THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in Tan Chong International Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

TAN CHONG
INTERNATIONAL

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

MAJOR TRANSACTION

ACQUISITION OF REMAINING INTEREST IN ETHOZ GROUP LTD.

All capitalised terms used in this circular have the meaning set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 10 of this circular.

The Company has obtained written Shareholders' approval for the Transaction pursuant to Rule 14.44 of the Listing Rules from a closely allied group of Shareholders together holding more than 50% of the voting rights at a general meeting to approve the Transaction. Accordingly, no Shareholders' meeting will be held to approve the Transaction pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

Hong Kong, 25 November 2022

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Agreed Equity Value"	the valuation of S$305,000,000 for 100% of the equity value of Ethoz as agreed by the parties to the Definitive Agreement, which excludes the Final Dividend
"Announcement"	the announcement of the Company dated 29 June 2022 in relation to the Transaction
"associate(s)", "associated company(ies)", "connected person(s)", "percentage ratio(s)", "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Board"	the board of the Directors
"Company"	Tan Chong International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 693)
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Condition"	has the meaning as defined under the section headed "LETTER FROM THE BOARD — THE DEFINITIVE AGREEMENT — Condition precedent" of this circular
"COVID-19"	the pandemic of the coronavirus disease 2019
"Definitive Agreement"	the definitive agreement relating to the shares in Ethoz dated 29 June 2022 entered into among Tan Chong, OC, OLS and Ethoz, whereby Tan Chong became a 100% shareholder of Ethoz after completion of the acquisition and repurchase as contemplated thereunder
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Ethoz Group upon completion of the Transaction
"Ethoz"	Ethoz Group Ltd., a company incorporated in Singapore and owned as to 50%, 40% and 10% by Tan Chong, OC and OLS, respectively, as at the date of the Announcement and was directly wholly-owned by Tan Chong at the Latest Practicable Date
"Ethoz Group"	Ethoz and its subsidiaries
"Final Dividend"	the final dividend of S$8,000,000 by Ethoz for the financial year ended 31 December 2021 distributed to Tan Chong, OC and OLS on 27 June 2022 according to their respective shareholding proportions in Ethoz as at the date such final dividend was declared
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IOSCO"	International Organization of Securities Commissions

"IOSCO MMOU"	IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information
"KPMG" or "KPMG Hong Kong"	KPMG, Certified Public Accountants, Hong Kong
"KPMG Singapore"	KPMG LLP, Public Accountants and Chartered Accountants, Singapore
"Latest Practicable Date"	17 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	8 July 2022 or such other date as the parties to the Definitive Agreement may agree in writing
"OC"	ORIX Corporation, a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange (8591) and the New York Stock Exchange (IX)
"OC Repurchase Shares"	720,000 ordinary shares in Ethoz held by OC, which represent 36% of the total issued share capital of Ethoz as at the date of the Announcement
"OC Sale Shares"	80,000 ordinary shares in Ethoz held by OC, which represent 4% of the total issued share capital share capital of Ethoz as at the date of the Announcement
"OLS"	ORIX Leasing Singapore Limited, a company incorporated in Singapore and owned as to 50%, 30% and 20% by OC, DBS Bank Ltd. and United Overseas Bank Limited, respectively, as at the date of the Latest Practicable Date
"OLS Sale Shares"	200,000 ordinary shares in Ethoz held by OLS, which represent 10% of the total issued share capital of Ethoz as at the date of the Announcement
"PAO"	Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
"PRC"	the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Sale Shares Consideration"	the consideration for the OC Sale Shares and OLS Sale Shares payable by Tan Chong under the Definitive Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SFRS"	Singapore Financial Reporting Standards
"Shares(s)"	ordinary share(s) of HK$0.50 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S$"	Singapore dollars, the lawful currency of Singapore

"Tan Chong"	Tan Chong Investments Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
"Transaction"	the transaction contemplated under the Definitive Agreement
"%"	per cent.

For the purpose of this circular, the exchange rate of S$1.00 = HK$5.65 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK$ or S$ has been, could have been or may be converted at such a rate.

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

Directors:

Mr. Tan Eng Soon
Mr. Glenn Tan Chun Hong
Mr. Tan Kheng Leong
Madam Sng Chiew Huat
Mr. Joseph Ong Yong Loke#
Mr. Ng Kim Tuck*
Mr. Azman Bin Badrillah*
Mr. Prechaya Ebrahim*
Mr. Teo Ek Kee*
Mr. Charles Tseng Chia Chun*

Non-executive director

* Independent non-executive director

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

25 November 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF REMAINING INTEREST IN ETHOZ GROUP LTD.

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Transaction.

