
# ANNUAL REPORT 2021

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

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

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

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

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

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

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

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

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

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

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

## SIGNIFICANT INVESTMENTS

As at 31st December 2021, the Group had investments in listed and unlisted equity securities amounting to HK$1.643 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange. These were accumulated over the years as strategic investments. Fair value loss of HK$170 million was recognized in other comprehensive income during the year ended 31 December 2021. The loss was primarily due to share price changes of its listed investments, which were marked to market and was therefore unrealized. Such unrealized fair value loss on its investments was not reclassified to the Group's consolidated statement of profit or loss.

## FINANCE

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

## SINGAPORE

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

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

## CHINA / HONG KONG

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

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

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

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

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


SUBARU
SUBARU

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

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

## TAIWAN AND PHILIPPINES

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

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

## JAPAN

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

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

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

## PROSPECTS

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

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

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

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

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

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

# 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 set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that form part of the disclosure requirements under the Listing Rules. Throughout the year under review, the Company has complied with most of the code provisions set out in the Corporate Governance 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 2021. 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 five 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 18.

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 2021 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 2021 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 |
| Mr. Charles Tseng Chia Chun [1] | - | - | - | - | - | - | - | - | - | - | - |

*Denotes:*
*C-Chairman, M-Member*
*No.attended/held-Number of meetings attended/held during the financial year from 1 January 2021 to 31 December 2021*
*[1] Mr. Charles Tseng Chia Chun was appointed as an independent non-executive director of the Company with effect from 10 January 2022*

## 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 appointed three members of the NC on 10 January 2022. The NC currently comprises two independent non-executive directors and an executive director of the Company. Mr. Charles Tseng Chia Chun, an independent non-executive director is the chairman of NC. The other members are Mr. Tan Eng Soon, chairman of the Board and Mr. Prechaya Ebrahim, an independent non-executive director of the Company.

During 2021, the Board carried out the responsibilities of the NC under the following terms of reference:

a. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on the proposed changes to the Board to complement the Company's corporate strategy;
b. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
c. to assess the independence of independent non-executive directors;
d. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive;
e. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board; 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 2021 for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2020, (2) interim results and interim report for the six months ended 30 June 2021 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 2021, 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; and
g. to recommend to the Board the compensation of the external auditors, and review the scope and results of the audit.

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 2021 is HK$9,896,000 and HK$808,000 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

### 1.1 About Our Business

The Group's principal business activities include the distribution and retailing of well-known automotive brands such as Nissan in Singapore and Subaru across the South-East Asia region. In Japan, the Group is also involved in logistical operations, mainly in the transportation of motor vehicles. Within South-east Asia region, the Group expands its operations across Singapore, Malaysia, Taiwan, the People's Republic of China (the "PRC"), Philippines, Cambodia, Hong Kong, Vietnam, and Thailand.

### 1.2 Scope of This Report

This report covers the ESG management approach and performance of the Group for the period from 1 January 2021 to 31 December 2021. The ESG report was approved and is published together with the annual report.

The scope of this report remains unchanged from previous reporting years. This report primarily covers the Group's motor vehicle business operations in Singapore and Thailand as well as its transportation business in Japan with significant contribution to the Group's revenue in 2021. The Group operates in Singapore as a principal location of business, the regional head quarter, and the core automotive distribution control centre. In Japan, the Group's listed subsidiary, ZERO Co., Ltd. ("ZERO") provides vehicle logistics services to new vehicles made by Japanese automakers and other imported cars from plants to dealers nationwide. ZERO also provides various transport related services, such as transfer, compound, and vehicle storage, bringing together the nationwide network with the largest number of trailers.

### 1.3 Reporting Reference

This report has been prepared in accordance with the mandatory disclosure requirements and the "comply or explain" provisions set out in the Appendix 27 — Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Periodically, the material environmental and social issues were reviewed, identified, and prioritized with inputs from the stakeholders and the management, which are disclosed in this ESG Report. The Group data records disclosed in this report comes from the internal record and documentations. The Group continuously adopts a consistent measurement methodology to achieve a meaningful comparison of ESG data over time, whenever practicable.

## 2. ESG GOVERNANCE

The Board is responsible for the Group's ESG strategy and reporting. An ESG Committee was established to assist the Board in evaluating, prioritizing, and managing material ESG issues. The ESG committee also supports the Board in formulating the overall ESG strategy and reviewing the progress and results of ESG-related goals.

Reporting directly to the Deputy Chairman and Managing Director, The ESG committee comprises relevant key members of the management team and is supported at operational levels. They plan and formulate the Group's approach, initiatives, and strategy, including the processes used to evaluate, prioritize, and manage ESG related issues and risks, they work closely with a diverse set of stakeholders, including customers, suppliers, dealers, local communities, media, and government bodies to better understand the concerns and expectations. The ESG committee also introduces various ESG policies as well as strengthen existing policies and guidelines.

## 3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In compliance with the ESG Reporting guide, in 2021, the ESG Committee has conducted practical engagement with internal departmental personnel and external stakeholders including customers, suppliers, dealers, local communities, media, and government bodies to identify sustainability issues that are considered relevant and important to the Group's business and its operations. The ESG Committee took reference from previous year's list of material ESG issues against the outcome from interviews and surveys conducted. A list of prioritized ESG issues was further established, which was reviewed and approved by the ESG Committee. Below are the material ESG issues identified: -

| | |
|---|---|
| Environmental | Use of Resources |
| | Emissions |
| | Environment Compliance |
| Social | Employment and Labour Standard |
| | Development and Training |
| | Occupational Health and Safety |
| | Operating Practices |
| | Anti-Corruption |
| | Community Investment |

## 4. ENVIRONMENT

The Group's business operations focus in providing customer services on sales, distribution, and transportation of motor vehicles; therefore, the Group does not foresee its operations to have significant impact directly on the environment and natural resources. The Group's general approach and policies are to operate in a sustainable manner and utilising resources efficiently and actively monitoring any Green House Gas ("GHG") emissions. While the Group has yet to identify the topic of climate change as a material ESG issue, it recognizes the corporate responsibility to support local governments in their plan to reach net zero and will continue to maintain in compliance with the applicable environmental laws and regulations set by the local regulators in the region.

In Singapore, the business is on track with the plan to have a full line up of electrified passenger vehicles under the Nissan brand by 2023. In 2021, electrified passenger vehicles made up 85% of total Nissan passenger vehicles sales in Singapore, contributing to one out of every ten electrified passenger vehicles sold in the country. The efforts have positioned the Group well ahead of the government's green plan that restrict the sales of new passenger vehicles in Singapore to only electrified models (i.e., full battery electric vehicles and hybrids) by 2030.

Subaru will introduce their New Subaru Forester E-Boxer in Singapore in 2022.

## 4.1 Use of Resources

The Group recognises the scarcity of global resources and believes in the importance of operating its businesses in a sustainable manner. The group-wide policies on resource consumption, instruction and supervision are provided to ensure proper use of resources, including active use in recycling and re-used of materials by respective subsidiaries.
In Thailand, the Group's partnership with Cleantech Solar allowed us to employ the latest green energy technologies to reduce our electricity cost and contribute towards a cleaner and greener environment. This is also in line with the Thai government's initiatives to encourage industry to move towards more sustainable ways. Embracing solar energy is a viable option to address concerns on rising electricity cost and climate change challenges.

### *4.1.1 Energy*

The Group's major sources of energy consumption come from the use of light diesel oil in the transportation business under the ZERO. In Japan, ZERO's business is positioned as the hub in vehicle transportation business and handles more than 3 million units of new vehicles and used cars a year. For the automobile-related businesses such as vehicle maintenance and car auctions, general cargo transportation business and the human resources, ZERO is actively looking into the use of new fuel products such as Electrofuel ("e-Fuel") to reduce the GHG emission as well as replacement of their vehicle fleets to electrified automated vehicles that will reduce the dependence of light diesel oil.

Table 1. Energy consumption

The energy conversion factors used as noted to the table: a) 1 litre of gasoline is equivalent to 9.5 kWh and b) 1 litre of light diesel oil is equivalent to 0.264172 of gallon, 1 gallon of diesel oil is equivalent to 40.7 kWh.

| Energy consumption | Unit | 2021 | (Equivalent in kWh) |
|---|---|---|---|
| Total Energy consumption | kWh | | 264,151,732 |
| – Electricity | kWh | 18,834,475 | 18,834,475 |
| – Light Diesel Oil | Litre | 21,768,458 | 234,050,115 |
| – Gasoline | Litre | 1,186,015 | 11,267,142 |
| Energy intensity | kWh / m² | 568.12 | |

*The Group's initiatives to reduce 5% of energy consumption by 2030 on target baseline of 2021, meaning 2030 vs 2021 should see energy consumption reduction of 5% or more.

### *4.1.2 Water*

The Group places emphasis on water conservation and understand the importance of water which is essential for a healthy society and environment. Clean water scarcity and declining water quality affects people's lives, as well as the economy. The Group's major sources of water consumption come from washing of vehicles and equipment. Although there is no issue in sourcing water, the Group has been gradually reducing the amount of water usage since 2016. The business operation unit heads ("BUH") have continued to make improvements in reducing water usage through various large and small initiatives including one of which is to "wipe clean instead of wash clean". Moving forward, the head of departments ("HOD") from across various subsidiaries in the region, through working with respective stakeholders and tapping onto suppliers' expertise plan to introduce new initiatives, under the "do more with less water" campaign.

Table 2. Water consumption

| Water consumption | Unit | 2021 |
|---|---|---|
| Total water consumption | $M^3$ | 112,828 |
| Water intensity | $M^3 / m^2$ | 0.24 |

*The Group's initiatives to reduce 8% of water usage by 2030 on target baseline of 2021, meaning 2030 vs 2021 should see a water usage reduction of 8% or more.

### *4.1.3 Packaging Material*

The Group's core businesses are in sales, distribution, and transportation of motor vehicles, this does not require much of packaging materials. The Group's major sources of packaging material consumption come from its logistic operation for packing and shipping of Completely Knocked Down ("CKD") vehicle components to the oversea assembling plant. The company has established a recycling system, where recyclable materials are actively used, the packaging specifications and design are reviewed regularly to avoid excessive packaging and improve space efficiency in transit.

Table 3. Packaging material consumption

| Packaging material consumption | Unit | 2021 |
|---|---|---|
| Total packaging material consumption | Tonnes | 443 |
| Cardboard | Tonnes | 410 |
| Expanded Polystyrene ("EPS") | Tonnes | 33 |

*The Group's initiatives to reduce 5% of packaging materials usage by 2030 on target baseline of 2021, meaning 2030 vs 2021 should see packaging materials reduction of 5% or more.

## 4.2 Emissions

The Group's major sources of emissions come from our transportation business operations, and we recognize our corporate responsibility to take measures such as reduction of $CO^2$ emission and carbon offsetting, which create impact to the environment. The Group's typical carbon neutral measures include: a) replacement of electrified automated vehicles; b) introducing educational training programs to promoted eco-driving to all the drivers and c) using of new fuel product such as Electrofuel ("e-Fuel").

The Group's $CO^2$ emissions vary from year to year due to changes in the number of vehicles employed, the volume of transportation required, the nature of transportation, etc. The Group has set an internal target of reducing $CO^2$ emissions by 1% or more per year based on fuel consumption efficiency rather than on total volume standards.

### 4.2.1 Waste Management

Waste management can be defined as all the activities that are required to manage waste from the point of collecting the waste to recycling and monitoring. The Group's policies with regards to resources consumption, instructions, and supervision are given to ensure a proper use in recycling, reuse and reduce in each of the operational functions of all subsidiaries and across the region. Activities related to environmental impacts are currently managed by individual BUH and they have maintained in compliance with applicable laws and regulations at all business operation sites.

#### 4.2.1.1 Hazardous Waste

Hazardous waste in the automotive industry are mainly the used batteries, used oils, leftover vehicle paints, waste lubricants, used sealants, used thinner or solvent, etc. The Group strives to ensure that hazardous wastes are stored, collected, and disposed off in compliance with local laws and regulations. The Group's polices in handling of hazardous waste in a safe manner by adhering to: a) classify hazardous waste and store in designated sections; b) keep hazardous waste in solid containers that are acid/solvent-resistant to prevent leakage or corrosion; c) implement clear work instructions and standard operating procedures ('SOP') for staff to handle hazardous waste disposal and d) dispose waste through government-appointed disposal companies..

Table 4. Hazardous waste disposal

The conversion factors used as noted to the table: a) 1 litre of liquid hazardous waste is equivalent to 1.022 kg and b) 1 $m^3$ of oil interceptor waste is equivalent to 852.11 kg.

| Hazardous waste disposal | Unit | 2021 | (Equivalent in tonnes) |
|---|---|---|---|
| Total weight of hazardous waste | Tonnes | | 57,929 |
| Liquid hazardous waste | Litre | 682,064 | 697 |
| Solid hazardous waste | Kg | 652,154 | 652 |
| Oil interceptor waste | $M^3$ | 66,400 | 56,580 |

*The Group's initiatives to reduce 5% of hazardous waste by 2030 on target baseline of 2021, meaning 2030 vs 2021 should see hazardous waste reduction of 5% or more.

#### 4.2.1.2 Non-Hazardous Waste

Non-hazardous waste includes any rubbish or recycling that cause no harm to human or environmental health. Under the Groups non-hazardous waste policies, we have further classified that non-hazardous waste to include only waste generated within the business operations, and that the policy further categorized the items as follows: 1) cardboard; 2) newspaper and magazines; 3) confidential documents; 4) mixed paper, other paper in shredded form and 5) paper waste, etc.

The Group actively promotes the cultivation of the 3 Rs—reduce, reuse, and recycle to minimize the non-hazardous waste. The Group's BUH work closely with government-certified suppliers for the disposal of non-hazardous wastes in compliance with relevant local laws and regulations.

Table 5. Non-hazardous waste disposal

| Non-hazardous waste disposal | Unit | 2021 |
|---|---|---|
| Total non-hazardous waste disposal | Tonnes | 1,459 |

*The Group's initiatives to reduce 3% of non-hazardous waste by 2030 on target baseline of 2021, meaning 2030 vs 2021 should see a non-hazardous waste reduction of 3% or more.

#### 4.2.1.3 Wastewater Management

Wastewater is mainly generated through the vehicles washing process in the workshops. The Group has equipped the workshops with oil interceptors to properly process wastewater. Phosphate sludge and wastewater sludge are normally found in the oil interceptors. The Group's subsidiaries engage qualified government-appointed disposal companies to handle the disposal of wastewater sludge in compliance with the relevant laws and regulations. Under the company's wastewater management policy, it is a requirement to have water treatment facility to be installed to treat and remove any harmful materials or agents before discharging the water to the sewage in accordance with local government regulations.

#### 4.2.1.4 Air Emission

The Group does not engage in heavy industrial operations that consumes huge quantities of natural resources and emitting large amount of air pollutants. Since the Group engage mainly on vehicle sales, distribution, and transportation businesses, in this reporting period, air 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.

#### 4.2.1.5 Green House Gas ("GHG") Emissions

The Group's major sources of GHG or carbon emissions is mainly from the use of fuels and electricity. The Group has implemented relevant measures to improve energy efficiency and reduce GHG emission for both fuel usage and electricity consumption. The Group will continue to renew its transportation fleets by replacing with electrified automated vehicles and will consistently upgrade its operation facilities and equipment to gain better energy efficiency.

Table 6. GHG emissions

The emission factor used as note to the table: a) 1 litre of light diesel oil has emission of 2.58 and b) 1 litre of gasoline has emission factor of 2.32.

| GHG emissions | Unit | 2021 |
|---|---|---|
| Total GHG emissions | Tonnes $CO^2e$ | 66,015 |
| Scope 1 Direct emissions | Tonnes $CO^2e$ | 58,914 |
| Scope 2 Indirect emissions | Tonnes $CO^2e$ | 7,101 |
| GHG emission intensity | Tonnes $CO^2e$ / $m^2$ | 0.14 |

*The Group's initiatives to reduce 3% of GHG emissions by 2030 on target baseline of 2021, meaning 2030 vs 2021 should see a GHG emission reduction of 3% or more.

** Scope 1 emissions are direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., vehicles).

*** Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use.

## 4.3 Environment Compliance

To the best of the Group's knowledge during the reporting period, there were no reported incidents of non-compliance with any environmental laws and regulations regionally.

# 5. SOCIAL

## 5.1 Employment 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.

Against the backdrop of the COVID-19 pandemic, the Group places utmost importance on the safety and health of our staff. A COVID-19 taskforce was established to not only look into Business Continuity measures at the workplace but also ensure that adequate measures are implemented in the workplace to protect our staff and customers. This includes daily temperature submissions, health declarations, split teamwork arrangements, and contact tracing for COVID-19 positive staff or staff with close contact to COVID-19 positive cases. During the period when the risk was heightened due to increased transmission in the community, the Group adopted work from home arrangements for those whose job functions that can be performed from home to mitigate the risk of transmission at the workplace.

