19 viruses.

Geopolitical tensions are also rearing their ugly heads between some of the world's largest trading nations that include USA, EU, China, Japan and Australasia. The resolution of these tensions is expected to be long drawn, laborious and full of unexpected outcomes. Any major realignment of global trading patterns will have a material impact on the rate of economic recovery of the countries in which the Group operates. Cyclical changes in the earnings of businesses and gyrations in household incomes will compound uncertainties, resulting in restrained spending and investments.

## **PROSPECTS (continued)**

The Group is vigilant against the rapid changes in regional and world economic order. It will continue to adapt and adjust to the new normalcy of business activities. The Group is keeping a close watch and ready to meet the challenges posed by the ever-changing automotive emission standards and policies that are shaped and impacted by fossil fuel powered vehicles on atmospheric and climatic environment.

The Group's unbending perseverance in cultivating resilience and cost competitiveness across all areas of its business activities has seen it standing in good stead amidst the sea of changes and turmoil brought forth by the full impact of COVID-19 and geopolitical tensions between great powers during the past years. The Group is uncertain of the lingering effects of the above negativities. While they are constantly being evaluated, the Group's prudence in investment policies and single-minded focus on efficient management of its retail and distribution networks, logistics and other core business activities will continue to guide it towards its sustainability and long-term growth.

Presently, the Group is unable to determine the duration and severity of the pandemics and geopolitical tensions. Therefore, the Group is unable to assess the full financial impact to its financial performance for 2022. The Group wishes to highlight that a prolonged crisis mentioned above will have a negative material effect on its 2022 financial results.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting ("AGM") which is scheduled on Tuesday, 24 May 2022, the register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Wednesday, 18 May 2022.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the forthcoming AGM of the Company), the register of members of the Company will be closed from Tuesday, 31 May 2022 to Wednesday, 1 June 2022, 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 the 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, 30 May 2022.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 24 May 2022 at 11:00 a.m. The Notice of Annual General Meeting will be sent to shareholders on or before 21 April 2022.

## **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 financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the results of the Group for the year ended 31 December 2021.

## 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 “Corporate Governance Code” (the “CG Code”) set out in Appendix 14 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 CG 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.

The Board carried out the responsibilities of the nomination committee during the year.

By Order of the Board  
**Sng Chiew Huat**  
Finance Director

Hong Kong, 25 March 2022

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 and Mdm. Sng Chiew Huat. 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.*