



INTERIM REPORT 2024

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 693



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Management Review

RESULTS

The first half of 2024 has presented significant challenges for the Group, shaped by an uncertain global economic landscape. Currency fluctuations, slowing global economic activities, and geopolitical tensions have created a complex operating environment.

The Group's results for this period reflect these difficulties, with an 85% decline in profits compared to the same period last year. This downturn is largely due to the underperformance of its automotive division, which faced disappointing car sales and shrinking profit margins.

However, it is important to highlight that not all areas of the Group's business have been equally affected. Both ETHOZ Group Limited ("ETHOZ", and its subsidiaries, collectively the "ETHOZ Group") and ZERO Co., Ltd ("ZERO") demonstrated resilience and growth, achieving profit increases of 17% and 24%, respectively. This underscores the strength and diversity of the Group's portfolio.

Despite the volatility of the current business climate, the Group anticipates an improvement in performance for the remainder of 2024. The Group is also seeing encouraging signs of recovery in its automotive division, with a promising order book for the second half of the year.

While the Group maintains a cautious outlook, this perspective is rooted in its proven ability to adapt and thrive through various economic cycles over the decades. This adaptability has been fundamental to the Group's sustained relevance and success, and it remains confident in its outlook for the future.

The Group's revenue for the first half of 2024 was HK\$6.59 billion, a 9.9% decline from HK\$7.32 billion in the same period of 2023. After-tax profit for the first half of 2024 was HK\$28 million, compared to HK\$187.4 million in the corresponding period of 2023.

The Group experienced a severe drop in sales in the automotive division for the first half of 2024. However, its financial services subsidiary, ETHOZ Group, and its publicly listed logistics subsidiary, ZERO showed some growth compared to the previous corresponding period.

EBITDA fell by 25.3% to HK\$583 million in the first half of 2024, down from HK\$781 million in the same period of 2023. Profit from operations was HK\$242.7 million for the first half of 2024, with an operating profit margin of 3.7% as compared to the 5.9% registered in the corresponding period of the previous year.

The Group's net gearing ratio, which is computed by dividing the net debt with the total equity, was 47.7% as at 30 June 2024. The net debt recorded was HK\$5,703.0 million, as compared to HK\$5,945.7 million as of 31 December 2023. Net debt is comprised of borrowings of HK\$7,383.1 million and unsecured overdrafts of HK\$242.6 million, less cash and bank balances of HK\$1,922.7 million.

ROCE (Return on Capital Employed), calculated by dividing earnings before interest and taxes (EBIT) by the sum of total equity and non-current liabilities, declined to 1.5% in the first half of 2024, compared to 2.8% for the first half of 2023.

Net Asset Per Share as of 30 June 2024 was HK\$5.94, a decrease from the HK\$6.08 recorded at the end of December 2023.

The directors have declared an interim dividend of HK2 cents per share for the first half of 2024.

SIGNIFICANT INVESTMENTS

As of 30 June 2024, the Group had investments designated at fair value through other comprehensive income of HK\$1.94 billion. The investments consist of both listed and unlisted equity securities. Most of these investments are equity securities listed on the Tokyo Stock Exchange, that were accumulated over the years as strategic long-term investments. The Group recorded an unrealized gain on its investments designated as at fair value through other comprehensive income of HK\$262 million, as compared to the unrealized gain of HK\$309 million for the corresponding period in 2023. The gain is due to share price changes of its listed investments, which were marked to market and reported in the other comprehensive income statement for the period. Such unrealized fair value gain on its investments was not reclassified to the Group's consolidated statement of profit or loss.

SINGAPORE

In Singapore, total industry volume ("TIV") in the first half of 2024 for passenger cars and commercial vehicles combined saw an expansion of 28% year-on-year as recovery in the supply of Certificate of Entitlements ("COE") continues to pick up pace.

Nissan

Nissan was able to ride on the recovery, registering a 38% growth in sales in the first half of 2024 compared to the same period in 2023. This expansion was seen for both its passenger cars and commercial vehicles, up 27% and 69% respectively.

Nissan passenger cars remain among the top 10 best-selling brands in Singapore, while Nissan commercial vehicles hold the position as the best-selling light goods vehicles brand in the country.

Looking forward to the second half of 2024, TIV is expected to see further recovery with more supply of COE to be released. As such, the Group is cautiously optimistic that Nissan sales will be able to leverage on the strong performance achieved in the first half of 2024 and deliver even better results in the second half of the year.

Subaru

The Group's Subaru business in Singapore grew by 35% in the first half of 2024 compared to the same period in 2023, largely driven by strong sales performance of the Subaru Forester E-Boxer.

With a better supply of the Forester E-Boxer in the second half of this year, coupled with projected marginal growth of TIV, the Group is optimistic that the Subaru business in Singapore will continue its growth momentum.

ETHOZ Group

ETHOZ Group registered a 17% increase in net profit for the first half of 2024, compared to the same period in 2023. This growth was primarily due to revenue growth.

Total revenue rose 12% to HK\$456.3 million in the first half of 2024 over the corresponding period in 2023, primarily due to an increase in vehicle rental income, sale of vehicles, and interest income.

Interest costs continue to be high while operating expenses simultaneously increased in line with the expansion in business activities.

Management Review (continued)

ETHOZ Group (continued)

Despite the challenging environment expected to persist in the second half of 2024, characterised by ongoing global economic and political uncertainties along with a volatile interest rate outlook, ETHOZ Group remains sanguine about the year's outlook, as its core businesses remain strong and resilient.

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

CHINA

The Group's Subaru Hong Kong operations faced a slow start in the first half of 2024 due to the late introduction of its very first electric vehicle ("EV") Solterra posting a slight 4% drop in sales against the corresponding period last year.

The Hong Kong government's announcement of First Registration Tax Concessions for EVs being extended for two years from 1 April 2024 till 31 March 2026 provides ongoing opportunities for the Group's Solterra. This model is well-received and perceived as an EV offering the versatility of a full SUV.