The Group respects the basic human rights of individuals and does not tolerate the use of children or forced labour in any of its business operations and facilities. During recruitment, the age of the applicants is verified with identification documents to ensure that no underage labour is employed, and any case of non-compliance will be investigated immediately. 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.

Table 7. Employee statistics

| Employee figures by categories | | Number of employees as at 31 Dec 2021 | Turnover rate in 2021 |
|---|---|---|---|
| Total employee | | 9,490 | 4.2% |
| By gender | - Male | 8,101 | 3.0% |
| | - Female | 1,389 | 10.9% |
| By employment type | - Full time | 3,750 | 10.3% |
| | - Part time | 5,740 | 0.1% |
| By age group | - Under 30 | 964 | 12.1% |
| | - 30 - 50 | 4,299 | 5.4% |
| | - Over 50 | 4,227 | 1.2% |
| By geographical region | - Japan | 8,298 | 0.3% |
| | - Singapore | 632 | 28.6% |
| | - Thailand | 560 | 31% |

*Part-time or casual employees are mainly dispatched workers from transportation business operations.

## 5.2 Development and Training

The Group encourages continuous learning and invests in the development of professional, technical, and leadership skills of our employees. Both in-house and external training are provided to employees at all levels to enhance their competencies and effectiveness so that they can be better equipped to meet the challenges of this fast-changing business environment. In addition, employees who have shown good performances and dedication in their work may be sponsored for related courses/conferences/seminars organized by accredited institutions or professional organizations as part of their professional development.

Employees are required to complete training on key areas of our business relating to technical and soft skills training. The Group believes that continuous learning supports the development of employee's key capabilities which will help them succeed in their roles and fulfill their responsibilities.

Due to the COVID-19 pandemic, training sessions were largely conducted via digital learning platform. These training includes product knowledge, customer handling and basic safety training, etc.

Table 8. Employee training statistics

| Employee training in 2021 | | Percentage of staff who received training in 2021 | Average training hours completed per employee |
|---|---|---|---|
| By gender | - Male | 42% | 9.87 |
| | - Female | 31% | 1.17 |
| By employment category | - Management | 63% | 5.50 |
| | - Non-management | 37% | 8.94 |

## 5.3 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 Thailand, the Group provides all necessary safety equipment and uniforms. Indoor air quality is also 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, and a full-time nurse mans the medical centre. There is a safety reporting system in place, where staff can report safety incidents or provide suggestions to the safety committee, which comprises of staff from various departments. The safety committee also conducts audits and investigations such as inspection of environmental workplace examining illumination level, noise level, chemical exposure, and air exhaustion, etc. The safety committee members also performed safety patrol every month, walking round the premises to do site inspection and rectify issues with the area supervisor to prevent hazards at the respective workstations. In addition, the safety committee conducts drinking water quality tests every 2 months to ensure purified water is supplied and linked to all water dispensers. The safety committee regularly organizes health and safety awareness initiatives such as 'Safety Week" and other training courses such as basic safety orientation course for contractors, safe ride campaign for those who travel to work by motorbike, safe driving campaign for those who travel long distance, safe forklift and tow truck driving, emergency response for chemical spills, fire evacuation drills, etc. Under COVID-19, the safety committee conducted training to educate staff on infection and vaccination to encourage all staff to go for vaccination ensuring 100% full vaccination at work.

The Group is committed to keep all workplace COVID-19 free by requiring all staff to conduct COVID-19 self-antigen test on a weekly basis before reporting to work on site. This is to ensure only staff with negative antigen results are allowed to work on-site. Supervised COVID-19 antigen tests are conducted on-site weekly to ensure full compliance on having staff screen with negative antigen test results are present at the workplace.

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 occupational health and safety.

Table 9. Occupational health and safety statistics

| Occupational health and safety statistics | Unit | 2021 |
|---|---|---|
| Number of work-related fatalities* | Number | 0 |
| Fatality rate | % | 0 |
| Number of lost days due to work injuries | Days | 747 |

*The number of work-related fatalities in 2019 and 2020 was zero [0] and zero [0] respectively.

## 5.4 Operating Practices

### 5.4.1 Supply Chain Management

The Group's business operations do not deal with purchase of any raw materials, the upstream supply chain. The Group's suppliers are from the downstream supply chain, which refers to the suppliers' business activities are all post-manufacturing. Suppliers that the Group deals with are mainly in supporting the Group's business operations in transportation, distribution of vehicles to the final customers. The Group's Supply Chain Management ("SCM") system have put in place a rigorous controls and systems of record to make sure there are no wastage of resources and that all suppliers are in compliant with the contracted agreements.

The SCM system ensures that contracting processes are fair and tries to encourage suppliers to reduce any negative social and environmental impacts caused by their businesses. The flow of information is critical to the overall SCM system performance. The BUH are in regular communication with the suppliers to help the entire supply chain to optimize the productivity and improve the operations. Transparency in the supply chain can help to build and solidify a strong, long-term relationships that benefit everyone.

Table 10. Number of suppliers by geographical region

| Number of suppliers by geographical region | Unit | 2021 |
|---|---|---|
| Japan | Number | 179 |
| Singapore | Number | 299 |
| Thailand | Number | 420 |

### 5.4.2 Product Responsibility

The Group is committed to provide products and services maintaining high standards of quality and offering value for money to the customers and consumers in a responsible manner. We are in constant communication with the manufacturers, dealers, and suppliers, making sure that all customer feedbacks are fed through the supply chain for improvements. We have processes in place to manage technical issues or recalls, guided by the manufacturers, that might affect vehicle performance or passenger safety.

In Japan, ZERO's customer service centres have obtained the "G-Mark", this is a certification issued by the Japan Truck Association for those Japanese transportation company who has achieved excellence in safety. And in Thailand, the assembly plant has obtained the ISO9001 certification in quality assurance.

#### 5.4.2.1 Service-related Complaints

The Group strives to provide excellent customer service and will always continue to maintain a healthy customer relationship. We have a complaints policy to ensure all complaints are handled as efficiently and effectively as possible. Complaints made to the company are overseen and followed up by our customer service management team. After a complaint is received if no immediate resolution is applicable, further investigation will take place. This process may take some time, in which case, the customer will be updated with reason for the delay and the expected timeframe towards resolutions. If customer is not satisfied with the response rendered to him/her, customer may ask customer service management to escalate the complaint to senior management directly. If so, a senior management representative will be made available to address the complaint as soon as possible. The Group received only a small number of complaints relating to its products and services during the reporting period, and all cases were resolved following the complaints policy.

#### 5.4.2.2 Personal Data

In Singapore, the Data Protection Team, headed by the Data Protection Officer (DPO) works together with the Data Protection Committee which consists of relevant departments representatives to ensure that the business units are in compliance with the Personal Data Protection Act of Singapore.

In Japan, a principal corporate officer has been assigned to take charge of information security management and establish information, security management structure, as well as implement appropriate measures to protect the Group's confidentiality, integrity, and availability of information assets.

In Thailand, the enforcement of the Personal Data Protection Act was postponed and will be enforceable from 1 June 2022 due to the impact of the COVID-19 pandemic on organisations. For this reporting period, in advent of the upcoming Data Protection laws for Thailand next year, the Group had conducted review in its operations that handles personal data and provided trainings to employees to learn and better understand privacy laws. The Group is currently working with its external lawyers in Thailand to setup appropriate practices and policies addressing issues relating to personal data.

To the best of the Group's knowledge during the reporting period, there were no reported incidents of non-compliance with any personal data laws.

#### 5.4.2.3 Intellectual Property Rights Management

The Group is committed to upholding and safeguarding intellectual property rights. We work closely with specialist legal professionals to ensure that intellectual property rights are protected and comply with all applicable intellectual property laws. They assist to manage the Group's trademark portfolio, providing regular update on intellectual property laws, develops strategies that address and protect trademark requirements, handles the filing of new trademark applications and maintenance of registered trademarks.

### 5.4.2.4 Product Recall Practice

When the Group receives a recall announcement from a manufacturer, our related business units will initiate an internal recall process which comply with the standard guidelines issued by the manufacturer. All safety related Manufacturers' vehicle recalls are reported to relevant local authorities.

Table 11. Product recalls in 2021 due to safety and health reasons

| Recall Period | Reason for Recall | Countermeasure | Affected Vehicles |
|---|---|---|---|
| Mar- 21 | Activation of Pre-collision Braking | Update Control Program | SG (8)<br>TH (2) |
| Apr-21 | Rear Stabilizer Bracket Mounting Bolts | Replace Mounting Bolts | SG (1,814)<br>TH (5,619) |
| Apr-21 | Ignition Coil Short Circuit | Replace Ignition Coils | SG (3,063)<br>TH (4,936) |
| Jul-21 | Fuel Pump Impeller Failure | Replace Fuel Pump | SG (39)<br>TH (1,595) |
| Aug-21 | Clogging Transmission Oil Strainer | Replace Torque Converter | SG (1,177) |
| Oct-21 | ISO Fix Bracket Malfunction | Inspect ISO Fix Bracket | SG (656) |
| Nov-21 | Activation of Pre-collision Braking | Update EyeSight Software | SG (11)<br>TH (6) |

*To the best of the Group's knowledge there was no non-compliance with the laws and regulations relating to the product responsibility.

## 5.5 Anti-Corruption and Internal Control Systems

The Group operates in several different jurisdictions across the region and with different legal and regulatory requirements. Compliance with the requirements in the jurisdictions in which it operates is a basic requirement including the Anti-Corruption Laws. The operation compliance department from the Group's Loss Avoidance Unit ("LAU") was setup to focus on incident investigation, compliance, security, procurement and ensures that business units comply with the Group's policies and local laws (including Anti-Corruption Laws). In 2021, the Group had arranged an anti-corruption training for its board of directors and senior management to better understand the relevant anti-corruption laws and regulations and best practices in the prevention and detection of corruption, and to determine if current practices and policies can be further improved to reduce risks.

Table 12. Anti-corruption

| Anti-corruption | 2021 |
|---|---|
| Convicted cases of corruption reported to the ESG Committee (cases) | 0 |

The Group's whistle blowing policy allows staff to raise concerns on possible acts of fraud, dishonesty, and misconduct. All concerns raised would be recorded, investigated, and escalated to the ESG Committee. The Group shall endeavour to protect staff confidentiality and anonymity. All individuals shall be protected against any reprisal unless there is evidence of malicious reporting.

The Group's code of conduct specifies for employees on how to act with integrity in all activities and serves as a tool to safeguard against corruption within the Group. The purpose of these rules is to contribute to the early detection and correction of improper acts and the strengthening of compliance management by a system for handling consultations and reports from employees of the company and its consolidated subsidiaries regarding organizational or individual violations of laws and regulations.

Table 13. Code of Conduct

| Code of Conduct | 2021 |
|---|---|
| Breaches of Code of Conduct reported to the ESG Committee (cases) | 0 |

To the best of the Group's knowledge during the reporting period, there were no reported legal cases regarding corrupt practices brough against the Group or its employees.

## 5.6 Community

For this reporting period the Group's community investment were focusing on: a) fragility of wildlife and raise conservation awareness; b) creation of a comfortable environment through cleanup activities around the community and c) #STAYSAFE and fight against COVID-19.

In Singapore, the Group adopted the resident father and son giraffes and the zebra's exhibit at the Singapore Zoo as part of its aim to curate experiences for families, highlight the fragility of wildlife, and raise conservation awareness. The Group welcome a new zebra foal on 30 Sept 2021. Born to a pair of six-year-old zebras, Father Desta, and Mother Kolle, Izara, as the foal has been named, is the latest addition to a pack of five Grevy's zebras – the largest and most endangered zebra species. In 2021 we have produced 500 pcs of Zebra towels to commemorate the adoption, and we have retained it at SGD15 a piece with full proceed go to WRS (Wildlife Reserves Singapore).


A desire for a clean environment represents a powerful sense of destiny and hope for the future. The Group recognized the importance of having a clean environment around us. In Japan, ZERO have initiated community's cleanup. They gather volunteers on a regular basis to pick up, removing trash, plastic, and other debris. ZERO wishes to spread this cleanup campaign nationwide in Japan.

The COVID-19 pandemic has presented an unprecedented challenge to human life and public health. In Thailand, as part of the fight against COVID-19, the Group have put in extra efforts to collect carton boxes and donate them to make mobile beds during such time where there was shortage of hospital beds. The Group also initiated an online campaign #STAYSAFE that help to raise funds and public awareness of self-caring and encouragement to hard-working medical staff.

# 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*#
Mr. Charles Tseng Chia Chun@

* Audit Committee Members
# Remuneration Committee Members
@ Nomination 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
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

## STOCK CODE

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# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## CHAIRMAN

### Mr. Tan Eng Soon

Aged 73, 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 44, 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 73, 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 is a Non-Executive Chairman and Lead Independent Director of Mooreast Holdings Limited, a listed company on the Singapore Exchange Limited. 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 79, 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 74, 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).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Ng Kim Tuck

Aged 67, 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 74, 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 60, 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 69, 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.

## Mr. Charles Tseng Chia Chun

Aged 70, was appointed as an Independent Non-executive Director of the Company in January 2022. Mr. Tseng is currently chairman of Qra Sdn. Bhd., an omnichannel grocery start-up business in Malaysia. Mr. Tseng was formerly chairman of Asia Pacific for Korn Ferry International, the global organisational consultancy. He joined Korn Ferry in 2000 as President of Asia Pacific and was later appointed as the chairman of Asia Pacific in 2018 until his retirement in November 2020. Prior to joining Korn Ferry in 2000, Mr. Tseng was Managing Partner, East Asia for Egon Zehnder, a global search firm. Before that, Mr. Tseng was Group General Manager of Cold Storage in Malaysia, a leading food and retail company in Southeast Asia. Mr. Tseng began his career with Ford Motor Company as a manufacturing engineer in Australia and subsequently held other manufacturing and marketing positions with Ford in Asia. Mr. Tseng was an independent non-executive director of AEON Co. (M) Berhad ("AEON"), a public company incorporated in Malaysia and listed on Bursa Malaysia, from 2013 until June 2020. He also served as the chairman of nomination committee and a member of audit committee of AEON. Mr. Tseng has served on the China Advisory Boards of Eli Lilly (a pharmaceutical company) and Faurecia (a global automotive parts manufacturer) and was chairman of the Wharton Asia Executive Board. Mr. Tseng has an M.B.A from The Wharton School, University of Pennsylvania, U.S.A., and a first-class honors' degree in engineering from the University of Melbourne in Australia.

