ANNUAL REPORT 2019

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 693

COMPANY OVERVIEW

Tan Chong International Limited (Stock Code 693), listed on the Stock Exchange of Hong Kong Limited in 1998, is a major motor distribution, transportation, property and trading group.

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MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded revenue of HK$14.5 billion, a 7.6% decrease from that of year 2018. The decline was primarily due to sales volume reduction of 16% in our motor vehicle distribution and retail division. The transportation and logistics business represented by ZERO CO. LTD ("Zero") in Japan continued to show growth in revenue and profit contribution to the Group. While the Group experienced a slowdown in Singapore, Malaysia and Taiwan, there were growth in Vietnam and Thailand. The Japanese Yen that was our input cost currency had remained relatively strong against the currencies of Asia Pacific Countries where our businesses are located.

Due to the headwinds to our top-line revenue, strength of Japanese Yen and reduction in our other income, the Group experienced a material reduction of 42% in our profit from operations.

Profit from operations decreased to HK$565.48 million.

Operating profit margin decreased to 3.9% from 6.2% recorded in 2018.

Profit for the year of HK$311.05 million was 51% lower when compared to year 2018.

Profit attributable to shareholders was HK$212.93 million, a 65% decrease over the previous year of 2018.

The Group's return on capital employed (ROCE), computed by dividing earnings before interest and taxes (EBIT) by total equity and non-current liabilities, was 4.5% as compared to 7.4% in year 2018.

The Group's net gearing ratio, computed by dividing the net debt by total equity, was 6.1% as compared to 1.4% recorded in year 2018. (The net debt of HK$771.396 million in year 2019 comprised of borrowings of HK$3.146 billion plus unsecured overdrafts of HK$75.78 million, less cash and bank balances of HK$2.450 billion).

While developing the high growth market of Vietnam that will serve the Group well in the near future, the Group continues to push relentlessly forward with the on-going cost reduction and productivity initiatives to become a leaner and even more competitive organisation. The rapid industrialisation of Vietnam offers huge potentials for our Group's growth in the automotive market, justifying the short term built-up of teething market expenses and operational costs.

In compliance to the regulatory, environmental and emission standard requirements of the countries that the Group operates in, the Group took positive efforts to participate in programs and incentives that encourage sustainability, conservation and reduced environmental impact. The Group recognises its human resources as valuable assets and its people as stewards of its business. It maintains its commitment to training, developing and retaining talented employees. The number of employees was 5,868 at the end of year 2019, an increase of 0.9% as compared to 5,815 in year 2018.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group had investments in listed and unlisted equity securities amounting to HK2.277 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange and were accumulated over the years as strategic long-term investments. Fair value gain of HK$309.8 million was recognised in other comprehensive income during the year ended 31 December 2019. The gain was primarily due to share price changes of its listed investments, which were marked to market and therefore unrealised. Such unrealised fair value gain on its investments is not expected to be reclassified to the Group's consolidated statement of profit or loss.

FINANCE

Dividend payment will amount to HK$221.46 million for year 2019. Final dividend will be HK9.0 cent per share (interim HK2.0 cents per share) totaling HK11.0 cents for financial year 2019. Consolidated net assets year-on-year increase to HK$6.23 per share from HK$6.03 per share recorded in year 2018, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

The Group experienced a 45% drop in vehicle sale units in Singapore for year 2019 compared to year 2018. In year 2019, reduced COE quota and stricter emission standards had impacted both our Nissan and Subaru businesses in Singapore. Despite these impediments, the Group's vehicle operation was satisfactory. With the introduction of stricter Vehicle Emission Scheme (VES) for 2020, the Group envisages that the Singapore motor vehicle market will experience further volatility in the years ahead.

The Group's property division continued to enjoy good occupancy rate during the year.

CHINA / HONG KONG

Amid prolonged disruptive social unrest adding to the grave uncertainties of an economic environment already frayed by Sino-US trade disputes, total new car sales in Hong Kong declined by 20% over that of the preceding year. Despite such difficulties, the Group's Subaru new car sales in Hong Kong increased by 3% as compared to its performance in 2018. Workshop after-sales services and revenue for 2019 also increased by 28% over the previous year. The Group is cautiously optimistic that it will be able to maintain its upwards performance in Hong Kong for year 2020.

In China, as a result of a slowing economy and trade friction with US, total new car sales fell by more than 8% in 2019 over that of 2018. Stricter emission standards introduced by the Chinese Government also dampened the demand of new cars. Despite the challenges, Our Group's new car sales in China dropped by 3%.

In the face of sluggish performance by car manufacturers in China, our automotive manufacturing operations in Nanjing and Xiamen continued with programs to upgrade its facilities to better serve its broadened customer base with new product line-ups. Sales in 2019 were stable though muted.

It is expected that year 2020 will see unprecedented upheavals to the Group's vehicle business in China.

CKD MARKETS OF THAILAND, VIETNAM AND MALAYSIA

Following the successful start of production this year of the Subaru Forester Series of Completely Knocked Down ("CKD"), the Group began distribution of these vehicles in both Thailand and Malaysia. Sales and marketing of these vehicles were carried out through our sales and dealer networks. During the 2nd half of the year, the Group commenced exports of these vehicles to our sales and dealer networks in Vietnam.

In year 2019, sales volume of the Subaru Forester in Thailand registered significant double digit increase over that which was achieved in preceding year. The increase in volume was partly due to better pricing positioning afforded as a result of having the vehicles assembled and manufactured in our own facilities in Thailand. Rising proportionately, however, were costs associated with sales and marketing activities as well as other incidental introductory expenses that were necessary to realign certain negative perceptions that customers have against locally manufactured vehicles. Our exercise to streamline less profitable segment of our business saw the Group continuing to down-size our truck and industrial machinery related operations. These efforts have yielded the Group significant reductions in expenses and overheads in Thailand.

In Malaysia, the Group faced some headwinds during the year due to constant changes in regulatory automotive policies that resulted in lower sales for year 2019. While the Group is re-organising itself regularly to be nimble and agile and positioning itself to seize opportunities that will arise during anticipated market turbulence, volatility and uncertainties are expected to persist in 2020.

In Vietnam, the Group launched its new Subaru operations headquarter in Ho Chi Minh city. Sales of the Subaru Forester imported from Thailand registered healthy year on year growth. Buoyed by this success, the Group has plans for continued sales and network expansion in the coming years. The Group is optimistic of its operations there and expects it to develop further in tandem with the growth of Vietnam economy. In light of inherent cost advantages of CKD built vehicles for the CKD territories within ASEAN, the Group maintains its positive long-term view of its CKD business.

TAIWAN AND PHILIPPINES

The Philippines vehicle market stabilised in 2019 after a tumultuous 2018 that saw contraction of vehicle sales as a result of unprecedented introduction of vehicle tax reform policies implemented in that year. Our sales performance in Philippines has showed signs of stabilisation and normalisation. The Group expects satisfactory performance of its sales volume in 2020.

Taiwan market for new vehicle recorded negative growth in 2019. This impacted our operations there and the Group recorded a decline in its sales volume. Mindful of the intense pressure on sales and profit margins, the Group intensify its focus on cost optimisation initiatives to preserve profitability while at the same time, strengthening its resiliency to the challenges expected in 2020 and beyond. The Group will embark on initiatives to streamline its operations to reduce wastage and restructure our sales and retail infrastructure for improved operational efficiencies going forward.

JAPAN

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded another year of revenue increase amounting to HK$6.63 billion in year 2019. It recorded a 9% increase in revenue over that of year 2018. Profit also recorded a substantial increase, due largely to the following main factors.

a. Increase in sales volume because of additional contribution by new businesses with Mitsubishi Motors Corporation that started in the second half of 2019.
b. Revision of transportation charges that took effect from January 2019.
c. Restructuring of its non-profitable business and cost reduction on a continuous basis.

All these were accomplished during a period of increased compliance cost for transportation business and vehicle restriction laws in Japan.

Zero's vehicle transportation business has proven to be a reliable contributor to recurring revenue of the Group. It accounts for approximately 46% of the Group's consolidated revenue. In line with continuous improvements in its workplace, Zero undertook steps to optimise their nationwide distribution network operations and promote positive work style reform.

The Group expects Zero's performance for year 2020 to be satisfactory.

PROSPECTS

The Group believes that the global economic growth will slow down significantly, or even decline in 2020. The multi-faceted problems of world trade, global health issues and repositioning of major world powers make year 2020 not only challenging but unpredictably volatile.

The rapidly changing automotive industry safety standards and vehicle emissions policies, and global trend of customers meeting their transportation needs via services provided by ride hailing companies as opposed to purchasing or owning their own vehicles, is here to stay. These factors will further impact vehicle sales negatively.

The Group will continue to invest in the development of its motor and commercial vehicle businesses as it scales up its dealer and retail networks, supply chain logistics infrastructure and brand presence. It will focus on building the groundwork to capture emerging opportunities in our CKD markets of Malaysia, Thailand and Vietnam.

The world is now even more interconnected. Any negative effects will reverberate intensely farther in greater magnitude and will be felt faster and more acutely. Thus, to stay relevant in a sustainable manner, our focusing on developing a culture of resilience and cost competitiveness continuously is not only the backbone of our operations, but central to the management of our retail / distribution and logistics networks. It is also our encompassing investment philosophy. We are optimistic that these principles will guide our Group to a sustainable long-term growth of our businesses in the Asian markets, an area that holds vast opportunities and a region that offers great promise.

At the moment we are unable to determine the duration and severity of Covid-19 crisis and therefore we are unable to assess the full financial impact. We wish to highlight that a prolonged Covid-19 crisis will have a material effect on our 2020 financial results.

CORPORATE GOVERNANCE REPORT

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 and Corporate Governance Report" (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 requirement 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules on dealing in securities. This has been made known to all the directors of the Company and each director has confirmed in writing that he or she has observed the Model Code for year 2019. The Group has its own in-house mechanism to guide its directors and relevant employees regarding dealing in the Company's securities including reminders on the law regarding insider trading.

BOARD OF DIRECTORS

As at the date of this report, the Board consists of four executive directors, one non-executive director and four independent non-executive directors. As the independent non-executive directors made up at least one-third of the Board, the current Board size is considered appropriate with regard to nature and scope of the Group's operations. The Board members bring with them a wealth of knowledge, expertise and experience to contribute valuable direction and insight to the Group. The relationships among the members of the Board are disclosed under Directors Profile on page 14.

The Board, which meets at least four times a year, manages the business and affairs of the Group, approves the Group's corporate and strategic direction, appoints directors and key personnel, approves annual budgets and major funding and investment proposals, and reviews the financial performance of the Group.

For effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the Board.

The Company has internal guidelines in regard to matters that require Board approval. Material transactions that need Board approval are as follows:

a. approval of interim results announcement;
b. approval of annual results and accounts;
c. declaration of interim dividends and proposal of final dividends;
d. convening of shareholders' meeting;
e. approval of corporate strategy;
f. authorization of merger and acquisition transactions; and
g. authorization of major transactions.

Each member of the Board participated in continuous professional development in the form of either directors' training sessions, corporate governance conference, accounting standard seminar and/or reading relevant materials, to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their records of training received during year 2019 which include conference, seminar and/or reading materials relevant to the Company's business or to the directors' duties and responsibilities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence.

BOARD MEETING

The Board meets at approximately quarterly intervals. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Participation by means of telephone or video conference at board meetings are allowed under the Company's Bye-laws. The number of board meetings held in 2019 as well as the attendance of each Board member at those meetings and meetings of the various Board committees are disclosed below:

	Board of Directors Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Audit Committee Meeting		Independent Non-Executive Directors Meeting		Annual General Meeting
	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	No. attended/ held
Executive Director											
Mr. Tan Eng Soon	C	4/4	-	-	-	-	-	-	C	1/1	1/1
Mr. Glenn Tan Chun Hong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Tan Kheng Leong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mdm. Sng Chiew Huat	M	4/4	-	-	-	-	-	-	-	-	1/1
Non-executive Director											
Mr. Joseph Ong Yong Loke	M	4/4	-	-	-	-	-	-	-	-	1/1
Independent Non-executive Director											
Mr. Ng Kim Tuck	M	4/4	-	-	-	-	C	3/3	M	1/1	1/1
Mr. Azman Bin Badrillah	M	4/4	M	1/1	-	-	M	3/3	M	1/1	1/1
Mr. Prechaya Ebrahim	M	4/4	-	-	-	-	-	-	M	1/1	1/1
Mr. Teo Ek Kee	M	4/4	C	1/1	-	-	M	3/3	M	1/1	1/1

Denotes:
C-Chairman, M-Member
No.attended/held-Number of meetings attended/held during the financial year from 1 January 2019 to 31 December 2019

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Tan Eng Soon ("Mr. Tan") currently holds the offices of chairman of the Board ("Chairman") and Chief Executive Officer. Mr. Tan 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

There is no service contract between the Company and the directors (including non-executive directors) and they have no fixed term of service 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.

REMUNERATION COMMITTEE ("RC")

The RC currently comprises two independent non-executive directors, namely, Mr. Teo Ek Kee (chairman of the RC) and Mr. Azman Bin Badrillah.

The members of the RC with delegated responsibility from the Board, have the duties according to the following terms of reference:

a. to review and determine the employment terms and remuneration packages of the executive directors and senior management staff;
b. to decide on annual incentives and bonuses to be paid to the said key executives in (a) in regard to the Group's performance and individual's contribution;
c. to approve employment contracts and other related contracts entered into with key executives; and
d. to determine the terms of any compensation package for early termination of the contract of key executives.

The remuneration of the directors will be determined by the Board with reference to job responsibility, prevailing market conditions and the Company's operating performance and profitability.

NOMINATION COMMITTEE ("NC")

The Board is currently carrying out the responsibilities of the NC. During 2019, the Board carried out the responsibilities of the NC under the following terms of reference:

a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors; and
f. to review the Board Diversity Policy adopted by the Board on a regular basis, make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. A Board Diversity Policy was adopted by the Company on 30 August 2013, pursuant to which the NC is responsible for monitoring the implementation of the Board Diversity Policy, reviewing the Board Diversity Policy and making recommendations for revision to the Board for consideration and approval when necessary.

Selection of candidates will be based on a range of diversity criteria, including but not limited to expertise, skills, knowledge, experience, cultural and educational background, independence, age and gender. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties under the following terms of reference:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
b. to review and monitor the training and continuous professional development of directors and senior management;
c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
d. to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
e. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE ("AC")

The AC comprises three board members, namely Mr. Ng Kim Tuck (chairman of the AC), Mr. Azman Bin Badrillah and Mr. Teo Ek Kee, all of whom are independent non-executive directors.

The members of the AC have years of experience in business management, accounting, finance and legal services. The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC functions.

The AC convened three meetings during 2019 for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2018, (2) interim results and interim report for the six months ended 30 June 2019 and (3) external auditors' plans. The AC met up with the external auditors at least twice a year. Details of members and their attendance records are provided in the above table.

During 2019, the AC carried out its functions under the following terms of reference:

a. to review the audit plans of the internal auditors of the Company and ensure the adequacy of the Company's system of accounting controls and co-operation of the Company's management with the external and internal auditors;
b. to review the interim and annual financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board;
c. to review effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management through reviews conducted by the internal auditors;
d. to ensure the duty is discharged by directors in relation to the responsibility of directors to conduct an annual review of the adequacy of resources, qualifications and experience of staff for the issuer's accounting and financial reporting function, and training programmes and budget;
e. to meet with the external auditors, other committees, and management in separate executive sessions regarding matters that these parties believe should be discussed privately with the AC;
f. to review the cost effectiveness and the independence and objectivity of the external auditors;
g. to recommend to the Board the compensation of the external auditors, and review the scope and results of the audit; and
h. to review connected transactions in accordance with the requirements of the Listing Rules.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility.

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The external auditors' reporting responsibilities on the financial statements are stated in the Company's Annual Report.

The external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services and tax services for year 2019 is HK$9,269,000 and HK$517,000 respectively.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive and/or inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's risk management and internal control systems and reviewing their effectiveness. Annual review is conducted on the internal controls of the Company and its subsidiaries, including financial, operational and compliance control and risk management functions.

The Group's system of internal controls includes the setting up of a management structure with authority limits, and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The risk management and internal control systems are designed to provide reasonable, and not absolute assurance, against material misstatement or loss and manages rather than eliminates risks of failure to achieve the Company's business objectives, safeguard assets, ensure the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Company's internal auditors continually review the effectiveness of the Company's risk management and internal control systems, including financial, operational and compliance controls according to their audit plans. Any material non-compliance or failures in internal controls together with recommendations for improvements were reported to the Audit Committee accordingly.

The Group makes every effort to comply with the requirements of the Securities and Futures Ordinance ("SFO") and the Listing Rules. It discloses every applicable inside information to the public as soon as reasonably practicable. Such information is kept strictly confidential until it is disclosed to the public. It is committed to ensure that all information to the public are presented in a clear and balanced way. It also ensures that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact.

The Board confirms that, in the absence of any evidence to the contrary, the risk management and internal control systems maintained by the Group and that were in place throughout the financial year and up to the date of this report, are adequate and effective and has been reviewed on an ongoing basis.

COMMUNICATION WITH SHAREHOLDERS

The Board is obliged to provide regular, effective and fair communication with shareholders. Information is conveyed to the shareholders on a timely basis. The Company's Annual Report is sent to all shareholders and/or its nominees and accessible on the Company's website.

Shareholders' views on matters that affect the Company are welcomed by the Board at shareholders' meetings. Shareholders are notified of shareholders' meetings through notices published in the newspapers and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The chairmen of the AC, NC and RC are normally available at the meeting to answer those questions in regard to the work of these committees. The external auditors are also present to assist the directors to respond any relevant queries from the shareholders.

To safeguard the interests and rights of shareholders, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual directors.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") for providing shareholders of the Company with regular dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send their enquiries or requests to the following:

Address: Unit 3001, 30/F Shui On Centre,
6-8 Harbour Road, Wan Chai, Hong Kong
(For the attention of the Company Secretary)

Fax: +852 27875099

Email: tcilhk@tanchong.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at +852 28244473 for any assistance.

Note: The Company will not normally deal with verbal or anonymous enquiries.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Sections 79 and 80 of the Companies Act 1981 of Bermuda, the Company shall, on the requisition in writing of such number of shareholders as is hereinafter specified, at the expense of the requisitionists:

1. give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
2. circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of shareholders necessary for a requisition specified above shall be:

a. either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
b. not less than one hundred shareholders.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

CONVENING A SPECIAL GENERAL MEETING BY SHAREHOLDERS

The Board may whenever it thinks fit call special general meetings, and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

About our Business

During the reporting year from 1 January 2019 to 31 December 2019, the Group was predominantly engaged in motor vehicle distribution and retail businesses in Singapore, Malaysia, Taiwan, the People's Republic of China (the "PRC"), Philippines, Cambodia, Hong Kong, Vietnam and Thailand, as well as transportation in Japan.

Scope of This Report

The scope of this report primarily covers the Group's motor vehicle business operations in Singapore and Thailand as well as its transportation business in Japan during the reporting year. The Group operates in Singapore as a principal location of business and core automotive distribution. In Japan, the Group provides vehicle logistics services to vehicle manufacturers.

In Thailand, the Group assembles and distributes motor vehicles. The assembly plant was officially opened in April 2019. Occupying an area of over 100,000m^2, the assembly plant boasts a team of Japanese staff stationed on site to ensure that production standards are on par with the stringent levels required in Japan.

Reporting Reference

This is the fourth ESG report published by the Group. This report was prepared in accordance with the ESG Reporting Guide (the "ESG Guide") of Appendix 27 of the main board listing rules of the Stock Exchange of Hong Kong Limited ("HKEX").

Reporting Period

The report covers the ESG management approach and performance of the Group for the period from 1 January 2019 to 31 December 2019. The ESG report is published annually.

ESG Governance

Since 2016, the Group has set out various ESG policies as well as strengthened existing policies and guidelines.

Accordingly, the Group formed an ESG Committee that reports to the Deputy Chairman and Managing Director.