The purpose of this circular is to provide you with information in respect of, among other things, (a) further details of the Transaction; and (b) other information as required under the Listing Rules.

On 29 June 2022, Tan Chong (being a direct wholly-owned subsidiary of the Company), OC, OLS and Ethoz entered into the Definitive Agreement, pursuant to which (a) OC agrees to sell and Tan Chong agrees to purchase the OC Sale Shares at the consideration of S$12,200,000 (equivalent to approximately HK$68,930,000); (b) OLS agrees to sell and Tan Chong agrees to purchase the OLS Sale Shares at the consideration of S$30,500,000 (equivalent to approximately HK$172,325,000); and (c) Ethoz agrees to repurchase from OC the OC Repurchase Shares at the consideration of S$109,800,000 (equivalent to approximately HK$620,370,000). The total consideration payable by Tan Chong under the Definitive Agreement (i.e. the Sale Shares Consideration) is S$42,700,000 (equivalent to approximately HK$241,255,000).

THE DEFINITIVE AGREEMENT

Date

29 June 2022

Parties

(a) Tan Chong, a direct wholly-owned subsidiary of the Company, as purchaser of the OC Sale Shares and the OLS Sale Shares;

(b) OC, as seller of the OC Sale Shares and the OC Repurchase Shares;

(c) OLS, as seller of the OLS Sale Shares; and

(d) Ethoz, as purchaser of the OC Repurchase Shares.

Transaction – acquisition by Tan Chong

Subject Matter – acquisition by Tan Chong

Tan Chong agrees to purchase, and OC and OLS agree to sell, all such shares representing 14% of the total issued share capital of Ethoz, comprising the OC Sale Shares (representing 4% of the total issued share capital of Ethoz as at the date of the Announcement) and the OLS Sale Shares (representing 10% of the total issued share capital of Ethoz as at the date of the Announcement).

As at the date of the Announcement, Ethoz was owned as to 50% by Tan Chong and was not a subsidiary of the Company. As at the Latest Practicable Date, Ethoz was directly wholly-owned by Tan Chong.

Consideration for the acquisition by Tan Chong

The Sale Shares Consideration of S$42,700,000 (equivalent to approximately HK$241,255,000) payable by Tan Chong at completion:

(a) comprises (i) S$12,200,000 (equivalent to approximately HK$68,930,000) for the OC Sale Shares and (ii) S$30,500,000 (equivalent to approximately HK$172,325,000) for the OLS Sale Shares;

(b) was determined after arm's length negotiations among Tan Chong, OC and OLS on normal commercial terms based on the Agreed Equity Value of S$305,000,000 (equivalent to approximately HK$1,723,250,000) in respect of 100% of the equity value of Ethoz; and

(c) was funded from its internal resources.

Transaction – repurchase by Ethoz

Subject Matter – repurchase by Ethoz

Ethoz agrees to repurchase from OC the OC Repurchase Shares (representing 36% of the total issued share capital of Ethoz as at the date of the Announcement). The OC Repurchase Shares together with the OC Sale Shares and the OLS Sale Shares represented all the issued shares of Ethoz not owned by the Group as at the date of the Announcement.

Consideration for the repurchase by Ethoz

The consideration for the OC Repurchase Shares of S$109,800,000 (equivalent to approximately HK$620,370,000) payable by Ethoz at the relevant completion of the OC Repurchase Shares:

(a) was determined on the same basis as that of the Sale Shares Consideration; and

(b) was funded from its internal resources.

Considerations

The Agreed Equity Value (upon which the Sale Shares Consideration and the consideration for the OC Repurchase Shares were determined) was determined after arm's length negotiations among the parties to the Definitive Agreement after taking into consideration, among other things: (a) the historical performance of the Ethoz Group and its net asset value extracted from its audited consolidated financial statements prepared in accordance with SFRS of approximately S$285 million (equivalent to approximately HK$1,611 million) (the net asset value of the Ethoz Group as at 30 June 2022 was not available when the Agreed Equity Value was determined); (b) the trading multiples of comparable companies that are broadly in the same line of business as the Ethoz Group; (c) the future prospects of the Ethoz Group; and (d) the benefits of the Transaction to the Group as set out in the section headed "Letter from the Board – Reasons for and Benefits of the Transaction" below. In light of the foregoing, the Directors (including the independent non-executive Directors) consider that the Sale Shares Consideration and the consideration for the OC Repurchase Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Condition precedent

Completion of the Transaction is conditional upon the Company having received the approval of the Shareholders on the Definitive Agreement and the Transaction, as required under Rule 14.40 of the Listing Rules (the "**Condition**"), on or before the Long Stop Date.