# SENIOR MANAGEMENT

## Ms. Teo Siok Ghee

Aged 69, is the Head of Management Affairs of the Group. 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 71, 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 56, 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

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

100% Hurdle Joy Holdings Limited
British Virgin Islands

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

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% Wuxi Chengchang Seats Manufacturing Co Ltd
PRC

100% Imei Corporation Limited
Japan

100% TC Automotive Limited
British Virgin Islands

BERMUDA

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 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

100% TC Vehicles Limited
British Virgin Islands

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

100% AP Sales Limited
Hong Kong

100% AP Sales 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 Trading Limited
British Virgin Islands

67% Asanoya TC Pte. Ltd.
Singapore

100% TC Motors (S) Limited
British Virgin Islands

100% TC Motor Pacific Limited
British Virgin Islands

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

50% TC Zero Company Pte Ltd
Singapore
50%

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

3.5% Zero Co., Ltd
49.7% Japan

50% Eight Zero Limited
Hong Kong
50%

20% Zenith Logistics Limited
Hong Kong
80%

100% Advance Pacific Holdings Limited
Hong Kong

100% TC Autoclinic Pte Ltd
Singapore

Changsha Mei Hua Subaru Sales & Service Co., Ltd
PRC

51% 49%

Hengyang Mei Hua Subaru Sales & Service Co., Ltd
PRC

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% TC Autoworld Panyu Co., Ltd
PRC

100% TC Autoworld Jinwan 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% WRX Pte Ltd
Singapore

100% Motor Image International Pte Ltd
British Virgin Islands

100% Motor Image (Guangzhou) Co. Ltd
PRC

100% Motor Image (Panyu) Company Ltd
PRC

100% Motor Image Kowloon Limited
Hong Kong

50%
50% Everwide Corporation Limited
Hong Kong

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

100% 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

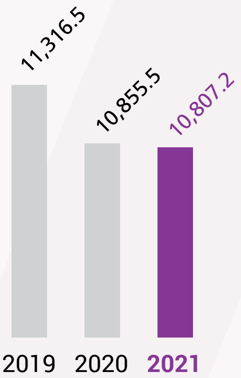
100% Motor Image (Cambodia) Ltd
Cambodia

100% Motor Image Dongguan Limited
PRC

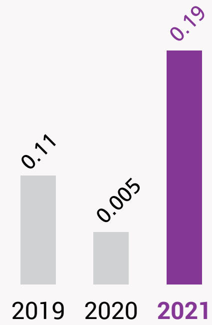
100% Motor Image HCM Co., Ltd
Vietnam

# FINANCIAL HIGHLIGHTS

## SHAREHOLDERS' FUND
(HK$ Millions)

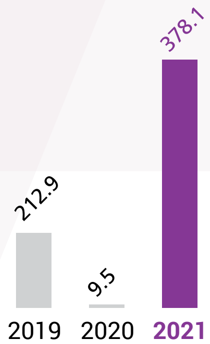



## EARNINGS PER SHARE
(HK$)

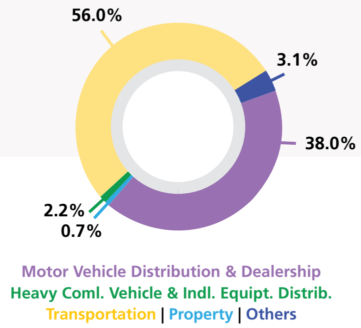



## NET ASSET VALUE PER SHARE
(HK$)

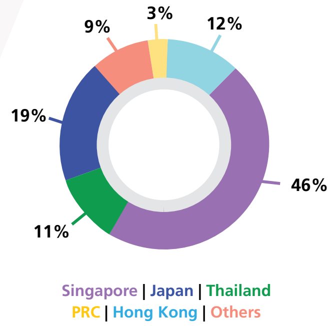

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Millions)



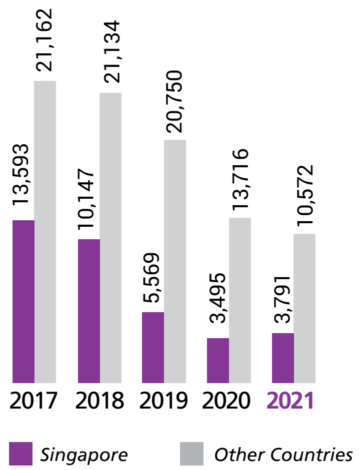

## REVENUE BY BUSINESS TYPE



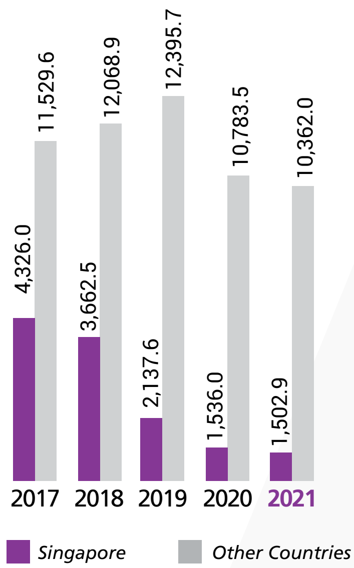

## SPECIFIED NON-CURRENT ASSETS BY LOCATION




## UNITS SOLD




## REVENUE
(HK$ Millions)




## DIVIDENDS
(HK Cents)

The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2021.

## 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 5 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 36 to the financial statements.

## Financial statements

The profit of the Group for the year ended 31 December 2021 and the financial position of the Company and of the Group as at that date are set out in the financial statements on pages 39 to 122.

## Major customers and suppliers

The percentages of sales and purchases from sales of goods or rendering services 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 | 14% | |
| The largest supplier | | 12% |
| Five largest suppliers in aggregate | | 24% |

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 HK1.5 cents (2020: HK1.0 cents) per share was paid on 21 September 2021. The directors now recommend the payment of a final dividend of HK5.0 cents (2020: HK3.0 cents) per share in respect of the year ended 31 December 2021.

## Share capital

Details of share capital of the Company are set out in note 31(d) to the financial statements. There were no movements during the year.

## 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 | |
| Charles Tseng Chia Chun | (Appointed on 10 January 2022) |

In accordance with Bye-law 84(1), Mr. Glenn Tan Chun Hong , Madam Sng Chiew Huat and Mr. Prechaya Ebrahim will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 83(2) of the Company's Bye-laws, Mr. Charles Tseng Chia Chun will hold office until the forthcoming annual general meeting, and being eligible, offers himself 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*

TC Subaru Sdn. Bhd. ("TC Subaru"), a wholly-owned subsidiary of the Company, and Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA") entered into an assembly agreement on 24 August 2021 (the "Assembly Agreement") in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the period from 24 August 2021 to 30 June 2023.

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.

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 the Assembly Agreement constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2021, the aggregate annual transaction amount under the Assembly Agreement amounted to HK$7,033,000 which was within the annual cap of HK$13,500,000.

Details of the Assembly Agreement were disclosed in the announcement of the Company dated 24 August 2021.

## Connected transactions (continued)

### *(ii) TCMH Agreements*

The Group and TCMH and its subsidiaries (the "TCMH Group") entered into three agreements on 27 November 2019 (the "TCMH Agreements") in relation to the sale and purchase of motor parts and accessories during the three year period from 1 January 2020 to 31 December 2022.

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.

In response to the anticipated customers' demand, the Group would need to purchase more parts and accessories from the TCMH Group under one of the TCMH Agreements in order to fulfil its customers' orders. Accordingly, on 28 May 2020, the Board decided to revise upwards the annual caps for the transactions under the TCMH Agreements for each of the three years ending 31 December 2020, 2021 and 2022 from HK$15,860,000, HK$14,960,000 and HK$15,160,000, respectively, to HK$31,860,000, HK$33,960,000 and HK$36,160,000, respectively.

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 2021, the aggregate annual transaction amount under the TCMH Agreements amounted to HK$19,397,000 which was within the annual cap of HK$33,960,000.

Details of the TCMH Agreements were disclosed in the announcements of the Company dated 27 November 2019 and 28 May 2020 respectively.

### *(iii) APM Agreements*

TC Subaru and the five subsidiaries of APM Automotive Holdings Berhad ("APM"), being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Spring Sdn. Bhd., APM Automotive Modules Sdn. Bhd. and Auto Parts Manufacturers Co. Sdn. Bhd. (collectively, the "APM Subsidiaries") entered into five agreements (the "APM Agreements") respectively on 1 December 2020 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the two year period from 1 January 2021 to 31 December 2022.

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 2021, the aggregate annual transaction amount under the APM Agreements amounted to HK$218,000 which was within the annual cap of HK$1,000,000.

Details of the APM Agreements were disclosed in the announcement of the Company dated 1 December 2020.

## Connected transactions (continued)

### *(iv) APM2 Agreements*

The Group and APM Group entered into two agreements on 27 November 2019 (the "APM2 Agreements") in relation to the sale and rental of vehicles, material handling equipment, and forklift during the three year period from 1 January 2020 to 31 December 2022.

The prices and terms of the transactions in respect of the APM2 Agreements were agreed between the Group and APM Group 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 charged to independent third parties in the market.

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 member of the APM Group is a connected person of the Company and the transactions under the APM2 Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2021, the aggregate annual transaction amount under the APM2 Agreements amounted to HK$114,000 which was within the annual cap of HK$150,000.

Details of the APM2 Agreements were disclosed in the announcement of the Company dated 27 November 2019.

### *(v) TCIMSB Agreement*

Nanjing Tan Chong Automotive Co., Ltd ("NJTC"), a wholly owned subsidiary of the Company, and TCIM Sdn. Bhd. ("TCIMSB") entered into an agreement on 27 November 2019 (the "TCIMSB Agreement") in relation to sale of motor parts and accessories during the three year period from 1 January 2020 to 31 December 2022.

The prices and terms of the transactions under the TCIMSB Agreement were agreed between NJTC and TCIMSB on an order-by-order basis by way of purchase order, and are based on arm's length terms taking into account the value and volume of orders and similar products charged to independent third parties in the market.

TCIMSB is a subsidiary of Warisan TC Holdings Berhad ("WTCH"), and TCC is interested in more than 30% of the equity interests in WTCH. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, TCIMSB is a connected person of the Company and the transactions under the TCIMSB Agreement constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2021, the aggregate annual transaction amount under the TCIMSB Agreement amounted to HK$502,000 which was within the annual cap of HK$950,000.

Details of the TCIMSB Agreement were disclosed in the announcement of the Company dated 27 November 2019.

### *(vi) TCMH-VN Agreements*

Tan Chong (Viet Nam) Industrial Machinery Co., Ltd ("TCIMVN"), a wholly owned subsidiary of the Company, and TCMH Group entered into two agreements on 28 May 2020 (the "TCMH-VN Agreement") in relation to the sale and rental of forklifts and other material handling equipment, and the sale of forklift parts and accessories by TCIMVN to the TCMH Group during the period from 28 May 2020 to 31 December 2022.

The prices and terms of the transactions under the TCMH-VN Agreements were agreed between TCIMVN and TCMH Group on an order-by-order basis by way of purchase order, and are based on arm's length terms taking into account the value and volume of orders and similar products charged to independent third parties in the market.

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 TCMH Group is a connected person of the Company and the transactions under the TCMH-VN Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2021, there were no transactions under the TCMH-VN Agreements of which the annual cap is HK$330,000.

Details of the TCMH-VN Agreements were disclosed in the announcement of the Company dated 28 May 2020.

## Listing Rules Implications

Given that the transactions under each of the Assembly Agreement, the TCMH Agreements, the APM Agreements, the APM2 Agreements, the TCIMSB Agreement and the TCMH-VN Agreements (the "Transactions") were all entered 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 (with revised annual cap) for the Transactions for the year ended 31 December 2021 was set at HK$49,890,000.

For the year ended 31 December 2021, the aggregate annual transaction amount under the Transactions amounted to HK$27,264,000 which was within the annual cap of HK$49,890,000.

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.

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 of 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 2021 or at any time during the year ended 31 December 2021.

A summary of the material related party transactions undertaken by the Group during the year is set out in note 35 to 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 Program was extended to another five years by the subsidiary on 30 June 2020 without change in the maximum points to be awarded. The trust fund shall not have a definite expiration date and continue as long as the Program exists. Maximum amount of money to be contributed is JPY500,000,000 (equivalent to $35,262,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

49,200 (2020: 81,200) points were awarded to the employees of the Group during the year ended 31 December 2021.

During the year ended 31 December 2021, the Group recognised a total expense of $2,899,000 (2020: $2,877,000) 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 32 to the 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 2021 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 (Note 3) | Total number 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 2021, 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 2021 amounting to 5% (2020: 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$2,000,001 - HK$2,500,000 | 1 |
| HK$2,500,001 - HK$3,000,000 | 1 |
| HK$3,000,001 - HK$3,500,000 | 0 |
| HK$3,500,001 - HK$4,000,000 | 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.

## 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 Company and the Group as at 31 December 2021 are set out in note 25 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 pages 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 27 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, 25 March 2022

# 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 39 to 122, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 19 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 2021, 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$1,450 million.<br><br>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.<br><br>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.<br><br>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:<br><br>• 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;<br><br>• 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;<br><br>• 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;<br><br>• 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<br><br>• comparing, on a sample basis, the carrying value of inventories with sales prices and costs to sell subsequent to the end of the reporting period. |

## Key audit matters (continued)

### *Assessing the expected credit loss allowance for trade debtors*

Refer to notes 2(a) and 22 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 2021, the Group's trade debtors amounted to HK$982 million, after making an allowance of HK$62 million for expected credit losses ("ECLs").<br><br>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.<br><br>The Group's loss allowances are based on management's estimate of the lifetime ECL of the trade debtors, 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.<br><br>The Group's ECL allowances include a specific element based on individual debtors and a collective element based on historical experience adjusted for geographical norms.<br><br>We identified assessing the ECL allowances for trade debtors as a key audit matter because of the significance of trade debtors balances to the consolidated financial statements and because the assessment of ECL allowances is inherently subjective and require significant management judgement, which increases the risk of error or potential management bias. | Our audit procedures to assess the ECL allowance for trade debtors included the following:<br><br>• 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;<br><br>• evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;<br><br>• 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;<br><br>• assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current and forecast general economic conditions in different geographical locations; and<br><br>• 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.

- 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.

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

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, actions taken to eliminate threats or safeguards applied.

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 Wong Kong Tat.

**KPMG**
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **Revenue** | 3 | 11,864,957 | 12,319,495 |
| Cost of sales | | (9,819,638) | (9,967,055) |
| **Gross profit** | | 2,045,319 | 2,352,440 |
| Other net income | 4 | 619,213 | 227,082 |
| Distribution costs | | (999,512) | (1,198,207) |
| Administrative expenses | | (995,056) | (1,074,118) |
| Other operating expenses | 5 | (23,735) | (33,085) |
| **Profit from operations** | | 646,229 | 274,112 |
| Financing costs | 6 | (58,036) | (80,179) |
| Share of profits of associates | | 69,896 | 73,241 |
| **Profit before taxation** | 7 | 658,089 | 267,174 |
| Income tax expense | 10(a) | (204,213) | (182,003) |
| **Profit for the year** | | 453,876 | 85,171 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | 378,098 | 9,507 |
| Non-controlling interests | | 75,778 | 75,664 |
| **Profit for the year** | | 453,876 | 85,171 |
| **Earnings per share** | 11 | | |
| Basic and diluted (cents) | | 18.78 | 0.47 |

The notes on pages 48 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 31(c).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **Profit for the year** | | 453,876 | 85,171 |
| **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 retirement obligations | 27(a)(v) | 931 | 13,394 |
| Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the year | | (169,836) | (459,232) |
| | | (168,905) | (445,838) |
| **Items that may be or are reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of financial statements of: | | | |
| – subsidiaries outside Hong Kong | | (306,510) | 145,634 |
| – associates outside Hong Kong | | 14,127 | 33,591 |
| Reclassification of translation reserve upon deemed disposal/disposal of associates | | (68) | 36,246 |
| | | (292,451) | 215,471 |
| **Other comprehensive income for the year** | | (461,356) | (230,367) |
| **Total comprehensive income for the year** | | (7,480) | (145,196) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | 40,767 | (261,182) |
| Non-controlling interests | | (48,247) | 115,986 |
| **Total comprehensive income for the year** | | (7,480) | (145,196) |

The notes on pages 48 to 122 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 12 | 4,065,018 | 3,707,785 |
| Property, plant and equipment | 13 | 4,811,672 | 5,085,397 |
| Intangible assets | 14 | 53,469 | 77,117 |
| Goodwill | 15 | 31,769 | 45,772 |
| Interest in associates | 17 | 896,967 | 868,010 |
| Investments designated as at fair value through other comprehensive income | 18 | 1,642,997 | 42,380 |
| Hire purchase debtors and instalments receivable | 23 | 102,569 | 139,201 |
| Receivables, deposits and prepayments | | 179,325 | 135,489 |
| Deferred tax assets | 10(c) | 56,721 | 58,586 |
| | | 11,840,507 | 10,159,737 |
| **Current assets** | | | |
| Investments designated as at fair value through other comprehensive income | 18 | – | 1,771,051 |
| Inventories | 19(a) | 1,450,435 | 1,825,709 |
| Trade debtors | 22 | 981,578 | 1,107,760 |
| Hire purchase debtors and instalments receivable | 23 | 78,897 | 97,515 |
| Other debtors, deposits and prepayments | | 509,819 | 436,840 |
| Amounts due from related companies | 29 | 251 | 970 |
| Cash and bank balances | 24(a) | 2,475,773 | 2,539,772 |
| | | 5,496,753 | 7,779,617 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
at 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Unsecured bank overdrafts | 25 | 144,950 | 78,169 |
| Bank loans | 25 | 996,151 | 1,769,374 |
| Trade creditors | 28 | 889,175 | 813,235 |
| Other creditors and accruals | 21 | 1,040,588 | 1,064,385 |
| Amounts due to related companies | 29 | 11,088 | 10,607 |
| Lease liabilities | 26 | 244,258 | 247,942 |
| Current taxation | | 109,654 | 116,156 |
| Provisions | 30 | 24,547 | 33,621 |
| | | 3,460,411 | 4,133,489 |
| **Net current assets** | | 2,036,342 | 3,646,128 |
| **Total assets less current liabilities** | | 13,876,849 | 13,805,865 |
| **Non-current liabilities** | | | |
| Bank loans | 25 | 1,068,985 | 897,764 |
| Lease liabilities | 26 | 503,776 | 501,544 |
| Net defined benefit retirement obligations | 27 | 63,513 | 76,578 |
| Deferred tax liabilities | 10(c) | 107,178 | 99,015 |
| Provisions | 30 | 49,551 | 49,839 |
| | | 1,793,003 | 1,624,740 |
| **NET ASSETS** | | 12,083,846 | 12,181,125 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 31(d) | 1,006,655 | 1,006,655 |
| Reserves | | 9,800,580 | 9,848,870 |
| **Total equity attributable to equity shareholders of the Company** | | 10,807,235 | 10,855,525 |
| **Non-controlling interests** | | 1,276,611 | 1,325,600 |
| **TOTAL EQUITY** | | 12,083,846 | 12,181,125 |