Outlook for the second half of 2024 remains positive, due to the exciting Subaru WRX & Subaru WRX Wagon starting sales in July.

In China, Subaru continues to face major competition in the automotive market with the Group's China Subaru dealership operations posting a 57% drop in sales in the first half of 2024 against the corresponding period in 2023. The situation is expected to improve moderately in the second half of the year with the introduction of the Subaru WRX sedan and Subaru BRZ STI editions.

TAIWAN AND PHILIPPINES

With the influx of multiple new brands into the Taiwan automotive market intensifying competition, the Group's Subaru operations experienced a 51% decline in sales in the first half of 2024 compared to the same period in 2023.

In Philippines, the continuous influx of new automotive brands brought about by a preferential tax regime has impacted the Group's performance, bringing about a 33% drop in volume against the corresponding period last year.

The Group responded swiftly with a series of forward-looking marketing actions and remains optimistic on its recovery in the second half of the year.

With the comprehensive Subaru product offerings in both these markets, the Group is optimistic about its long-term business prospects.

MALAYSIA, THAILAND, VIETNAM AND CAMBODIA

The Group has announced the discontinuation of its joint venture factory in Thailand on 24 May 2024. The Thailand factory will cease production by the end of 2024. The Group will transition the Complete Knock Down (“CKD”) markets of Malaysia, Thailand, Vietnam, and Cambodia to a Complete Build Up (“CBU”) model from Japan progressively from 2025.

In Malaysia, TIV only grew 9% in the first half of 2024 compared to the same period in 2023, despite the introduction of multiple new automotive brands this year. Subaru operations in the territory posted a modest 5% drop in sales volume, as compared to the corresponding period last year. While the market remains challenging, the Group’s marketing initiatives are showing promising signs of improvement within the network. The Group remains positive on its performance in Malaysia for the second half of 2024.

In Thailand, the Thai Government continues to support EVs heavily, providing incentives for purchases. The Group’s Thai operations posted a decline of 64% in sales volume against the corresponding period in 2023. These initial business impacts show signs of wearing off as consumers are turning to traditional internal combustion engines like Subaru due to its reliability and strong aftersales support network. The Group is positive of Thailand’s long-term business prospects.

In Vietnam, first half 2024 TIV shrank by 5% against the corresponding period in 2023. However, the Group managed to grow its sales volume by 12%. The Group is upbeat on the performance of its Vietnamese operations in the second half of 2024, as it will be launching the new Crosstrek from Japan during the Vietnam Motor Show in October 2024. This represents its first CBU model introduction as part of the CKD to CBU business model transition.

In Cambodia, the business faced a slow start in sales momentum in the first half of 2024 and posted a 31% drop in sales volume against the corresponding period last year. With consistent marketing and growing acceptance towards the brand, the Group expects to recover in the second half of 2024.

JAPAN

ZERO, the Group’s vehicle transportation and logistics division, recorded a 1% decrease in revenue to HK\$3.9 billion for the first half of 2024. ZERO’s net profit for the first half of 2024 increased by 24% from the corresponding period of last year. The depreciation of Japanese Yen against the Group’s reporting currency in HK\$ negatively impacted the revenue and net profit contributed by ZERO. The Japanese Yen weakened by 11% against the HK\$ in the first half of 2024 compared to the same period in 2023.

In terms of ZERO’s revenue and net profit recorded in its operating currency of Japanese Yen, its revenue and net profit rose by 12% and 41% respectively. The increase was primarily driven by its domestic automobile related business. The revenue growth was due to a higher number of units for its used vehicle transportation, while the profit improvement resulted from a fee revision in the vehicle transportation business and the consolidation of SO-ING Co., Ltd, which became a subsidiary of ZERO in November 2023.

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

Management Review (continued)

HIRE PURCHASE AND FINANCING BUSINESS

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

a) Hire purchase and finance lease

Hire purchase contracts and finance lease are mainly for motor vehicles, office automation and Information Technology ("IT") equipment, with operations in Singapore, China and Malaysia.

As of 30 June 2024, net receivables from hire purchase and finance lease amounted to HK\$2.3 billion or 42% of total loans and advances with 19%, 80% and 1% attributable to Singapore, China and Malaysia respectively and accounted for by 8,430 customers. These customers are made up of 94%, 3% and 3% of Small medium enterprises ("SME"), Sole proprietors/Limited partnerships and Non-profit or statutory related organizations respectively.

The ageing analysis of hire purchase and finance lease receivables is as follows: (i) balance with maturity of less than one year is HK\$1.05 billion; (ii) balance with maturity between one year and five years is HK\$1.22 billion; (iii) balance with maturity between five years and seven years is HK\$7.7 million.

b) Commercial loans

Commercial loans, which are only extended to 455 customers in Singapore, make up 58% of total loans and advances amounting to HK\$3.1 billion as of 30 June 2024. These customers are made up of 69% and 31% of SME and Sole Proprietors/Limited Partnerships respectively.

The 3 main types of Commercial loans, namely Secured Commercial loans, ESG loans under the Enterprise Financing Scheme granted by Enterprise Singapore ("ESG") and unsecured loans make up 94%, 2% and 4% of total portfolio respectively.

Secured Commercial loans are mostly secured by properties. Risk is mitigated by low loans-to-value ratio of not more than 80% of good quality property value.

ESG Loans aimed to support the growth of SME sectors in Singapore with risk sharing ratio of up to 90% to be borne by ESG.

Unsecured loans are very selectively offered to high quality clients with strong ability to repay.

The ageing analysis of commercial loan receivables is as follows: (i) balance with maturity of less than one year is HK\$2.3 billion; (ii) balance with maturity between one year and three years is HK\$0.8 billion.

As at 30 June 2024, total loans and advances outstanding from customers before impairment amounted to HK\$5.5 billion. The top 5 customers account for 14% of total loans and advances before impairment, which are all commercial loans secured by properties.