As written approval of the relevant Shareholders on the Definitive Agreement and the Transaction has been obtained pursuant to Rule 14.44 of the Listing Rules, the above Condition is satisfied. Please refer to the section headed "LISTING RULES IMPLICATIONS" below.

Completion

Completion of the Transaction took place on 1 July 2022 (in relation to the OC Sale Shares, the OLS Sale Shares and the remaining 320,000 OC Repurchase Shares).

Due to certain limits under the Companies Act 1967 of Singapore in relation to maximum number of ordinary shares that may be repurchased by a company during each period between its annual general meetings, completion of the repurchase of the first tranche of 400,000 OC Repurchase Shares (representing 20% of the total issued share capital of Ethoz as at the date of the Announcement) took place on 29 June 2022, followed by completion of the repurchase of the second tranche of 320,000 OC Repurchase Shares on 1 July 2022 after the holding of the general meeting of Ethoz on 30 June 2022.

Following completion of the Transaction, (a) Ethoz became an indirect wholly-owned subsidiary of the Company; and (b) the existing joint venture agreement among the parties in relation to Ethoz was terminated (without prejudice to any antecedent breach). There will be no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Ethoz in consequence of the Transaction.

INFORMATION OF THE GROUP AND TAN CHONG

The principal business of the Group includes (a) distribution and aftersales of motor vehicles in Singapore, Hong Kong, Thailand, Taiwan, Philippines, Malaysia, Vietnam and Cambodia, and the sales and aftersales of motor vehicles in the southern part of the PRC; (b) distribution of industrial equipment in Singapore, Vietnam and Thailand; (c) property development and rental in Singapore and Hong Kong; (d) vehicle seat manufacturing in the PRC; (e) assembly of automobiles in Thailand; and (f) provision of vehicle transportation service and human resource management service in relation to transportation business in Japan.

The Company is an investment holding company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 693).

Tan Chong is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

INFORMATION OF OC AND OLS

OC is a company incorporated in Japan and its shares are listed on the Tokyo Stock Exchange (8591) and the New York Stock Exchange (IX). OC is an integrated financial services group based in Tokyo, Japan, providing innovative value-added products and services to both corporate and retail customers.

OLS is a company incorporated in Singapore and is principally engaged in provision of financial services. As at the Latest Practicable Date, OLS is owned as to 50%, 30% and 20% by OC, DBS Bank Ltd. and United Overseas Bank Limited, respectively.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, OC and OLS and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

INFORMATION OF ETHOZ

General information

Ethoz is a company incorporated in Singapore and is principally engaged in provision of car rental services, automotive leasing and capital financing. As at the Latest Practicable Date, Ethoz was an indirect wholly-owned subsidiary of the Company.

Financial information

Set out below is a summary of the financial information extracted from the accountants' report of the Ethoz Group for the financial years ended 31 December 2020 and 2021 prepared in accordance with International Financial Reporting Standards as set forth in Appendix II to this circular:

	For the financial year ended 31 December	
	2020 S$'000	2021 S$'000
Net profit before taxation	26,465 (equivalent to approximately HK$149.5 million) *Note 1*	27,374 (equivalent to approximately HK$154.7 million) *Note 2*
Net profit after taxation	19,918 (equivalent to approximately HK$112.5 million) *Note 3*	20,692 (equivalent to approximately HK$116.9 million) *Note 4*

The net asset value extracted from the accountants' report of the Ethoz Group as at 31 December 2021 was S$285.9 million (equivalent to approximately HK$1,615.6 million).