Approved and authorised for issue by the board of directors on 25 March 2022.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 48 to 122 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

| | Attributable to equity shareholders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital $'000 | Share premium (note 31(a)(i)) $'000 | Capital reserve (note 31(a)(ii)) $'000 | Stock compensation reserve (note 31(a)(iii)) $'000 | Translation reserve (note 31(a)(iv)) $'000 |
| **Balance at 1 January 2020** | 1,006,655 | 550,547 | 9,549 | 8,551 | 601,011 |
| **Changes in equity for 2020:** | | | | | |
| Profit for the year | – | – | – | – | – |
| Other comprehensive income | – | – | – | – | 176,590 |
| Total comprehensive income for the year | – | – | – | – | 176,590 |
| Equity-settled share based transactions | – | – | – | 1,531 | – |
| Dividends declared and approved during the year (note 31(c)) | – | – | – | – | – |
| Dividends paid by non-wholly owned subsidiaries to non-controlling interests | – | – | – | – | – |
| **Balance at 31 December 2020** | 1,006,655 | 550,547 | 9,549 | 10,082 | 777,601 |
| **Balance at 1 January 2021** | 1,006,655 | 550,547 | 9,549 | 10,082 | 777,601 |
| **Changes in equity for 2021:** | | | | | |
| Profit for the year | – | – | – | – | – |
| Other comprehensive income | – | – | – | – | (163,838) |
| Total comprehensive income for the year | – | – | – | – | (163,838) |
| Equity settled share based transactions | – | – | – | 1,542 | – |
| Non-controlling interests arising from acquisitions of a subsidiary (note 20) | – | – | – | – | – |
| Dividends declared and approved during the year (Note 31(c)) | – | – | – | – | – |
| Dividends paid by non-wholly owned subsidiaries to non-controlling interests | – | – | – | – | – |
| **Balance at 31 December 2021** | 1,006,655 | 550,547 | 9,549 | 11,624 | 613,763 |

| | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Contributed surplus (note 31(b)(ii)) $'000 | Fair value reserve (non-recycling) (note 31(a)(v)) $'000 | Property revaluation reserve (note 31(a)(vi)) $'000 | Retained profits $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Balance at 1 January 2020** | 377,690 | 1,755,902 | 332,988 | 6,673,614 | 11,316,507 | 1,234,370 | 12,550,877 |
| **Changes in equity for 2020:** | | | | | | | |
| Profit for the year | – | – | – | 9,507 | 9,507 | 75,664 | 85,171 |
| Other comprehensive income | – | (454,405) | – | 7,126 | (270,689) | 40,322 | (230,367) |
| Total comprehensive income for the year | – | (454,405) | – | 16,633 | (261,182) | 115,986 | (145,196) |
| Equity-settled share based transactions | – | – | – | – | 1,531 | 1,346 | 2,877 |
| Dividends declared and approved during the year (note 31(c)) | – | – | – | (201,331) | (201,331) | – | (201,331) |
| Dividends paid by non-wholly owned subsidiaries to non-controlling interests | – | – | – | – | – | (26,102) | (26,102) |
| **Balance at 31 December 2020** | 377,690 | 1,301,497 | 332,988 | 6,488,916 | 10,855,525 | 1,325,600 | 12,181,125 |
| **Balance at 1 January 2021** | 377,690 | 1,301,497 | 332,988 | 6,488,916 | 10,855,525 | 1,325,600 | 12,181,125 |
| **Changes in equity for 2021:** | | | | | | | |
| Profit for the year | – | – | – | 378,098 | 378,098 | 75,778 | 453,876 |
| Other comprehensive income | – | (173,988) | – | 495 | (337,331) | (124,025) | (461,356) |
| Total comprehensive income for the year | – | (173,988) | – | 378,593 | 40,767 | (48,247) | (7,480) |
| Equity settled share based transactions | – | – | – | – | 1,542 | 1,357 | 2,899 |
| Non-controlling interests arising from acquisitions of a subsidiary (note 20) | – | – | – | – | – | 32,047 | 32,047 |
| Dividends declared and approved during the year (Note 31(c)) | – | – | – | (90,599) | (90,599) | – | (90,599) |
| Dividends paid by non-wholly owned subsidiaries to non-controlling interests | – | – | – | – | – | (34,146) | (34,146) |
| **Balance at 31 December 2021** | 377,690 | 1,127,509 | 332,988 | 6,776,910 | 10,807,235 | 1,276,611 | 12,083,846 |

The notes on pages 48 to 122 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit from operations | | 646,229 | 274,112 |
| Adjustments for: | | | |
| Depreciation | 7 | 622,249 | 600,163 |
| Amortisation for intangible assets | 7 | 23,927 | 26,389 |
| Gain on disposal of property, plant and equipment | 4 | (135,374) | (5,537) |
| Valuation gain on investment properties, net | 4 | (372,397) | (17,755) |
| Bank and other interest income | 4 | (14,093) | (15,698) |
| Dividend income | 4 | (41,163) | (42,957) |
| Equity-settled share based payment expenses | 8 | 2,899 | 2,877 |
| Net foreign exchange loss/(gain) | | 62,446 | (66,754) |
| Loss on disposal of intangible assets | 7 | – | 11,446 |
| Gain on disposal of interest in associates | 4 | – | (3,507) |
| Gain on bargain purchase arising from step acquisition | 20 | (98) | – |
| COVID-19-related rent concessions received | 13(b) | (1,243) | (2,680) |
| **Operating profit before changes in working capital** | | 793,382 | 760,099 |
| Decrease in inventories | | 294,893 | 853,157 |
| Decrease in trade debtors | | 64,440 | 379,322 |
| Decrease in hire purchase debtors and instalments receivable | | 48,952 | 89,347 |
| (Increase)/decrease in other debtors, deposits and prepayments | | (80,410) | 101,195 |
| Decrease in properties held for sale | | – | 17,039 |
| Decrease/(increase) in amounts due from related companies | | 744 | (797) |
| Increase/(decrease) in trade creditors | | 108,710 | (437,948) |
| Decrease in other creditors and accruals | | (26,511) | (415,699) |
| Decrease in amounts due to related companies | | (281) | (4,193) |
| Decrease in provisions | | (7,752) | (14,125) |
| Decrease in net defined benefit retirement obligations | | (5,526) | (35,655) |
| **Cash generated from operations** | | 1,190,641 | 1,291,742 |
| Interest paid | | (40,284) | (64,426) |
| Taxes paid | | (192,822) | (172,116) |
| **Net cash generated from operating activities** | | 957,535 | 1,055,200 |

# CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

| | Note | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payment for the purchase of property, plant and equipment | | (289,418) | (413,020) |
| Payment for the purchase of investment properties | | (70,212) | – |
| Payment for the additions to intangible assets | | (5,484) | (6,613) |
| Payment for purchase of investments designated as at fair value through other comprehensive income | | – | (7,811) |
| (Increase)/decrease in non-current receivables, deposits and prepayments | | (55,364) | 12,166 |
| (Placement)/withdrawal of fixed deposits at banks with maturity over three months | | (13,631) | 9,821 |
| Proceeds from disposal of property, plant and equipment | | 263,951 | 152,341 |
| Proceeds from disposal of investments designated as at fair value through other comprehensive income | | – | 10,100 |
| Net proceeds from disposal of an associate | | – | 129,074 |
| Dividends received from associates | | 36,353 | 33,330 |
| Dividends received from listed investments | | 41,163 | 42,957 |
| Net cash inflow from acquisition of a subsidiary under step acquisition | 20 | 44,310 | – |
| Interest received | | 14,093 | 15,698 |
| **Net cash used in investing activities** | | (34,239) | (21,957) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | 24(b) | (1,452,655) | (2,313,813) |
| Proceeds from new bank loans | 24(b) | 963,770 | 1,826,910 |
| Dividends paid to shareholders | | (90,599) | (201,331) |
| Dividends paid to non-controlling shareholders of subsidiaries | | (34,146) | (26,102) |
| Interest element of lease rentals paid | 24(b) | (17,752) | (15,753) |
| Capital element of lease rentals paid | 24(b) | (349,193) | (289,998) |
| **Net cash used in financing activities** | | (980,575) | (1,020,087) |
| **Net (decrease)/increase in cash and cash equivalents** | | (57,279) | 13,156 |
| **Cash and cash equivalents at 1 January** | 24(a) | 2,460,547 | 2,363,597 |
| **Effect of foreign exchange rate changes** | | (87,132) | 83,794 |
| **Cash and cash equivalents at 31 December** | 24(a) | 2,316,136 | 2,460,547 |

The notes on pages 48 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 2021 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 25 March 2022.

## 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 amendments to 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 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 Group has applied the following amendments to IFRSs issued by IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to IFRS16, *Covid-19 related rent concessions beyond 30 June 2021*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

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

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

Amendment to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 1(k)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

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

### *(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 adjustments are made to goodwill and 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)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. 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.

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.

## 1 Significant accounting policies (continued)

### *(d) Basis of consolidation (continued)*

(ii) Associates (continued)

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.

(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.

## 1 Significant accounting policies (continued)

### *(g) Investment properties*

Investment properties are held for their capital appreciation and or to earn rental income. Rental income from investment properties is accounted for as described in note 1(x)(iii). Investment properties are stated in the consolidated 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.

### *(h) Business combination*

Business combinations are accounted for using the acquisition method. The consideration transferred (except those segregated from business combinations) is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the sellers of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business acquisition is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

### *(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:

- 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.

## 1 Significant accounting policies (continued)

### *(i) Property, plant and equipment (continued)*

- 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.

### *(j) Intangible assets (other than goodwill)*

Intangible assets that are acquired by the Group with a finite estimated useful life are stated in the consolidated 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 |
| - Computer software | 5 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.

## 1 Significant accounting policies (continued)

### *(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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets and measured at amortised cost (see notes 1(x)(v) and 1(y)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

## 1 Significant accounting policies (continued)

### *(k) Leased assets (continued)*

(i) As a lessee (continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(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).

### *(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.

## 1 Significant accounting policies (continued)

### *(n) Hire purchase contracts*

The amounts due from hire purchase debtors in respect of hire purchase contracts are recorded in the consolidated 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 consolidated 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.

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.

## 1 Significant accounting policies (continued)

### *(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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(y)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(v).

### *(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).

### *(t) Trade and other creditors*

Trade and other creditors are initially recognised at fair value. Subsequent to initial recognition, trade and other creditors are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

## 1 Significant accounting policies (continued)

### *(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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

### *(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 customers 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.

#### (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 consolidated statement of financial position under forward sales deposits received.

## 1 Significant accounting policies (continued)

### *(x) Revenue and other income (continued)*

(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) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(vii) Service fees and other income

Revenue from rendering of services, management services fee, agency commission and handling fees and warranty income are recognised when the related services are 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.

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).

## 1 Significant accounting policies (continued)

### *(y) Credit loss and impairment (continued)*

#### (i) Credit losses from financial instrument (continued)

Measurement of ECLs (continued)

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 (continued)

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:

- 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). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

## 1 Significant accounting policies (continued)

### *(y) Credit loss and impairment (continued)*

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

- 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.

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 1(y)(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 property, plant and equipment*

If circumstances indicate that carrying value of 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.

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 36(b).

The Group's customer base is diversified and the Group does not have any customer in 2020 and 2021 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 36.

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $38,892,000 (2020: $43,824,000). 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 when or as the work is completed.

## 4 Other net income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Bank and other interest income on financial assets measured at amortised cost | 14,093 | 15,698 |
| Dividend income | | |
| - listed investments | 41,163 | 42,957 |
| Gain on disposal of property, plant and equipment | 135,374 | 5,537 |
| Gain on bargain purchase arising from step acquisition (Note 20) | 98 | – |
| Valuation gain on investment properties, net | 372,397 | 17,755 |
| Proceeds from sales of scrap materials | 1,178 | 2,079 |
| Marketing subsidies | 8,889 | 4,673 |
| Gain on disposal of interest in associates | – | 3,507 |
| Government grants (Note) | 15,299 | 93,650 |
| Reimbursement for safety recall | 15,185 | 11,417 |
| Others | 15,537 | 29,809 |
| | 619,213 | 227,082 |

Note: The amount represents subsidies received from governments in various locations to provide financial support to enterprises.

## 5 Other operating expenses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Bank charges | 10,574 | 10,802 |
| Impairment losses (reversed)/ recognised on trade debtors | (1,249) | 13,712 |
| Reversal of impairment losses of hire purchase debtors and instalments receivable | (1,337) | (1,448) |
| Others | 15,747 | 10,019 |
| | 23,735 | 33,085 |

## 6 Financing costs

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest expense | | |
| - on bank loans and bank overdrafts | 40,284 | 64,426 |
| - on leases liabilities | 17,752 | 15,753 |
| | 58,036 | 80,179 |

## 7 Profit before taxation

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Cost of goods sold | 3,809,623 | 4,137,170 |
| Cost of properties sold | – | 17,039 |
| Depreciation | | |
| - owned property, plant and equipment | 269,241 | 207,412 |
| - right-of-use assets | 353,008 | 392,751 |
| Amortisation of intangible assets | 23,927 | 26,389 |
| Auditors' remuneration | | |
| - audit services | 9,896 | 9,369 |
| - tax services | 808 | 749 |
| - others | 90 | 180 |
| Provision for warranties (note 30) | 8,840 | 43,112 |
| Net foreign exchange loss/(gain) | 85,447 | (67,479) |
| Rentals receivable from investment properties less direct outgoings of $35,846,000 (2020: $34,815,000) | (63,135) | (50,223) |
| Loss on disposal of intangible assets | – | 11,446 |

## 8 Personnel expenses

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Wages and salaries | 787,845 | 812,518 |
| Retirement benefit costs | 76,440 | 75,493 |
| Equity settled share based payment expenses (note 32(c)) | 2,899 | 2,877 |
| Others | 69,793 | 80,129 |
| | 936,977 | 971,017 |

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 27.

## 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 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| *Executive directors* | | | | | |
| Tan Eng Soon | 4,560 | 16,733 | 1,195 | 44 | 22,532 |
| Glenn Tan Chun Hong | 1,840 | 4,774 | 341 | 100 | 7,055 |
| Tan Kheng Leong | 300 | 3,174 | 264 | 44 | 3,782 |
| Sng Chiew Huat | 1,210 | 4,864 | 348 | 44 | 6,466 |
| *Non-executive director* | | | | | |
| Joseph Ong Yong Loke | 200 | – | – | – | 200 |
| *Independent non-executive directors* | | | | | |
| Ng Kim Tuck | 340 | – | – | – | 340 |
| Azman Bin Badrillah | 310 | – | – | – | 310 |
| Prechaya Ebrahim | 200 | – | – | – | 200 |
| Teo Ek Kee | 340 | – | – | – | 340 |
| | 9,300 | 29,545 | 2,148 | 232 | 41,225 |

## 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 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| *Executive directors* | | | | | |
| Tan Eng Soon | 1,880 | 13,957 | – | 30 | 15,867 |
| Glenn Tan Chun Hong | 980 | 3,982 | – | 69 | 5,031 |
| Tan Kheng Leong | 300 | 3,088 | – | 30 | 3,418 |
| Sng Chiew Huat | 670 | 4,057 | – | 30 | 4,757 |
| *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 |
| | 5,347 | 25,084 | – | 159 | 30,590 |

*(b) Of the five individuals with the highest emoluments, four (2020: four) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other one individual is as follows:*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Salaries and other emoluments | 5,307 | 5,673 |

## 9 Directors' and senior executives' remuneration (continued)

***(b) Of the five individuals with the highest emoluments, four (2020: 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 (2020: one) individual with the highest emoluments is within the following band:

| | 2021 Number of individuals | 2020 Number of individuals |
|---|---|---|
| $5,000,001 - $5,500,000 | 1 | – |
| $5,500,001 - $6,000,000 | – | 1 |

## 10 Taxation

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

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

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not generate assessable profit in Hong Kong during the current and prior years.