HIRE PURCHASE AND FINANCING BUSINESS (continued)

Major terms of loans granted

For the six months period ended 30 June 2024, the hire purchase and lease period under the hire purchase and finance lease business ranges from 1 to 7 years with related interests charged at 2.5% p.a. to 12% p.a. accordingly.

Commercial loans are offered over a tenure of 1 to 3 years, with interest rates ranging from 6% p.a. to 9% p.a. respectively.

Risk management policies

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group is exposed to credit risks if any of the following occurs:

- A. Change of business model during loan tenure;
- B. Sudden headwind specific to the industry, such as a lack of supply of materials and labour during the COVID-19 pandemic for construction firms;
- C. Poor management of cash flow during a difficult and uncertain business climate;
- D. Aggressive expansion plans leading to financial instability; and
- E. Failure in a greenfield investment.

The main ambits of its credit risk framework include: (A) Credit Approval and (B) Credit Monitoring (Existing Live Contracts).

(A) Credit Approval

Prior to onboarding a new customer, the Group performs screening checks such as Know Your Client, Anti-Money Laundering and Countering the Financing of Terrorism, before a Credit Proposal is submitted to the Credit Risk department for review.

The credit approval team for the Group, which is based at the headquarters in Singapore, adopts a holistic approach to assessing credit risk of the loan.

It considers a combination of quantitative and qualitative factors as provided in the table below. These factors are benchmarked against industry norms and reviewed by a competent team with over two decades of industry experience.

Management Review (continued)

HIRE PURCHASE AND FINANCING BUSINESS (continued)

Risk management policies (continued)

(A) Credit Approval (continued)

Quantitative Factors	Qualitative Factors
<ul style="list-style-type: none">• Balance Sheet Evaluation• Profit & Loss Evaluation• Financial Ratios Evaluation• Cash Conversion Cycle Evaluation• Bank Statement Evaluation• New and Existing Projects Cash Flow• Loan-to-value of collateral	<ul style="list-style-type: none">• Business Model/ modus operandi• Management team/Owners Profile and risk appetite• Track records via its operating history• Market positioning of borrower• Major customers and suppliers• The outlook of the industry or sector it is operating in

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

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

(B) Credit Monitoring (Existing Live Contracts)

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

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

- A. Daily - each Credit Control officer has to perform at least 55 calls, which are logged into the system and reviewed by the supervisor in charge.
- B. Daily review of Direct Debit Authorization rejections, when the Credit Control officer will call the customer to arrange for the next deduction.
- C. Monthly review of collection ratio reports and Aging meetings with senior management.
- D. Site visits where appropriate.
- E. Issuance of reminders and demand letters where required to repossess the property/ies.

Loan impairment policies and impairment assessments

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

HIRE PURCHASE AND FINANCING BUSINESS (continued)

Loan impairment policies and impairment assessments (continued)

Amount outstanding from loans and advances are assessed for impairment regularly by reviewing the non-performing amounts. Non-performing customers are identified, discussed, and followed up during the monthly ageing meetings. Management includes the non-performing amounts as part of the IFRS 9 provision requirements.

As at 30 June 2024, impairment loss allowance of HK\$46.3 million (31 December 2023: HK\$39.4 million) has been made for loans and advances and finance lease. Bad debt written off was less than 0.1% for the first 6 months of 2024.

PROSPECTS

Looking ahead to the second half of 2024, the Group expects to face continued headwinds from increasing geopolitical unrest, shifting consumer demand towards EVs, and unforeseen stock market fluctuations impacting its equity investments. While these present hurdles, they also offer opportunities for innovation and strategic repositioning.

The Group's focus remains on balancing mindful optimism with effective risk management, leveraging its strengths, optimising operations, and seizing emerging opportunities across all divisions.

The Group is also pleased to announce a significant development on the horizon that bolsters its optimism for the future. The Group's subsidiary, ETHOZ Group, with roots tracing back to 1981, is poised for a transformative step forward. Over four decades, ETHOZ Group has grown from its humble beginnings to an established industry leader with a proven track record of success.

The Group is considering a potential separate listing of ETHOZ Group on a recognised stock exchange ("Potential Separate Listing"). This Potential Separate Listing represents a milestone for ETHOZ Group, and aligns with the Group's long-term strategy for value creation and strategic growth.

As at the date of this announcement, (i) the Potential Separate Listing is still in an early stage of consideration and no specific actions have been taken with respect to the Potential Separate Listing, which will be subject to compliance with applicable requirements of Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), among other requirements; and (ii) the terms of the Potential Separate Listing including the listing venue, offering size, price range and other details of the listing proposal have not been confirmed yet, and they are subject to further determination by the Group and the final decision of the Board, by taking into account factors including, among others, the market conditions.

Investors are therefore cautioned that the Potential Separate Listing may or may not proceed. The Company will make further announcement(s) regarding the Potential Separate Listing as and when appropriate in accordance with the relevant requirements of the Listing Rules.

Looking forward, the Group's ability to navigate the complexities of the current market landscape has been honed by decades of experience in weathering both economic highs and lows.

With this foundation, the Group is confident that its adaptability will once again be crucial in overcoming current challenges and ensuring sustained success in a rapidly evolving environment.