2. STAKEHOLDER ENGAGEMENT

The ESG committee comprises relevant members of the management team. They plan and formulate the Group's approach and initiatives and work with a diverse set of stakeholders, including customers, suppliers, dealers, local communities, media and government to better understand their needs and expectations.

3. MATERIALITY ASSESSMENT

The Group has identified the following as material ESG issues.

Environmental	Use of Electricity
	Hazardous Waste Management
Social	Product Responsibility
	Health & Safety

4. ENVIRONMENT

The Group operates in a sustainable manner by utilising resources efficiently and actively monitors emissions. The Group strives to comply with all applicable environmental laws and regulations.

In the new assembly plant in Thailand, the Group formed a Health, Safety and Environment (HSE) team to focus on policies and procedures to oversee the disposal of by-products through safe and environmentally-friendly methods. An environmental policy was established to adhere to local rules and regulations. The Group will continue to review environmental performance goals to ensure continual improvement.

The Group officially launched the Nissan LEAF, an all-new fully-electric car in May 2019. The Nissan Serena e-POWER was introduced in September 2019. The Group has plans to bring in two more electrified vehicles in 2020 and is committed to a full passenger lineup of electric powered vehicles by 2022.

Use of Resources

The Group recognises the scarcity of global resources and believes in the importance of operating in a sustainable manner.

Use of Energy

Electricity

Electricity consumption in 2019 is shown in Table 1.

Table 1 : Consumption of Electricity

	Unit of Measure	2019
Consumption of electricity	kWh	11,926,813,733
Intensity of electricity use	kWh/ m^2	33.45

In the assembly plant in Thailand, energy-saving technologies and initiatives were implemented. The plant was designed to utilise natural lighting in order to reduce the use of electric lights. It also allows natural ventilation to reduce the use of air conditioners and fans. Other initiatives include the installation of motion sensors in bathrooms, encouraging staff to turn off office lights during lunch hours and installing solar-powered street lamps.

Mobile Fuel Use

In Japan, the Group's transportation business consistently promotes eco-friendly driving habits as part of the ongoing driver and crew training programme while making efforts to monitor the effectiveness of the eco-driving implementation. The amount of mobile fuel used for the Group's transportation business in Japan in 2019 is shown in Table 2.

Table 2 : Consumption of Mobile Fuel

Fuel Type	Unit of Measure	2019
Light diesel oil	Litre	21,787,753
Gasoline	Litre	847,763

Use of Water

The Group regularly checks for leaks and wastage. Pressure jets are used to wash cars for higher efficiency. In Singapore, water faucets are fitted with auto-mechanical or sensor-operated devices to reduce wastage. In Thailand, water is reused and recycled. In the testing section of the plant where we check for water seepage in newly-assembled cars, recycled water is used to simulate heavy downpours.

Emissions

Waste Management

Hazardous Waste

Hazardous waste in the automotive industry includes batteries, used oils, excess paint, and waste lubricant. The Group strives to ensure that hazardous waste is stored and collected in compliance with local laws and regulations. The Group treats hazardous waste in a safe manner by adhering to the following:

- Classify hazardous waste and store in designated sections
- Keep hazardous waste in solid containers that are acid and/or solvent-resistant to prevent leakage or corrosion
- Implement clear work instructions and standard operating procedures ('SOP') for staff to handle hazardous waste disposal
- Dispose waste through government-appointed disposal companies. Hazardous waste, including used sealer, used thinner, phosphate sludge and wastewater sludge found in the assembly plant is separated and intercepted before disposal.

The amount of hazardous waste disposed in 2019 is shown in Table 3.

Table 3 : Quantity of Hazardous Waste Disposed

Waste Type	Unit of Measure	2019
Liquid hazardous waste	Litre	303,865
Solid hazardous waste	Kg	277,876
Oil interceptor waste	m^3	215.198

Non-Hazardous Waste

The Group actively promotes recycling and wastage reduction. Staff are encouraged to recycle used paper and print on both sides. The Group works with government-certified suppliers to comply with relevant laws and regulations. In addition, the Group returns used tyres and airbags to suppliers.

Waste Water Management

Wastewater is mainly generated by the car washing process in the workshops. The Group has equipped the workshops with oil interceptors to properly process wastewater and has engaged qualified agents to handle the disposal in compliance with the relevant laws and regulations.

In the assembly plant, a water treatment facility has been installed to treat harmful materials before discharging to the sewage.

Air Emission

Key pollutants in fossil fuel consumption include nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM). As a vehicle distributor and retailer, the Group does not have direct control over the driving patterns, fuel consumption and air emission of drivers. As an active member of Singapore's Motor Traders Association ("MTA"), the Group contributes in MTA meetings on air emission issues and invites the relevant authorities to participate. In 2019, MTA held various meetings to discuss Worldwide Harmonised Light Vehicle Test Procedure ("WLTP") and the next phase of Early Turnover Scheme ("ETS") with the relevant authorities.

Green House Gas (GHG) Emissions

The Group's source of GHG or carbon emissions is mainly from the use of electricity and fossil fuels. The Group has implemented relevant measures to enhance energy efficiency for both electricity consumption and fuel use in automotive. The Group consistently upgrades its facilities and equipment such as the air conditioning and lighting systems of its showrooms for better energy efficiency.

Environment Compliance

To the best of the Group's knowledge during the reporting period, no reported incidents of non-compliance with any environmental laws and regulations were noted. For this reporting period, the use of water, packaging materials, non-hazardous waste, wastewater, air emissions and GHG emissions were not identified in the materiality assessment as material to the Group's business operations. Therefore, the data for the aforementioned issues are not disclosed in this report.

5. SOCIAL

Employees and Labour Standard

The Group promotes equal opportunities, fairness and respect in our employment policies. Our recruitment, training, career development, compensation, promotion, termination and other employment-related policies do not discriminate on the grounds of gender, age, marital status, religion, race, nationality, disability or any status protected by law. In accordance with local laws, employees are entitled to paid holidays, including statutory holidays, annual leave, maternity leave, paternity leave, compassionate leave and sick leave.

The Group also provides employment opportunities for people with physical disabilities to create an inclusive and fair workplace.

Two of our telephone operators in Singapore are visually impaired and have been trained at the Singapore Association of the Visually Handicapped. The Group supports their goal of living independently and provides them with opportunities to interact with the public and boost their confidence.

A staff welfare committee was set up in the Group's assembly plant to provide subsidised food in the canteen, as well as free shuttle services between the plant and key locations in the city.

The Group respects the basic human rights of individuals and does not tolerate the use of child or forced labour in any of its global operations and facilities. To the best of the Group's knowledge during the reporting period, there were no reported incidents of non-compliance with laws and regulations relating to employment practices and labour standards such as child labour or forced labour.

Development and Training

The Group encourages employees at all levels to further develop their skillsets. Half-yearly reviews are conducted for employees to better understand their progress and areas of improvement. The reviews also recognise achievements and contributions by staff.

Occupational Health and Safety

The Group is committed to ensuring the safety and health of all employees. In Singapore, safety circulars are disseminated via the intranet to remind all employees of the importance of workplace safety. The wide range of topics includes prevention of heat injuries, execution of toolbox meetings and identifying workplace hazards.

In the assembly plant, the Group provides all necessary safety equipment and uniforms. Additionally, indoor air quality is constantly measured to provide a safe environment for the workers, with specialists conducting routine checks. All air circulation systems have high-quality filters which are replaced monthly. A full-time nurse mans the medical centre. There is also a safety reporting system in place, where staff can report safety incidents or provide suggestions to the safety committee. The committee comprises staff from various departments, who conduct audits and investigations. The plant also organises health and safety awareness initiatives such as 'Safety Week" and other training courses such as safe lifting.

To the best of the Group's knowledge during the reporting period, no reported incidents of non-compliance with laws and regulations relating to occupational health and safety were noted.

Operating Practice

Product Responsibility

The Group is in constant communication with its manufacturers, dealers and suppliers. We have processes in place to manage technical issues or recalls that might affect vehicle performance or passenger safety. The plant has attained ISO 9001:2015, which required it to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements. It aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

▲ *Mr. Glenn Tan, Deputy Chairman & Managing Director of the Group, with his family at 2019 Last Palm Standing - Mediacorp Subaru Car Challenge participating in a fund raiser for Rainbow Centre.*

Recall Practice

When the Group receives a recall announcement from a manufacturer, its business units comply with recall processes and standard guidelines issued by the manufacturer. Vehicle recalls are reported to relevant authorities. Based on the scope of this report, Table 4 below shows the vehicle recalls conducted in 2019 by the Group in Singapore and Thailand.

Table 4 : Vehicle Recalls Conducted in 2019

Recall Period	Reason for Recall	Countermeasure	Affected Vehicles
February 2019	Stop Light Switch	Replacement of countermeasure Stop light switch	SG (2573) TH (6759)
2019	Front Suspension Coil Spring	Replacement of Front suspension Coil Spring	SG (3040)
2019	Alternator	Replacement of Alternator	SG (2)
August 2019	Later coating of Valve in ABS actuator and water material	Improve quality for later coating of valve in ABS actuator	SG (324)
September 2019	Insufficient torque tightening of Front Exhaust Pipe	Replacement of Front Exhaust Pipe	SG (2094) TH (75)
October 2019	PCV Valve Fracture	Replacement of ODS Sensor Mat Harness	SG (1275) TH (331)
October 2019	Brake Hose Swell	Replacement of countermeasure brake hose	SG (1300) TH (427)
October 2019	Ignition Coil Short Circuit	Replacement of ignition coil and reprogramming of ECM	SG (2596) TH (4789)
October 2019	Insufficient tightening torque of axle nut	Replacement of axle nuts and hub unit	TH (2075)
November 2019	Rear Coil Spring Fracture (Service Campaign)	Replacement of rear coil spring	SG (912) TH (115)

Supply Chain Management

The Group has a supplier selection and evaluation system in place to ensure that contracting processes are fair and tries to encourage suppliers reduce any negative social and environmental impacts caused by their businesses.

Anti-Corruption

A new Operation Compliance department was set up under the Group's Loss Avoidance Unit ("LAU"). It focuses on incident investigation, compliance, security, procurement and ensures that business units comply with the Group's policies and local laws (including Anti-Corruption Laws). The staff in this department are hired based on their past experience in investigative work. A new whistle blowing policy was introduced for employees to raise concerns on possible acts of fraud, dishonesty and misconduct. Anonymity is ensured. All concerns raised would be recorded, investigated and escalated to the management.

During the reporting period, one incident of misconduct was reported. A salesperson in Singapore misappropriated funds and was later terminated and sentenced to jail.

The Group has since reviewed its policies and adopted more stringent guidelines for sales transactions.

6. COMMUNITY

In Singapore, the Group continued its support for Rainbow Centre. The registered charity works with partners to create opportunities for persons with disabilities to make the most of their abilities and participate meaningfully in society. "Eat. Love. Craft" handicraft workshops were organised for beneficiaries and their caretakers to spend quality time together, while professional photographers were engaged for the "Family Portrait" programme to capture their precious moments.

In Thailand, the Group invited customers to participate in programmes promoting local culture. They drove to Thai Lom Temple, Pura Sri An Temple and Phra Pathom Chedi to offer prayers and donations. Customers were also invited to experience an off-road track course. Registration fees were donated to the Thai Royal Forest Department.

In Japan, the Group has been providing monetary donations to the Association for Support of Orphans of Traffic Accidents since 2014. The Group encourages staff to volunteer in annual events such as "Summer Bus Hiking Tour" and "Charity Bazaar", and help drive road safety awareness.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Mr. Tan Eng Soon

DEPUTY CHAIRMAN AND MANAGING DIRECTOR
Mr. Glenn Tan Chun Hong

DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR
Mr. Joseph Ong Yong Loke

EXECUTIVE DIRECTOR
Mr. Tan Kheng Leong

EXECUTIVE DIRECTOR - FINANCE
Mdm. Sng Chiew Huat

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ng Kim Tuck*
Mr. Azman Bin Badrillah*#
Mr. Prechaya Ebrahim
Mr. Teo Ek Kee*#

* Audit Committee Members
# Remuneration Committee Members

JOINT SECRETARIES

Ms. Teo Siok Ghee
Ms. Liew Daphnie Pingyen

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Financial Reporting Council Ordinance
8/F, Prince's Building 10 Chater Road
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street,
Hamilton HM 11, Bermuda

PRINCIPAL PLACES OF BUSINESS

HONG KONG

Unit 3001, 30th Floor,
Shui On Centre,
6-8 Harbour Road, Wanchai Hong Kong

SINGAPORE

Tan Chong Motor Centre
911 Bukit Timah Road Singapore 589622

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House, 41 Cedar Avenue,
Hamilton HM12, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Hopewell Centre, 46th Floor
183 Queen's Road East, Wanchai, Hong Kong

STOCK CODE

693

DIRECTORS AND SENIOR MANAGEMENT PROFILE

CHAIRMAN

Mr. Tan Eng Soon

Aged 71, is the Chairman of the Company and is a director of certain subsidiaries of the Group. He is also a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange. Mr. Tan was the director of Tan Chong Motor Holdings Berhad ("TCMH") and APM Automotive Holdings Berhad ("APM"), listed companies on Bursa Malaysia. He ceased to act as the director of TCMH and APM on 30 June 2012 and 22 May 2013 respectively. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971. He is the father of Mr. Glenn Tan Chun Hong, an executive Director of the Company.

DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Mr. Glenn Tan Chun Hong

Aged 42, is the Deputy Chairman and Managing Director of the Company, and is a director of certain subsidiaries of the Group. He joined the Group in September 2001. He is a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange effective from 26 September 2014. Mr. Glenn Tan graduated from Santa Clara University, USA with a Bachelor of Science in Commerce, Management, in 1998. He is the son of Mr. Tan Eng Soon, the Chairman of the Group.

DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Joseph Ong Yong Loke

Aged 71, is the Deputy Chairman of the Company. Mr. Ong was re-designated from an Executive Director to a Non-Executive Director on 30 March 2016. He was the Managing Director of the Company at its listing in 1998 until 30 March 2016. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr. Ong, a Chartered Surveyor, graduated with a BSc. (Building Economics) from the University of Reading in the United Kingdom in 1971. His previous work experience includes appointments with the Singapore Ministry of Defence and Straits Steamship Co Limited from 1976 to 1980.

EXECUTIVE DIRECTORS

Mr. Tan Kheng Leong (Tan Hoy Shoi)

Aged 77, is the Deputy Managing Director of the Nissan motor operations in Singapore and a director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 50 years, Mr. Tan has worked in all areas of the Group's motor and industrial business.

Mdm. Sng Chiew Huat

Aged 72, is the Finance Director of the Company. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993. She is a Lifetime Member of the Institute of Singapore Chartered Accountants, a Fellow of CPA Australia (FCPA), and a Fellow of the Association of Chartered Certified Accountants (FCCA).


FORESTER


NISSAN
SERENA
e-POWER


NISSAN
LEAF

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Kim Tuck

Aged 65, was appointed as a Non-executive Director of the Company in June 2011 and re-designated as an Independent Non-executive Director of the Company in July 2012. Mr. Ng is currently the Senior Audit Advisor to BDO Malaysia. He is a Council Member of the Malaysian Institute of Certified Public Accountants ("MICPA") and was previously a Council Member of the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Taxation. Mr. Ng also serves on various committees and working groups of the MICPA. He joined KPMG Malaysia in 1974 and was admitted as a partner of the firm in 1985. He had been the partner-in-charge of KPMG Malaysia's Audit Division, Finance as well as Risk Management and Ethics and Independence. He was also formerly the Chairman of KPMG Malaysia's Audit and Accounting Committee and retired from the firm in December 2010.

Mr. Azman Bin Badrillah

Aged 72, was appointed as a Non-executive Director on 1 April 2015 and re-designated as an Independent Non-executive Director of the Company on 14 September 2015. Mr. Azman graduated from the University of Malaya in 1970 with a Bachelor of Economics degree. He joined Bank of America ("BOA") in Malaysia in 1971. In 1974, he was assigned to BOA's Asia Division and underwent training at its World Banking Division in San Francisco, USA. Upon his return to Malaysia in 1975, he worked at the BOA's Credit Department for another 3 years before relocation to its South & East Asia Division, Area Credit Administration, Hong Kong. In 1981, he returned back to Malaysia to take up position at BOA in Kuala Lumpur. His last position with BOA was the officer responsible for its Marketing & Strategic Planning Department. He resigned from BOA in 1982. Mr. Azman joined TCMH group in 1983 as an executive director of its auto parts industry division. He was responsible for the overall performance of one of its key product groups. In April 1994, he was appointed as a director to the board of directors of TCMH. He resigned as a director of TCMH in July 2010. He was a director of APM since its listing in 1999. He resigned as a director of APM on 1 June 2013.

Mr. Prechaya Ebrahim

Aged 58, was appointed as an Independent Non-executive Director of the Company on 12 June 2015. Mr. Prechaya is currently a partner in LS Horizon Limited, a law firm in Thailand. His areas of expertise include commercial litigation, dispute resolution, labor and employment law and employment benefits. Prior to joining LS Horizon Limited, Mr. Prechaya worked for Boonchoo International & Associates starting in 1983 and became partner of the firm in 1987. He joined Baker & McKenzie in 1991 and became a local partner in 1997. Mr. Prechaya has represented multi-national and local corporate clients in large-scale commercial litigation and in various areas including labor construction, banking and finance, intellectual property, and involving international transactions. In addition, he has been very active in the area of employment litigation and in arbitration matters. Mr. Prechaya has advised various foreign and local banks as well as large manufacturing companies in Thailand with respect to labor and employment matters. Mr. Prechaya was conferred a Bachelor of Laws (Honors) degree from Chulalongkorn University in 1983.

Mr. Teo Ek Kee

Aged 67, was appointed as an Independent Non-executive Director of the Company on 1 June 2016. Mr. Teo is currently an associate director of equity sales at Lim & Tan Securities Private Limited, a brokerage firm in Singapore. Mr. Teo has more than 20 years experience in the financial services industry and has been involved mainly in equity sales to both corporate and individual clients. Mr. Teo also has vast experience and expertise in human resource management. Prior to joining Lim & Tan Securities Private Limited in 1993, Mr. Teo was at DBS Bank Limited in its consumer banking department since 1977. His last appointment held with DBS Bank Limited was an Assistant Vice President in the human resource department. Mr. Teo joined the Government of Singapore Investment Corporation in 1987 as a director of its administration and personnel department. He was then responsible for all the administration and human resource functions of this company. Mr. Teo was conferred a Bachelor of Business Administration (Second Class Upper Honours) degree from University of Singapore in 1977.

SENIOR MANAGEMENT

Ms. Teo Siok Ghee

Aged 67, is the Head of Operations in P.R.China. Ms. Teo was also appointed as a Joint Company Secretary of the Company in August 2011. She joined the Group in 1981. Ms. Teo holds a Bachelor of Commerce (major in Accountancy) from Nanyang University and a non-practicing member of the Institute of Singapore Chartered Accountants.

Mr. Goh Leng Kwang

Aged 69, is the Head of Corporate Affairs of the Group operations. He joined the Group in 1982 and is a director of several subsidiary companies within the Group. He graduated in 1976 from Singapore University with a degree in Bachelor of Accountancy.

Mr. Lee Chow Yoke Samuel

Aged 54, is the Head of the Property Development and Seat Manufacturing division of the Group. Mr. Samuel Lee joined the Group in 1997. He holds a Bachelor of Civil & Structural Engineering (Hons) degree from the University of Sheffield, England.