The statutory corporate income tax rate for the Group's operations in Singapore, Japan and Taiwan is 17% (2020: 17%), 31% (2020: 31%) and 20% (2020: 20%) 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:*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Profit before taxation | 658,089 | 267,174 |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | 131,108 | 54,520 |
| Adjustments resulting from: | | |
| Tax effect of non-deductible expenses | 40,694 | 16,695 |
| Tax effect of non-taxable income | (96,946) | (30,441) |
| Tax effect of tax losses not recognised | 130,829 | 114,696 |
| Tax effect of previously unrecognised tax losses or deductible temporary differences utilised | (23,998) | (7,258) |
| Withholding tax on dividend income from subsidiaries (Note) | 20,693 | 31,223 |
| Under-provision in respect of prior years | 1,833 | 2,568 |
| Actual tax expense | 204,213 | 182,003 |

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 2021 are attributable to the items detailed in the table below:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Assets $'000 | Liabilities $'000 | Net $'000 | Assets $'000 | Liabilities $'000 | Net $'000 |
| Property, plant and equipment | 601 | (84,190) | (83,589) | 640 | (88,131) | (87,491) |
| Right-of-use assets | 424 | – | 424 | 318 | – | 318 |
| Investment properties | – | (25,230) | (25,230) | – | (26,173) | (26,173) |
| Investments designated as at fair value through other comprehensive income | – | (6,717) | (6,717) | – | (4,617) | (4,617) |
| Inventories | 2,085 | – | 2,085 | 2,146 | – | 2,146 |
| Trade debtors | 4,947 | – | 4,947 | 5,017 | – | 5,017 |
| Creditors and accruals | 48,967 | (4,088) | 44,879 | 60,141 | (3,815) | 56,326 |
| Provisions | 4,925 | – | 4,925 | 3,700 | – | 3,700 |
| Intangible assets | – | (9,362) | (9,362) | – | (9,289) | (9,289) |
| Tax losses carried-forward | 17,181 | – | 17,181 | 19,634 | – | 19,634 |
| Deferred tax assets/(liabilities) | 79,130 | (129,587) | (50,457) | 91,596 | (132,025) | (40,429) |
| Set–off within legal tax units and jurisdictions | (22,409) | 22,409 | – | (33,010) | 33,010 | – |
| Net deferred tax assets/(liabilities) | 56,721 | (107,178) | (50,457) | 58,586 | (99,015) | (40,429) |

## 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 $3,410,000,000 (2020: $3,669,000,000) 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. Among these tax losses, $2,810,942,000 (2020: $3,148,981,000) will expire within 3 to 10 years after the end of the reporting period. The remaining tax losses do not expire under current tax legislations.

At 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries amounted to $2,499,021,000 (2020: $2,514,824,000). Deferred tax liabilities of $380,282,000 (2020: $374,813,000) 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 2020 $'000 | Exchange adjustment $'000 | Recognised in other comprehensive income $'000 | Recognised in profit or loss $'000 | Balance at 31 December 2020 $'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | (83,455) | (2,837) | – | (1,199) | (87,491) |
| Right-of-use assets | 871 | – | – | (553) | 318 |
| Investment properties | (22,485) | (1,047) | – | (2,641) | (26,173) |
| Investments designated as at fair value through other comprehensive income | (7,441) | (215) | 3,039 | – | (4,617) |
| Inventories | 1,956 | 42 | – | 148 | 2,146 |
| Trade debtors | 5,481 | 103 | – | (567) | 5,017 |
| Creditors and accruals | 59,500 | 2,271 | 248 | (5,693) | 56,326 |
| Provisions | 1,751 | 243 | – | 1,706 | 3,700 |
| Intangible assets | (13,515) | – | – | 4,226 | (9,289) |
| Tax losses carried-forward | 17,302 | – | – | 2,332 | 19,634 |
| | (40,035) | (1,440) | 3,287 | (2,241) | (40,429) |

## 10 Taxation (continued)

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

| | Balance at 1 January 2021 $'000 | Exchange adjustment $'000 | Recognised in other comprehensive income $'000 | Recognised in profit or loss $'000 | Balance at 31 December 2021 $'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | (87,491) | 5,920 | – | (2,018) | (83,589) |
| Right-of-use assets | 318 | – | – | 106 | 424 |
| Investment properties | (26,173) | 1,994 | – | (1,051) | (25,230) |
| Investments designated as at fair value through other comprehensive income | (4,617) | 456 | (2,556) | – | (6,717) |
| Inventories | 2,146 | (36) | – | (25) | 2,085 |
| Trade debtors | 5,017 | (164) | – | 94 | 4,947 |
| Creditors and accruals | 56,326 | (5,386) | 240 | (6,301) | 44,879 |
| Provisions | 3,700 | 71 | – | 1,154 | 4,925 |
| Intangible assets | (9,289) | – | – | (73) | (9,362) |
| Tax losses carried-forward | 19,634 | – | – | (2,453) | 17,181 |
| | (40,429) | 2,855 | (2,316) | (10,567) | (50,457) |

## 11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $378,098,000 (2020: $9,507,000) and the number of 2,013,309,000 ordinary shares (2020: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2021 and 2020 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

## 12 Investment properties

| | Freehold land and buildings $'000 | Leasehold land and buildings $'000 | Total $'000 |
|---|---|---|---|
| At 1 January 2020 | 2,786,406 | 842,186 | 3,628,592 |
| Fair value adjustments | 32,127 | (14,372) | 17,755 |
| Exchange adjustments | 52,340 | 9,098 | 61,438 |
| At 31 December 2020 | 2,870,873 | 836,912 | 3,707,785 |
| At 1 January 2021 | 2,870,873 | 836,912 | 3,707,785 |
| Additions | 8,318 | 61,894 | 70,212 |
| Fair value adjustments | 336,518 | 35,879 | 372,397 |
| Exchange adjustments | (75,531) | (9,845) | (85,376) |
| At 31 December 2021 | 3,140,178 | 924,840 | 4,065,018 |

### *(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 2021 $'000 | Fair value measurements as at 31 December 2021 categorised into Level 1 $'000 | Level 2 $'000 | Level 3 $'000 |
|---|---|---|---|---|
| **Recurring fair value measurement** | | | | |
| – Freehold land and buildings | | | | |
| – Singapore | 2,799,898 | – | – | 2,799,898 |
| – Japan | 340,280 | – | – | 340,280 |
| | 3,140,178 | – | – | 3,140,178 |
| – Leasehold land and buildings | | | | |
| – Hong Kong | 223,804 | – | – | 223,804 |
| – Singapore | 701,036 | – | – | 701,036 |
| | 924,840 | – | – | 924,840 |
| | 4,065,018 | – | – | 4,065,018 |

| | Fair value at 31 December 2020 $'000 | Fair value measurements as at 31 December 2020 categorised into Level 1 $'000 | Level 2 $'000 | Level 3 $'000 |
|---|---|---|---|---|
| **Recurring fair value measurement** | | | | |
| – Freehold land and buildings | | | | |
| – Singapore | 2,509,535 | – | – | 2,509,535 |
| – Japan | 361,338 | – | – | 361,338 |
| | 2,870,873 | – | – | 2,870,873 |
| – Leasehold land and buildings | | | | |
| – Hong Kong | 194,872 | – | – | 194,872 |
| – Singapore | 642,040 | – | – | 642,040 |
| | 836,912 | – | – | 836,912 |
| | 3,707,785 | – | – | 3,707,785 |

(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 2021, there were no transfers between levels (2020: 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 2021. The valuations were carried out by one of the following independent firm of surveyors: (i) Midzuki Real Estate Appraisal Firm Co., Ltd., (ii) CBRE Pte. Ltd., and (iii) Landscope Surveyors Limited.

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.

CBRE Pte. Ltd., which has among its staff members of the Singapore Institute of Surveyors and Valuers, carried out valuation for the Group's investment properties in Singapore by using the market comparison approach/residual approach.

Landscope Surveyors Limited, which has among its staff members of the Hong Kong Institute of Surveyors, carried out valuation for the Group's investment properties in Hong Kong by using the market comparison 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 | -33% to -8% (2020: 1% to 35%) |
| – Japan | Discounted cash flow approach | Discount rate | 4.6% (2020: 4.8%) |
| – Leasehold land and buildings | | | |
| – Hong Kong | Market comparison approach | Discount/premium on quality of the buildings | -21% to 6% (2020: -19% to 41%) |
| – Singapore | Market comparison approach | Discount/premium on quality of the buildings | -21% to 33% (2020: 25% to 48%) |
| | Residual approach | Estimated profit margin on redevelopment | 10% (2020: 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:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Freehold land and buildings – Singapore** | | |
| At 1 January | 2,509,535 | 2,446,942 |
| Exchange adjustments | (39,211) | 35,557 |
| Fair value adjustments | 329,574 | 27,036 |
| At 31 December | 2,799,898 | 2,509,535 |
| **Freehold land and buildings – Japan** | | |
| At 1 January | 361,338 | 339,464 |
| Additions | 8,318 | – |
| Exchange adjustments | (36,320) | 16,783 |
| Fair value adjustments | 6,944 | 5,091 |
| At 31 December | 340,280 | 361,338 |
| **Leasehold land and buildings – Hong Kong** | | |
| At 1 January | 194,872 | 215,707 |
| Fair value adjustments | 28,932 | (20,835) |
| At 31 December | 223,804 | 194,872 |
| **Leasehold land and buildings – Singapore** | | |
| At 1 January | 642,040 | 626,479 |
| Additions | 61,894 | – |
| Exchange adjustments | (9,845) | 9,098 |
| Fair value adjustments | 6,947 | 6,463 |
| At 31 December | 701,036 | 642,040 |

## 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 | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| In Hong Kong | | | | |
| with remaining lease term of: | | | | |
| – Medium term lease | – | – | 223,804 | 194,872 |
| Outside Hong Kong | | | | |
| – Freehold | 3,140,178 | 2,870,873 | – | – |
| with remaining lease term of: | | | | |
| – Long lease | – | – | 701,036 | 642,040 |
| | 3,140,178 | 2,870,873 | 924,840 | 836,912 |

*(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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Within 1 year | 8,348 | 8,246 |
| After 1 year but within 2 years | 4,684 | 3,661 |
| After 2 year but within 3 years | 2,572 | 2,289 |
| After 3 year but within 4 years | – | 1,755 |
| | 15,604 | 15,951 |

## 13 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 1 January 2021 | 1,225,233 | 165,890 | 2,858,085 | 931,652 | 551,842 | 1,126,013 | 23,662 | 1,000,935 | 7,883,312 |
| Exchange adjustments | (62,598) | (2,057) | (95,486) | (50,905) | (14,114) | (88,319) | (323) | (13,552) | (327,354) |
| Additions | – | – | 36,757 | 58,481 | 13,417 | 157,258 | 31,739 | 426,809 | 724,461 |
| Additions through step acquisition of Zero Scm Logistics (Beijing) Co., Ltd ("Zero SCM") (Note 20) | – | – | – | – | – | 21,454 | – | – | 21,454 |
| Disposals | – | – | (68,873) | (102,336) | (45,122) | (224,209) | – | (354,293) | (794,833) |
| Transfer from construction in progress | – | – | – | 35 | 1,885 | 36,210 | (38,130) | – | – |
| At 31 December 2021 | 1,162,635 | 163,833 | 2,730,483 | 836,927 | 507,908 | 1,028,407 | 16,948 | 1,059,899 | 7,507,040 |
| **Representing:** | | | | | | | | | |
| Cost | 935,503 | 163,833 | 2,668,577 | 836,927 | 507,908 | 1,028,407 | 16,948 | 1,059,899 | 7,218,002 |
| Valuation – 1984 | 227,132 | – | 61,906 | – | – | – | – | – | 289,038 |
| | 1,162,635 | 163,833 | 2,730,483 | 836,927 | 507,908 | 1,028,407 | 16,948 | 1,059,899 | 7,507,040 |
| **Accumulated amortisation and depreciation:** | | | | | | | | | |
| At 1 January 2021 | – | 117,472 | 978,118 | 314,086 | 437,125 | 481,430 | – | 469,684 | 2,797,915 |
| Exchange adjustments | – | (1,656) | (33,414) | (12,458) | (11,638) | (34,456) | – | (4,779) | (98,401) |
| Charge for the year | – | 5,032 | 98,238 | 78,649 | 36,924 | 140,344 | – | 263,062 | 622,249 |
| Written back on disposals | – | - | (58,277) | (34,244) | (19,300) | (161,079) | – | (353,495) | (626,395) |
| At 31 December 2021 | – | 120,848 | 984,665 | 346,033 | 443,111 | 426,239 | – | 374,472 | 2,695,368 |
| **Net book value:** | | | | | | | | | |
| At 31 December 2021 | 1,162,635 | 42,985 | 1,745,818 | 490,894 | 64,797 | 602,168 | 16,948 | 685,427 | 4,811,672 |

## 13 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 2020 | 1,194,691 | 163,893 | 2,806,476 | 843,985 | 511,925 | 1,036,419 | 17,251 | 938,608 | 7,513,248 |
| Exchange adjustments | 32,609 | 1,997 | 56,535 | 10,718 | 38,755 | 40,619 | 810 | 21,036 | 203,079 |
| Additions | – | – | 11,908 | 146,165 | 24,627 | 194,701 | 31,121 | 171,776 | 580,298 |
| Disposals | (2,067) | – | (19,271) | (72,185) | (24,764) | (164,541) | – | (130,485) | (413,313) |
| Transfer from construction in progress | – | – | 2,437 | 2,969 | 1,299 | 18,815 | (25,520) | – | – |
| At 31 December 2020 | 1,225,233 | 165,890 | 2,858,085 | 931,652 | 551,842 | 1,126,013 | 23,662 | 1,000,935 | 7,883,312 |
| **Representing:** | | | | | | | | | |
| Cost | 994,573 | 165,890 | 2,795,218 | 931,652 | 551,842 | 1,126,013 | 23,662 | 1,000,935 | 7,589,785 |
| Valuation – 1984 | 230,660 | – | 62,867 | – | – | – | – | – | 293,527 |
| | 1,225,233 | 165,890 | 2,858,085 | 931,652 | 551,842 | 1,126,013 | 23,662 | 1,000,935 | 7,883,312 |
| **Accumulated amortisation and depreciation:** | | | | | | | | | |
| At 1 January 2020 | – | 108,241 | 873,087 | 287,758 | 391,504 | 457,642 | – | 244,451 | 2,362,683 |
| Exchange adjustments | – | 1,830 | 23,638 | 8,725 | 21,912 | 28,827 | – | 16,646 | 101,578 |
| Charge for the year | – | 7,401 | 96,417 | 54,209 | 41,923 | 102,967 | – | 297,246 | 600,163 |
| Written back on disposals | – | - | (15,024) | (36,606) | (18,214) | (108,006) | – | (88,659) | (266,509) |
| At 31 December 2020 | – | 117,472 | 978,118 | 314,086 | 437,125 | 481,430 | – | 469,684 | 2,797,915 |
| **Net book value:** | | | | | | | | | |
| At 31 December 2020 | 1,225,233 | 48,418 | 1,879,967 | 617,566 | 114,717 | 644,583 | 23,662 | 531,251 | 5,085,397 |

## 13 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 SGD50,061,000 (equivalent to $289,038,000 (2020: $293,527,000)) 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 $131,511,000 (2020: $165,773,000), the related accumulated depreciation and depreciation charges for the year amounted to a total of $82,835,000 (2020: $93,458,000) and $15,925,000 (2020: $22,971,000).

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are $2,664,000 within one year (2020: $2,977,000 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 | 2021<br>$'000 | 2020<br>$'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 | | 13,853 | 15,786 |
| Leasehold land and building held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of: | (i) | | |
| - Medium-term lease | | 1,164,040 | 1,267,641 |
| - Short-term lease | | 15,906 | 20,645 |
| | | 1,193,799 | 1,304,072 |
| Other properties leased for own use, carried at depreciated cost | (ii) | 685,427 | 531,251 |
| Plant, machinery and equipment, carried at depreciated cost | (iii) | 239 | 953 |
| Motor vehicles, carried at depreciated cost | (iii) | 71,633 | 114,856 |
| | | 1,951,098 | 1,951,132 |

## 13 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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Leasehold land and buildings | 68,695 | 69,718 |
| Other properties leased for own use | 263,062 | 297,246 |
| Plant, machinery and equipment | 646 | 1,092 |
| Motor vehicles | 20,605 | 24,695 |
| | 353,008 | 392,751 |
| Interest on lease liabilities (note 6) | 17,752 | 15,753 |
| Expense relating to short-term leases | 15,961 | 30,833 |
| COVID-19-related rent concession received | (1,243) | (2,680) |

During the year, additions to right-of-use assets were $444,011,000 (2020: $225,413,000). This amount included additions of leasehold properties of $8,967,000 (2020: $4,498,000) 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 24(c) and 26, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to IFRS16, *Leases, Covid-19-Related Rental Concessions beyond 30 June 2021*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year. Further details are disclosed in (ii) below.