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2024 (Unaudited)

	Note	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	6,589,126	7,315,706
Cost of sales		<u>(5,287,082)</u>	<u>(5,944,267)</u>
Gross profit		1,302,044	1,371,439
Other net income		75,861	95,983
Distribution costs		(544,373)	(572,908)
Administrative expenses		(507,388)	(450,650)
Other operating expenses		<u>(83,433)</u>	<u>(11,842)</u>
Profit from operations		242,711	432,022
Finance costs		(103,172)	(105,672)
Share of profits of an associate		<u>594</u>	<u>1,035</u>
Profit before taxation	4	140,133	327,385
Income tax expense	5	<u>(112,115)</u>	<u>(140,029)</u>
Profit for the period		<u>28,018</u>	<u>187,356</u>
Attributable to:			
Equity shareholders of the Company		(35,904)	126,859
Non-controlling interests		<u>63,922</u>	<u>60,497</u>
Profit for the period		<u>28,018</u>	<u>187,356</u>
(Loss)/earnings per share	7		
Basic and diluted (cents)		<u>(1.78)</u>	<u>6.30</u>

The notes on pages 17 to 32 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 6.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024 (Unaudited)

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	28,018	187,356
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations	18,994	13,407
Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the period	261,887	308,828
	280,881	322,235
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	(498,131)	(260,416)
- an associate outside Hong Kong	(925)	59
	(499,056)	(260,357)
Other comprehensive income for the period	(218,175)	61,878
Total comprehensive income for the period	(190,157)	249,234
Attributable to:		
Equity shareholders of the Company	(133,125)	263,352
Non-controlling interests	(57,032)	(14,118)
Total comprehensive income for the period	(190,157)	249,234

The notes on pages 17 to 32 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2024 (Unaudited)

	Note	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Non-current assets			
Investment properties		3,873,203	4,000,037
Property, plant and equipment		5,340,966	5,605,648
Intangible assets		137,317	99,086
Goodwill		68,023	115,066
Interest in an associate		75,491	75,821
Investments designated as at fair value through other comprehensive income	8	1,943,787	1,680,554
Loans and advances	9	2,062,806	1,996,333
Receivables, deposits and prepayments		149,021	137,877
Deferred tax assets		91,684	88,991
		13,742,298	13,799,413
Current assets			
Inventories		1,927,983	2,276,780
Trade debtors	10	1,124,974	1,062,325
Loans and advances	9	3,349,408	3,457,749
Other debtors, deposits and prepayments		826,043	830,829
Amounts due from related companies		166	64
Cash and bank balances	11	1,922,726	1,909,287
		9,151,300	9,537,034
Current liabilities			
Unsecured bank overdrafts	11	242,650	453,187
Borrowings		4,994,090	4,617,498
Trade creditors	12	974,584	983,840
Other creditors and accruals		1,087,099	1,167,160
Amounts due to related companies		951	11,002
Lease liabilities		201,170	172,668
Current taxation		143,639	114,178
Provisions		13,265	14,639
		7,657,448	7,534,172
Net current assets		1,493,852	2,002,862
Total assets less current liabilities		15,236,150	15,802,275

The notes on pages 17 to 32 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

at 30 June 2024 (Unaudited)

	Note	At 30 June 2024 HK\$'000 <i>(Unaudited)</i>	At 31 December 2023 HK\$'000 <i>(Audited)</i>
Non-current liabilities			
Borrowings		2,389,035	2,784,273
Lease liabilities		527,922	386,672
Defined benefit plan obligations		48,965	56,642
Deferred tax liabilities		259,310	272,325
Provisions		57,358	63,402
		3,282,590	3,563,314
NET ASSETS		11,953,560	12,238,961
CAPITAL AND RESERVES			
Share capital	13	1,006,655	1,006,655
Reserves		9,799,595	10,022,630
Total equity attributable to equity shareholders of the Company		10,806,250	11,029,285
Non-controlling interests		1,147,310	1,209,676
TOTAL EQUITY		11,953,560	12,238,961

The notes on pages 17 to 32 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024 (Unaudited)

	Attributable to equity shareholders of the Company						Attributable to equity shareholders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Stock compensation reserve HK\$'000	Translation reserve HK\$'000	Contributed surplus HK\$'000	Fair value reserve (non-recycling) HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2023 (Audited)	1,006,655	550,547	9,549	12,257	449,862	377,690	904,238	1,821	7,371,671	10,684,290	1,202,290	11,886,580
Changes in equity for the six months ended 30 June 2023												
Profit for the period	–	–	–	–	–	–	–	–	126,859	126,859	60,497	187,356
Other comprehensive income	–	–	–	–	(176,468)	–	305,828	–	7,133	136,493	(74,615)	61,878
Total comprehensive income for the period	–	–	–	–	(176,468)	–	305,828	–	133,992	263,352	(14,118)	249,234
Equity settled share based transactions	–	–	–	608	–	–	–	–	–	608	536	1,144
Dividends declared and approved during the period	–	–	–	–	–	–	–	–	(150,998)	(150,998)	–	(150,998)
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(6,693)	(6,693)
Balance at 30 June 2023 (Unaudited)	1,006,655	550,547	9,549	12,865	273,394	377,690	1,210,066	1,821	7,354,665	10,797,252	1,182,015	11,979,267
Balance at 1 January 2024 (Audited)	1,006,655	550,547	9,549	13,491	449,654	377,690	1,173,103	1,821	7,446,775	11,029,285	1,209,676	12,238,961
Changes in equity for the six months ended 30 June 2024												
Profit for the period	–	–	–	–	–	–	–	–	(35,904)	(35,904)	63,922	28,018
Other comprehensive income	–	–	–	–	(367,505)	–	260,179	–	10,105	(97,221)	(120,954)	(218,175)
Total comprehensive income for the period	–	–	–	–	(367,505)	–	260,179	–	(25,799)	(133,125)	(57,032)	(190,157)
Equity settled share based transactions	–	–	–	689	–	–	–	–	–	689	605	1,294
Dividends declared and approved during the period	–	–	–	–	–	–	–	–	(90,599)	(90,599)	–	(90,599)
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5,939)	(5,939)
Balance at 30 June 2024 (Unaudited)	1,006,655	550,547	9,549	14,180	82,149	377,690	1,433,282	1,821	7,330,377	10,806,250	1,147,310	11,953,560

The notes on pages 17 to 32 form part of these financial statements.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2024 (Unaudited)

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from / (used in) operating activities	368,668	(1,133,311)
Net cash used in investing activities	(147,458)	(276,161)
Net cash generated from financing activities	28,681	759,622
Net increase / (decrease) in cash and cash equivalents	249,891	(649,850)
Cash and cash equivalents at 1 January	1,432,835	2,317,486
Effect of exchange differences	(38,188)	(30,098)
Cash and cash equivalents at 30 June	1,644,538	1,637,538

The notes on pages 17 to 32 form part of these financial statements.