CORPORATE STRUCTURE

TAN CHONG INTERNATIONAL

BERMUDA

100% MAN Commercial Vehicles (Thailand) Co., Ltd.
Thailand

100% Foton Truck (Thailand) Co., Ltd.
Thailand

100% Fuso Truck (Thailand) Co., Ltd.
Thailand

100% TC Manufacturing and Assembly Co., Ltd
Thailand

74.9% Tan Chong Subaru Automotive (Thailand) Co., Ltd.
Thailand

100% Hurdle Joy Holdings Limited
British Virgin Islands

100% Wilby Estate International Pte Ltd
Singapore

100% Tan Chong Realty (Private) Limited
Singapore

100% Tan Chong Land Company Pte Ltd
Singapore

100% TC Properties Limited
British Virgin Islands

100% Tan Chong (Vietnam) Industrial Machinery Co., Ltd
Vietnam

100% Tan Chong Industrial Machinery (Pte) Ltd
Singapore

100% Metaquip TC Industrial Pte Ltd
Singapore

100% Nissan Diesel (Thailand) Co., Ltd.
Thailand

100% TC Machinery Limited
British Virgin Islands

100% TC Trading Limited
British Virgin Islands

67% Asanoya TC Pte. Ltd.
Singapore

100% TC Motors (S) Limited
British Virgin Islands

100% Wuxi Chengchang Seats Manufacturing Co Ltd
PRC

100% Imei Corporation Limited
Japan

100% TC Automotive Limited
British Virgin Islands

100% TC Services @ Wilby Pte Ltd
Singapore

50% Ethoz Group Ltd
Singapore

100% Brizay Property Pte Ltd
Singapore

100% Tan Chong Investments Limited
British Virgin Islands

100% TC Motor Pacific Limited
British Virgin Islands

100% TC Equity Limited
British Virgin Islands

100% Tan Chong Credit Pte Ltd
Singapore

100% TC Connections Pte Ltd
Singapore

100% Tan Chong.Com Pte Ltd
Singapore

54.55% TC Capital (Thailand) Co., Ltd
Thailand

100% Redcliffe Investments Ltd
Hong Kong

36% PT Tifa Mutual Finance Corporation
Indonesia

100% TC Vehicles Limited
British Virgin Islands

100% TC Autohub (Thailand) Co., Ltd
Thailand

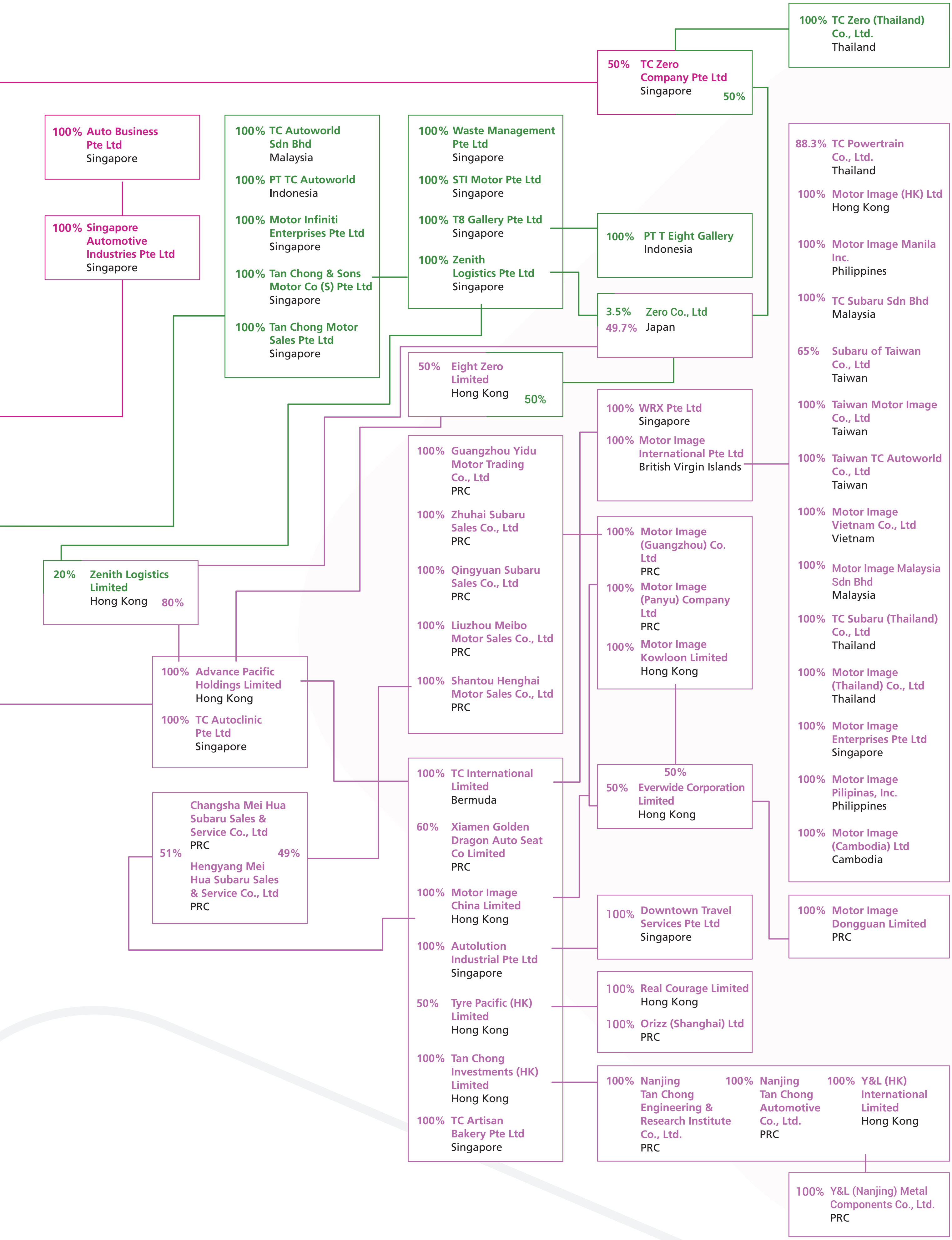
100% TC Changan Limited
Hong Kong

100% TC Changan Singapore Pte Ltd
Singapore

100% TC Assembly (Thailand) Co., Ltd.
Thailand

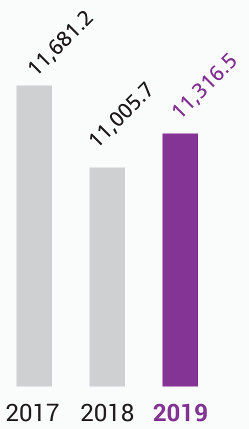
100% Changan (Thailand) Company Limited
Thailand

100% TC Industrial Equipment (Vietnam) Company Limited
Vietnam

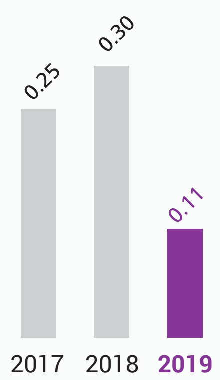

100% TC Zero (Thailand) Co., Ltd. Thailand
50% TC Zero Company Pte Ltd Singapore 50%
100% Auto Business Pte Ltd Singapore
100% Singapore Automotive Industries Pte Ltd Singapore
100% TC Autoworld Sdn Bhd Malaysia
100% PT TC Autoworld Indonesia
100% Motor Infiniti Enterprises Pte Ltd Singapore
100% Tan Chong & Sons Motor Co (S) Pte Ltd Singapore
100% Tan Chong Motor Sales Pte Ltd Singapore
100% Waste Management Pte Ltd Singapore
100% STI Motor Pte Ltd Singapore
100% T8 Gallery Pte Ltd Singapore
100% Zenith Logistics Pte Ltd Singapore
100% PT T Eight Gallery Indonesia
3.5% 49.7% Zero Co., Ltd Japan
88.3% TC Powertrain Co., Ltd. Thailand
100% Motor Image (HK) Ltd Hong Kong
100% Motor Image Manila Inc. Philippines
100% TC Subaru Sdn Bhd Malaysia
65% Subaru of Taiwan Co., Ltd Taiwan
100% Taiwan Motor Image Co., Ltd Taiwan
100% Taiwan TC Autoworld Co., Ltd Taiwan
100% Motor Image Vietnam Co., Ltd Vietnam
100% Motor Image Malaysia Sdn Bhd Malaysia
100% TC Subaru (Thailand) Co., Ltd Thailand
100% Motor Image (Thailand) Co., Ltd Thailand
100% Motor Image Enterprises Pte Ltd Singapore
100% Motor Image Pilipinas, Inc. Philippines
100% Motor Image (Cambodia) Ltd Cambodia
50% Eight Zero Limited Hong Kong 50%
100% WRX Pte Ltd Singapore
100% Motor Image International Pte Ltd British Virgin Islands
20% Zenith Logistics Limited Hong Kong 80%
100% Guangzhou Yidu Motor Trading Co., Ltd PRC
100% Zhuhai Subaru Sales Co., Ltd PRC
100% Qingyuan Subaru Sales Co., Ltd PRC
100% Liuzhou Meibo Motor Sales Co., Ltd PRC
100% Shantou Henghai Motor Sales Co., Ltd PRC
100% Motor Image (Guangzhou) Co. Ltd PRC
100% Motor Image (Panyu) Company Ltd PRC
100% Motor Image Kowloon Limited Hong Kong
100% Advance Pacific Holdings Limited Hong Kong
100% TC Autoclinic Pte Ltd Singapore
50% 50% Everwide Corporation Limited Hong Kong
Changsha Mei Hua Subaru Sales & Service Co., Ltd PRC
51% 49%
Hengyang Mei Hua Subaru Sales & Service Co., Ltd PRC
100% TC International Limited Bermuda
60% Xiamen Golden Dragon Auto Seat Co Limited PRC
100% Motor Image China Limited Hong Kong
100% Autolution Industrial Pte Ltd Singapore
50% Tyre Pacific (HK) Limited Hong Kong
100% Tan Chong Investments (HK) Limited Hong Kong
100% TC Artisan Bakery Pte Ltd Singapore
100% Motor Image Dongguan Limited PRC
100% Downtown Travel Services Pte Ltd Singapore
100% Real Courage Limited Hong Kong
100% Orizz (Shanghai) Ltd PRC
100% Nanjing Tan Chong Engineering & Research Institute Co., Ltd. PRC
100% Nanjing Tan Chong Automotive Co., Ltd. PRC
100% Y&L (HK) International Limited Hong Kong
100% Y&L (Nanjing) Metal Components Co., Ltd. PRC

FINANCIAL HIGHLIGHTS

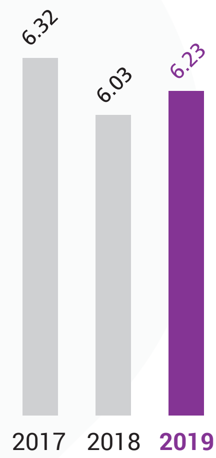
SHAREHOLDERS' FUND
(HK$ Millions)



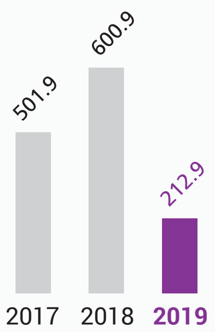
EARNINGS PER SHARE
(HK$)



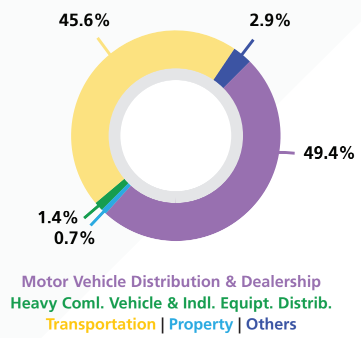
NET ASSET VALUE PER SHARE
(HK$)



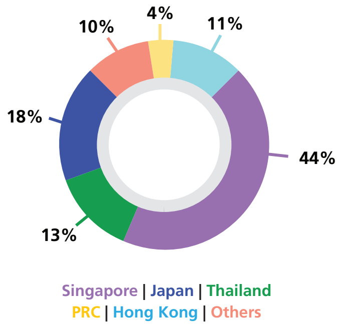
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Millions)



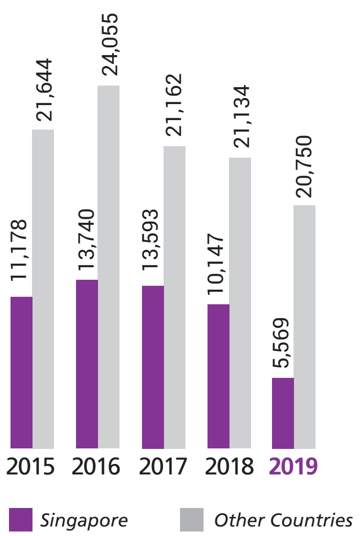
REVENUE BY BUSINESS TYPE



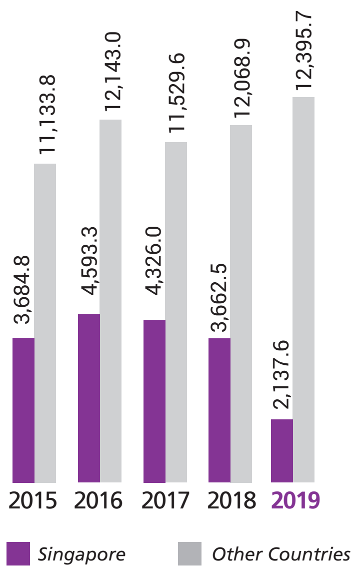
SPECIFIED NON-CURRENT ASSETS BY LOCATION



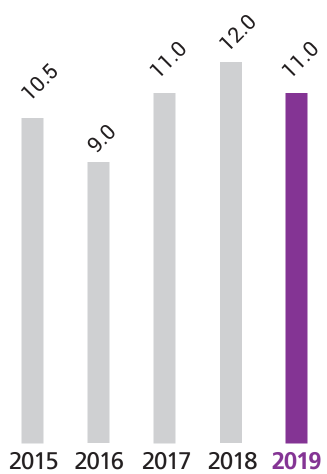
UNITS SOLD



REVENUE
(HK$ Millions)



DIVIDENDS
(HK Cents)



The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2019.

Principal activities and business review

The principal activity of Tan Chong International Limited (the "Company") is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 16 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on pages 2 to 3 of this Annual Report. This discussion forms part of this directors' report.

The analysis of the types of businesses and geographical areas of the operations of the Company and its subsidiaries (collectively, the "Group") during the financial year are set out in note 37 to the financial statements.

Financial statements

The profit of the Group for the year ended 31 December 2019 and the financial position of the Company and of the Group as at that date are set out in the financial statements on pages 35 to 122.

Major customers and suppliers

The percentages of sales and purchases of inventories for sale attributable to the Group's major customers and suppliers respectively during the financial year are as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	7%	
Five largest customers in aggregate	15%	
The largest supplier		17%
Five largest suppliers in aggregate		29%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Recommended dividend

An interim dividend of HK2.0 cents (2018: HK2.5 cents) per share was paid on 25 September 2019. The directors now recommend the payment of a final dividend of HK9.0 cents (2018: HK9.5 cents) per share in respect of the year ended 31 December 2019.

Share capital

Details of share capital of the Company during the year are set out in note 32(d) to the financial statements. There were no movements during the year.

DIRECTORS' REPORT (continued)

Directors

The directors during the financial year and up to date of this report were:

Executive directors

Tan Eng Soon	(Chairman)
Glenn Tan Chun Hong	(Deputy Chairman and Managing Director)
Tan Kheng Leong	
Sng Chiew Huat	(Finance Director)

Non-executive director

Joseph Ong Yong Loke	(Deputy Chairman)

Independent non-executive directors

Ng Kim Tuck
Azman Bin Badrillah
Prechaya Ebrahim
Teo Ek Kee

In accordance with Bye-law 87(1), Mr. Tan Eng Soon, Mr. Ng Kim Tuck and Mr. Teo Ek Kee will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Connected transactions

During the year, the Group conducted the following continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(i) Assembly Agreement and Technical Assistance Agreement entered into with Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA")

TCMA is a subsidiary of Tan Chong Motor Holdings Berhad ("TCMH"), and Tan Chong Consolidated Sdn. Bhd. ("TCC") is interested in more than 30% of the equity interests in TCMH. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, TCMA is a connected person of the Company and the transactions under each of the Assembly Agreement and the Technical Assistance Agreement as defined below constitute continuing connected transactions of the Company under the Listing Rules.

(a) Assembly Agreement

TC Subaru Sdn. Bhd. ("TC Subaru"), a wholly-owned subsidiary of the Company, and TCMA entered into an assembly agreement on 7 December 2018 (the "Assembly Agreement") in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the one year period from 1 January 2019 to 31 December 2019.

The prices and terms of the transactions under the Assembly Agreement are on arm's length terms taking into account similar services available from independent third parties in the market.

For the year ended 31 December 2019, the aggregate annual transaction amount under the Assembly Agreement amounted to HK$34,115,000 which was within the annual cap of HK$60,000,000.

Connected transactions (continued)

(i) Assembly Agreement and Technical Assistance Agreement entered into with Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA") (continued)

(b) Technical Assistance Agreement

Tan Chong Subaru Automotive (Thailand) Company Limited ("TCSAT"), a subsidiary of the Company and TCMA entered into a technical assistance agreement on 7 December 2018 (the "Technical Assistance Agreement") in relation to the provision of technical assistance services by TCMA to TCSAT during one year period from 1 January 2019 to 31 December 2019.

The service fee and terms of the transactions under the Technical Assistance Agreement were mutually agreed between TCSAT and TCMA on arm's length basis. In negotiating the service fee with TCMA, TCSAT had made reference to the fee for similar transactions with Subaru Corporation providing similar services.

For the year ended 31 December 2019, the aggregate annual transaction amount under the Technical Assistance Agreement amounted to HK$482,000 which was within the annual cap of HK$2,000,000.

Details of the Assembly Agreement and the Technical Assistance Agreement were disclosed in the announcement of the Company dated 7 December 2018.

(ii) TCMH Agreements

The Group and TCMH and its subsidiaries (the "TCMH Group") entered into four agreements on 30 December 2016 (the "TCMH Agreements") in relation to the sale and purchase of motor parts and accessories and vehicle servicing transactions during the three year period from 1 January 2017 to 31 December 2019.

The prices and terms of the transactions under the TCMH Agreements in respect of the sale and purchase of motor parts and accessories were agreed between the Group and each of the relevant counterparties by way of sales contracts or on an order-by-order basis by way of purchase orders, and are based on arms' length terms taking into account the value and volume of orders and similar products available from independent third parties in the market. The prices and terms of the transactions under the TCMH Agreements in respect of the vehicle servicing transactions are based on arm's length terms taking into account similar services available from independent third parties in the market.

The transaction amount under the TCMH Agreements first exceeded the original annual cap of HK$11,822,000 in September 2019 in the amount of HK$563,357. As a result of the original cap being exceeded and in anticipation of a significant increase in customer orders for certain parts and accessories in December 2019 due to competitive price the Group offers to its customers, the annual cap for the transactions under the TCMH Agreements for the year ended 31 December 2019 was revised upwards from HK$11,822,000 to HK$22,543,000 on 27 November 2019.

TCC is interested in more than 30% of the equity interests in TCMH. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each member of the TCMH Group is a connected person of the Company and the transactions contemplated under the TCMH Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2019, the aggregate annual transaction amount under the TCMH Agreements amounted to HK$14,789,000 which was within the annual cap of HK$22,543,000.

Details of the TCMH Agreements were disclosed in the announcements of the Company dated 30 December 2016, 27 November 2019 and 11 December 2019 respectively.

(iii) APMVN Agreement

Tan Chong Vietnam Industrial Machinery Co., Ltd. ("TCVN"), a wholly-owned subsidiary of the Company, and APM Springs (Vietnam) Company Limited ("APMVN") entered into an agreement on 30 December 2016 (the "APMVN Agreement") in relation to the sale and rental of vehicles, material handling equipment, forklift, parts and accessories during the three year period from 1 January 2017 to 31 December 2019.

The prices and terms of the transactions under the APMVN Agreement were agreed between TCVN and APMVN by way of sales or rental contracts, and are based on arms' length terms taking into account the value and volume of orders and similar products changed to independent third parties in the market.

Connected transactions (continued)

(iii) APMVN Agreement (continued)

APMVN is a subsidiary of APM Automotive Holdings Berhad ("APM") and TCC is interested in more than 30% of the equity interests in APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, APMVN is a connected person of the Company and the transactions under the APMVN Agreement constitute continuing connected transactions of the Company under the Listing Rules. The annual cap for the transactions under the APMVN Agreement should not exceed HK$71,000 for the year ended 31 December 2019.