Note 1 : being S$26,409,623 (equivalent to approximately HK$149,214,370) set out in the Announcement, which was extracted from the audited consolidated financial information of Ethoz for the financial year ended 31 December 2020 prepared in accordance with SFRS

Note 2 : being S$27,319,268 (equivalent to approximately HK$154,353,864) set out in the Announcement, which was extracted from the audited consolidated financial information of Ethoz for the financial year ended 31 December 2021 prepared in accordance with SFRS

Note 3 : being S$19,862,542 (equivalent to approximately HK$112,223,362) set out in the Announcement, which was extracted from the audited consolidated financial information of Ethoz for the financial year ended 31 December 2020 prepared in accordance with SFRS

Note 4 : being S$20,637,014 (equivalent to approximately HK$116,599,129) set out in the Announcement, which was extracted from the audited consolidated financial information of Ethoz for the financial year ended 31 December 2021 prepared in accordance with SFRS

REASONS FOR AND BENEFITS OF THE TRANSACTION

Upon completion of the Transaction, Ethoz (which was accounted for as interests in associates for the Group as at the date of the Announcement) has become an indirect wholly-owned subsidiary of the Company. The Company's control over the operations of Ethoz will therefore be further enhanced, providing greater flexibility in the determination of its strategic direction as well as unfettered day-to-day decision making processes, thereby accelerating the efficiency and competitiveness of its businesses.

The Directors (including the independent non-executive Directors) consider that the terms of the Definitive Agreement and the Transaction are entered into on normal commercial terms and after arm's length negotiations among the parties, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Upon completion of the Transaction, Ethoz has become an indirect wholly-owned subsidiary of the Company, which will be consolidated into the account of the Group.

As referred to in "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular, on the basis of the notes set out therein for the purposes of illustrating the effects of the Transaction as if the Transaction had taken place and had been completed on 30 June 2022, the total assets and total liabilities of the Enlarged Group could have increased by approximately HK$5,029 million and approximately HK$4,970 million, respectively upon completion of the Transaction due to added contribution.

In light of the potential prospects of the Ethoz Group, it is expected that the consolidation of the financial results of the Ethoz Group into the Group would contribute positively to the earnings and results of the Group in the future.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon completion of the Transaction, the Group believes that the synergy achieved can enhance and expand its operational activities in the distribution and aftersales of motor vehicles and their related businesses in Singapore, Hong Kong, Japan, Thailand, Taiwan, Philippines, Malaysia, Vietnam and Cambodia, and expand the sales and aftersales of motor vehicles and related activities in the southern part of the PRC to other parts of the PRC that the Ethoz Group has established its presence. The Group can also tap on and harness the expertise and experience of the Ethoz Group to jointly expand its existing businesses in vehicle workshop servicing and repairs, motor vehicle hire-purchase financing, IT (Information Technology) consumer financing, office equipment leasing, passenger, and commercial vehicle rentals. Likewise, the Group can expand its tie-up with insurance companies in the handling of vehicle accident repairs. The Transaction also brings about opportunities to widen the scope of the Enlarged Group in hire-purchase and financing of forklifts and forklifts with aerial work platforms and to expand into carbon zero equipment such as solar panels for the manufacturing industries. The Transaction will also bring about economies of scale on borrowings from tie-ups with the banks and in growing the capital financing portfolio of the Ethoz Group.

Even as the world recovers from the COVID-19 pandemic and grapples with geopolitical instabilities, the Enlarged Group foresees rising challenges to global trade activities. Rapidly changing automotive industry safety standards and a swift progression towards greener vehicles pose significant challenges to the Enlarged Group's main motor vehicle distribution business. Moreover, the global trend of ride hailing services is slowly changing consumer mindsets about owning their own vehicles.

The Directors consider that the Transaction is an important milestone for the Enlarged Group's future business development. The Enlarged Group therefore expects a stronger financial performance for the second half of the year and for the years to come with the added contribution of the Ethoz Group's financial results.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (b) written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Transaction.

At the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any material interest in the Transaction, and therefore no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene an extraordinary general meeting for the approval of the Transaction. As such, the Transaction may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules.

At the Latest Practicable Date, Tan Chong Consolidated Sdn. Bhd., Promenade Group Limited and Time Strategy Group Limited, in which Mr. Tan Eng Soon (chairman of the Board and an executive Director) has an interest and which together constitute a closely allied group of Shareholders, hold 705,819,720 Shares, 212,067,000 Shares and 104,497,700 Shares, respectively, and together represent approximately 50.78% of the issued share capital of the Company at the Latest Practicable Date. The Company has obtained the written approval of Tan Chong Consolidated Sdn. Bhd., Promenade Group Limited and Time Strategy Group Limited, on the Definitive Agreement and the Transaction pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Transaction.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.03 OF THE LISTING RULES