Notes to the Unaudited Consolidated Financial Statements

1 Basis of preparation

The unaudited consolidated interim financial statements have been prepared in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board.

The unaudited consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements.

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:

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

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Consolidated Financial Statements (continued)

3 Revenue and Segment Reporting

Revenue represents the sales value of goods sold, services provided to customers, rental income, interest income on loans and advances, management service fees, agency commission and handling fees and warranty income, net of goods and services taxes where applicable, is analysed as follows:

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines		
- Sale of goods	1,961,688	2,681,234
- Rendering of services	4,117,640	4,169,456
- Agency commission and handling fees	19,257	16,551
- Warranty income	1,079	70
Revenue from other sources		
- Gross rentals from investment properties that are fixed	62,230	62,615
- Interest income on loans and advances	229,025	215,734
- Rental income for motor vehicles held for leasing	198,207	170,046
	<u>6,589,126</u>	<u>7,315,706</u>

Notes to the Unaudited Consolidated Financial Statements (continued)

3 Revenue and Segment Reporting (continued)

(a) Disaggregation of revenue (continued)

	Revenue	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Disaggregated by geographical location of customers		
- Singapore	1,082,869	909,526
- PRC	280,248	332,899
- Thailand	162,074	433,407
- Japan	3,870,477	3,906,313
- Taiwan	472,820	901,496
- Others	720,638	832,065
	<u>6,589,126</u>	<u>7,315,706</u>

3 Revenue and Segment Reporting (continued)

(b) Segment results

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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 periods ended 30 June 2024 and 2023 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	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Disaggregated by timing of revenue recognition												
Point in time	1,786,492	2,520,192	29,264	30,573	–	–	–	–	165,189	147,020	1,980,945	2,697,785
Over time	182,269	186,600	33,914	39,658	55,654	56,675	3,870,477	3,906,313	465,867	428,675	4,608,181	4,617,921
Revenue from external customers	1,968,761	2,706,792	63,178	70,231	55,654	56,675	3,870,477	3,906,313	631,056	575,695	6,589,126	7,315,706
EBITDA	(30,462)	162,879	1,041	3,284	43,932	64,869	340,343	311,775	228,639	237,915	583,493	780,722

(c) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total segment EBITDA	583,493	780,722
Depreciation and amortisation	(354,693)	(364,821)
Interest income	13,911	16,121
Finance costs	(103,172)	(105,672)
Share of profits of an associate	594	1,035
Consolidated profit before taxation	140,133	327,385

Notes to the Unaudited Consolidated Financial Statements (continued)

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance costs	103,172	105,672
Depreciation		
- owned property, plant and equipment	202,003	188,099
- right-of-use assets	142,510	167,692
Amortisation of intangible assets	10,180	9,030
Dividend income	(29,597)	(21,840)
Gain on disposal of property, plant and equipment	(2,735)	(3,485)

5 Income tax expense

The analysis of income tax expense is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	318	363
Singapore	29,472	31,524
Others	82,325	108,142
	<u>112,115</u>	<u>140,029</u>

The Group's applicable tax rate represents the weighted average of the statutory corporate income tax rates, which mainly range between 16.5% (2023: 16.5%) and 30.62% (2023: 30.62%), in the tax jurisdictions in which the Group operates.

6 Dividends

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(i) Dividends attributable to the period: Interim dividend declared of HK\$0.02 (2023: HK\$0.03) per ordinary share	<u>40,266</u>	<u>60,399</u>

The interim dividend has not been recognised as a liability as of the end of the reporting period.

(ii) Dividends paid during the period: Final dividend approved in respect of prior year of HK\$0.045 (2023: HK\$0.075) per ordinary share	<u>90,599</u>	<u>150,998</u>
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Notes to the Unaudited Consolidated Financial Statements (continued)

7 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2024 is based on the loss attributable to equity shareholders of the Company of HK\$35,904,000 (2023: profit of HK\$126,859,000) and the weighted average number of shares of 2,013,309,000 (2023: 2,013,309,000) in issue during the period.

Diluted (loss)/earnings per share for the periods ended 30 June 2024 and 2023 is the same as the basic (loss)/earnings per share as there were no dilutive securities outstanding during the periods presented.

8 Investments designated as at fair value through other comprehensive income

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Listed outside Hong Kong	1,937,119	1,679,357
Unlisted equity securities	6,668	1,197
	<u>1,943,787</u>	<u>1,680,554</u>

The Group designated all of its investments in equity securities as at fair value through other comprehensive income under IFRS 9 as listed below. This designation was chosen as the investments are held for strategic purposes.

	Fair value		Dividend income recognised	
	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Investments in Subaru Corporation (Note)	1,887,879	1,630,437	28,899	21,103
Others	55,908	50,117	698	737
	<u>1,943,787</u>	<u>1,680,554</u>	<u>29,597</u>	<u>21,840</u>

Note:

Fair value gain of HK\$257,442,000 (2023: HK\$302,994,000) was recognised in other comprehensive income for the six months ended 30 June 2024. There was no significant addition nor disposal for this equity security during the period ended 30 June 2024.

Subaru Corporation is listed on the Tokyo Stock Exchange, it is mainly operating in two businesses, the Automotive business and the Aerospace business. In the area of Automotive, it is in the business of manufacture, repair and sales of passenger cars and their components. In the area of Aerospace, it is in the manufacture, repair and sales of airplanes, aerospace-related machinery and their components. The number of shares and percentage held of this investment are 11,408,000 shares and 1.5% of Subaru Corporation's issued shares respectively. The investment cost is JPY7.5 billion. This investment represents 8.2% of the Groups' total assets.

There were no transfers of any cumulative gain or loss within equity during the period.