For the year ended 31 December 2019, the aggregate annual transaction amount under agreement amounted to HK$70,000 which was within the annual cap of HK$71,000.

Details of the APMVN Agreement were disclosed in the announcement of the Company dated 30 December 2016.

(iv) APM Agreements

TC Subaru and the four subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Spring Sdn. Bhd. and APM Automotive Modules Sdn. Bhd. (collectively, the "APM Subsidiaries") entered into four agreements (the "APM Agreements") respectively on 1 October 2019 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the period from 1 October 2019 to 31 December 2020.

The prices and terms of the transactions under the APM Agreements were agreed between TC Subaru and each of the APM Subsidiaries based on arm's length negotiation. Periodic quotations that are valid for 6 months will be provided by each of the APM Subsidiaries to TC Subaru, taking into account the value and volume of orders and similar comparable parts available in the market from independent third parties.

Each of the APM Subsidiaries is a subsidiary of APM, and TCC is interested in more than 30% of the equity interests in APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each of the APM Subsidiaries is a connected person of the Company and the transactions under the APM Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2019, the aggregate annual transaction amount under the APM Agreements amounted to HK$395,000 which was within the annual cap of HK$400,000.

Details of the APM Agreements were disclosed in the announcement of the Company dated 1 October 2019.

Listing Rules Implications

Given that the transactions under the Assembly Agreement, the Technical Assistance Agreement, the TCMH Agreements, the APMVN Agreement and the APM Agreements (the "Transactions") were all entered into by the Group with parties connected or otherwise associated with one another, the Transactions were aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions on an annual basis is more than 0.1% but less than 5%, the Transactions constitute continuing connected transactions of the Company subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The aggregated annual cap for the Transactions for the year ended 31 December 2019 was set at HK$85,014,000.

For the year ended 31 December 2019, the aggregate annual transaction amount under the Transactions amounted to HK$49,851,000 which was within the annual cap of HK$85,014,000.

The Company has complied with the disclosure requirements, where applicable, in accordance with the Listing Rules.

The continuing connected transactions mentioned above have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Listing Rules Implications (continued)

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their responsibilities and conclusions in respect of the abovementioned continuing connected transactions as disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Save as disclosed above, there was no connected transaction or contract of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2019 or at any time during the year ended 31 December 2019.

A summary of the material related party transactions undertaken by the Group during the year is set out in note 36 of the financial statements.

Stock compensation program

On 26 November 2015, a subsidiary set up an independent trust fund by Mizuho Trust & Banking Co., Ltd (the "trustee") for adoption of a performance-based stock compensation program (the "Program"). The Program was set up for the purpose of motivating the corporate officers in the subsidiary to achieve higher corporate performance from middle to long-term perspectives of corporate management. Under the Program, points are granted by considering the employee's positions and performance in accordance with the Rules on Distributions of Board Benefit of the subsidiary. Each point granted can be converted into one share when the employees leave their positions. The maximum points to be awarded for the five years period ended 30 June 2020 is 500,000. The trust fund shall not have a definite expiration date and continue as long as the Program exist. Maximum amount of money to be contributed is JPY500,000,000 (equivalent to HK$35,668,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

81,200 (2018: 63,000) points were awarded to the employees of the Group during the year ended 31 December 2019.

During the year ended 31 December 2019, the Group recognised a total expense of HK$3,795,000 (2018: HK$2,466,000) as the equity-settled share-based payments in relation to the points awarded under the Program.

Further details of the schemes are set out in note 33 to the consolidated financial statements.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' interests and short positions in shares

The directors who held office at 31 December 2019 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					
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Joint interests (Notes 3)	Total numbers of shares held	Percentage of total issued shares
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%

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 interested in these shares.

(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, 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 31 December 2019, 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 year 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.

Substantial interests in the share capital of the Company

The Company has been notified of the following interests (other than a director of the Company) in the Company's issued shares as at 31 December 2019 amounting to 5% (2018: 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%
Tan Kim Hor	Long	(3)	144,801,495	7.19%
Pang Siew Ha	Long		134,821,032	6.69%
Time Strategy Group Limited	Long	(4)	104,497,700	5.19%
Lee Lang	Long		103,930,622	5.16%

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 of the Company.

(2) Tan Eng Soon is the controlling shareholder of Promenade Group Limited.

(3) Tan Kim Hor passed away on 21 March 2016. His interest includes his spouses' interests.

(4) Tan Eng Soon is the controlling shareholder of Time Strategy Group Limited.

Save as disclosed above, no persons, other than a director of the Company 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.

Emolument policy

The emolument policy of the employees of the Group is based on their merit, qualification and experience, having regard to their individual performance and the Group's operating results.

The emolument policy of the directors and senior management is decided by the Remuneration Committee ("RC"), taking into account the Group's performance and individual contribution. Details of the functions of the RC are mentioned in the Corporate Governance Report.

Details of remuneration paid to members of senior management fell within the following bands:

	Number of individuals
HK$2,500,001 - HK$3,000,000	1
HK$3,000,001 - HK$3,500,000	1
HK$3,500,001 - HK$4,000,000	0
HK$4,000,001 - HK$4,500,000	1

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float of at least 25% of the total issued share capital of the Company as required by the Listing Rules.

Directors' interests in contracts

Save as disclosed in Connected Transactions above, no transaction, arrangement or contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT (continued)

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda.

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.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2019 are set out in notes 25, 26 and 27 to the financial statements.

Financial summary

A summary of the results of the Group and of the Group's assets and liabilities for the last five financial years is set out on page 123 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 125 to 128 of the annual report.

Retirement schemes

Details of retirement schemes to which the Group contributes are set out in note 28 to the financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the independent non-executive directors to be independent.

For and on behalf of the Board

Tan Eng Soon
Chairman
Hong Kong, 24 March 2020

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Tan Chong International Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Tan Chong International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 35 to 122, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Assessing the net realisable value of inventories

Refer to notes 2(b) and 20 to the consolidated financial statements and the accounting policies in note 1(p).

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2019, the Group held inventories which comprised several different motor car brands and models in 10 different geographical markets with an aggregate carrying amount of HK$2,634 million. Changes in economic sentiment or consumer preferences and the introduction of newer models with the latest design and technologies by motor car manufacturers to these different markets could result in inventories on hand no longer being sought after or being sold at a discount below their cost. Estimating future demand and related selling prices of motor cars is inherently subjective and uncertain because it involves management estimating the extent of markdown of selling prices necessary to sell older or slow moving models in the period subsequent to the reporting date. We identified the assessment of the net realisable value of inventories as a key audit matter because of the significance of inventories to the consolidated financial statements and because of the significant judgements made by management in assessing net realisable value, which increases the risk of error or potential management bias, particularly given the number of motor car models involved and the diversity of geographical markets in which these motor cars are sold.	Our audit procedures to assess the net realisable value of inventories included the following: • assessing whether the inventory provision at the end of the reporting period was determined on a basis consistent with the Group's inventory provisioning policy by recalculating the inventory provisions based on expected selling prices; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing brackets by comparing individual items in the inventory ageing report with underlying documentation, including purchase invoices and goods received notes; • evaluating the Group's inventory provision balance for slow moving items as categorised in the inventory ageing report by comparison with management's sales forecasts with reference to historical sales and by considering recent changes in economic conditions, consumer preferences and available alternative motor car models sold by the Group and its competitors; • enquiring of management about any planned launch of new motor car models by the motor car manufacturers and plans for the Group to markdown the selling prices of older and slow moving motor car models; and • comparing, on a sample basis, the carrying value of inventories with sales prices subsequent to the end of the reporting period.

Key audit matters (continued)

Assessing the recoverability of trade debtors

Refer to notes 2(a) and 23 to the consolidated financial statements and the accounting policies in notes 1(r) and 1(y)(i).

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2019, the Group's trade debtors amounted to HK$1,319 million, after making a loss allowance of HK$55 million. The Group's customers operate in a number of different geographical locations. These customers have different credit profiles and the timing of trade debtor settlements can also be influenced by geographical norms and the economic environment in which the customers operate. The Group's loss allowances are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date, all of which involve a significant degree of management judgement. The Group's loss allowances include a specific element based on individual debtors and a collective element based on historical experience adjusted for geographical norms. We identified assessing the recoverability of trade debtors as a key audit matter because of the significance of trade debtors to the consolidated financial statements and because the assessment of the recoverability of trade debtors and recognition of loss allowances are inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.	Our audit procedures to assess the recoverability of trade debtors included the following: • understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of trade debtors, which included credit control procedures and estimate of expected credit losses under the Group's policy; • assessing, on a sample basis, whether items in the trade debtor ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales invoices; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions in different geographical locations and forward-looking information; • assessing the Group's recorded loss allowances by comparing cash receipts after the end of the reporting period against the balances at the end of the reporting period, on a sample basis, taking into account credit terms extended to the relevant trade debtors; and • evaluating the assumptions and estimates made by management in calculating the loss allowances by examining the utilisation or release of previously recorded allowances during the current year and write-offs of trade debtors not previously provided for, on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Guen Kin Shing.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019	2018
			(Note)
		$'000	$'000
Revenue	3	14,533,351	15,731,423
Cost of sales		(11,752,447)	(12,642,693)
Gross profit		2,780,904	3,088,730
Other net income	4	328,360	435,999
Distribution costs		(1,413,194)	(1,340,416)
Administrative expenses		(1,107,517)	(1,157,603)
Other operating expenses	5	(23,077)	(54,960)
Profit from operations		565,476	971,750
Financing costs	6	(101,262)	(92,426)
Share of profits less losses of associates		71,709	71,941
Profit before taxation	7	535,923	951,265
Income tax expense	10(a)	(224,871)	(320,647)
Profit for the year		311,052	630,618
Attributable to:			
Equity shareholders of the Company		212,932	600,899
Non-controlling interests		98,120	29,719
Profit for the year		311,052	630,618
Earnings per share	11		
Basic and diluted		$0.11	$0.30

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 44 to 122 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Profit for the year		311,052	630,618
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	28(a)(v)	(3,989)	9,040
Investments designated as at fair value through other comprehensive income:			
– changes in fair value recognised during the year		309,836	(931,439)
Revaluation surplus:			
– change in fair value prior to transfer from other property, plant and equipment to investment properties		1,821	-
		307,668	(922,399)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of:			
– subsidiaries outside Hong Kong		57,799	(94,568)
– associates outside Hong Kong		(10,310)	(37,444)
		47,489	(132,012)
Other comprehensive income for the year		355,157	(1,054,411)
Total comprehensive income for the year		666,209	(423,793)
Attributable to:			
Equity shareholders of the Company		540,277	(455,289)
Non-controlling interests		125,932	31,496
Total comprehensive income for the year		666,209	(423,793)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 44 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019	2018
			(Note)
		$'000	$'000
Non-current assets			
Investment properties	12	3,628,592	3,443,029
Other property, plant and equipment	13	5,150,565	4,387,142
Intangible assets	14	106,057	110,633
Goodwill	15	39,168	43,486
Interest in associates	17	883,828	862,729
Other financial assets	18	65,441	57,179
Hire purchase debtors and instalments receivable	24	206,429	246,190
Non-current prepayments		131,390	134,832
Deferred tax assets	10(c)	53,280	61,606
		10,264,750	9,346,826
Current assets			
Investments designated as at fair value through other comprehensive income	19	2,211,149	1,896,746
Inventories	20(a)	2,634,350	2,166,126
Properties held for sale	21	16,774	16,644
Trade debtors	23	1,319,206	1,096,292
Hire purchase debtors and instalments receivable	24	112,785	116,497
Other debtors, deposits and prepayments		515,544	507,666
Amounts due from related companies	30	171	150
Cash and cash balances	25(a)	2,450,254	3,090,532
		9,260,233	8,890,653

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
at 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Current liabilities			
Unsecured bank overdrafts	26	75,780	97,600
Bank loans	26	2,825,895	2,010,779
Trade creditors	29	1,122,535	844,576
Other creditors and accruals	22	1,390,460	1,319,188
Amounts due to related companies	30	14,502	32,292
Lease liabilities	27	277,832	48,281
Current taxation		94,895	160,100
Provisions	31	48,831	79,896
		5,850,730	4,592,712
Net current assets		3,409,503	4,297,941
Total assets less current liabilities		13,674,253	13,644,767
Non-current liabilities			
Bank loans	26	319,975	1,152,102
Lease liabilities	27	552,707	110,190
Net defined benefit retirement obligations	28	109,115	123,324
Deferred tax liabilities	10(c)	93,315	75,303
Provisions	31	48,264	35,413
		1,123,376	1,496,332
NET ASSETS		12,550,877	12,148,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
CAPITAL AND RESERVES			
Share capital	32(d)	1,006,655	1,006,655
Reserves		10,309,852	9,999,086
Total equity attributable to equity shareholders of the Company		11,316,507	11,005,741
Non-controlling interests		1,234,370	1,142,694
TOTAL EQUITY		12,550,877	12,148,435

Approved and authorised for issue by the board of directors on 24 March 2020.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 44 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				
	Share capital $'000	Share premium (note 32(a)(i)) $'000	Capital reserve (note 32(a)(ii)) $'000	Stock compensation reserve (note 32(a)(iii)) $'000	Translation reserve (note 32(a)(iv)) $'000
Balance at 1 January 2018	1,006,655	550,547	9,549	5,220	718,261
Changes in equity for 2018:					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	(137,683)
Total comprehensive income for the year	-	-	-	-	(137,683)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-
Equity-settled share based transactions	-	-	-	1,312	-
Dividends declared and approved during the year	-	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-
Disposal of interest in subsidiaries	-	-	-	-	-
Balance at 31 December 2018	1,006,655	550,547	9,549	6,532	580,578
Balance at 1 January 2019 (Note)	1,006,655	550,547	9,549	6,532	580,578
Changes in equity for 2019:					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	20,433
Total comprehensive income for the year	-	-	-	-	20,433
Non-controlling interests arising from acquisitions of a subsidiary	-	-	-	-	-
Equity settled share based transactions	-	-	-	2,019	-
Dividends declared and approved during the year (Note 32(c))	-	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-
Balance at 31 December 2019	1,006,655	550,547	9,549	8,551	601,011

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 44 to 122 form part of these financial statements.

Attributable to equity shareholders of the Company						
Contributed surplus (note 32(b)(ii)) $'000	Fair value reserve (non-recycling) (note 32(a)(v)) $'000	Property revaluation reserve (note 32(a)(vi)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
377,690	2,372,003	331,167	6,310,090	11,681,182	1,042,346	12,723,528
-	-	-	600,899	600,899	29,719	630,618
-	(923,314)	-	4,809	(1,056,188)	1,777	(1,054,411)
-	(923,314)	-	605,708	(455,289)	31,496	(423,793)
-	-	-	-	-	129,691	129,691
-	-	-	-	1,312	1,154	2,466
-	-	-	(221,464)	(221,464)	-	(221,464)
-	-	-	-	-	(51,911)	(51,911)
-	-	-	-	-	(10,082)	(10,082)
377,690	1,448,689	331,167	6,694,334	11,005,741	1,142,694	12,148,435
377,690	1,448,689	331,167	6,694,334	11,005,741	1,142,694	12,148,435
-	-	-	212,932	212,932	98,120	311,052
-	307,213	1,821	(2,122)	327,345	27,812	355,157
-	307,213	1,821	210,810	540,277	125,932	666,209
-	-	-	-	-	2,091	2,091
-	-	-	-	2,019	1,776	3,795
-	-	-	(231,530)	(231,530)	-	(231,530)
-	-	-	-	-	(38,123)	(38,123)
377,690	1,755,902	332,988	6,673,614	11,316,507	1,234,370	12,550,877

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Operating activities			
Profit from operations		565,476	971,750
Adjustments for:			
Depreciation	7	593,803	334,672
Amortisation for intangible assets	7	25,388	28,746
Impairment loss on goodwill	7	5,595	-
Gain on disposal of property, plant and equipment	4	(10,292)	(5,377)
Gain on disposal of investment properties	4	-	(15,204)
Valuation gains on investment properties, net	4	(148,765)	(184,091)
Decrease in fair value of listed investments designated as at fair value through profit or loss	4	-	1,052
Bank and other interest income	4	(27,923)	(38,490)
Dividend income	4	(107,022)	(104,736)
Equity settled share based payment expenses	8	3,795	2,466
Net foreign exchange (gain)/loss		(20,688)	22,049
Loss on disposal of intangible assets	7	2,312	-
Gain on disposal of interest in subsidiaries	4	-	(11,899)
Gain on deemed disposal of interest in an associate	4	(873)	-
Operating profit before changes in working capital		880,806	1,000,938
(Increase)/decrease in inventories		(386,449)	302,429
Increase in trade debtors		(210,412)	(8,300)
Decrease in hire purchase debtors and instalments receivable		47,863	62,212
Decrease/(increase) in other debtors, deposits and prepayments		6,383	(41,246)
Decrease in properties held for sale		-	7,434
(Increase)/decrease in amounts due from related company		(26)	142
Increase/(decrease) in trade creditors		267,852	(76,559)
Increase in other creditors and accruals		54,050	39,078
(Decrease)/increase in amounts due to related companies		(18,649)	25,137
(Decrease)/increase in provisions		(21,506)	8,720
Decrease in net defined benefit retirement obligations		(15,372)	(144)
Cash generated from operations		604,540	1,319,841
Interest paid		(83,619)	(89,791)
Taxes paid		(288,288)	(347,541)
Net cash generated from operating activities		232,633	882,509

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019	2018
			(Note)
		$'000	$'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(417,508)	(677,450)
Payment for the additions to intangible assets		(15,433)	(16,853)
Payment for purchase of securities investment		(10,165)	(10,727)
Decrease in non-current prepayments		4,503	19,731
(Placement)/withdrawal of fixed deposits at banks with maturity over three months		(10,015)	7,406
Proceeds from disposal of property, plant and equipment		115,165	78,725
Proceeds from disposal of investment property		-	100,000
Proceeds from disposal of securities investments		-	51,680
Dividends received from associates		31,459	28,098
Dividends received from listed investments		106,629	104,338
Dividends received from unlisted investments		393	398
Interest received		27,923	38,490
Net cash outflow from disposal of subsidiaries		-	(24,412)
Net cash used in investing activities		(167,049)	(300,576)
Cash flows from financing activities			
Repayment of borrowings	25(b)	(2,509,023)	(3,747,905)
Proceeds from new bank loans	25(b)	2,384,836	3,033,147
Dividends paid to shareholders		(231,530)	(221,464)
Dividends paid to non-controlling shareholders of subsidiaries		(38,123)	(51,911)
Interest element of lease rentals paid	25(b)	(17,643)	(2,635)
Capital element of lease rentals paid	25(b)	(339,995)	(40,100)
Capital contribution received by a non-wholly owned controlling subsidiary from non-controlling shareholder		-	129,691
Net cash used in financing activities		(751,478)	(901,177)
Net decrease in cash and cash equivalents		(685,894)	(319,244)
Cash and cash equivalents at 1 January	25(a)	2,992,070	3,339,881
Effect of foreign exchange rate changes		57,421	(28,567)
Cash and cash equivalents at 31 December	25(a)	2,363,597	2,992,070

Note:
The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of $91,966,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element see note 25(c) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

The notes on pages 44 to 122 form part of these financial statements.

General information

Tan Chong International Limited (the "Company") is a company incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company was listed on The Stock Exchange of Hong Kong Limited ("HKSE") on 7 July 1998.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The consolidated financial statements were authorised for issue by the directors on 24 March 2020.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Although not required under the Bye-laws of the Company, these financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements are presented in Hong Kong dollars, rounded to the nearest thousand, because the Company is listed in Hong Kong.

The measurement basis used in the preparation of the consolidated financial statements are prepared on the historical cost basis except as otherwise explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases - incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 which remain substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to a number of properties, items of plant, machinery and equipment and motor vehicles as disclosed in note 35(b). For an explanation of how the Group applies lessee accounting, see note 1(k)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.17%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 35(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	467,047
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(11,875)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	574,008
	1,029,180
Less: total future interest expenses	(174,091)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	855,089
Add: finance lease liabilities recognised as at 31 December 2018	158,471
Total lease liabilities recognised at 1 January 2019	1,013,560

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

b. Lessee accounting and transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

c. Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and / or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

d. Lessor accounting

In addition to leasing out the investment property referred to in paragraph c. above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

(d) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

(i) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(l)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)(ii)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(y)(ii)).