(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 ratable 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. During 2021, the Group received rent concessions in the form of discount on fixed payment during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

(iii) Plant, machinery and equipment and motor vehicles

The Group leases production plant, machinery, 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 | Computer software $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 January 2021 | 73,660 | 13,529 | 87,588 | 19,803 | 194,580 |
| Exchange adjustments | (7,281) | (1,337) | (8,550) | (1,932) | (19,100) |
| Additions | – | – | 5,484 | - | 5,484 |
| Disposals | – | – | (8,198) | (646) | (8,844) |
| At 31 December 2021 | 66,379 | 12,192 | 76,324 | 17,225 | 172,120 |
| **Accumulated amortisation:** | | | | | |
| At 1 January 2021 | 48,629 | – | 54,703 | 14,131 | 117,463 |
| Exchange adjustments | (5,756) | – | (5,610) | (2,529) | (13,895) |
| Charge for the year | 6,911 | – | 13,363 | 3,653 | 23,927 |
| Written back on disposals | – | – | (8,198) | (646) | (8,844) |
| At 31 December 2021 | 49,784 | – | 54,258 | 14,609 | 118,651 |
| **Net book value:** | | | | | |
| At 31 December 2021 | 16,595 | 12,192 | 22,066 | 2,616 | 53,469 |
| **Cost:** | | | | | |
| At 1 January 2020 | 70,226 | 12,899 | 90,227 | 20,514 | 193,866 |
| Exchange adjustments | 3,434 | 630 | 3,006 | 2,061 | 9,131 |
| Additions | – | – | 6,613 | – | 6,613 |
| Disposals | – | – | (12,258) | (2,772) | (15,030) |
| At 31 December 2020 | 73,660 | 13,529 | 87,588 | 19,803 | 194,580 |
| **Accumulated amortisation:** | | | | | |
| At 1 January 2020 | 38,624 | – | 39,082 | 10,103 | 87,809 |
| Exchange adjustments | 2,854 | – | 2,310 | 1,685 | 6,849 |
| Charge for the year | 7,151 | – | 15,323 | 3,915 | 26,389 |
| Written back on disposals | – | – | (2,012) | (1,572) | (3,584) |
| At 31 December 2020 | 48,629 | – | 54,703 | 14,131 | 117,463 |
| **Net book value:** | | | | | |
| At 31 December 2020 | 25,031 | 13,529 | 32,885 | 5,672 | 77,117 |

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 (2020: $Nil).

## 15 Goodwill

| | Total $'000 |
|---|---|
| **Cost:** | |
| At 1 January 2021 | 45,772 |
| Exchange adjustments | (14,003) |
| At 31 December 2021 | 31,769 |
| **Carrying amount:** | |
| At 31 December 2021 | 31,769 |
| | |
| **Cost:** | |
| At 1 January 2020 | 39,168 |
| Exchange adjustments | 6,604 |
| At 31 December 2020 | 45,772 |
| **Carrying amount:** | |
| At 31 December 2020 | 45,772 |

***Impairment tests for cash-generating units containing goodwill***

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

Impairment assessment has been performed on the cash-generating units and no impairment loss is considered necessary at 31 December 2021 (2020: $Nil).

## 16 Interest in subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2021 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 SGD100,000,000 Redeemable preference shares of SGD100,000,000 | 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 SGD34,100,000 Redeemable preference shares of SGD25,000,000 | 100% | Hire purchase financing and insurance agency |
| Tan Chong Realty (Private) Limited | Singapore | Ordinary shares of SGD32,900,000 Redeemable preference shares of SGD50,000,000 | 100% | Property investment |
| Brizay Property Pte Ltd. | Singapore | SGD2 | 100% | Property investment |
| 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. # | PRC | Registered and paid up capital of $120,000,000 | 100% | Distribution of motor vehicles |
| Motor Image Pilipinas, Inc. | Republic of the Philippines | Peso 137,625,000 | 100% | Distribution of motor vehicles |
| Taiwan Motor Image Co., Ltd. | Taiwan | NTD 5,000,000 | 100% | Distribution of motor vehicles |
| Subaru of Taiwan Co., Ltd. | Taiwan | NTD 53,000,000 | 65% | Distribution of motor vehicles and related products |

(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 Baht 1,646,456,000 Redeemable preference shares of Baht 250,000,000 | 100% | Trading of spare parts and provision of workshop services |
| Fuso Truck (Thailand) Co., Ltd. | Thailand | Baht 100,000,000 | 100% | Distribution of heavy commercial vehicles and related products and provision of workshop services |
| TC Subaru (Thailand) Co.,Ltd. | Thailand | Baht 103,755,000 | 100% | Distribution of motor vehicles |
| Tan Chong Subaru Automotive (Thailand) Co., Ltd. | Thailand | Baht 5,000,000,000 | 74.9% | Manufacturing/ assembling of vehicles |
| TC Manufacturing and Assembly (Thailand) Co., Ltd. | Thailand | Baht 1,503,300,000 | 100% | Assembling of vehicle parts |
| TC Subaru Sdn. Bhd. | Malaysia | MYR 3,000,000 | 100% | Distribution of motor vehicle and provision of workshop services |
| Motor Image Vietnam Co., Ltd. | Vietnam | VND 8,901,000,000 | 100% | Distribution of motor vehicles |
| Zero Co., Ltd. ("Zero") | Japan | JPY 3,390,798,450 | 53.20% | Investment holding, used-car trading and provision of vehicle transportation and maintenance services |
| Zero Plus Kanto Co., Ltd. | Japan | JPY 15,000,000 | 53.20% | Provision of vehicle transportation services |
| Kyuso Co., Ltd. | Japan | JPY 60,000,000 | 53.20% | Provision of cargo logistics services |
| Japan Relief Co., Ltd. | Japan | JPY 83,124,775 | 53.20% | Provision of human resources services |
| Zero Plus BHS Co., Ltd. | Japan | JPY 10,000,000 | 53.20% | Provision of vehicle transportation services |

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

## 17 Interest in associates

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Share of net assets | 896,967 | 868,010 |

Details of the associates are as follows:

| Name | Place of incorporation | 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 |

Note: As at 31 December 2020, the Group held 25% equity interest in Zero SCM. On 1 July 2021, the Group further acquired a 40% equity interest in Zero SCM at a consideration of JPY521 million, which is equivalent to approximately $36,527,000 (the "Step Acquisition") and the associate became a subsidiary of the Group (see note 20).

All of the above associates are unlisted corporate entities those quoted market prices are not available and 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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | 896,967 | 868,010 |
| Aggregate amounts of the Group's share of those associates' | | |
| – Profit from continuing operations | 69,331 | 69,320 |
| – Post-tax profit or loss from associates deemed disposed/ disposed | 565 | 3,921 |
| – Other comprehensive income | 14,127 | 33,591 |
| – Total comprehensive income | 84,023 | 106,832 |

## 18 Investments designated as at fair value through other comprehensive income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Listed outside Hong Kong | 1,639,819 | 1,809,818 |
| Unlisted equity securities | 3,178 | 3,613 |
| | 1,642,997 | 1,813,431 |
| Classified as: | | |
| Non-current | 1,642,997 | 42,380 |
| Current | – | 1,771,051 |
| | 1,642,997 | 1,813,431 |

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 | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Investments in Subaru Corporation (Note) | 1,589,463 | 1,768,510 | 39,664 | 42,093 |
| Others | 53,534 | 44,921 | 1,499 | 864 |
| | 1,642,997 | 1,813,431 | 41,163 | 42,957 |

Note: Fair value loss of $179,047,000 (2020: $447,848,000) was recognised in other comprehensive income during the year ended 31 December 2021.

Subaru Corporation mainly operates 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 business of manufacture, repair and sales of airplanes, aerospace-related machinery and their components. The number of shares and percentage held of this investment are 11,408,000 shares and 1.5% of Subaru Corporation's issued shares respectively. The investment cost is JPY7.5 billion. This investment represents 9.2% of the Groups' total assets.

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

As at 31 December 2021, the investments in Subaru Corporation and certain equity securities were reclassified as non-current assets since management does not expect that these investments could be realised within twelve months after the end of the reporting period with reference to the latest market prices and conditions attributed to the changing geopolitical and economic environment and the effect of Covid-19 pandemic.

## 19 Inventories

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Raw materials | 116,152 | 36,875 |
| Work-in-progress | 38,875 | 80,160 |
| Spare parts and others | 282,529 | 271,996 |
| Finished goods | 969,360 | 1,398,956 |
| Goods in transit | 43,519 | 37,722 |
| | 1,450,435 | 1,825,709 |

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Carrying amount of inventories sold | 3,844,258 | 4,112,407 |
| (Reversal of provision)/ provision for write-down of inventories | (34,635) | 24,763 |
| | 3,809,623 | 4,137,170 |

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain motor vehicles as a result of change in customer preference.

## 20 Business combination

Step Acquisition of Zero SCM

On 1 July 2021, Zero, a subsidiary of the Company, entered into a sale and purchase agreement with a third party (the "Vendor"), pursuant to which Zero agreed to purchase and the Vendor agreed to sell, 40% equity interest in Zero SCM at a consideration of JPY521 million (equivalent to $36.5 million). Zero SCM was incorporated in the PRC and is principally engaged in provision of transportation services.

The fair value of the Group's then 25% equity interests in Zero SCM immediate before the Step Acquisition (the "Existing Shareholding") formed part of the total consideration of the Step Acquisition.

As at 1 July 2021, the fair value of the Existing Shareholding was estimated by management at JPY326 million (equivalent to $22.9 million). Compared with its respective carrying amount before the Step Acquisition, a gain on bargain purchase of $98,000 on the deemed disposal of the respective interest was recognised in profit or loss.

Upon the completion of the Step Acquisition on 1 July 2021, Zero holds 65% equity interests and obtains control of Zero SCM.

## 20 Business combination (continued)

The fair value of assets acquired, and liabilities assumed at the acquisition date were as follows:

| | 1 July 2021 $'000 |
|---|---|
| Current assets | 120,800 |
| Property, plant and equipment | 21,454 |
| Other non-current assets | 491 |
| Current Liabilities | (48,306) |
| Non-current liabilities | (2,875) |
| Fair value of net assets acquired | 91,564 |
| Less: fair value of Existing Shareholding | (22,892) |
| Less: fair value of non-controlling interest | (32,047) |
| Gain on bargain purchase arising from step acquisition | (98) |
| Total consideration, satisfied in cash paid | 36,527 |
| Less: cash and cash equivalents acquired | (80,837) |
| Net cash inflow | (44,310) |

Zero SCM contributed revenue of JPY1,738 million (equivalent to $120 million) and loss of JPY3 million (equivalent to $0.2 million) to the Group for the period from 1 July 2021 to 31 December 2021. If the Step Acquisition had occurred on 1 January 2021, the Group's revenue and profit for the year ended 31 December 2021 would have increased by JPY1,865 million (equivalent to $131 million) and JPY12 million (equivalent to $0.9 million) (after deduction of share of profit from 1 January 2021 to 30 June 2021) respectively.

## 21 Other creditors and accruals

At 31 December 2021, deferred revenue of performance in warranty services of $38,892,000 (2020: $43,824,000) 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.

***Movements in contract liabilities***

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Balance at 1 January | 43,824 | 48,398 |
| 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 | (36,523) | (24,189) |
| Increase in contract liabilities as a result of receiving consideration during the year in respect of warranty services not completed as at 31 December | 32,250 | 19,141 |
| Exchange adjustments | (659) | 474 |
| Balance at 31 December | 38,892 | 43,824 |

The amount of consideration received in advance of completion of warranty services expected to be recognised as income after more than one year is $16,301,000 (2020: $21,059,000).

## 22 Trade debtors

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade debtors | 1,043,843 | 1,173,896 |
| Less: Loss allowances | (62,265) | (66,136) |
| | 981,578 | 1,107,760 |

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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| 0 - 30 days | 719,702 | 736,097 |
| 31 - 90 days | 231,772 | 277,199 |
| Over 90 days | 30,104 | 94,464 |
| | 981,578 | 1,107,760 |

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 33(b).

*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 2021, loss allowance has been made for trade debtors of $62,265,000 (2020: $66,136,000). The movements in the loss allowance during the year are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At 1 January | 66,136 | 55,121 |
| Exchange adjustments | (2,493) | 283 |
| Impairment losses (reversed)/ recognised | (1,249) | 13,712 |
| Uncollectible amounts written off, net | (129) | (2,980) |
| At 31 December | 62,265 | 66,136 |

## 23 Hire purchase debtors and instalments receivable

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Balance due | | |
| – within one year | 89,230 | 110,834 |
| – between one and five years | 115,881 | 158,806 |
| – after more than five years | 5,949 | 5,312 |
| Hire purchase debtors and instalments receivable | 211,060 | 274,952 |
| Unearned interest charges | (17,124) | (23,560) |
| | 193,936 | 251,392 |
| Less: Loss allowance | (12,470) | (14,676) |
| | 181,466 | 236,716 |
| Balance due | | |
| – within one year | 78,897 | 97,515 |
| – between one year and five years | 96,999 | 134,191 |
| – after more than five years | 5,570 | 5,010 |
| | 102,569 | 139,201 |
| | 181,466 | 236,716 |

### *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 2021, loss allowance has been made for hire purchase debtors and instalments receivable of $12,470,000 (2020: $14,676,000). The movements in the loss allowance during the year are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At 1 January | 14,676 | 16,135 |
| Exchange adjustments | (869) | (11) |
| Impairment losses reversed | (1,337) | (1,448) |
| At 31 December | 12,470 | 14,676 |

## 24 Cash and bank balances

### *(a) Cash and bank balances comprise:*

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Bank deposits | 510,184 | 454,519 |
| Cash at bank | 1,965,035 | 2,082,885 |
| Cash in hand | 554 | 2,368 |
| Cash and bank balances in the consolidated statement of financial position | 2,475,773 | 2,539,772 |
| Less: Bank deposits with more than three months to maturity when placed | (14,687) | (1,056) |
| Unsecured bank overdrafts (note 25) | (144,950) | (78,169) |
| Cash and cash equivalents in the consolidated cash flow statement | 2,316,136 | 2,460,547 |

The Group's effective interest rate for bank deposits ranged from 0.10% to 2.59% (2020: 0.11% to 5.20%) per annum. The terms of such deposits placed range from twenty one days to six months.

Bank overdrafts bear interest at rates ranging from 0.21% to 0.58% (2020: 0.22% to 0.58%) per annum.

### *(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<br>$'000<br>(Note 25) | Lease liabilities<br>$'000<br>(Note 26) | Total<br>$'000 |
|---|---|---|---|
| **At 1 January 2021** | 2,667,138 | 749,486 | 3,416,624 |
| **Changes from financing cash flows:** | | | |
| Proceeds from new bank loans | 963,770 | – | 963,770 |
| Repayment of borrowings | (1,452,655) | – | (1,452,655) |
| Capital element of lease rentals paid | – | (349,193) | (349,193) |
| Interest element of lease rentals paid | – | (17,752) | (17,752) |
| Total changes from financing cash flows | (488,885) | (366,945) | (855,830) |
| **Exchange adjustments** | (113,117) | (46,199) | (159,316) |
| **Other changes:** | | | |
| Increase in lease liabilities from entering into new leases during the year | – | 435,044 | 435,044 |
| Interest expenses on lease liabilities (note 6) | – | 17,752 | 17,752 |
| Decrease in lease liabilities during the year | – | (39,861) | (39,861) |
| COVID-19-related rent concessions received (note 13(b)) | – | (1,243) | (1,243) |
| Total other changes | – | 411,692 | 411,692 |
| **At 31 December 2021** | 2,065,136 | 748,034 | 2,813,170 |

## 24 Cash and bank balances (continued)

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

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. (continued)

| | Bank loans $'000 (Note 25) | Lease liabilities $'000 (Note 26) | Total $'000 |
|---|---|---|---|
| **At 1 January 2020** | 3,145,870 | 830,539 | 3,976,409 |
| **Changes from financing cash flows:** | | | |
| Proceeds from new bank loans | 1,826,910 | – | 1,826,910 |
| Repayment of borrowings | (2,313,813) | – | (2,313,813) |
| Capital element of lease rentals paid | – | (289,998) | (289,998) |
| Interest element of lease rentals paid | – | (15,753) | (15,753) |
| Total changes from financing cash flows | (486,903) | (305,751) | (792,654) |
| **Exchange adjustments** | 8,171 | 37,852 | 46,023 |
| **Other changes:** | | | |
| Increase in lease liabilities from entering into new leases during the year | – | 220,915 | 220,915 |
| Interest expenses on lease liabilities (note 6) | – | 15,753 | 15,753 |
| Decrease in lease liabilities during the year | – | (47,142) | (47,142) |
| COVID-19-related rent concessions received (note 13(b)) | – | (2,680) | (2,680) |
| Total other changes | – | 186,846 | 186,846 |
| **At 31 December 2020** | 2,667,138 | 749,486 | 3,416,624 |

### *(c) Total cash outflow for leases*

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Within operating cash flows | 15,961 | 30,833 |
| Within investing cash flows | 8,967 | 4,498 |
| Within financing cash flows | 366,945 | 305,751 |
| | 391,873 | 341,082 |

## 24 Cash and bank balances (continued)

### *(c) Total cash outflow for leases (continued)*

These amounts relate to the following:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Lease rentals paid | 382,906 | 336,584 |
| Purchase of leasehold property | 8,967 | 4,498 |
| | 391,873 | 341,082 |

## 25 Bank loans and overdrafts

At 31 December 2021, the bank loans and overdrafts were payable as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Within one year | | |
| – bank overdrafts (note 24(a)) | 144,950 | 78,169 |
| – bank loans | 996,151 | 1,769,374 |
| | 1,141,101 | 1,847,543 |
| Bank loans: | | |
| – After one year but within two years | 834,672 | 295,448 |
| – After two years but within five years | 234,313 | 602,316 |
| | 1,068,985 | 897,764 |
| | 2,210,086 | 2,745,307 |

At 31 December 2021, the bank loans and overdrafts were as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Unsecured bank overdrafts | 144,950 | 78,169 |
| Bank loans | | |
| – Secured | 9,335 | 13,028 |
| – Unsecured | 2,055,801 | 2,654,110 |
| | 2,065,136 | 2,667,138 |
| | 2,210,086 | 2,745,307 |

## 25 Bank loans and overdrafts (continued)

At 31 December 2021, the above bank loans bear interest at floating rates ranging from 0.35% to 4.61% (2020: 0.35% to 4.85%) per annum.