Notes to the Unaudited Consolidated Financial Statements (continued)

9 Loans and advances

At 30 June 2024				
	Loan receivables HK\$'000 (Unaudited)	Finance lease receivables HK\$'000 (Unaudited)	Hire purchase debtors and instalments receivable HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Balance due				
- within one year	2,300,093	1,002,880	66,686	3,369,659
- between one and five years	833,744	1,178,714	68,621	2,081,079
- after more than five years	–	6,478	1,308	7,786
	<u>3,133,837</u>	<u>2,188,072</u>	<u>136,615</u>	<u>5,458,524</u>
Less: Loss allowance	(5,935)	(36,807)	(3,568)	(46,310)
	<u>3,127,902</u>	<u>2,151,265</u>	<u>133,047</u>	<u>5,412,214</u>
Balance due				
- within one year	2,295,865	987,004	66,539	3,349,408
- between one year and five years	832,037	1,157,909	65,202	2,055,148
- after more than five years	–	6,352	1,306	7,658
	<u>3,127,902</u>	<u>2,151,265</u>	<u>133,047</u>	<u>5,412,214</u>
At 31 December 2023				
	Loan receivables HK\$'000 (Audited)	Finance lease receivables HK\$'000 (Audited)	Hire purchase debtors and instalments receivable HK\$'000 (Audited)	Total HK\$'000 (Audited)
Balance due				
- within one year	2,405,090	982,204	87,938	3,475,232
- between one and five years	746,695	1,179,363	87,463	2,013,521
- after more than five years	–	3,429	1,317	4,746
	<u>3,151,785</u>	<u>2,164,996</u>	<u>176,718</u>	<u>5,493,499</u>
Less: Loss allowance	(6,714)	(28,056)	(4,647)	(39,417)
	<u>3,145,071</u>	<u>2,136,940</u>	<u>172,071</u>	<u>5,454,082</u>
Balance due				
- within one year	2,400,009	970,207	87,533	3,457,749
- between one year and five years	745,062	1,163,357	83,223	1,991,642
- after more than five years	–	3,376	1,315	4,691
	<u>3,145,071</u>	<u>2,136,940</u>	<u>172,071</u>	<u>5,454,082</u>

Notes to the Unaudited Consolidated Financial Statements (continued)

10 Trade debtors

As of the end of the reporting period, the ageing analysis of trade debtors, based on invoice date and net of loss allowances, is as follows:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
0 - 30 days	802,212	721,891
31 - 90 days	273,247	319,816
Over 90 days	49,515	20,618
	<u>1,124,974</u>	<u>1,062,325</u>

The Group allows credit periods ranging from seven days to six months.

11 Cash and bank balances

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Bank deposits	592,044	593,424
Cash at bank	1,329,419	1,314,604
Cash in hand	1,263	1,259
Cash and bank balances in the consolidated statement of financial position	<u>1,922,726</u>	<u>1,909,287</u>
Less: Bank deposits with more than three months to maturity when placed	(35,538)	(23,265)
Unsecured bank overdrafts	<u>(242,650)</u>	<u>(453,187)</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>1,644,538</u>	<u>1,432,835</u>

12 Trade creditors

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
0 - 30 days	668,434	561,909
31 - 90 days	192,645	202,528
91 - 180 days	54,721	104,462
Over 180 days	58,784	114,941
	<u>974,584</u>	<u>983,840</u>

Notes to the Unaudited Consolidated Financial Statements (continued)

13 Share capital

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Authorised:		
3,000,000,000 ordinary shares of HK\$0.50 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
2,013,309,000 ordinary shares of HK\$0.50 each	<u>1,006,655</u>	<u>1,006,655</u>

14 Share based transactions

(a) *Share based transactions – 2015 Program*

The Group has a stock compensation program (the "2015 Program") which was adopted on 26 November 2015. The 2015 Program is operated through a trustee which is independent of the Group. This is a performance-based scheme whereby on 18 December 2015, shares of a listed subsidiary are acquired by the trustee using funds contributed by the subsidiary. The shares are distributed by the trustee in accordance with the Rules on Distributions of Board Benefits of the subsidiary based on points given to each of the entitled directors and executive officers of the subsidiaries in view of their positions, performance and length of services; and to each of the entitled corporate auditors in view of their length of services only. Incidentally, the shares of the subsidiary shall be distributed to the entitled employees as a general rule when they leave their positions. Each point granted can be converted into one share of the subsidiary at distribution. No vesting condition is required after the points are granted.

The maximum number of points which may be awarded to selected participants under the 2015 Program shall not exceed 500,000. The trust fund shall not have a definite expiration date and continue as long as the 2015 Program exists. Maximum amount of money to be contributed by the subsidiary is JPY500,000,000 (equivalent to HK\$25,422,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

The first grant date is 26 November 2015, in the years after, point is granted to the eligible recipient annually on 1 July. However, if the eligible recipient retires during the fiscal year, the point will be granted on the date of retirement in proportion.

Up to 30 June 2024, a total of 472,520 points were granted to selected participants.

(i) *The terms and conditions of the grants are as follows:*

	Number of points
Points granted to employees:	
On 26 November 2015	71,420
On 1 July 2016	60,000
On 1 July 2017	57,500
On 1 July 2018	63,000
On 1 July 2019	81,200
On 1 July 2020	81,200
On 1 July 2021	49,200
On 1 July 2022	6,000
On 1 July 2023	<u>3,000</u>

Notes to the Unaudited Consolidated Financial Statements (continued)

14 Share based transactions (continued)

(a) Share based transactions – 2015 Program (continued)

(ii) The movements of number of points granted are as follows:

	2024 Number of points	2023 Number of points
Outstanding at the beginning of the period	277,000	276,000
Forfeited during the period	-	(2,000)
Granted during the period	-	3,000
Outstanding at the end of the period	<u>277,000</u>	<u>277,000</u>
Exercisable at the end of the period	<u>277,000</u>	<u>277,000</u>

(iii) Fair value of points and assumptions

The fair value of services received in return for points granted is measured by reference to the fair value of points granted. The estimate of the fair value of the points granted is measured based on a Black-Scholes model.