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of investment includes purchases price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(y)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(l)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(y)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Translation of foreign currencies

(i) Individual companies

Transactions in foreign currencies during the year are translated into the respective entity's functional currency at the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant accounting policies (continued)

(f) Translation of foreign currencies (continued)

(ii) On consolidation

The results of subsidiaries and associates outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of subsidiaries and associates outside Hong Kong, the cumulative amount of the exchange differences relating to that subsidiaries and associates outside Hong Kong is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(g) Investment properties

Investment properties are held for their capital appreciation and rental income. Rental income from investment properties is accounted for as described in note 1(x)(iii). Investment properties are stated in the statement of financial position at their fair value. It is the Group's policy to undertake valuations at intervals of not more than three years by independent professional valuers on an open market value basis. In the intervening years, investment properties are valued by appropriate qualified persons within the Group on an annual basis. Any gain or loss arising from a change in fair value or from the retirement or disposal of our investment property is recognised in profit or loss.

In the comparative period , when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(k).

(h) Properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion, borrowing costs and other costs incurred in bringing the properties to their present condition. Completed properties held for sale is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of properties sold is determined by the apportionment of the total development cost of the project.

(i) Property, plant and equipment

Land and buildings other than investment properties are carried at purchase price or at the 1984 revalued amount, less accumulated depreciation and impairment losses (see note 1(y)(ii)).

The surplus which arose on the 1984 valuation was taken to the capital reserve and may only be transferred to retained profits as and when the relevant property is disposed of.

Freehold land is not amortised.

All other property, plant and equipment is carried at purchase price less accumulated depreciation and impairment losses (see note 1(y)(ii)) and is depreciated on a straight-line basis to write off the cost, less estimated residual value, if any, of these assets over their estimated useful lives or at the following annual rates:

1 Significant accounting policies (continued)

(i) Property, plant and equipment (contnued)

- Buildings situated on freehold land	2% - 4%

- Leasehold land where the Group is the registered owner of the property interest is depreciated over the unexpired term of the lease.

- The Group's interests in buildings situated on leasehold land where the Group is not the registered owner of the property interest are depreciated over the shorter of the unexpired term of the lease and the building's estimated useful lives, being no more than 50 years after the date of completion.

- Other property, plant and equipment leased for own use are depreciated over the unexpired term of the leases.

- Plant, machinery and equipment

- engine, construction equipment and forklifts for hire	20% on cost less residual value
- other plant, machinery and equipment	$6^2/_3$% - 50%
- Furniture, fixtures, fittings and office equipment	5% - 50%
- Motor vehicles	10% - 50%

The useful life and the amount of residual value of an asset are reviewed annually.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress

Construction in progress represents buildings under construction and is stated at cost less impairment losses (see note 1(y)(ii)). Cost comprises direct costs of construction as well as borrowing costs and professional fees incurred during the periods of construction and installation.

The asset concerned is transferred to the relevant category within property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's depreciation policies.

1 Significant accounting policies (continued)

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group with a finite estimated useful life are stated in the statement of financial position at cost less accumulated amortisation and impairment losses (see note 1(y)(ii)). The useful life and method of amortisation of an intangible asset are reviewed annually.

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives as follows:

- Customer relationships	10 years
- Others	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets (i.e. backlog) are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(y)(ii)), except for the following types of right-of-use asset:

1 Significant accounting policies (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 (continued)

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g);

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(h).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the statement of financial position, the Group presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 1(g)); and

- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses were accounted for in accordance with the accounting policy as set out in note 1(y)(ii). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

1 Significant accounting policies (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019 (continued)

Where the Group had the use of other assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(x)(iii).

(l) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised / derecognised on the date the Group commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(iv).

1 Significant accounting policies (continued)

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(n) Hire purchase contracts

The amounts due from hire purchase debtors in respect of hire purchase contracts are recorded in the statement of financial position as hire purchase debtors which represent the total rentals receivable under hire purchase contracts less unearned interest income and impairment losses (see note 1(y)(i)).

(o) Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. No temporary differences are recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale. In all other cases, the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1 Significant accounting policies (continued)

(o) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of motor vehicles is determined primarily on an actual cost basis while cost of inventories other than motor vehicles is accounted for on an average cost basis. Cost comprises the purchase price including import duties (where applicable), costs of conversion and other directly attributable costs of acquisition in bringing the inventories to their present location and condition.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the end of the reporting period or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(q) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(r)).

(r) Trade debtors and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(y)(i)).

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturity of less than three months when placed. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(y)(i).

1 Significant accounting policies (continued)

(t) Trade and other creditors

Trade and other creditors are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(m)).

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Warranties

A provision for warranties is recognised when the underlying motor vehicles are sold. The provision is based on historical warranty claim experience and a weighting of all possible outcomes against their associated probabilities.

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of motor vehicles

Revenue is recognised at a point in time when the customer obtain control of the motor vehicles. Factors to determine when the customers obtain control of motor vehicles include issuance of registration document and whether the goods have been accepted by the customers.

1 Significant accounting policies (continued)

(x) Revenue and other income (continued)

(ii) Sale of properties

Revenue arising from the sale of properties held for sale in the ordinary course of business is recognised on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under forward sales deposits received.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1 (y)(i)).

(vi) Other revenue and income

Management services fee, agency commission, handling fees and warranty income are recognised upon the conclusion of the related services provided.

(y) Credit loss and impairment

(i) Credit losses from financial instrument

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other debtors, hire purchase debtors and instalments receivable and amounts due from related companies).

Financial assets measured at fair value, which are equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

1 Significant accounting policies (continued)

(y) Credit loss and impairment (continued)

(i) Credit losses from financial instrument (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other debtors, hire purchase debtors and instalment receivables and amounts due from related companies: effective interest rate determined at initial recognition or an approximation thereof; and

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade debtors, hire purchase debtors and instalment receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 Significant accounting policies (continued)

(y) Credit loss and impairment (continued)

(i) Credit losses from financial instrument (continued)

Significant increases in credit risk

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is 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 events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological. market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 Significant accounting policies (continued)

(y) Credit loss and impairment (continued)

(i) Credit losses from financial instrument (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) 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.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- other property, plant and equipment, including right-of-use assets;
- intangible assets;
- interest in associates;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually, whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount, except for land and buildings which were revalued in 1984.

1 Significant accounting policies (continued)

(y) Credit loss and impairment (continued)

(ii) Impairment of other non-current assets (continued)

- Recognition of impairment losses (continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable). When an impairment loss arises on the land and buildings which were revalued in 1984, it will first be charged against the attributable balance relating to the properties included in the capital reserve and any excess will be charged to profit or loss.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(y)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(z) Employee benefits

(i) Short-term employee benefits and contributions to defined benefit retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 Significant accounting policies (continued)

(z) Employee benefits (continued)

(ii) Defined benefit retirement plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Share-based payments

The fair value of the points granted under the stock compensation program ("Program") to employees of a subsidiary is recognised as an employee cost with a corresponding increase in stock compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the points were granted. Where the employees are rewarded with points based on their performance, they are entitled to convert each point into one share of the subsidiary. The total estimated fair value of the points is spread over the estimated conversion period.

The difference arising from transfer for conversion of points to shares of the subsidiary is debited/credited to stock compensation reserve. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to be ultimately converted. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the stock compensation reserve.

1 Significant accounting policies (continued)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ab) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(ac) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting estimates and judgements

(a) Impairment of trade debtors

Trade debtors are reviewed periodically to assess for impairment. The Group estimates loss allowances for expected credit losses based on historical loss experience and the current and forecast economic conditions for debtors with similar credit risk ageing of the receivables and customer credit worthiness. If the financial conditions of customers were to deteriorate, actual write off would be higher than expected. The methodology and assumptions used are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

(b) Allowances for obsolescence of inventories

The Group determines the allowances for obsolescence of inventories based on current market conditions and historical experience of selling goods of similar nature. Due to changes in customers' preferences, actual saleability of goods may be different from estimation and profit or loss in future accounting periods could be affected by differences in this estimation.

(c) Valuation of investment properties

As described in note 12, investment properties are stated at fair value based on the valuation performed by an independent firm of surveyors or a director of the Company. In determining the fair value, a method of valuation is used which involves certain estimates including adjustment on the quality of the buildings against comparable properties.

(d) Impairment of other property, plant and equipment

If circumstances indicate that carrying value of other property, plant and equipment and interest in leasehold land may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS 36, Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

3 Revenue

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

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows.

	2019 $'000	2018 $'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines	7,173,058	8,905,012
- Sale of goods	7,108,678	6,526,370
- Rendering of services	-	18,536
- Gross proceeds from properties sold	1,000	1,000
- Management service fees	84,577	110,160
- Agency commission and handling fees	21,600	14,944
- Warranty income		
Revenue from other sources:		
- Gross rental from investment properties that are fixed	100,390	105,335
- Hire purchase financing income	44,048	50,066
	14,533,351	15,731,423

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 37(b).

The Group's customer base is diversified and the Group does not have any customer in 2018 and 2019 with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities and segment information are disclosed in note 37 to these financial statements.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $48,398,000 (2018: $42,674,000). This amount represents revenue expected to be recognised in the future from warranty services which should be distinct as a separate performance obligation in warranty services contracts or stated in a separate service contract entered into by the customers with the Group. The Group will recognise the expected revenue in future or as the work is completed.

4 Other net income

	2019 $'000	2018 $'000
Bank and other interest income on financial assets measured at amortised cost	27,923	38,490
Dividend income		
- listed investments	106,629	104,338
- unlisted investments	393	398
Gain on disposal of property, plant and equipment	10,292	5,377
Gain on disposal of investment properties	-	15,204
Valuation gain on investment properties, net	148,765	184,091
Decrease in fair value of listed debt securities designated as at fair value through profit or loss	-	(1,052)
Proceeds from sales of scrap materials	1,921	1,729
Marketing subsidies	5,299	36,994
Gain on disposal of interest in subsidiaries	-	11,899
Gain on deemed disposal of interest in an associate	873	-
Others	26,265	38,531
	328,360	435,999

5 Other operating expenses

	2019 $'000	2018 $'000
Bank charges	14,118	20,136
Impairment losses on trade debtors	4,858	9,949
(Reversal of)/provision for impairment loss of hire purchase debtors and instalment receivables	(1,654)	1,536
Others	5,755	23,339
	23,077	54,960

6 Financing costs

	2019 $'000	2018 (Note) $'000
Interest expense		
- on bank loans and bank overdrafts	83,619	89,791
- on leases liabilities	17,643	2,635
	101,262	92,426

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1 (c).

7 Profit before taxation

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

	2019 $'000	2018 $'000
Cost of goods sold	5,490,482	6,647,886
Cost of properties sold	-	8,405
Depreciation		
- owned property, plant and equipment*	226,587	262,276
- right-of-use assets*	367,216	72,396
Amortisation of intangible assets	25,388	28,746
Auditors' remuneration		
- audit services	9,269	9,122
- tax services	517	523
- others	180	180
(Reversal of provision)/provision for warranties	(2,720)	31,425
Net foreign exchange (gain)/losses	(66,065)	14,846
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	25,108	-
Total minimum lease payments for leases previously classified as operating lease under IAS 17*	-	91,966
Rentals receivable from investment properties less direct outgoings of $41,105,000 (2018: $40,364,000)	(59,285)	(64,971)
Loss on disposal of intangible assets	2,312	-
Impairment loss on goodwill	5,595	-

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

8 Personnel expenses

	2019 $'000	2018 $'000
Wages and salaries	817,759	775,064
Retirement benefit costs	82,940	85,816
Equity settled share based payment expenses (note 33(c))	3,795	2,466
Others	97,428	122,995
	1,001,922	986,341

The Group makes contributions to defined benefit retirement plans and defined contribution retirement plans pursuant to the rules and regulations applicable to the Group in the countries where the Group operates. The Group's obligation for the payment of retirement benefits are set out in note 28.

9 Directors' and senior executives' remuneration

(a) Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2019					
Executive directors					
Tan Eng Soon	500	14,242	16,777	44	31,563
Glenn Tan Chun Hong	400	4,063	4,294	100	8,857
Tan Kheng Leong	300	3,151	919	44	4,414
Sng Chiew Huat	300	4,140	3,370	44	7,854
Non-executive director					
Joseph Ong Yong Loke	200	-	-	-	200
Independent non-executive directors					
Ng Kim Tuck	399	-	-	-	399
Azman Bin Badrillah	344	-	-	-	344
Prechaya Ebrahim	200	-	-	-	200
Teo Ek Kee	374	-	-	-	374
	3,017	25,596	25,360	232	54,205

9 Directors' and senior executives' remuneration (continued)

(a) Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows: (continued)

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2018					
Executive directors					
Tan Eng Soon	3,260	13,984	15,573	44	32,861
Glenn Tan Chun Hong	1,410	3,990	3,990	101	9,491
Tan Kheng Leong	250	3,186	1,047	44	4,527
Sng Chiew Huat	990	4,065	3,187	44	8,286
Non-executive director					
Joseph Ong Yong Loke	200	201	-	-	401
Independent non-executive directors					
Ng Kim Tuck	316	-	-	-	316
Azman Bin Badrillah	318	-	-	-	318
Prechaya Ebrahim	200	-	-	-	200
Teo Ek Kee	299	-	-	-	299
	7,243	25,426	23,797	233	56,699

(b) Of the five individuals with the highest emoluments, four (2018: four) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other one individual is as follows:

	2019 $'000	2018 $'000
Salaries and other emoluments	5,364	4,517

9 Directors' and senior executives' remuneration (continued)

(b) Of the five individuals with the highest emoluments, four (2018: four) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other one individual is as follows: (continued)

The emoluments of the one (2018: one) individual with the highest emoluments is within the following band:

	2019 Number of individuals	2018 Number of individuals
$4,500,001 - $5,000,000	-	1
$5,000,001 - $5,500,000	1	-

10 Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 $'000	2018 $'000
Current tax expense		
Provision for the year	203,696	333,729
Over-provision in respect of prior years	(3,370)	(671)
	200,326	333,058
Deferred tax expense		
Origination and reversal of temporary differences	24,545	(12,411)
Total income tax expense in the consolidated statement of profit or loss	224,871	320,647

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year.

The statutory corporate income tax rate for the Group's operations in Singapore, Japan and the People's Republic of China ("PRC") is 17% (2018: 17%), 31% (2018: 31%) and 25% (2018: 25%) respectively. Taxation for other subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10 Taxation (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 $'000	2018 $'000
Profit before taxation	535,923	951,265
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	126,721	214,873
Adjustments resulting from:		
Tax effect of non-deductible expenses	25,730	55,332
Tax effect of non-taxable income	(66,723)	(93,021)
Tax effect of tax losses not recognised	100,780	89,951
Tax effect of previously unrecognised tax losses or deductible temporary differences utilised	(24,268)	(9,392)
Withholding tax on dividend income from subsidiaries (Note)	66,001	63,575
Over-provision in respect of prior years	(3,370)	(671)
Actual tax expense	224,871	320,647

Note: Withholding tax on dividend income is charged at the appropriate withholding tax rates applicable to the relevant jurisdictions.

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2019 are attributable to the items detailed in the table below:

	2019			2018		
	Assets $'000	Liabilities $'000	Net $'000	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	782	(84,237)	(83,455)	981	(88,920)	(87,939)
Right-of-use assets	871	-	871	-	-	-
Investment properties	-	(22,485)	(22,485)	-	(19,829)	(19,829)
Investments designated as at fair value through other comprehensive income	-	(7,441)	(7,441)	-	(5,709)	(5,709)
Inventories	1,956	-	1,956	240	-	240
Trade debtors	5,481	-	5,481	8,623	-	8,623
Creditors and accruals	62,656	(3,156)	59,500	76,356	(1,238)	75,118
Provisions	1,751	-	1,751	1,751	-	1,751
Intangible assets	-	(13,515)	(13,515)	-	(13,515)	(13,515)
Tax losses carried-forward	17,302	-	17,302	27,563	-	27,563
Deferred tax assets/ (liabilities)	90,799	(130,834)	(40,035)	115,514	(129,211)	(13,697)
Set–off within legal tax units and jurisdictions	(37,519)	37,519	-	(53,908)	53,908	-
Net deferred tax assets/(liabilities)	53,280	(93,315)	(40,035)	61,606	(75,303)	(13,697)

10 Taxation (continued)

(c) Deferred tax assets and liabilities (continued)

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses and other deductible temporary differences of $3,156,000,000 (2018: $2,748,000,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Potential deferred tax assets of approximately $720,508,000 (2018: $630,512,000) relating to the future benefits of tax losses and deductible temporary differences that have not been recognised in the financial statements as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom before the ability to realise such potential benefits expires. Among these tax losses, $2,664,724,000 (2018: $1,741,672,000) will expire within 3 to 10 years after the end of the reporting period.

At 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to $2,334,447,000 (2018: $2,220,472,000). Deferred tax liabilities of $345,739,000 (2018: $338,737,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and the directors are of the opinion that profits will not be distributed in the foreseeable future.

(d) Movement in deferred tax liabilities of the Group during the year:

	Balance at 1 January 2018 $'000	Exchange adjustment $'000	Recognised in other comprehensive income $'000	Recognised in profit or loss $'000	Balance at 31 December 2018 $'000
Property, plant and equipment	(90,023)	(1,080)	-	3,164	(87,939)
Investment properties	(15,953)	(22)	-	(3,854)	(19,829)
Investments designated as at fair value through other comprehensive income	(15,235)	(2,213)	11,739	-	(5,709)
Inventories	1,278	4	-	(1,042)	240
Trade debtors	7,891	35	-	697	8,623
Creditors and accruals	68,762	1,514	242	4,600	75,118
Provisions	1,742	-	-	9	1,751
Intangible assets	(16,419)	-	-	2,904	(13,515)
Tax losses carried-forward	21,628	2	-	5,933	27,563
	(36,329)	(1,760)	11,981	12,411	(13,697)

10 Taxation (continued)

(d) Movement in deferred tax liabilities of the Group during the year: (continued)

	Balance at 1 January 2019 $'000	Exchange adjustment $'000	Recognised in other comprehensive income $'000	Recognised in profit or loss $'000	Balance at 31 December 2019 $'000
Property, plant and equipment	(87,939)	(614)	-	5,098	(83,455)
Right-of-use assets	-	-	-	871	871
Investment properties	(19,829)	(246)	-	(2,410)	(22,485)
Investments designated as at fair value through other comprehensive income	(5,709)	(941)	(791)	-	(7,441)
Inventories	240	2	-	1,714	1,956
Trade debtors	8,623	42	-	(3,184)	5,481
Creditors and accruals	75,118	510	245	(16,373)	59,500
Provisions	1,751	-	-	-	1,751
Intangible assets	(13,515)	-	-	-	(13,515)
Tax losses carried-forward	27,563	-	-	(10,261)	17,302
	(13,697)	(1,247)	(546)	(24,545)	(40,035)

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $212,932,000 (2018: $600,899,000) and the number of 2,013,309,000 ordinary shares (2018: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2019 and 2018 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

12 Investment properties

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Total $'000
At 1 January 2018	2,481,917	905,233	3,387,150
Fair value adjustments	269,981	(85,890)	184,091
Disposal	-	(84,796)	(84,796)
Exchange adjustments	(34,231)	(9,185)	(43,416)
At 31 December 2018	2,717,667	725,362	3,443,029
At 1 January 2019	2,717,667	725,362	3,443,029
Transfer from other property, plant and equipment	-	12,720	12,720
Fair value adjustments	48,768	99,997	148,765
Exchange adjustments	19,971	4,107	24,078
At 31 December 2019	2,786,406	842,186	3,628,592

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties 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

12 Investment properties (continued)

(a) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
– Freehold land and buildings				
– Singapore	2,446,942	-	-	2,446,942
– Japan	339,464	-	-	339,464
	2,786,406	-	-	2,786,406
– Leasehold land and buildings				
– Hong Kong	215,707	-	-	215,707
– Singapore	626,479	-	-	626,479
	842,186	-	-	842,186
	3,628,592	-	-	3,628,592

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
– Freehold land and buildings				
– Singapore	2,386,334	-	-	2,386,334
– Japan	331,333	-	-	331,333
	2,717,667	-	-	2,717,667
– Leasehold land and buildings				
– Hong Kong	245,891	-	-	245,891
– Singapore	479,471	-	-	479,471
	725,362	-	-	725,362
	3,443,029	-	-	3,443,029

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (continued)

(a) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2019, there were no transfers between levels (2018: nil). 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.