At 31 December 2021, certain property, plant and equipment of the Group with carrying values of $42,816,000 (2020: $39,728,000) have been pledged to banks to secure bank loans totalling $9,335,000 (2020: $13,028,000).

At 31 December 2021, a subsidiary of the Group had bank loans amounting to THB3,448,000,000 (equivalent to $807,911,000) (2020: THB3,788,000,000 (equivalent to $979,198,000)) with the following financial covenants applied to the subsidiary:

(i) the registered capital of a subsidiary shall not be less than THB525,700,000 (equivalent to $123,172,000) (2020: THB525,700,000 (equivalent to $135,893,400));

(ii) the tangible net worth of certain subsidiaries shall not at any time be less than SGD100,000,000 (equivalent to $577,370,000) (2020: SGD100,000,000 (equivalent to $586,340,000)).

If the relevant subsidiary was to breach the covenants, the outstanding bank loans would become payable on demand. As at 31 December 2021, none of the covenants relating to those bank loans had been breached (2020: none).

## 26 Lease liabilities

At 31 December 2021, the lease liabilities were repayable as follows:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Within 1 year | 244,258 | 247,942 |
| After 1 year but within 2 years | 223,054 | 152,765 |
| After 2 years but within 5 years | 205,617 | 209,026 |
| After 5 years | 75,105 | 139,753 |
| | 503,776 | 501,544 |
| | 748,034 | 749,486 |

## 27 Employee retirement benefits

### *(a) Defined benefit retirement plans*

The Group, through Zero makes contributions to defined benefit retirement plans registered in Japan, which cover 82% (2020: 80%) 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 2021 and were prepared by qualified staff of Mizuho Trust & Banking Co., Ltd and Daiichi Life Insurance Company. The actuarial valuations indicated that the Group's obligations under these defined benefit retirement plans were 82% (2020: 80%) covered by the plan assets held by the trustees.

## 27 Employee retirement benefits (continued)

### *(a) Defined benefit retirement plans (continued)*

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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Present value of defined benefit obligations | (350,776) | (386,637) |
| Fair value of plan assets | 287,263 | 310,059 |
| | (63,513) | (76,578) |

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 $18,479,000 (2020: $22,177,000) in contributions to defined benefit retirement plans in 2022.

(ii) Plan assets consist of the following:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Equity securities | 67,835 | 73,333 |
| Government bonds | 101,833 | 86,657 |
| Others | 117,595 | 150,069 |
| | 287,263 | 310,059 |

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% (2020: 5% - 65%) in equity securities across a range of industries, 5% - 70% (2020: 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.

## 27 Employee retirement benefits (continued)

### *(a) Defined benefit retirement plans (continued)*

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| At 1 January | 386,637 | 373,962 |
| Benefits paid by the plans | (17,023) | (19,158) |
| Current service cost | 22,177 | 20,614 |
| Interest cost | 1,564 | 1,443 |
| Remeasurement of present value | 11,453 | (12,906) |
| Exchange adjustments | (54,032) | 22,682 |
| At 31 December | 350,776 | 386,637 |

The weighted average duration of the defined benefit obligation is 9.6 years (2020: 10.0 years).

(iv) Movements in plan assets

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| At 1 January | 310,059 | 264,847 |
| Group's contributions paid to the plan | 20,600 | 36,455 |
| Benefits paid by the plans | (10,889) | (13,030) |
| Interest income | 1,102 | 1,575 |
| Return on plan assets, excluding interest income | 12,769 | 6,321 |
| Exchange adjustments | (46,378) | 13,891 |
| At 31 December | 287,263 | 310,059 |

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Current service cost | 22,177 | 20,614 |
| Net interest on net defined benefit liability | 462 | (132) |
| Total amounts recognised in profit or loss | 22,639 | 20,482 |
| Return on plan assets, excluding interest income (after tax adjustment) | (8,870) | (4,450) |
| Remeasurement of present value of the defined benefit obligation (after tax adjustment) | 7,939 | (8,944) |
| Total amounts recognised in other comprehensive income | (931) | (13,394) |
| Total defined benefit costs | 21,708 | 7,088 |

## 27 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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cost of sales | 7,580 | 5,815 |
| Administrative expenses | 15,059 | 14,667 |
| | 22,639 | 20,482 |

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

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 0.33% | 0.44% |

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 | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Discount rate | (16,173) | (17,404) | 16,173 | 17,404 |

### *(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.

## 28 Trade creditors

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

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

## 29 Amounts due from/to related companies

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

## 30 Provisions

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Provisions for warranties | 74,098 | 83,460 |
| Current | 24,547 | 33,621 |
| Non-current | 49,551 | 49,839 |
| | 74,098 | 83,460 |

*Provisions for warranties*

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| At 1 January | 83,460 | 85,635 |
| Provision made (note 7) | 8,840 | 43,112 |
| Provisions utilised | (15,451) | (46,580) |
| Exchange adjustment | (2,751) | 1,293 |
| At 31 December | 74,098 | 83,460 |

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.

## 31 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.

## 31 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 2020** | 1,006,655 | 550,547 | 623,313 | 174,173 | 2,354,688 |
| **Changes in equity in 2020:** | | | | | |
| Total comprehensive income for the year | – | – | – | 198,072 | 198,072 |
| Dividends to equity shareholders | – | – | – | (201,331) | (201,331) |
| **Balance at 31 December 2020 and 1 January 2021** | 1,006,655 | 550,547 | 623,313 | 170,914 | 2,351,429 |
| **Changes in equity in 2021:** | | | | | |
| Total comprehensive income for the year | – | – | – | 91,394 | 91,394 |
| Dividends to equity shareholders | – | – | – | (90,599) | (90,599) |
| **Balance at 31 December 2021** | 1,006,655 | 550,547 | 623,313 | 171,709 | 2,352,224 |

(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 2021 are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Contributed surplus | 623,313 | 623,313 |
| Retained profits | 171,709 | 170,914 |
| | 795,022 | 794,227 |

## 31 Capital, reserves and dividends (continued)

### *(c) Dividends*

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interim dividend paid of HK1.5 cents per ordinary share (2020: HK1.0 cents per ordinary share) | 30,200 | 20,133 |
| Final dividend proposed after the end of the reporting period of HK5.0 cents per ordinary share (2020: HK3.0 cents per ordinary share) | 100,665 | 60,399 |
| | 130,865 | 80,532 |

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.0 cents per ordinary share (2020: HK9.0 cents per ordinary share) | 60,399 | 181,198 |

### *(d) Share capital*

| | 2021 $'000 | 2020 $'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)

## 31 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, which includes bank loans and lease liabilities, over its total equity, was 23% (2020: 28%) at 31 December 2021.

## 32 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 exists. Maximum amount of money to be contributed by the subsidiary is JPY500,000,000 (equivalent to $35,262,000) 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 49,200 (2020: 81,200) points were granted to selected participants during the year ended 31 December 2021.

### *(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 |
| On 1 July 2020 | 81,200 |
| On 1 July 2021 | 49,200 |

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 Equity settled share based transactions (continued)

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

| | 2021 Number of points | 2020 Number of points |
|---|---|---|
| Outstanding at the beginning of the year | 284,700 | 227,200 |
| Forfeited during the year | (21,200) | (22,200) |
| Exercised during the year | (23,500) | (1,500) |
| Granted during the year | 49,200 | 81,200 |
| Outstanding at the end of the year | 289,200 | 284,700 |
| Exercisable at the end of the year | 289,200 | 284,700 |

### *(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 2021 | 1 July 2020 |
|---|---|---|
| **Fair value of points and assumptions** | | |
| Fair value at measurement date | JPY1,088 | JPY726 |
| Share price | JPY1,273 | JPY868 |
| Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model) | 32.7% | 32.0% |
| Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model) | 4.6 years | 5.5 years |
| Expected dividends | 3.4% | 3.3% |
| Risk-free interest rate (based on the yield of Japanese government bonds) | -0.1% | -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 2020 and 1 July 2021 were JPY868 (equivalent to $65) and JPY1,273 (equivalent to $86) per share respectively.

During the year ended 31 December 2021, the Group recognised a net expense of $2,899,000 (2020: $2,877,000) as equity settled share based payments in relation to the Program.

## 33 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 2021, 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 $17,851,000 (2020: $22,501,000).

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 2020.

### *(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.

## 33 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 2021:

| | 2021 | | | |
|---|---|---|---|---|
| | Expected loss rate % | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
| Current (not past due) | 0.25% | 850,379 | 2,113 | 848,266 |
| 1 - 30 days past due | 0.39% | 86,954 | 337 | 86,617 |
| 31 - 90 days past due | 2.28% | 29,853 | 681 | 29,172 |
| More than 90 days past due | 77.14% | 76,657 | 59,134 | 17,523 |
| | | 1,043,843 | 62,265 | 981,578 |

| | 2020 | | | |
|---|---|---|---|---|
| | Expected loss rate % | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
| Current (not past due) | 0.01% | 872,542 | 103 | 872,439 |
| 1 - 30 days past due | 0.09% | 133,090 | 118 | 132,972 |
| 31 - 90 days past due | 0.78% | 59,127 | 460 | 58,667 |
| More than 90 days past due | 59.98% | 109,137 | 65,455 | 43,682 |
| | | 1,173,896 | 66,136 | 1,107,760 |

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 2021:

| | 2021 | | | |
|---|---|---|---|---|
| | Expected loss rate % | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
| Current (not past due) | 6.43% | 193,936 | 12,470 | 181,466 |

| | 2020 | | | |
|---|---|---|---|---|
| | Expected loss rate % | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
| Current (not past due) | 5.84% | 251,392 | 14,676 | 236,716 |

## 33 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 is 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 considers 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) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | | | 2020 | | | |
| | 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 | - | 1,591,576 | - | - | - | 1,770,217 | - | - |
| Trade debtors | 12 | 33,077 | 673 | - | 94 | 42,942 | 705 | - |
| Cash and cash equivalents | 160 | 386,163 | 27,578 | 399,742 | 504 | 338,126 | 119,047 | 376,800 |
| Trade creditors | - | (68,574) | (106) | - | - | (66,604) | (41,520) | - |
| Other debtors | - | - | - | 4 | - | - | 891 | 4 |
| Other creditors | (10) | (11,796) | (97) | - | (164) | (1,895) | (388) | - |
| Bank loans | - | (20,018) | (56,925) | - | (58,692) | - | (169,559) | - |
| | 162 | 1,910,428 | (28,877) | 399,746 | (58,258) | 2,082,786 | (90,824) | 376,804 |

## 33 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 2021 (2020: 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.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 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% | 159,482 | 10% | 173,802 |
| | (10)% | (159,482) | (10)% | (173,802) |
| USD | 10% | (2,072) | 10% | (6,837) |
| | (10)% | 2,072 | (10)% | 6,837 |
| RMB | 10% | 39,950 | 10% | 37,657 |
| | (10)% | (39,950) | (10)% | (37,657) |
| SGD | 10% | 13 | 10% | (4,835) |
| | (10)% | (13) | (10)% | 4,835 |

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 2020.

### *(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.

## 33 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:

**2021**

| | 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 | 144,950 | – | – | – | 144,950 | 144,950 |
| Bank loans | 1,038,293 | 862,536 | 239,826 | – | 2,140,655 | 2,065,136 |
| Trade creditors | 889,175 | – | – | – | 889,175 | 889,175 |
| Other creditors and accruals | 1,040,588 | – | – | – | 1,040,588 | 1,040,588 |
| Amounts due to related companies | 11,088 | – | – | – | 11,088 | 11,088 |
| Lease liabilities | 254,588 | 231,532 | 220,017 | 81,313 | 787,450 | 748,034 |
| | 3,378,682 | 1,094,068 | 459,843 | 81,313 | 5,013,906 | 4,898,971 |

**2020**

| | 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 | 78,169 | – | – | – | 78,169 | 78,169 |
| Bank loans | 1,511,572 | 54,200 | 1,215,736 | – | 2,781,508 | 2,667,138 |
| Trade creditors | 813,235 | – | – | – | 813,235 | 813,235 |
| Other creditors and accruals | 1,064,385 | – | – | – | 1,064,385 | 1,064,385 |
| Amounts due to related companies | 10,607 | – | – | – | 10,607 | 10,607 |
| Lease liabilities | 268,490 | 167,309 | 234,072 | 155,591 | 825,462 | 749,486 |
| | 3,746,458 | 221,509 | 1,449,808 | 155,591 | 5,573,366 | 5,383,020 |

## 33 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 note 18).

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 2021, it is estimated that an increase/(decrease) of 20% (2020: 20%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's fair value reserve as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | | Effect on fair value reserve $'000 | | Effect on fair value reserve $'000 |
| **Change in the relevant equity price risk variable:** | | | | |
| Increase | 20% | 327,964 | 20% | 361,964 |
| Decrease | (20)% | (327,964) | (20)% | (361,964) |

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 2020.

### *(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

## 33 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 2021 | Fair value measurement as at 31 December 2021 categorised into | | | Fair value at 31 December 2020 | Fair value measurement as at 31 December 2020 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 | 1,639,819 | 1,639,819 | – | – | 1,809,818 | 1,809,818 | – | – |
| – Unlisted | 3,178 | – | – | 3,178 | 3,613 | – | – | 3,613 |
| | 1,642,997 | 1,639,819 | – | 3,178 | 1,813,431 | 1,809,818 | – | 3,613 |

During the years ended 31 December 2021 and 2020, 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 2021 and 2020.

(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 2021, 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 $318,000 (2020: $361,000).

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

| | 2021 | 2020 |
|---|---|---|
| | $'000 | $'000 |
| **Unlisted equity securities:** | | |
| At 1 January | 3,613 | 15,569 |
| Additions during the year | – | 1,875 |
| Disposals during the year | – | (12,390) |
| Net unrealised losses recognised in other comprehensive income during the year | (295) | (1,709) |
| Exchange adjustments | (140) | 268 |
| At 31 December | 3,178 | 3,613 |

## 34 Commitments

*Capital commitments outstanding not provided for in the financial statements were as follows:*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Authorised and contracted for | 71,482 | 18,442 |

## 35 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 | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Transactions with Tan Chong Motor Holdings Berhad ("TCMH") Group: | (i) | | |
| - Sales of goods and services | | 32 | 161 |
| - Receiving assembly services | | 7,033 | 9,853 |
| - Purchase of inventories | | 19,365 | 19,216 |
| Transactions with APM Automotive Holdings Berhad ("APM") Group: | (ii) | | |
| - Purchase of inventories | | 218 | 224 |
| - Sales of goods and services | | 71 | 69 |
| - Rental income | | 43 | 45 |
| Transactions with Warisan TC Holdings Berhad ("WTCH") Group: | (iii) | | |
| - Sales of goods | | 502 | 369 |

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 with TCMH Group.