	1 July 2023	1 July 2022
Fair value of points and assumptions		
Fair value at measurement date	JPY1,139	JPY1,020
Share price	JPY1,334	JPY1,054
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	27.8%	24.9%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	4.0 years	1.0 years
Expected dividends	4.0%	3.3%
Risk-free interest rate (based on the yield of Japanese government bonds)	-0.02%	-0.10%

Notes to the Unaudited Consolidated Financial Statements (continued)

14 Share based transactions (continued)

(a) *Share based transactions – 2015 Program (continued)*

(iii) *Fair value of points and assumptions (continued)*

The expected volatility is based on the historic volatility (calculated based on the historical daily stock price of the period corresponding to the expected remaining period), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing prices of the subsidiary's shares immediately before the grant of the points on 1 July 2022 and 1 July 2023 were JPY1,054 (equivalent to HK\$62) and JPY1,334 (equivalent to HK\$74) per share respectively.

During the period ended 30 June 2024, the Group recognised a net expense of HK\$87,000 (2023: HK\$176,000) as equity settled share based payments in relation to the 2015 Program.

(b) *Share based transactions – 2022 Program*

The Group has a stock compensation program which was adopted on 1 October 2022 (the "2022 program"). The 2022 Program is operated through a trustee which is independent of the Group. This is a performance-based scheme whereby on 12 December 2022, shares of a listed subsidiary are acquired by the trustee using funds contributed by the subsidiary. The shares are distributed by the trustee in accordance with the Rules on Distributions of Board Benefits of the subsidiary based on points given to each of the entitled directors and executive officers of the subsidiaries in view of their positions, with restriction of transfer. Incidentally, the shares of the subsidiary shall be distributed to the entitled recipients as a general rule when they leave their positions. For directors, 75% of the points granted can be converted into shares (one point per one share) and 25% of the points can be converted into cash based on prevailing market rate. For employees other than directors, each point granted can be converted into one share of the subsidiary at distribution. Transfer of points is restricted until the eligible recipient is retired.

The maximum number of points which may be awarded to selected participants under the 2022 Program shall not exceed 252,000 (84,000 per each fiscal year). The trust fund shall not have a definite expiration date and continue as long as the 2022 Program exists. Maximum amount of money to be contributed by the subsidiary is JPY292,824,000 (equivalent to HK\$14,888,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

The first grant date is 1 October 2022, in the years after, point is granted to the eligible recipient annually on 1 October. However, if the eligible recipient retires within 6 months of the benefit date, no share will be granted, in otherwise, the points will be granted on the date of retirement in proportion if they retire later than 6 months of the benefit date.

Up to 30 June 2024, a total of 71,200 points for equity-settled portion and 17,300 points for cash-settled portion were granted to selected participants.

Notes to the Unaudited Consolidated Financial Statements (continued)

14 Share based transactions (continued)

(b) Share based transactions – 2022 Program (continued)

(i) The terms and conditions of the grants are as follows:

	Equity-settled portion	Cash-settled portion
	Number of points	Number of points
On 1 October 2022	35,000	8,500
On 1 October 2023	36,200	8,800

(ii) The movements of number of points and cash granted are as follows:

	2024		2023	
	Equity-settled portion	Cash-settled portion	Equity-settled portion	Cash-settled portion
	Number of points	Number of points	Number of points	Number of points
Outstanding at the beginning of the period	–	17,300	–	8,500
Exercised during the period	–	–	(36,200)	–
Granted during the period	–	–	36,200	8,800
Outstanding at the end of the period	–	17,300	–	17,300
Exercisable at the end of the period	–	17,300	–	17,300

Notes to the Unaudited Consolidated Financial Statements (continued)

14 Share based transactions (continued)

(b) Share based transactions – 2022 Program (continued)

(iii) Fair value of points and assumptions

The fair value of services received in return for points granted is measured by reference to the fair value of points granted. The estimate of the fair value of the points granted is measured based on a Black-Scholes model.

	1 October 2023	1 October 2022
Fair value of points and assumptions		
Fair value at measurement date	JPY1,312	JPY934
Share price	JPY1,539	JPY1,052
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	26.8%	28.7%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	4.0 years	3.6 years
Expected dividends	4.0%	3.3%
Risk-free interest rate (based on the yield of Japanese government bonds)	0.22%	0.02%

The expected volatility is based on the historic volatility (calculated based on the historical daily stock price of the period corresponding to the expected remaining period), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing prices of the subsidiary's shares immediately before the grant of the points on 1 October 2022 and 1 October 2023 were JPY1,052 (equivalent to HK\$62) and JPY1,539 (equivalent to HK\$85) per share respectively.

During the period ended 30 June 2024, the Group recognised a net expense of HK\$1,207,000 (2023: HK\$968,000) for the equity-settled share based payment and HK\$693,000 (2023: HK\$340,000) was recorded for the cash-settled share based payments in relation to the 2022 Program.

Notes to the Unaudited Consolidated Financial Statements (continued)

15 Fair value measurement of financial instruments

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurement as at 30 June 2024 categorised into			Fair value measurement as at 31 December 2023 categorised into				
	Fair value at 30 June 2024 <i>(Unaudited)</i>	Level 1	Level 2	Level 3	Fair value at 31 December 2023 <i>(Audited)</i>	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group								
Recurring fair value measurements								
Assets								
Equity securities designated as at fair value through other comprehensive income								
- Listed outside Hong Kong	1,937,119	1,937,119	-	-	1,679,357	1,679,357	-	-
- Unlisted	6,668	-	-	6,668	1,197	-	-	1,197
	<u>1,943,787</u>	<u>1,937,119</u>	<u>-</u>	<u>6,668</u>	<u>1,680,554</u>	<u>1,679,357</u>	<u>-</u>	<u>1,197</u>

During the six months ended 30 June 2024, there was no transfer among Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024 and 31 December 2023.