All of the Group's investment properties were revalued as at 31 December 2019. The valuations were carried out either by a director of the Company or an independent firm of surveyors, Midzuki Real Estate Appraisal Firm Co., Ltd.

The director of the Company who is a member of the Singapore Institute of Surveyors and Values, carried out valuations for certain investment properties in Hong Kong and Singapore by using the market comparison approach and residual approach.

Midzuki Real Estate Appraisal Firm Co., Ltd., which has among its staff members of certified real estate appraisers in Japan, carried out valuation for the Group's investment properties in Japan by using the discounted cash flow approach.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
– Freehold land and buildings			
– Singapore	Market comparison approach	Discount/premium on quality of the buildings	-23% to 29% (2018: -34% to 27%)
– Japan	Discounted cash flow approach	Discount rate	5.0% (2018: 5.2%)
– Leasehold land and buildings			
– Hong Kong	Market comparison approach	Discount/premium on quality of the buildings	-48% to 66% (2018: -6% to 26%)
– Singapore	Market comparison approach	Discount/premium on quality of the buildings	-38% to 48% (2018: -34% to 16%)
	Residual approach	Estimated profit margin on redevelopment	10% (2018: 10%)

12 Investment properties (continued)

(a) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

The fair value of investment properties in Singapore is determined by using either the residual approach based on estimated gross redevelopment value, estimated cost for redevelopment and estimated profit margin on redevelopment, or the market comparison approach by reference to recent sales prices of comparable properties, adjusted for a premium or a discount specific to the quality of the Group's investment properties compared to recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of investment properties located in Japan is determined by the discounted cash flow approach (an approach within the income approach) based on the expected market rental growth and occupancy rate of the respective properties.

The fair value of investment properties located in Hong Kong is determined by using the market comparison approach with reference to recent sales prices of comparable properties, adjusted for a premium or a discount specific to the quality of the Group's investment properties compared to recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

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

	2019 $'000	2018 $'000
Freehold land and buildings – Singapore		
At 1 January	2,386,334	2,164,045
Exchange adjustments	16,812	(41,719)
Fair value adjustments	43,796	264,008
At 31 December	2,446,942	2,386,334
Freehold land and buildings – Japan		
At 1 January	331,333	317,872
Exchange adjustments	3,159	7,488
Fair value adjustments	4,972	5,973
At 31 December	339,464	331,333
Leasehold land and buildings – Hong Kong		
At 1 January	245,891	330,997
Exchange adjustments	-	-
Fair value adjustments	(30,184)	(310)
Disposals	-	(84,796)
At 31 December	215,707	245,891
Leasehold land and buildings – Singapore		
At 1 January	479,471	574,236
Exchange adjustments	4,107	(9,185)
Fair value adjustments	130,181	(85,580)
Transfer from other property, plant and equipment	12,720	-
At 31 December	626,479	479,471

12 Investment properties (continued)

(b) An analysis of the valuation of freehold and leasehold land and buildings is as follows:

	Freehold land and buildings		Leasehold land and buildings	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
In Hong Kong				
with remaining lease term of:				
– Medium term lease	-	-	215,707	245,891
Outside Hong Kong				
– Freehold	2,786,406	2,717,667	-	-
with remaining lease term of:				
– Long lease	-	-	626,479	479,471
	2,786,406	2,717,667	842,186	725,362

(c) The Group leases out investment property under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 $'000	2018 $'000
Within 1 year	12,236	12,691
After 1 year but within 2 years	5,575	7,756
After 2 year but within 3 years	2,237	3,198
After 3 year but within 4 years	1,914	2,107
After 4 year but within 5 years	1,755	1,914
After 5 years	–	1,755
	23,717	29,421

13 Other property, plant and equipment

(a) Reconciliation of carrying amount

	Freehold land $'000	Interest in leasehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Other properties leased for own use $'000	Total $'000
Cost or valuation:									
At 31 December 2018	1,165,476	161,431	2,744,334	773,049	475,256	964,311	26,863	-	6,310,720
Impact on initial application of IFRS 16 (Note)	-	-	-	3,740	-	15,537	-	835,812	855,089
At 1 January 2019	1,165,476	161,431	2,744,334	776,789	475,256	979,848	26,863	835,812	7,165,809
Exchange adjustments	35,270	2,462	41,901	30,469	7,529	8,647	1,093	9,826	137,197
Additions	-	-	41,406	48,170	35,946	218,831	72,122	96,083	512,558
Disposals	(6,055)	-	(35,085)	(35,956)	(10,399)	(199,754)	(14)	(3,113)	(290,376)
Transfer from construction in progress	-	-	25,860	24,513	3,593	28,847	(82,813)	-	-
Transfer to investment property	-	-	(11,940)	-	-	-	-	-	(11,940)
At 31 December 2019	1,194,691	163,893	2,806,476	843,985	511,925	1,036,419	17,251	938,608	7,513,248
Representing:									
Cost	967,232	163,893	2,744,481	843,985	511,925	1,036,419	17,251	938,608	7,223,794
Valuation – 1984	227,459	-	61,995	-	-	-	-	-	289,454
	1,194,691	163,893	2,806,476	843,985	511,925	1,036,419	17,251	938,608	7,513,248
Accumulated amortisation and depreciation:									
At 1 January 2019	-	99,877	772,454	253,271	350,136	447,840	-	-	1,923,578
Exchange adjustments	-	702	17,064	309	4,681	6,233	-	2,857	31,846
Charge for the year	-	7,662	94,103	62,391	46,772	140,036	-	242,839	593,803
Written back on disposals	-	-	(9,493)	(28,213)	(10,085)	(136,467)	-	(1,245)	(185,503)
Transfer to investment property	-	-	(1,041)	-	-	-	-	-	(1,041)
At 31 December 2019	-	108,241	873,087	287,758	391,504	457,642	-	244,451	2,362,683
Net book value:									
At 31 December 2019	1,194,691	55,652	1,933,389	556,227	120,421	578,777	17,251	694,157	5,150,565

13 Other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Freehold land $'000	Interest in leasehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Other properties leased for own use $'000	Total $'000
Cost or valuation:									
At 1 January 2018	1,166,479	166,840	2,492,279	449,609	460,510	883,812	310,354	-	5,929,883
Exchange adjustments	(4,103)	(5,409)	(43,917)	(11,387)	(8,314)	3,758	3,206	-	(66,166)
Additions	3,100	-	32,619	44,554	17,440	221,717	373,969	-	693,399
Disposals	-	-	(16,510)	(74,285)	(5,058)	(141,516)	(1,610)	-	(238,979)
Disposals of subsidiaries	-	-	-	(3,559)	(398)	(3,460)	-	-	(7,417)
Transfer from construction in progress	-	-	279,863	368,117	11,076	-	(659,056)	-	-
At 31 December 2018	1,165,476	161,431	2,744,334	773,049	475,256	964,311	26,863	-	6,310,720
Representing:									
Cost	939,583	161,431	2,682,766	773,049	475,256	964,311	26,863	-	6,023,259
Valuation – 1984	225,893	-	61,568	-	-	-	-	-	287,461
	1,165,476	161,431	2,744,334	773,049	475,256	964,311	23,863	-	6,310,720
Accumulated amortisation and depreciation:									
At 1 January 2018	-	93,835	711,873	260,937	312,056	399,824	-	-	1,778,525
Exchange adjustments	-	(1,654)	(7,825)	(4,858)	(6,169)	455	-	-	(20,051)
Charge for the year	-	7,696	75,166	65,871	48,514	137,425	-	-	334,672
Written back on disposals	-	-	(6,760)	(65,252)	(4,139)	(89,526)	-	-	(165,677)
Disposals of subsidiaries	-	-	-	(3,427)	(126)	(338)	-	-	(3,891)
At 31 December 2018	-	99,877	772,454	253,271	350,136	447,840	-	-	1,923,578
Net book value:									
At 31 December 2018	1,165,476	61,554	1,971,880	519,778	125,120	516,471	26,863	-	4,387,142

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See note 1(c).

13 Other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

(i) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts totalling SGD50,000,000 (equivalent to $289,454,000 (2018: $287,461,000)) as their deemed cost, as the amount of the adjustments relating to prior periods could not be reasonably determined when IFRSs were first adopted for the purpose of preparing financial statements prior to the initial public offering of the Company. The requirements of IAS 16, *Property, plant and equipment* with respect to assets carried at amounts other than cost less accumulated depreciation are therefore not applicable.

(ii) The Group rents out certain motor vehicles, trucks and forklifts (included in plant, machinery and equipment). The rental period typically runs for an initial period within one year, with an option to renew upon expiry at which time all terms are renegotiated. None of the rental agreements includes variable lease payments.

The cost of motor vehicles and machineries of the Group held for rental amounted to a total of $191,232,000 (2018: $179,721,000), the related accumulated depreciation and depreciation charges for the year amounted to a total of $105,697,000 (2018: $101,308,000) and $26,357,000 (2018: $23,002,000).

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are $7,197,000 within one year (2018: $6,203,000 within one year). Where practicable, the Group obtains residual value guarantees from the lessee to reduce the residual asset risk.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	31 December 2019 $'000	1 January 2019 $'000
Leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:	(i)		
- Short-term lease		17,864	18,811
Leasehold land and building held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of:	(i)		
- Medium-term lease		1,301,325	1,363,438
- Short-term lease		32,997	19,098
		1,352,186	1,401,347
Other properties leased for own use, carried at depreciated cost	(ii)	694,157	835,812
Plant, machinery and equipment, carried at depreciated cost	(iii)	2,399	4,015
Motor vehicles, carried at depreciated cost	(iii)	147,369	173,001
		2,196,111	2,414,175

13 Other property, plant and equipment (continued)

(b) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	2018 (Note) $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land and buildings	78,248	58,467
Other properties leased for own use	242,839	-
Plant, machinery and equipment	1,382	6
Motor vehicles	44,747	13,923
	367,216	72,396
Interest on lease liabilities (note 6)	17,643	2,635
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	25,108	-
Total minimum lease payments for leases previously classified as operating leases under IAS 17	-	91,966

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in other property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year, additions to right-of-use assets were $151,785,000. This amount included additions of leasehold properties of $23,153,000 and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 25(c) and 27, respectively.

(i) Leasehold land and buildings

The Group holds several buildings for its distribution and dealership business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of one to nineteen years.

(iii) Plant, machinery and equipment and motor vehicles

The Group leases production plant, machinery, office equipment and motor vehicles under leases expiring from one to three years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

14 Intangible assets

	Customer relationships $'000	Backlog $'000	Others $'000	Total $'000
Cost:				
At 1 January 2019	66,859	12,777	114,242	193,878
Exchange adjustments	3,367	122	4,984	8,473
Additions	-	-	15,433	15,433
Disposals	-	-	(23,918)	(23,918)
At 31 December 2019	70,226	12,899	110,741	193,866
Accumulated amortisation:				
At 1 January 2019	31,303	-	51,942	83,245
Exchange adjustments	277	-	505	782
Charge for the year	7,044	-	18,344	25,388
Written back on disposals	-	-	(21,606)	(21,606)
At 31 December 2019	38,624	-	49,185	87,809
Net book value:				
At 31 December 2019	31,602	12,899	61,556	106,057
Cost:				
At 1 January 2018	65,789	12,084	88,795	166,668
Exchange adjustments	1,070	693	1,019	2,782
Additions	-	-	16,853	16,853
Transfer from goodwill (note 38)	-	-	18,009	18,009
Disposals	-	-	(10,434)	(10,434)
At 31 December 2018	66,859	12,777	114,242	193,878
Accumulated amortisation:				
At 1 January 2018	23,797	-	40,066	63,863
Exchange adjustments	539	-	531	1,070
Charge for the year	6,967	-	21,779	28,746
Written back on disposals	-	-	(10,434)	(10,434)
At 31 December 2018	31,303	-	51,942	83,245
Net book value:				
At 31 December 2018	35,556	12,777	62,300	110,633

The amortisation charge for the year is included in "distribution costs" in the consolidated statement of profit or loss.

The intangible asset with indefinite useful life is allocated to the Group's transportation activities based in Japan. No impairment loss was recognised during the year (2018: $Nil).

15 Goodwill

	Total $'000
Cost:	
At 1 January 2019	43,486
Impairment loss	(5,595)
Exchange adjustments	1,277
At 31 December 2019	39,168
Carrying amount:	
At 31 December 2019	39,168
Cost:	
At 1 January 2018	58,043
Transfer to intangible assets (note 38)	(18,009)
Exchange adjustments	3,452
At 31 December 2018	43,486
Carrying amount:	
At 31 December 2018	43,486

Impairment tests for cash-generating units containing goodwill

Goodwill is mainly allocated to the Group's transportation activities based in Japan.

The recoverable amount of the cash-generating units ("CGUs") is determined based on fair value less costs of disposal of Zero Co., Ltd. The fair value of Zero Co. Ltd. was determined by unadjusted quoted prices in active markets.

16 Interest in subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2019 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong & Sons Motor Company (Singapore) Private Limited	Singapore	Ordinary shares of SGD150,000,000 Redeemable preference shares of SGD50,000,000	100%	Treasury management for group entities
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	Ordinary shares of SGD4,000,000 Redeemable preference shares of SGD25,000,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD50,000	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	Ordinary shares of SGD46,600,000 Redeemable preference shares of SGD12,500,000	100%	Hire purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	Ordinary shares of SGD57,900,000 Redeemable preference shares of SGD25,000,000	100%	Property investment
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property investment
Tan Chong Land Company Pte Ltd	Singapore	SGD1,000,000	100%	Sales of properties and property development
Advance Pacific Holdings Limited	Hong Kong	$8,500,000	100%	Investment holding
Motor Image (HK) Limited	Hong Kong	$8,000,000	100%	Distribution of motor vehicles
Motor Image (Guangzhou) Co., Ltd. #	The People's Republic of China	Registered and paid up capital of $120,000,000	100%	Distribution of motor vehicles
Motor Image Pilipinas, Inc.	Republic of the Philippines	Peso137,625,000	100%	Distribution of motor vehicles
Taiwan Motor Image Co., Ltd.	Taiwan	NTD 5,000,000	100%	Distribution of motor vehicles

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Nissan Diesel (Thailand) Company Limited	Thailand	Ordinary shares of Baht1,646,456,000 Redeemable preference shares of Baht250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Fuso Truck (Thailand) Co., Ltd.	Thailand	Baht100,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Zero Co., Ltd.	Japan	JPY3,390,798,450	53.20%	Investment holding, used-car trading and provision of vehicle transportation and maintenance services
Zero Plus Kanto Co., Ltd.	Japan	JPY15,000,000	53.20%	Provision of vehicle transportation services
Kyuso Co., Ltd.	Japan	JPY39,000,000	53.20%	Provision of cargo logistics services
Japan Relief Co., Ltd.	Japan	JPY83,124,775	53.20%	Provision of human resources services
Zero Plus BHS Co., Ltd.	Japan	JPY10,000,000	53.20%	Provision of vehicle transportation services

\# Registered under the laws of the PRC as a foreign investment enterprise

17 Interest in associates

	2019 $'000	2018 $'000
Share of net assets	883,828	862,729
Representing:		
Associates listed outside Hong Kong	92,087	82,988
Unlisted associates	791,741	779,741
	883,828	862,729

Details of the associates are as follows:

Name	Place of incorporation/ establishment and operation	Percentage of equity held by the Group	Principal activities
Ethoz Group Limited	Singapore	50%	Car rental
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres
Zero SCM Logistics (Beijing) Co., Ltd. *	The People's Republic of China	25%	Provision of transportation services
Tifa Finance Tbk PT	Indonesia	36%	Provision of leasing and financing services

* Registered under the laws of the PRC as a sino-foreign equity joint venture company

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Each individual associate does not have a significant impact on the Group's results of operations and financial position. Aggregate information of associates that are not individually material is as follows:

	2019 $'000	2018 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	883,828	862,729
Aggregate amounts of the Group's share of those associates'		
– Profit from continuing operations	71,709	71,941
– Other comprehensive income	(10,310)	(37,444)
– Total comprehensive income	61,399	34,497

18 Other financial assets

	2019 $'000	2018 $'000
Equity securities designated as at fair value through other comprehensive income (note 19)		
Listed outside Hong Kong	49,872	39,555
Unlisted equity securities	15,569	17,624
	65,441	57,179

19 Investments designated as at fair value through other comprehensive income

	2019 $'000	2018 $'000
Equity securities		
Listed outside Hong Kong, designated as at fair value through other comprehensive income	2,211,149	1,896,746

Financial assets at fair value through other comprehensive income

The Group designated its investments in equity securities 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 at 31 December		Dividend income recognised	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investments in Subaru Corporation (Note)	2,207,942	1,893,786	105,629	103,417
Others	68,648	60,139	1,393	1,319
	2,276,590	1,953,925	107,022	104,736

Note: Fair value gain of $303,992,000 (2018: loss of $912,760,000) was recognised in other comprehensive income during the year ended 31 December 2019. There was no significant disposal for this equity security during the years ended 31 December 2019 and 2018.

Subaru Corporation 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 11,355,000 shares and 1.5% of Subaru Corporation's issued shares respectively. The investment cost is JPY7.5 billion. This investment represents 11.3% of the Groups' total assets.

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

20 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2019 $'000	2018 $'000
Raw materials	99,928	47,775
Work-in-progress	80,473	170,059
Spare parts and others	295,803	254,259
Finished goods	2,076,505	1,643,651
Goods in transit	81,641	50,382
	2,634,350	2,166,126

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 $'000	2018 $'000
Carrying amount of inventories sold	5,477,847	6,647,214
Provision for write-down of inventories	12,635	672
	5,490,482	6,647,886

21 Properties held for sale

	2019 $'000	2018 $'000
Properties held for sale of the Group as at 31 December comprise properties from property development in Singapore on freehold land	16,774	16,644

The analysis of the amount of completed properties held for sale recognised as an expense and included in profit or loss is as follows:

	2019 $'000	2018 $'000
Completed properties held for sale	-	8,405

22 Other creditors and accruals

At 31 December 2019, deferred revenue of performance in warranty services of $48,398,000 (2018: $42,674,000) is classified as contract liabilities. When the Group receives a consideration before the warranty services are completed, this will give rise to contract liabilities at the start of a contract, until the revenue is recognised on these warranty services when the performance obligation has been fulfilled.

22 Other creditors and accruals (continued)

Movements in contract liabilities

	2019 $'000	2018 $'000
Balance at 1 January	42,674	38,544
Decrease in contract liabilities as a result of recognising revenue from rendering of services during the year that was included in the contract liabilities at the beginning of the year	(23,011)	(31,156)
Increase in contract liabilities as a result of receiving consideration during the year in respect of warranty services not completed as at 31 December	28,407	36,031
Exchange adjustments	328	(745)
Balance at 31 December	48,398	42,674

The amount of consideration received in advance of completion of warranty services expected to be recognised as income after more than one year is $24,209,000 (2018: $19,663,000).

23 Trade debtors

	2019 $'000	2018 $'000
Trade debtors	1,374,327	1,164,084
Less: Loss allowances	(55,121)	(67,792)
	1,319,206	1,096,292

All of the trade debtors are expected to be recovered within one year.