- Receiving assembly services

  On 24 August 2021, a subsidiary of the Group entered into an assembly agreement with Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA", being a subsidiary of TCMH), pursuant to which TCMA was appointed as the subsidiary's assembler to assemble vehicles for the period from 24 August 2021 to 30 June 2023. The principal business of TCMA is the assembly of motor vehicles and engines.

  On 27 November 2019, an assembly agreement was entered with TCMA covering the period from 1 January 2020 to 31 December 2020.

## 35 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 December 2020, a subsidiary of the Group entered into five parts purchase agreements with subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd., APM Coil Spring Sdn. Bhd. and Auto Parts Manufacturers Co. Sdn. Bhd. (collectively, the "Five APM Subsidiaries") for the purchase of certain spare parts from the Five APM Subsidiaries for the period from 1 January 2021 to 31 December 2022. On 1 October 2019, four parts purchase agreements were entered with those four subsidiaries of APM covering the period from 1 October 2019 to 31 December 2020.

On 27 November 2019, a subsidiary of the Group entered into an agreement with APM Springs (Vietnam) Company Ltd, a subsidiary of APM in relation to the sales and rental of vehicles, material handling equipment, forklift, parts and accessories for the period from 1 January 2020 to 31 December 2022.

On 27 November 2019, a subsidiary of the Group entered into an agreement with APM Auto Components (Thailand) Co., Ltd., a subsidiary of APM in relation to the rental forklift for the period from 1 January 2020 to 31 December 2022.

(iii) Transactions with WTCH Group

- Sales of goods and services and purchase of inventories

TCC is a substantial shareholder of Warisan TC Holdings Berhad ("WTCH"). On 27 November 2019, a subsidiary of the Group entered into an agreement with TCIM Sdn. Bhd. ("TCIMSB", being a subsidiary of WTCH) in relation to the sales motor parts and accessories for the period from 1 January 2020 to 31 December 2022.

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 companies are recorded in the consolidated statement of financial position and disclosed in note 29.

### *(c) Transaction with an associate*

Management service fees received from an associate of the Group during the year ended 31 December 2021 amounted to $1,000,000 (2020: $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.

## 36 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 distributor for various brands of forklift trucks. The Group markets and distributes a wide range of heavy commercial vehicles and industrial equipment.

(iii) Property rentals and development

The Group has a number of property interests and is engaged in the development of various investment properties for sale or rental income. At present, the Group's activities in this segment are mainly carried out in Singapore and Hong Kong.

(iv) Transportation

The Group mainly carries out vehicle logistics services to vehicle manufacturers in Japan. The Group also provides human resource management service in relation to transportation business and general cargo business in Japan.

(v) Other operations

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

## 36 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 2021 is set out below.

| | Motor vehicle distribution and dealership business | | Heavy commercial vehicle, industrial equipment distribution and dealership business | | Property rentals and development | | Transportation | | Other operations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Disaggregated by timing of revenue recognition | | | | | | | | | | | | |
| Point in time | 4,170,262 | 4,981,400 | 194,244 | 122,169 | – | 42,171 | – | – | 261,337 | 219,059 | 4,625,843 | 5,364,799 |
| Over time | 334,255 | 359,455 | 70,837 | 63,345 | 85,760 | 75,936 | 6,648,430 | 6,343,451 | 99,832 | 112,509 | 7,239,114 | 6,954,696 |
| Revenue from external customers: | | | | | | | | | | | | |
| - Singapore | 1,258,031 | 1,267,355 | 59,091 | 49,554 | 82,404 | 114,701 | – | – | 103,386 | 104,444 | 1,502,912 | 1,536,054 |
| - PRC | 335,226 | 393,216 | – | – | – | – | – | – | 247,110 | 206,399 | 582,336 | 599,615 |
| - Thailand | 587,838 | 1,015,446 | 176,396 | 104,375 | – | – | – | – | 9,673 | 19,725 | 773,907 | 1,139,546 |
| - Japan | – | – | – | – | – | – | 6,648,430 | 6,343,451 | – | – | 6,648,430 | 6,343,451 |
| - Taiwan | 1,334,958 | 1,215,483 | – | – | – | – | – | – | – | – | 1,334,958 | 1,215,483 |
| - Others | 988,464 | 1,449,355 | 29,594 | 31,585 | 3,356 | 3,406 | – | – | 1,000 | 1,000 | 1,022,414 | 1,485,346 |
| | 4,504,517 | 5,340,855 | 265,081 | 185,514 | 85,760 | 118,107 | 6,648,430 | 6,343,451 | 361,169 | 331,568 | 11,864,957 | 12,319,495 |
| EBITDA: | | | | | | | | | | | | |
| - Singapore | 18,068 | (59,836) | 17,167 | 12,583 | 357,160 | 79,885 | – | – | 93,251 | 106,218 | 485,646 | 138,850 |
| - PRC | 5,574 | 1,141 | – | – | – | – | – | – | (23,005) | (14,028) | (17,431) | (12,887) |
| - Thailand | (68,839) | (51,258) | (67,775) | (91,625) | – | – | – | – | (2,757) | 5,028 | (139,371) | (137,855) |
| - Japan | – | – | – | – | – | – | 654,937 | 628,682 | 214 | 2,535 | 655,151 | 631,217 |
| - Taiwan | 290,261 | 158,370 | – | – | – | – | – | – | – | – | 290,261 | 158,370 |
| - Others | (52,887) | (52,729) | 13,440 | 11,284 | 60,796 | 25,190 | – | – | (17,293) | 123,526 | 4,056 | 107,271 |
| | 192,177 | (4,312) | (37,168) | (67,758) | 417,956 | 105,075 | 654,937 | 628,682 | 50,410 | 223,279 | 1,278,312 | 884,966 |
| Share of profits of associates: | | | | | | | | | | | | |
| - Singapore | 59,725 | 55,939 | – | – | – | – | – | – | – | – | 59,725 | 55,939 |
| - Thailand | – | – | – | – | – | – | – | – | – | – | – | – |
| - Japan | – | – | – | – | – | – | 565 | 2,221 | – | – | 565 | 2,221 |
| - Others | – | – | – | – | – | – | – | – | 9,606 | 15,081 | 9,606 | 15,081 |
| | 59,725 | 55,939 | – | – | – | – | 565 | 2,221 | 9,606 | 15,081 | 69,896 | 73,241 |

## 36 Segment reporting (continued)

### *(c) Reconciliation of reportable segment profit or loss*

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Total segment EBITDA | 1,278,312 | 884,966 |
| Depreciation and amortisation | (646,176) | (626,552) |
| Interest income | 14,093 | 15,698 |
| Finance costs | (58,036) | (80,179) |
| Share of profits of associates | 69,896 | 73,241 |
| Consolidated profit before taxation | 658,089 | 267,174 |

### *(d) Geographic information*

The following table sets out information about the geographical location of the Group's investment properties, 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, property, plant and equipment and the location of operations, in the case of interest in associates.

| | Singapore | | Hong Kong | | PRC | | Thailand | | Japan | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021<br>$'000 | 2020<br>$'000 | 2021<br>$'000 | 2020<br>$'000 | 2021<br>$'000 | 2020<br>$'000 | 2021<br>$'000 | 2020<br>$'000 | 2021<br>$'000 | 2020<br>$'000 | 2021<br>$'000 | 2020<br>$'000 | 2021<br>$'000 | 2020<br>$'000 |
| Specified non-current assets | 4,518,970 | 4,252,810 | 1,212,931 | 1,114,618 | 323,816 | 349,432 | 1,023,321 | 1,193,308 | 1,808,881 | 1,736,998 | 885,738 | 1,014,026 | 9,773,657 | 9,661,192 |

## 37 Company-level statement of financial position

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 156 | 218 |
| Interest in subsidiaries | 2,342,961 | 2,342,961 |
| | 2,343,117 | 2,343,179 |
| **Current assets** | | |
| Amounts due from subsidiaries | 359,215 | 358,897 |
| Other debtors, deposits and prepayments | 318 | 304 |
| Cash and cash equivalents | 17,111 | 14,077 |
| | 376,644 | 373,278 |
| **Current liabilities** | | |
| Other creditors and accruals | 19,850 | 17,761 |
| Amounts due to subsidiaries | 347,687 | 347,267 |
| | 367,537 | 365,028 |
| **Net current assets** | 9,107 | 8,250 |
| **NET ASSETS** | 2,352,224 | 2,351,429 |
| **CAPITAL AND RESERVES** | | |
| Share capital | 1,006,655 | 1,006,655 |
| Reserves | 1,345,569 | 1,344,774 |
| **TOTAL EQUITY** | 2,352,224 | 2,351,429 |

Approved and authorised for issue by the board of directors on 25 March 2022.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

(Expressed in Hong Kong dollars unless otherwise indicated)

## 38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

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 2021 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, *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* | 1 January 2022 |
| Amendments to IAS 37, *Onerous Contracts- Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to IFRSs 2018-2020 Cycle | 1 January 2022 |
| IFRS 17*, Insurance contracts* | 1 January 2023 |
| Amendments to IAS 1*, Classification of liabilities as current or non-current* | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2*, Disclosure of accounting policies* | 1 January 2023 |
| *Amendments to IAS 8, Definition of accounting estimates* | 1 January 2023 |
| Amendments to IAS 12*, Deferred tax related to assets and liabilities arising from a single transaction* | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28*, Sale or contribution of assets between an investor and its associate or joint venture* | To be determined |

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 | 2017<br>$'000 | 2018<br>$'000 | 2019<br>$'000 | 2020<br>$'000 | 2021<br>$'000 |
|---|---|---|---|---|---|---|
| **Results** | | | | | | |
| Revenue | | 15,855,612 | 15,731,423 | 14,533,351 | 12,319,495 | 11,864,957 |
| Profit from operations | | 952,175 | 971,750 | 565,476 | 274,112 | 646,229 |
| Financing costs | | (87,538) | (92,426) | (101,262) | (80,179) | (58,036) |
| Share of profits of associates | | 74,238 | 71,941 | 71,709 | 73,241 | 69,896 |
| Profit before taxation | | 938,875 | 951,265 | 535,923 | 267,174 | 658,089 |
| Income tax expense | | (308,116) | (320,647) | (224,871) | (182,003) | (204,213) |
| Profit for the year | | 630,759 | 630,618 | 311,052 | 85,171 | 453,876 |
| **Attributable to:** | | | | | | |
| Equity shareholders of the Company | | 501,924 | 600,899 | 212,932 | 9,507 | 378,098 |
| Non-controlling interests | | 128,835 | 29,719 | 98,120 | 75,664 | 75,778 |
| **Profit for the year** | | 630,759 | 630,618 | 311,052 | 85,171 | 453,876 |
| **Assets and liabilities** | | | | | | |
| Investment properties and property plant and equipment | | 7,538,508 | 7,830,171 | 8,779,157 | 8,793,182 | 8,876,690 |
| Intangible assets | | 102,805 | 110,633 | 106,057 | 77,117 | 53,469 |
| Goodwill | | 58,043 | 43,486 | 39,168 | 45,772 | 31,769 |
| Interest in associates | | 856,331 | 862,729 | 883,828 | 868,010 | 896,967 |
| Other non-current assets | | 628,777 | 499,807 | 456,540 | 375,656 | 1,981,612 |
| Net current assets | | 4,814,825 | 4,297,941 | 3,409,503 | 3,646,128 | 2,036,342 |
| Total assets less current liabilities | | 13,999,289 | 13,644,767 | 13,674,253 | 13,805,865 | 13,876,849 |
| Non-current liabilities | | (1,275,761) | (1,496,332) | (1,123,376) | (1,624,740) | (1,793,003) |
| Total equity | | 12,723,528 | 12,148,435 | 12,550,877 | 12,181,125 | 12,083,846 |
| Earnings per share | (i) | | | | | |
| – basic | | $0.25 | $0.30 | $0.11 | $0.005 | $0.19 |
| – diluted | | $0.25 | $0.30 | $0.11 | $0.005 | $0.19 |

Note:

(i) 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<br>6–8 Harbour Road<br>Wanchai<br>Hong Kong | Offices (own use and investment) | 13,770 | Leasehold | 20 May 2060 |
| 911 and 913 Bukit Timah Road<br>Tan Chong Motor Centre<br>Singapore 589622/3 | Showroom, workshop and office (own use) | 198,606 | Freehold | – |
| 700 Woodlands Road<br>Singapore 738664 | Workshop and office (own use) | 233,188 | Freehold | – |
| 8 Kung Chong Road<br>Singapore 159145 | Workshop and office (own use) | 23,990 | Leasehold | 15 December 2058 |
| 25 Leng Kee Road<br>Singapore 159097 | Showroom, workshop and office (own use) | 23,998 | Leasehold | 10 April 2059 |
| 15 Queen Street<br>Tan Chong Tower<br>Singapore 188537 | Office, restaurant and apartments for rental (investment) | 22,193 | Freehold | – |
| 798 & 800 Upper Bukit Timah Road<br>Singapore 678138/139 | Factory and warehouse (investment) | 198,976 | Leasehold | 6 April 2078 |
| 210 New Upper Changi Road<br>#01–703<br>Singapore 460210 | Showroom and office (investment) | 4,058 | Leasehold | 1 July 2078 |
| 23 Jalan Buroh<br>Singapore 619479 | Showroom, workshop, office and warehouse (own use) | 161,631 | Leasehold | 1 October 2027 |
| The Wilby Residence<br>25, 27, 29, 31 and 33<br>Wilby Road<br>Singapore 276300 – 276304 | Condominiums for rental (investment) | 200,991 | Freehold | – |
| 19 Lorong 8, Toa Payoh<br>Singapore 319255 | Showroom, workshop and office (own use) | 58,715 | Leasehold | 28 February 2023 |
| 19 Ubi Road 4<br>Singapore 408623 | Showroom, workshop and office (own use) | 59,379 | Leasehold | 1 October 2030 |
| 1 Sixth Lok Yang Road<br>Singapore 628099 | Workshop and office (own use) | 131,750<br>92,158 | Leasehold<br>Leasehold | 15 April 2036<br>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 |
| **804, 806, 812, 814, 816 & 818 Upper Bukit Timah Road Singapore 678142/43/46/48/49/50** | **Shophouses (investment)** | **8,522** | **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 |
| Jalan Raden Patah Komplek Sumber Jaya B9 - B10 Indonesia | Shophouse (own use) | 1,615 | Leasehold | 21 November 2035 |

| Location | Description | Land area (sq. feet) | Tenure | Expiry date |
|---|---|---|---|---|
| Lembar K-8-4 Kotak F-G/1<br>Teluk Tering<br>Komplek Bangun Sukses<br>Showroom<br>Sei Panas, Kota Batam<br>Indonesia | Showroom, workshop and office (own use) | 24,262 | Leasehold | 1 April 2028 |
| Jalan Bypass<br>Ngurah Rai No 643<br>Desa Pemogan Denpasar, Bali<br>Indonesia | Showroom, workshop and office (own use) | 21,043 | Leasehold | 4 March 2043 |
| Qinyang Town<br>Nam Huan Road 10<br>Jiangyin Jiangsu Province<br>China | Office, factory and warehouse (own use) | 48,753 | Leasehold | 20 November 2048 |
| 639 Jiang Jun Avenue<br>Jiangning District<br>Nanjing China | Factory, office and warehouse (own use) | 583,995 | Leasehold | 30 April 2062 |
| West of Xi Wai Huan<br>Yangliu Town Lianhe Sub-district,<br>Zhengxiang District Hengyang<br>Hunan Province, China | Showroom and workshop (own use) | 6,226 | Leasehold | 16 May 2052 |
| No. 10, Jalan 51A/223<br>46109 Petaling Jaya<br>Selangor Darul Ehsan<br>Malaysia | Showroom, workshop and office (own use) | 43,575 | Leasehold | 19 January 2062 |
| No. 33, Lane 250,<br>Xinhu 2nd Road, Neihu District,<br>Taipei City, Taiwan | Showroom, workshop and office (own use) | 23,290 | Freehold | – |
| No. 38-2, Dong Yuan Road,<br>Zhongli District.<br>Taoyuan City, Taiwan | Showroom, workshop, office and warehouse (own use) | 143,622 | Freehold | – |
| 187 Edsa North Greenhills<br>San Juan Metro<br>Manila 1503 Philippines | Showroom, workshop, office and warehouse (own use) | 18,891 | Freehold | – |
| 212 Vietnam-Singapore Industrial<br>Park, Thuan An District<br>Binh Duong Province<br>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 | – |

# GROUP PROPERTIES (continued)

| Location | Description | Land area (sq. feet) | Tenure | Expiry date |
|---|---|---|---|---|
| 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 | – |
| 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 | – |