Notes to the Unaudited Consolidated Financial Statements (continued)

15 Fair value measurement of financial instruments (continued)

(iii) Information about Level 3 fair value measurements

Cost is used as an approximation of fair value for equity instruments that do not have a quoted market price in an active market.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	HK\$'000
Unlisted equity securities:	
At 1 January 2023 (audited)	3,016
Acquisition of So-ing Co., Ltd	104
Disposals during the year	(1,117)
Net unrealised losses recognised in other comprehensive income during the year	(749)
Exchange adjustments	(57)
At 31 December 2023 and 1 January 2024 (audited)	<u>1,197</u>
Addition during the period	5,885
Exchange adjustments	(414)
At 30 June 2024 (unaudited)	<u><u>6,668</u></u>

16 Capital commitments

Capital commitments outstanding at 30 June 2024 not provided for in the financial statements were as follows:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Authorised and contracted for	<u>61,465</u>	<u>17,771</u>

17 Connected transactions

The following is a summary of significant transactions carried out in the normal course of business between the Group and its related companies during the period:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Sale of goods and services to related companies	503	161
Purchase of goods and services from related companies	<u>6,626</u>	<u>35,250</u>

All the sales and purchases and services rendered were on normal commercial terms.

Interim Dividend

The Board is pleased to declare an interim dividend of HK\$0.02 (2023: HK\$0.03) per ordinary share on the shares in issue amounting to a total of HK\$40,266,000 (2023: HK\$60,399,000), which will be payable on 26 September 2024 to shareholders of the Company whose names appear on the register of members of the Company on 16 September 2024. Dividend warrants will be sent to shareholders of the Company on 26 September 2024.

Closure of Register of Members

The register of members of the Company will be closed from 13 September 2024 to 16 September 2024, both days inclusive. During this period, no transfer of shares will be effected and registered.

In order to qualify for the entitlement of the interim dividend, all transfer forms 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, not later than 4:30pm on 12 September 2024.

Directors' Interests and Short Positions in Shares

The directors of the Company ("Directors") who held office as at 30 June 2024 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

	Ordinary shares of HK\$0.50 each				Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Joint interests (Note 3)		
Executive Directors:						
Tan Eng Soon	152,460,000	–	348,544,700	85,932,972	586,937,672	29.15%
Tan Kheng Leong	2,205,000	210,000	–	–	2,415,000	0.12%
Sng Chiew Huat	900,000	–	–	–	900,000	0.04%
Glenn Tan Chun Hong	99,000	–	–	–	99,000	0.0049%
Non-executive Director:						
Joseph Ong Yong Loke	684,000	795,000	940,536	–	2,419,536	0.12%
Independent Non-executive Director:						
Teo Ek Kee	–	300,000	–	–	300,000	0.01%

Other Information (continued)

Directors' Interests and Short Positions in Shares (continued)

Notes:

- (1) These shares are beneficially owned by the spouses of Tan Kheng Leong, Joseph Ong Yong Loke and Teo Ek Kee, respectively, and hence they are deemed to be interested in these shares respectively.
- (2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.
- (3) These shares are owned by Tan Eng Soon jointly with another persons.

Save as disclosed above, none of the Directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, had any beneficial or non-beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 30 June 2024, and there was no right granted to or exercised by any Directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the period to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix C3 of the Listing Rules of the Stock Exchange.

At no time during the period was the Company, any of its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Interests in the Share Capital of the Company

The Company has been notified of the following interests (other than a Director) in the Company's issued shares as at 30 June 2024 amounting to 5% or more of the ordinary shares in issue:

Name	Long/short positions	Note	Ordinary shares held	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	Long	(1)	705,819,720	35.05%
Promenade Group Limited	Long	(2)	212,067,000	10.53%
Time Strategy Group Limited	Long	(3)	104,497,700	5.19%
Tan Heng Chew	Long	(4)	100,692,856	5.00%
Khor Swee Wah	Long	(4)	100,692,856	5.00%
Wang Shu Erh	Long	(4)	100,692,856	5.00%

Other Information (continued)

Substantial Interests in the Share Capital of the Company (continued)

Notes:

- (1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not Directors.
- (2) Tan Eng Soon is the controlling shareholder of Promenade Group Limited.
- (3) Tan Eng Soon is the controlling shareholder of Time Strategy Group Limited.
- (4) Based on the disclosure of interests filed, Tan Heng Chew has personal, corporate and family interests of 50,981,686 shares, 37,848,000 and 11,863,170 shares respectively, making a total interests of 100,692,856 shares. Khor Swee Wah and Wang Shu Erh, being spouses of Tan Heng Chew, are deemed to be interested in all the shares held by Tan Heng Chew.

Save as disclosed above, no persons, other than a Director whose interests are set out above, had registered interests in the share capital of the Company that was required to be recorded in the register under section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

There were no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

Audit Committee

The Audit Committee has reviewed with management the unaudited consolidated interim financial statements of the Group for the period ended 30 June 2024.

Directors' Securities Transactions

Pursuant to the Model Code requirements as set out in Appendix C3 of the Listing Rules of the Stock Exchange, all Directors confirmed that they have complied with the required standard and its code of conduct regarding directors' securities transactions for the accounting period under review.

Other Information (continued)

Corporate Governance Code

No Director is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2024, acting in compliance with the Corporate Governance Code as set out in Appendix C1 of the Listing Rules of the Stock Exchange. The non-executive Director and independent 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. The Chairman had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive Directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

By Order of the Board

Sng Chiew Huat

Finance Director

Hong Kong, 29 August 2024

Website: <http://www.tanchong.com>

As at the date of this report, the executive Directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat and Ms. Gillian Tan Tsui Lyn. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim, Mr. Teo Ek Kee and Mr. Charles Tseng Chia Chun.