Ageing analysis

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:

	2019 $'000	2018 $'000
0 - 30 days	949,923	771,678
31 - 90 days	320,648	277,336
Over 90 days	48,635	47,278
	1,319,206	1,096,292

The Group allows credit periods ranging from seven days to six months. Further details on the Group's credit policy are set out in note 34(b).

23 Trade debtors (continued)

Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using a loss allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(y)(i)).

As at 31 December 2019, loss allowance has been made for trade debtors of $55,121,000 (2018: $67,792,000). The movements in the loss allowance during the year are as follows:

	2019 $'000	2018 $'000
At 1 January	67,792	60,496
Exchange adjustments	471	(226)
Provision for impairment loss	4,858	9,949
Uncollectible amounts written off	(18,000)	(2,427)
At 31 December	55,121	67,792

24 Hire purchase debtors and instalments receivable

	2019 $'000	2018 $'000
Balance due		
– within one year	129,837	136,853
– between one and five years	232,586	270,790
– after more than five years	6,984	15,738
Hire purchase debtors and instalments receivable	369,407	423,381
Unearned interest charges	(34,058)	(37,947)
	335,349	385,434
Less: Loss allowance	(16,135)	(22,747)
	319,214	362,687
Balance due		
– within one year	112,785	116,497
– between one year and five years	199,770	231,354
– after more than five years	6,659	14,836
	206,429	246,190
	319,214	362,687

24 Hire purchase debtors and instalments receivable (continued)

Impairment of hire purchase debtors and instalments receivable

Impairment losses in respect of hire purchase debtors and instalment receivables are recorded using a loss allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against hire purchase debtors directly (see note 1(y)(i)).

As at 31 December 2019, loss allowance for doubtful debts has been made for hire purchase debtors and instalments receivable of $16,135,000 (2018: $22,747,000). The movements in the loss allowance during the year are as follows:

	2019 $'000	2018 $'000
At 1 January	22,747	21,368
Exchange adjustments	988	(157)
(Reversal of)/provision for impairment loss	(1,654)	1,536
Uncollectible amounts written off	(5,946)	-
At 31 December	16,135	22,747

25 Cash and bank balances

(a) Cash and bank balances comprise:

	2019 $'000	2018 $'000
Bank deposits	914,568	1,646,410
Cash at bank	1,530,755	1,440,716
Cash in hand	4,931	3,406
Cash and bank balances in the consolidated statement of financial position	2,450,254	3,090,532
Less: Bank deposits with more than three months to maturity when placed	(10,877)	(862)
Unsecured bank overdrafts (note 26)	(75,780)	(97,600)
Cash and cash equivalents in the consolidated cash flow statement	2,363,597	2,992,070

The Group's effective interest rate for bank deposits ranged from 1.09% to 5.00% (2018: 1.05% to 5.00%) per annum.

The terms of such deposits placed range from four days to three months.

Bank overdrafts bear interest at rates ranging from 0.22% to 0.57% (2018: 0.23% to 0.56%) per annum.

25 Cash and bank balances (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans $'000 (Note 26)	Lease liabilities $'000 (Note 27)	Total $'000
At 31 December 2018	3,162,881	158,471	3,321,352
Impact on initial application of IFRS 16 (Note)	-	855,089	855,089
At 1 January 2019	3,162,881	1,013,560	4,176,441
Changes from financing cash flows:			
Proceeds from new bank loans	2,384,836	-	2,384,836
Repayment of borrowings	(2,509,023)	-	(2,509,023)
Capital element of lease rentals paid	-	(339,995)	(339,995)
Interest element of lease rentals paid	-	(17,643)	(17,643)
Total changes from financing cash flows	(124,187)	(357,638)	(481,825)
Exchange adjustments	107,176	38,123	145,299
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	128,632	128,632
Interest expenses on lease liabilities (note 6)	-	17,643	17,643
Decrease in lease liabilities during the year	-	(9,781)	(9,781)
Total other changes	-	136,494	136,494
At 31 December 2019	3,145,870	830,539	3,976,409

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See note 1(c).

25 Cash and bank balances (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans $'000 (Note 26)	Lease liabilities $'000 (Note 27)	Total $'000
At 1 January 2018	3,921,570	195,646	4,117,216
Changes from financing cash flows:			
Proceeds from new bank loans	3,033,147	-	3,033,147
Repayment of borrowings	(3,747,905)	-	(3,747,905)
Capital element of finance lease obligations paid	-	(40,100)	(40,100)
Interest element of finance lease obligations paid	-	(2,635)	(2,635)
Total changes from financing cash flows	(714,758)	(42,735)	(757,493)
Exchange adjustments	(39,489)	(13,024)	(52,513)
Other changes:			
New finance leases	-	15,949	15,949
Finance charges on obligations under finance leases (note 6)	-	2,635	2,635
Disposal of subsidiaries	(4,442)	-	(4,442)
Total other changes	(4,442)	18,584	14,142
At 31 December 2018	3,162,881	158,471	3,321,352

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 $'000	2018 (Note) $'000
Within operating cash flows	25,108	91,966
Within investing cash flows	23,153	32,619
Within financing cash flows	357,638	42,735
	405,899	167,320

Note: The adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

25 Cash and bank balances (continued)

These amounts relate to the following:

	2019 $'000	2018 $'000
Lease rentals paid	382,746	134,701
Purchase of leasehold property	23,153	32,619
	405,899	167,320

26 Bank loans and overdrafts

At 31 December 2019, the bank loans and overdrafts were payable as follows:

	2019 $'000	2018 $'000
Within one year		
– bank overdrafts (note 25(a))	75,780	97,600
– bank loans	2,825,895	2,010,779
	2,901,675	2,108,379
Bank loans:		
– After one year but within two years	316,815	857,399
– After two years but within five years	3,160	294,703
	319,975	1,152,102
	3,221,650	3,260,481

At 31 December 2019, the bank loans and overdrafts were secured as follows:

	2019 $'000	2018 $'000
Unsecured bank overdrafts	75,780	97,600
Bank loans		
– Secured	16,972	16,742
– Unsecured	3,128,898	3,146,139
	3,221,650	3,260,481

26 Bank loans and overdrafts (continued)

At 31 December 2019, the above bank loans bear interest at floating rates ranging from 0.35% to 4.05% (2018: 0.35% to 6.10%) per annum.

At 31 December 2019, certain property, plant and equipment of the Group with carrying values of $38,028,000 (2018: $38,168,000) have been pledged to banks to secure bank loans totalling $15,944,000 (2018: $16,742,000) granted to the Group.

At 31 December 2019, a subsidiary of the Group had bank borrowing amounted to THB3,918,000,000 (equivalent to $1,021,814,000) (2018: THB 3,928,000,000 (equivalent to $947,041,000)) with the following financial covenants applied to the subsidiary:

(i) the registered capital of a subsidiary should be no less by THB525,700,000 (equivalent to $137,102,500) (2018: THB525,700,000 (equivalent to $126,746,000));

(ii) the tangible net worth of certain subsidiaries shall not at any time be less than SGD100,000,000 (equivalent to $578,200,000) (2018: SGD100,000,000 (equivalent to $574,220,000)).

If the relevant subsidiaries were to breach the covenants, the outstanding bank borrowings would become payable on demand. As at 31 December 2019, none of the covenants relating to those bank borrowings had been breached (2018: $Nil).

27 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	277,832	378,644	267,535	320,458	48,281	48,990
After 1 year but within 2 years	201,288	267,392	259,990	305,747	43,459	44,742
After 2 years but within 5 years	205,598	235,353	320,070	372,274	63,261	66,510
After 5 years	145,821	144,526	165,965	194,787	3,470	3,844
	552,707	647,271	746,025	872,808	110,190	115,096
	830,539	1,025,915	1,013,560	1,193,266	158,471	164,086
Less: total future interest expenses		(195,376)		(179,706)		(5,615)
Present value of lease liabilities		830,539		1,013,560		158,471

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

28 Employee retirement benefits

(a) Defined benefit retirement plans

The Group, through Zero makes contributions to defined benefit retirement plans registered in Japan, which cover 72% (2018: 81%) of Zero's employees. The plans are administered by trustees, the majority of which are independent, with their assets held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans.

Under the plans, a retired employee is entitled to a lump sum payment and annual pension payment based on their years of service and positions.

The plans are funded by contributions from the Group in accordance with independent actuaries' recommendations based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 30 June 2019 and were prepared by qualified staff of Mizuho Trust & Banking Co., Ltd and Sumitomo Life Insurance Company. The actuarial valuations indicated that the Group's obligations under these defined benefit retirement plans were 73% (2018: 65%) covered by the plan assets held by the trustees.

The plans expose the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plans is aggregated and disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2019 $'000	2018 $'000
Present value of defined benefit obligations	(373,962)	(346,610)
Fair value of plan assets	264,847	223,286
	(109,115)	(123,324)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately $38,727,000 in contributions to defined benefit retirement plans in 2019.

(ii) Plan assets consist of the following:

	2019 $'000	2018 $'000
Equity securities	54,752	70,478
Government bonds	85,259	60,260
Others	124,836	92,548
	264,847	223,286

All of the equity securities and government bonds have quoted prices in active markets. The government bonds have a credit rating of A.

At the end of each reporting period, an Asset-Liability Matching study is performed by the trustees to analyse the outcome of the strategic investment policies. The investment portfolio targets a mix of 5% - 65% (2018: 5% - 65%) in equity securities across a range of industries, 5% - 70% (2018: 5% - 70%) in government bonds and remaining in other investments. Interest rate risk is managed with the objective of reducing the risk by investing in government bonds.

28 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

(iii) Movements in the present value of the defined benefit obligations

	2019 $'000	2018 $'000
At 1 January	346,610	343,568
Benefits paid by the plans	(25,835)	(26,354)
Current service cost	20,366	22,119
Interest cost	1,218	1,296
Remeasurement of present value	22,000	(2,306)
Exchange adjustments	9,603	8,287
At 31 December	373,962	346,610

The weighted average duration of the defined benefit obligation is 10.4 years (2018:10.2 years).

(iv) Movements in plan assets

	2019 $'000	2018 $'000
At 1 January	223,286	212,260
Group's contributions paid to the plan	36,540	18,054
Benefits paid by the plans	(13,724)	(18,010)
Interest income	370	1,028
Return on plan assets, excluding interest income	16,365	8,012
Exchange adjustments	2,010	1,942
At 31 December	264,847	223,286

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2019 $'000	2018 $'000
Current service cost	20,366	22,119
Net interest on net defined benefit liability	848	268
Total amounts recognised in profit or loss	21,214	22,387
Return on plan assets, excluding interest income (after tax adjustment)	(11,263)	(7,485)
Remeasurement of present value of the defined benefit obligation (after tax adjustment)	15,252	(1,555)
Total amounts recognised in other comprehensive income	3,989	(9,040)
Total defined benefit costs	25,203	13,347

28 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows: (continued)

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss:

	2019 $'000	2018 $'000
Cost of sales	6,766	8,262
Administrative expenses	14,448	14,125
	21,214	22,387

(vi) Significant actuarial assumption (expressed as weighted averages) and sensitivity analysis are as follows:

	2019	2018
Discount rate	0.21%	0.32%

The below analysis shows how the defined benefit obligation would have (decreased)/increased as a result of 0.5 percent point change in the significant actuarial assumption:

	Increase by 0.5 percent point		Decrease by 0.5 percent point	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Discount rate	(17,899)	(16,710)	17,899	16,749

(b) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the plan vest immediately.

In addition, the Group also operates certain defined contribution retirement plans in accordance with applicable requirements and laws of the countries in which the Group has operations.

29 Trade creditors

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

	2019 $'000	2018 $'000
0 – 30 days	686,002	573,306
31 – 90 days	295,549	172,729
91 – 180 days	65,974	65,270
Over 180 days	75,010	33,271
	1,122,535	844,576

30 Amounts due from/to related companies

The amounts due from/to related companies are unsecured, interest-free and recoverable/repayable on demand.

31 Provisions

	Note	2019 $'000	2018 $'000
Provisions for warranties	(a)	85,635	104,279
Provisions for custom duties	(b)	11,460	11,030
		97,095	115,309
Current		48,831	79,896
Non-current		48,264	35,413
		97,095	115,309

(a) Provisions for warranties

	2019 $'000	2018 $'000
At 1 January	104,279	93,025
(Reversal)/provision made	(2,720)	31,425
Provisions utilised	(17,478)	(18,432)
Exchange adjustment	1,554	(1,739)
At 31 December	85,635	104,279

Provisions for warranties relate mainly to motor vehicles sold and are calculated based on estimates made with reference to historical warranty claim experience associated with similar products.

(b) Provisions for custom duties

	2019 $'000	2018 $'000
At 1 January	11,030	11,826
Exchange adjustment	430	(796)
At 31 December	11,460	11,030

31 Provisions (continued)

(b) Provisions for custom duties (continued)

In July 2014, the Director General Customs and Excise in Indonesia issued a notice to a subsidiary of the Group claiming entitlement to additional import duties, related taxes and penalties for cars imported during 2012 and 2013. The Group does not agree with such claim and has applied to the Indonesian Courts to dispute the claim. As at the end of the reporting period, negotiation between the Group and the relevant authorities were still in progress.

The directors have taken into account all available facts and consider that the total amount payable in relation to this matter should be no more than IDR20,432 million. Accordingly, a provision of the said amount has been made in the financial statements since the year ended 31 December 2014.

Owing to the uncertainty inherent in the case of this nature, the final outcome may result in an impact to the Group's financial results and positions in the period in which the outcome is known.

32 Capital, reserves and dividends

(a) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(i) Share premium

The application of the share premium account is governed by sections 150 and 157 of the Company's Bye-Laws and Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve mainly comprises a revaluation surplus arising on revaluation of land and buildings, other than investment properties, in 1984 and shares repurchased for stock compensation program of the subsidiary.

(iii) Stock compensation reserve

The stock compensation reserve comprises the fair value of points granted in the stock compensation program to employees.

(iv) Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of subsidiaries and associates outside Hong Kong.

(v) Fair value reserve (non - recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 1(l)).

(vi) Property revaluation reserve

The property revaluation reserve comprises the difference between the carrying amount and the fair value of the properties at the date of change in use.

32 Capital, reserves and dividends (continued)

(b) The Company

(i) Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
Balance at 1 January 2018	1,006,655	550,547	623,313	170,618	2,351,133
Changes in equity in 2018:					
Total comprehensive income for the year	-	-	-	223,277	223,277
Dividends to equity shareholders	-	-	-	(221,464)	(221,464)
Balance at 31 December 2018 and 1 January 2019	1,006,655	550,547	623,313	172,431	2,352,946
Changes in equity in 2019:					
Total comprehensive income for the year	-	-	-	233,272	233,272
Dividends to equity shareholders	-	-	-	(231,530)	(231,530)
Balance at 31 December 2019	1,006,655	550,547	623,313	174,173	2,354,688

(ii) Contributed surplus

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to the contributed surplus. Under the Companies Act 1981 of Bermuda, the contributed surplus is available for distribution to shareholders, except if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment, be unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The Company's reserves available for distribution to equity shareholders at 31 December 2019 are as follows:

	2019 $'000	2018 $'000
Contributed surplus	623,313	623,313
Retained profits	174,173	172,431
	797,486	795,744

32 Capital, reserves and dividends (continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 $'000	2018 $'000
Interim dividend paid of HK2.0 cents per ordinary share (2018: HK2.5 cents per ordinary share)	40,266	50,333
Final dividend proposed after the end of the reporting period of HK9.0 cents per ordinary share (2018: HK9.5 cents per ordinary share)	181,198	191,264
	221,464	241,597

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019 $'000	2018 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK9.5 cents per ordinary share (2018: HK8.5 cents per ordinary share)	191,264	171,131

(d) Share capital

	2019 $'000	2018 $'000
Authorised:		
3,000,000,000 ordinary shares of $0.50 each	1,500,000	1,500,000
Issued and fully paid:		
2,013,309,000 ordinary shares of $0.50 each, at beginning and end of the year	1,006,655	1,006,655

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Capital, reserves and dividends (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital, being consolidated total equity, to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total debt over its total equity, was 32% at 31 December 2019 (2018: 26%).

33 Equity settled share based transactions

The Group has a stock compensation program (the "Program") which was adopted on 26 November 2015. The 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 money contributed as funds 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 employees in view of their positions and performance. 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 Program shall not exceed 500,000. The trust fund shall not have a definite expiration date and continue as long as the Program exist. Maximum amount of money to be contributed by the subsidiary is JPY 500,000,000 (equivalent to $35,668,000) 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 30 June. However, if the eligible recipient retires during the fiscal year, the point will be granted on the date of retirement in proportion.

A total of 81,200 (2018: 63,000) points were granted to selected participants during the year ended 31 December 2019.

(a) 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

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Equity settled share based transactions (continued)

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

	2019 Number of points	2018 Number of points
Outstanding at the beginning of the year	160,000	123,500
Forfeited during the year	(4,000)	(26,500)
Exercised during the year	(10,000)	-
Granted during the year	81,200	63,000
Outstanding at the end of the year	227,200	160,000
Exercisable at the end of the year	227,200	160,000

(c) 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 the Black-Scholes model.

	1 July 2019	1 July 2018
Fair value of points and assumptions		
Fair value at measurement date	JPY654	JPY954
Share price	JPY801	JPY1,201
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	31.8%	33.9%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	6.3 years	6.8 years
Expected dividends	3.2%	3.4%
Risk-free interest rate (based on the yield of Japanese government bonds)	0.3%	0.1%

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 2018 and 1 July 2019 were JPY1,201 (equivalent to $85) and JPY801 (equivalent to $57) per share respectively.

During the year ended 31 December 2019, the Group recognised a net expense of $3,795,000 (2018: $2,466,000) as equity settled share based payments in relation to the Program.

34 Financial risk management and fair values of financial instruments

Exposure to interest rate, credit, currency and liquidity risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from bank borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk.

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $18,876,000/$21,561,000 (2018: $30,093,000/$22,140,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis as 2018.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other debtors, hire purchases debtors and instalments receivable. The Group's exposure to credit risk arising from cash and bank balances is limited because the counterparties are banks and financial institutions with a high credit rating, for which the director of the Company consider to have low credit risk.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Trade debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and also by the country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within seven days to six months from the date of billing. The Group does not obtain collateral from customers.

34 Financial risk management and fair values of financial instruments (continued)

(b) Credit risk (continued)

Trade debtors (continued)

The Group measures loss allowances for trade debtors and hire purchase debtors and instalment receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors as at 31 December 2019:

	2019			
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	0.02%	950,094	171	949,923
1 - 30 days past due	0.95%	147,035	1,399	145,636
31 - 90 days past due	1.23%	177,812	2,195	175,617
More than 90 days past due	51.67%	99,386	51,356	48,030
		1,374,327	55,121	1,319,206

	2018			
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	0.37%	896,641	3,314	893,327
1 - 30 days past due	1.33%	132,714	1,767	130,947
31 - 90 days past due	1.70%	51,778	880	50,898
More than 90 days past due	74.54%	82,951	61,831	21,120
		1,164,084	67,792	1,096,292

The following table provides information about the Group's exposure to credit risk and ECLs for hire purchase debtors and instalment receivable as at 31 December 2019:

	2019			
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	4.81%	335,349	16,135	319,214

	2018			
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Current (not past due)	5.90%	385,434	22,747	362,687

34 Financial risk management and fair values of financial instruments (continued)

(b) Credit risk (continued)

Trade debtors (continued)

Expected loss rates are based on historical default rates over the expected life of the receivables and adjusted for forward-looking estimates. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

No loss allowance was made for other debtors, deposits and prepayments since the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

(c) Currency risk

The Group is exposed to currency risk primarily through investments, bank loans and other monetary assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate, which is the Singapore Dollar ("SGD"), Japanese Yen ("JPY"), United States Dollar ("USD") and Renminbi ("RMB").

The following tables detail the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong Dollars. Differences resulting from the translation of the financial statements of subsidiaries and associates outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)							
	2019				2018			
	SGD	JPY	USD	RMB	SGD	JPY	USD	RMB
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Investments designated as at fair value through other comprehensive income	-	2,210,081	-	-	-	1,895,692	-	-
Trade debtors	1,000	73,912	701	-	902	80,850	674	-
Cash and cash equivalents	295	380,768	33,233	348,450	5,128	176,697	128,173	346,175
Trade creditors	(3,024)	(166,241)	(864)	-	-	(54,670)	(266)	-
Other debtors	-	-	8	3	-	571	509	3
Other creditors	(162)	(6,969)	(1,690)	-	(6)	(150)	-	-
Bank loans	(63,770)	-	(126,728)	-	(88,562)	(8,313)	(100,879)	-
	(65,661)	2,491,551	(95,340)	348,453	(82,538)	2,090,677	28,211	346,178

34 Financial risk management and fair values of financial instruments (continued)

(c) Currency risk (continued)

The Group's operating subsidiaries regularly monitor their foreign exchange exposure and may hedge their position depending on the size of the exposure and the future outlook of the particular currency unit. There were no material forward exchange contracts outstanding as at 31 December 2019 (2018: Nil).

Sensitivity analysis

The following table indicates the instantaneous change on the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
JPY	10%	208,012	10%	209,068
	(10)%	(208,012)	(10)%	(209,068)
USD	10%	(7,564)	10%	2,821
	(10)%	7,564	(10)%	(2,821)
RMB	10%	34,823	10%	34,618
	(10)%	(34,823)	(10)%	(34,618)
SGD	10%	(5,397)	10%	(8,254)
	(10)%	5,397	(10)%	8,254

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of subsidiaries and associates outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2018.

(d) Liquidity management

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

34 Financial risk management and fair values of financial instruments (continued)

(d) Liquidity management (continued)

The following tables detail the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

2019

	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Bank overdrafts	75,780	-	-	-	75,780	75,780
Bank loans	2,910,276	326,396	3,176	-	3,239,848	3,145,870
Trade creditors	1,122,535	-	-	-	1,122,535	1,122,535
Other creditors and accruals	1,390,460	-	-	-	1,390,460	1,390,460
Amounts due to related companies	14,502	-	-	-	14,502	14,502
Lease liabilities (Note)	378,644	267,392	235,353	144,526	1,025,915	830,539
	5,892,197	593,788	238,529	144,526	6,869,040	6,579,686

2018

	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Bank overdrafts	97,600	-	-	-	97,600	97,600
Bank loans	2,103,542	325,887	895,329	-	3,324,758	3,162,881
Trade creditors	844,576	-	-	-	844,576	844,576
Other creditors and accruals	1,319,188	-	-	-	1,319,188	1,319,188
Amounts due to related companies	32,292	-	-	-	32,292	32,292
Lease liabilities relating to lease previously classified under IAS 17 finance lease	48,990	44,742	66,510	3,844	164,086	158,471
	4,446,188	370,629	961,839	3,844	5,782,500	5,615,008

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Other lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

34 Financial risk management and fair values of financial instruments (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets designated as at fair value through other comprehensive income (see notes 18 and 19).

Listed investments held as financial assets designated as at fair value through other comprehensive income have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The Group's unquoted investments are all held for strategic purposes. Their performance is assessed at regular time interval, where applicable, against performance of similar entities, together with an assessment of their relevance to the Group's strategic plans.

At 31 December 2019, it is estimated that an increase/(decrease) of 20% (2018: 20%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's fair value reserve as follows:

	2019		2018	
		Effect on fair value reserve $'000		Effect on fair value reserve $'000
Change in the relevant equity price risk variable:				
Increase	20%	452,204	20%	387,260
Decrease	(20)%	(452,204)	(20)%	(387,260)

The sensitivity analysis has been determined assuming that the changes in the stock prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that all other variables remain constant. The analysis has been performed on the same basis for 2018.

(f) Fair value

(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

34 Financial risk management and fair values of financial instruments (continued)

(f) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2019	Fair value measurement as at 31 December 2019 categorised into			Fair value at 31 December 2018	Fair value measurement as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Recurring fair value measurements								
Assets								
Equity securities designated as at fair value through other comprehensive income								
– Listed outside Hong Kong	2,261,021	2,261,021	-	-	1,936,301	1,936,301	-	-
– Unlisted	15,569	-	-	15,569	17,624	-	-	17,624
	2,276,590	2,261,021	-	15,569	1,953,925	1,936,301	-	17,624

During the years ended 31 December 2019 and 2018, 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 31 December 2019 and 2018.

(iii) Information about Level 3 fair value measurements

The fair value of unlisted equity securities is determined by adjusted net asset value approach. The fair value measurement is positively correlated to the share of net assets of the unlisted equity securities. As at 31 December 2019, it is estimated that with all other variables held constant, an increase/decrease in share of net assets of the unlisted equity securities by 10% would have increased/decreased the Group's consolidated statement of profit or loss and other comprehensive income by $1,557,000 (2018: $1,762,000).

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

	2019	2018
	$'000	$'000
Unlisted equity securities:		
At 1 January	17,624	17,727
Net unrealised losses recognised in other comprehensive income during the year	(2,311)	-
Exchange adjustments	256	(103)
At 31 December	15,569	17,624

35 Commitments

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 $'000	2018 $'000
Authorised and contracted for	8,257	87,148

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	$'000
Within one year	84,895
After one year but within five years	229,861
After five years	152,291
	467,047

The group is the lessee in respect of a number of properties and items of plant and machinery and equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(k), and the details regarding the Group's future lease payments are disclosed in note 27.

36 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel represent amounts paid to the Company's directors and is disclosed in note 9.

(b) Transactions with related companies

	Note	2019 $'000	2018 $'000
Transactions with Tan Chong Motor Holdings Berhad ("TCMH") Group:	(i)		
- Sales of goods and services		61	6
- Receiving assembly services		34,115	52,490
- Purchase of inventories		14,728	7,719
- Receiving technical assistance services		482	2,286
Transactions with APM Automotive Holdings Berhad ("APM") Group:	(ii)		
- Purchase of inventories		395	8,456
- Sales of goods and services		70	-

Notes:

(i) Transactions with TCMH Group

- Sales of goods and services and purchase of inventories

  Tan Chong Consolidated Sdn. Bhd. ("TCC"), a substantial shareholder of the Company, is also a substantial shareholder of Tan Chong Motor Holdings Berhad ("TCMH") Group. Various subsidiaries of the Group have been conducting sales and purchases of motor parts and accessories and vehicle servicing transactions with TCMH Group. On 30 December 2016, 4 new agreements were signed in relation to the sales and purchases of motor parts and accessories and vehicle servicing for the period from 1 January 2017 to 31 December 2019.

- Receiving assembly services

  On 7 December 2018, a subsidiary of the Group entered into an assembly agreement with Tan Chong Motor Assemblies Sdn. Bnd. ("TCMA", being a subsidiary of TCMH), pursuant to which TCMA was appointed as the subsidiary's assembler to assemble vehicles for the period from 1 January 2019 to 31 December 2019. The principal business of TCMA is the assembly of motor vehicles and engines.

- Receiving technical assistance agreement

  On 7 December 2018, a subsidiary of the Group entered into a technical assistance agreement in relation to the provision of technical assistance services by TCMA for a one-year period from 1 January 2019 to 31 December 2019.

36 Material related party transactions (continued)

(b) Transactions with related companies (continued)

Notes: (continued)

(ii) Transactions with APM Group

- Sales of goods and services and purchase of inventories

  On 1 October 2019, a subsidiary of the Group entered into four parts purchase agreements with four subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd. and APM Coil Spring Sdn. Bhd. (collectively, the "Four APM Subsidiaries") for the purchase of certain spare parts from the Four APM Subsidiaries for the period from 1 October 2019 to 31 December 2020.

  On 30 December 2016, a subsidiary of the Group entered into an agreement with APM Springs (Vietnam) Company Ltd, a subsidiary of APM in relation to the sale and rental of vehicles, material handling equipment, forklift, parts and accessories for the period from 1 January 2017 to 31 December 2019.

All the above transactions have been entered into in the ordinary and usual course of business of the Group and either on normal commercial terms or on terms no less favourable than those available to or from independent third parties.

Amounts due from/to related parties are recorded in the consolidated statement of financial position and disclosed in note 30.

(c) Transaction with an associate

Management service fees received from an associate of the Group during the year ended 31 December 2019 amounted to $1,000,000 (2018: $1,000,000).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Report of the directors.

37 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 (b). No operating segments have been aggregated to form the reportable segments.

(a) 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 sole distributor for Nissan forklift trucks in Singapore. 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 vehicle logistics services to vehicle manufacturers in Japan. The Group also provides human resource management service in relation to transportation business in Japan.

(v) Other operations

Other operations mainly include investment holding, hire purchase financing, provision of workshop services and the manufacturing of vehicle seats.

37 Segment reporting (continued)

(b) 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 measures 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 year ended 31 December 2019 is set out below.

	Motor vehicle distribution and dealership business		Heavy commercial vehicle, industrial equipment distribution and dealership business		Property rentals and development	
	2019	2018	2019	2018	2019	2018
		(Note)		(Note)		(Note)
	$'000	$'000	$'000	$'000	$'000	$'000
Disaggregated by timing of revenue recognition						
Point in time	6,757,203	8,487,256	135,390	137,414	-	18,536
Over time	429,128	399,799	70,552	94,061	96,239	101,113
Revenue from external customers:						
- Singapore	1,851,088	3,336,218	61,307	73,238	92,477	114,036
- PRC	525,398	583,238	-	-	-	-
- Thailand	1,070,914	530,324	114,608	128,918	-	-
- Japan	-	-	-	-	-	-
- Taiwan	1,847,866	2,339,879	-	-	-	-
- Others	1,891,065	2,097,396	30,027	29,319	3,762	5,613
	7,186,331	8,887,055	205,942	231,475	96,239	119,649
EBITDA:						
- Singapore	(36,783)	261,246	18,145	18,412	203,830	217,661
- PRC	(9,254)	(7,909)	-	-	-	-
- Thailand	29,663	(79,665)	(45,056)	(50,840)	-	-
- Japan	-	-	-	-	-	-
- Taiwan	171,529	450,484	-	-	-	-
- Others	(4,006)	14,870	12,061	8,930	80,066	118,700
	151,149	639,026	(14,850)	(23,498)	283,896	336,361
Share of profits less losses of associates:						
- Singapore	54,518	59,665	-	-	-	-
- Thailand	-	-	-	-	-	-
- Japan	-	-	-	-	-	-
- Others	-	-	-	-	-	-
	54,518	59,665	-	-	-	-

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

Transportation		Other operations		Consolidated	
2019	2018	2019	2018	2019	2018
	(Note)		(Note)		(Note)
$'000	$'000	$'000	$'000	$'000	$'000
-	-	280,465	280,342	7,173,058	8,923,548
6,625,694	6,078,989	138,680	133,913	7,360,293	6,807,875
-	-	132,776	138,983	2,137,648	3,662,475
-	-	263,320	264,661	788,718	847,899
-	-	22,049	9,611	1,207,571	668,853
6,625,694	6,078,989	-	-	6,625,694	6,078,989
-	-	-	-	1,847,866	2,339,879
-	-	1,000	1,000	1,925,854	2,133,328
6,625,694	6,078,989	419,145	414,255	14,533,351	15,731,423
-	-	120,198	90,344	305,390	587,663
-	-	(24,250)	(57,352)	(33,504)	(65,261)
-	-	8,004	(1,135)	(7,389)	(131,640)
637,633	322,732	(2,201)	177	635,432	322,909
-	-	-	-	171,529	450,484
-	-	(2,835)	(9,977)	85,286	132,523
637,633	322,732	98,916	22,057	1,156,744	1,296,678
-	-	-	-	54,518	59,665
(156)	(3,429)	-	-	(156)	(3,429)
4,832	1,637	-	-	4,832	1,637
-	-	12,515	14,068	12,515	14,068
4,676	(1,792)	12,515	14,068	71,709	71,941

37 Segment reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	2019 $'000	2018 $'000
Total segment EBITDA	1,156,744	1,296,678
Depreciation and amortisation	(619,191)	(363,418)
Interest income	27,923	38,490
Finance costs	(101,262)	(92,426)
Share of profits less losses of associates	71,709	71,941
Consolidated profit before taxation	535,923	951,265

(d) Geographic information

The following table sets out information about the geographical location of the Group's investment properties, other property, plant and equipment and interest in associates ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties, other property, plant and equipment and the location of operations, in the case of interest in associates.

	Singapore		Hong Kong		PRC		Thailand		Japan		Others		Consolidated	
	2019 $'000	2018 (Note) $'000	2019 $'000	2018 (Note) $'000	2019 $'000	2018 (Note) $'000	2019 $'000	2018 (Note) $'000	2019 $'000	2018 (Note) $'000	2019 $'000	2018 (Note) $'000	2019 $'000	2018 (Note) $'000
Specified non-current assets	4,280,422	4,043,288	1,081,194	1,061,173	367,265	289,604	1,276,946	1,187,843	1,687,280	1,222,808	969,878	888,184	9,662,985	8,692,900

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

38 Acquisition of subsidiaries

In October 2017, the Group acquired the businesses from six individual vehicle transportation companies in Japan. The aggregate purchase consideration of JPY697 million (equivalent to $48,078,000) has been settled in cash. The fair value of the net assets acquired as at the date of acquisition was $48,078,000.

The net cash outflow of cash and cash equivalents in respect of the acquisition of the above businesses was $48,078,000.

At 31 December 2017, the allocation of the cost of acquisition of the above businesses to identifiable assets and liabilities was pending the completion of appraisal of certain intangible assets acquired. The appraisal was completed during the year ended 31 December 2018 and $18,009,000 of goodwill was transferred to intangible assets (notes 14 and 15).

39 Company-level statement of financial position

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment		48	65
Interest in subsidiaries		2,342,961	2,342,961
		2,343,009	2,343,026
Current assets			
Amounts due from subsidiaries		361,963	378,889
Other debtors, deposits and prepayments		307	275
Cash and cash equivalents		14,751	12,915
		377,021	392,079
Current liabilities			
Other creditors and accruals		18,692	15,961
Amounts due to subsidiaries		346,650	366,198
		365,342	382,159
Net current assets		11,679	9,920
NET ASSETS		2,354,688	2,352,946
CAPITAL AND RESERVES	32(b)		
Share capital		1,006,655	1,006,655
Reserves		1,348,033	1,346,291
TOTAL EQUITY		2,354,688	2,352,946

Approved and authorised for issue by the board of directors on 24 March 2020.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

(Expressed in Hong Kong dollars unless otherwise indicated)

40 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
Results						
Revenue		14,818,639	16,736,332	15,855,612	15,731,423	14,533,351
Profit from operations	(i)	775,259	689,567	952,175	971,750	565,476
Financing costs	(i)	(82,659)	(88,604)	(87,538)	(92,426)	(101,262)
Share of profits less losses of associates		76,179	68,197	74,238	71,941	71,709
Profit before taxation		768,779	669,160	938,875	951,265	535,923
Income tax expense	(i)	(319,138)	(335,074)	(308,116)	(320,647)	(224,871)
Profit for the year		449,641	334,086	630,759	630,618	311,052
Attributable to:						
Equity shareholders of the Company		308,215	191,073	501,924	600,899	212,932
Non-controlling interests		141,426	143,013	128,835	29,719	98,120
Profit for the year		449,641	334,086	630,759	630,618	311,052
Assets and liabilities						
Investment properties and other property plant and equipment	(i)	6,629,389	6,722,532	7,538,508	7,830,171	8,779,157
Intangible assets	(i)	100,093	108,315	102,805	110,633	106,057
Goodwill	(i)	5,498	23,375	58,043	43,486	39,168
Interest in associates	(i)	728,678	752,203	856,331	862,729	883,828
Other non-current assets	(i)	565,506	548,179	628,777	499,807	456,540
Net current assets	(i)	6,429,765	4,564,767	4,814,825	4,297,941	3,409,503
Total assets less current liabilities	(i)	14,458,929	12,719,371	13,999,289	13,644,767	13,674,253
Non-current liabilities	(i)	(2,036,937)	(430,671)	(1,275,761)	(1,496,332)	(1,123,376)
Total equity		12,421,992	12,288,700	12,723,528	12,148,435	12,550,877
Earnings per share	(ii)					
– basic		$0.15	$0.09	$0.25	$0.30	$0.11
– diluted		$0.15	$0.09	$0.25	$0.30	$0.11

Note:

(i) As a result of the adoption of IFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

(ii) The amount of diluted earnings per share is the same as the basic earnings per share as there were no dilutive securities outstanding during the years presented.

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GROUP PROPERTIES

Location	Description	Land area (sq. feet)	Tenure	Expiry date
30/F Shui On Centre 6–8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622/3	Showroom, workshop and office (own use)	198,606	Freehold	–
14 Upper Aljunied Road Singapore 367843	Property held for sale	5,352	Freehold	–
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	–
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059
15 Queen Street Tan Chong Tower Singapore 188537	Office, restaurant and apartments for rental (investment)	22,193	Freehold	–
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (investment)	198,976	Leasehold	6 April 2078
210 New Upper Changi Road #01–703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 – 276304	Condominiums for rental (investment)	200,991	Freehold	–
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	131,750 92,158	Leasehold Leasehold	15 April 2036 15 April 2036

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053
816 & 818 Upper Bukit Timah Road Singapore 678149/50	Shophouses (investment)	2,155	Leasehold	15 April 2874
59 Moo 1, Rangsit–Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	–
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	–
12/17 Moo 2, Seri Thai Road Khlong Kum Sub–District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	–
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	–
388, Moo 5 Chiangmai–Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	–
122/1-2, Soi Chalongkrung 31 Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Production plant (own use)	1,130,211	Freehold	–
17/1 Liab Klong Lum Kor Phai Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Vehicle yard (own use)	1,083,747	Freehold	–
Jalan Sultan Iskandar Muda No 24 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041
Komplek Ruko Mahkota Raya Blok D No. 9-12A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032
Jalan Raden Patah Komplek Sumber Jaya B9 - B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2035
Lembar K-8-4 Kotak F-G/1 Teluk Tering Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Jalan Bypass Ngurah Rai No 643 Desa Pemogan Denpasar, Bali Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062
West of Xi Wai Huan Yangliu Town Lianhe Sub-district, Zhengxiang District Hengyang Hunan Province, China	Showroom and workshop (own use)	6,226	Leasehold	16 May 2052
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	–
No. 38-2, Dong Yuan Road, Zhongli District. Taoyuan City, Taiwan	Showroom, workshop, office and warehouse (own use)	143,622	Freehold	–
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	–
212 Vietnam-Singapore Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046
Kawasaki-shi, Kanagawa, Japan	Vehicle distribution center (own use)/ Delivery center (investment)	147,112	Freehold	–
Fukuoka-shi, Fukuoka, Japan	Vehicle distribution center (own use)	89,079	Freehold	–
Kasuya-gun, Fukuoka, Japan	Auction venue (own use)/ Vehicle yard (investment)	272,853	Freehold	–

GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Tagazyo-shi, Miyagi, Japan	Vehicle distribution center (own use)	139,055	Freehold	–
Miyako-gun, Fukuoka, Japan	Delivery center (investment)	92,982	Freehold	–
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	87,767	Freehold	–
Yokosuka-shi, Kanagawa, Japan	Vehicle maintenance shop (own use)	53,254	Freehold	–
Nagoya-shi, Aichi, Japan	Vehicle distribution center (own use)	244,023	Freehold	–
Miyako-gun, Fukuoka, Japan	Vehicle yard (own use & investment)	208,590	Freehold	–
Koza-gun, Kanagawa, Japan	Vehicle maintenance shop (own use)	35,595	Freehold	–
Miyako-gun, Fukuoka, Japan	Vehicle maintenance shop (own use)	142,336	Freehold	–
Kagoshima-shi, Kagoshima, Japan	Vehicle distribution center (own use)	79,074	Freehold	–
Tomakomai-shi, Hokkaido, Japan	Vehicle distribution center (own use)	142,279	Freehold	–
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	47,391	Freehold	–
Mooka-shi, Tochigi, Japan	Vehicle maintenance shop (own use)	54,167	Freehold	–