Pursuant to Rule 4.03 of the Listing Rules, the accountants' report of the Ethoz Group which is required to be included in this circular must be prepared by certified public accountants who are qualified under the PAO. Rule 4.03(2) of the Listing Rules also provides that, in the case of a circular issued by a listed issuer in connection with acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practising accountants which is not qualified under the PAO but which is acceptable to the Stock Exchange. Such a firm must normally: (a) have an international name and reputation; (b) be a member of a recognised body of accountants; and (c) be subject to independent oversight by a regulatory body of a jurisdiction that is a full signatory to the IOSCO MMOU. It would be acceptable if the relevant audit oversight body is not a signatory to the IOSCO MMOU but the securities regulator in the same jurisdiction is a full signatory to the IOSCO MMOU.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow KPMG Singapore to act as the reporting accountant for the accountants' report of the Ethoz Group for inclusion in this circular on the following grounds and conditions:

(a) With Ethoz incorporated in Singapore, the headquarters, key financial reporting staff and accounting work papers of the Ethoz Group are primarily located in Singapore. KPMG Singapore has been the auditor of the Ethoz Group since 2007 and is therefore familiar with the Ethoz Group's business and financial recording system. The relevant audit team of KPMG Singapore is familiar with and also has geographical proximity to the relevant personnel and records of the Ethoz Group. The Company therefore considers that it would be unduly burdensome, impractical, costly and inefficient for KPMG Hong Kong or another accountant qualified under the PAO (whom is not the current auditor of the Ethoz Group) to prepare the accountants' report;

(b) KPMG Singapore is (i) a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee, in which the KPMG network of member firms is one of the "big four" global accounting firms and has an international name and reputation; and (ii) independent of the Company and the Ethoz Group;

(c) The audit partner performing audit services for the Ethoz Group from KPMG Singapore is a member of the Institute of Singapore Chartered Accountants. The Institute of Singapore Chartered Accountants is the legal accounting profession organisation in Singapore and a member of the International Federation of Accountants, a global organisation for the accountancy profession. In addition, KPMG Singapore and the audit partner performing audit services for the Ethoz Group from KPMG Singapore are registered with the Accounting and Corporate Regulatory Authority in Singapore, being the national regulator of business entities, public accountants and corporate service provider in Singapore;

(d) Engagement quality control reviewer as an additional reviewer will be assigned by KPMG Singapore as required to review the accountants' report. KPMG Hong Kong will assist KPMG Singapore in ensuring the disclosure requirements of the Companies Ordinance and the applicable provisions of the Listing Rules are duly complied with in the preparation of the accountants' report;

(e) KPMG Hong Kong and KPMG Singapore will assist the Company in ensuring the disclosure requirements of the Companies Ordinance, the applicable provisions of the Listing Rules and the requirements of the relevant accounting standards in Hong Kong (including "Hong Kong Standard on Investment Circular Reporting Engagements 200 – Accountants' Reports on Historical Financial Information in Investment Circulars (HKSIR 200)") are duly complied with in respect of the accountants' report;

(f) The historical financial information of the Ethoz Group contained in the accountants' report will be prepared under International Financial Reporting Standards and the audit will be conducted in accordance with International Auditing Standards, which are consistent with the accounting and auditing standards adopted by the Company; and

(g) The Monetary Authority of Singapore (being the securities regulator of Singapore) is a full signatory of the IOSCO MMOU.

GENERAL

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Definitive Agreement and the Transaction are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and would recommend the Shareholders to vote in favour of the resolution to approve the Definitive Agreement and the Transaction if it had been necessary to hold a general meeting for such purpose.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Tan Chong International Limited
Sng Chiew Huat
Finance Director

1. FINANCIAL INFORMATION OF THE GROUP

By way of reference, the financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tanchong.com) respectively:

(a) the annual report of the Company for the year ended 31 December 2019 published on 23 April 2020 (pages 35 to 123):
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300620.pdf

(b) the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021 (pages 35 to 119):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200801.pdf

(c) the annual report of the Company for the year ended 31 December 2021 published on 20 April 2022 (pages 39 to 123):
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042001012.pdf

(d) the interim report of the Company for the six months ended 30 June 2022 published on 14 September 2022 (pages 6 to 24):
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0914/2022091400606.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$5,834 million and lease liabilities of approximately HK$610 million, details of which are set out as follows:

Borrowings

	HK$'000
Bank loans	
- secured and unguaranteed	816
- unsecured and guaranteed	3,423,847
- unsecured and unguaranteed	1,793,897
	5,218,560
Bank overdraft	
- secured and unguaranteed	2,719
- unsecured and unguaranteed	247,453
	250,172
Other borrowings	
- Unsecured and unguaranteed	365,406
	365,406
Total	5,834,138

Lease Liabilities

As at 30 September 2022, the Enlarged Group had lease liabilities of approximately HK$610 million for the lease of plant, machinery and equipment, motor vehicles, and other properties leased for own use, which were unsecured and unguaranteed.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any other outstanding debt securities, borrowings, loans, mortgages, charges, debentures, loan capital and bank overdrafts or other similar indebtedness, financial leases or hire purchase commitment, liabilities under acceptances (other than normal trade and other payables), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 30 September 2022.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group (including but not limited to internally generated funds, cash and cash equivalents, and the external facilities from banks and financial institutions), the Enlarged Group has sufficient working capital for its present requirements, for at least the next twelve months from the date of this circular.

The following is the text of a report as set out on pages II – 1 to II – 67 received from the reporting accountants, KPMG LLP, Public Accountants and Chartered Accountants, Singapore, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ETHOZ GROUP LTD. AND ITS SUBSIDIARIES TO THE DIRECTORS OF TAN CHONG INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of ETHOZ Group Ltd. ("**Ethoz**") and its subsidiaries (together, the "**Ethoz Group**") set out on pages II - 3 to II - 67, which comprises the consolidated statements of financial position of the Ethoz Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 and the consolidated statements of profit or loss and comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II - 3 to II - 67 forms an integral part of this report, which has been prepared for inclusion in the circular of Tan Chong International Limited (the "**Company**") dated 25 November 2022 (the "**Circular**") in connection with the acquisition of the remaining interests in Ethoz.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of the Ethoz Group as defined on page II - 3, on which the Historical Financial Information is based, were prepared by the directors of Ethoz. The directors of Ethoz are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"), and for such internal control as the directors of Ethoz determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Ethoz Group's financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 and of the Ethoz Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Ethoz Group which comprises the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of Ethoz are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II - 3 have been made.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 November 2022

Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Ethoz Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us under separate terms of engagement with Ethoz in accordance with International Standards on Auditing issued by the IAASB ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Singapore dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

Consolidated statements of financial position

		Year ended 31 December			As at 30 June
	Note	**2019**	**2020**	**2021**	**2022**
		$'000	**$'000**	**$'000**	**$'000**
Assets					
Property, plant and equipment	4	203,279	190,298	170,331	159,953
Investment property	5	9,400	9,400	9,400	9,400
Club membership		71	46	21	–
Loans and advances	6	511,235	398,679	339,265	302,198
Contract costs	13	1,671	1,069	679	462
Deferred tax assets	7	1,548	2,191	2,487	2,807
Non-current assets		727,204	601,683	522,183	474,820
Inventories		420	321	196	295
Trade and other receivables	8	49,167	56,280	53,931	40,846
Loans and advances	6	311,934	343,259	408,892	411,640
Contract costs	13	1,005	682	461	391
Prepayments		1,625	1,455	1,423	2,824
Cash and cash equivalents	9	26,834	35,641	45,158	168,068
Current assets		390,985	437,638	510,061	624,064
Total assets		1,118,189	1,039,321	1,032,244	1,098,884
Equity					
Share capital	10	2,000	2,000	2,000	1,600
Reserves	10	232,750	254,386	283,941	220,793
Equity attributable to owners of Ethoz		234,750	256,386	285,941	222,393
Liabilities					
Loans and borrowings	11	417,457	334,474	283,352	365,397
Lease liabilities		1,946	6,567	8,611	8,108
Deferred tax liabilities	7	20,908	20,067	19,519	19,964
Non-current liabilities		440,311	361,108	311,482	393,469
Loans and borrowings	11	383,085	323,467	339,484	371,619
Lease liabilities		924	748	1,162	1,163
Trade and other payables	12	57,290	92,180	89,910	106,472
Current tax liabilities		1,829	5,432	4,265	3,768
Current liabilities		443,128	421,827	434,821	483,022
Total liabilities		883,439	782,935	746,303	876,491
Total equity and liabilities		1,118,189	1,039,321	1,032,244	1,098,884

The accompanying notes form an integral part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
					(unaudited)	
Revenue	13	130,130	123,134	118,531	58,967	58,321
Cost of sales	14	(58,595)	(56,474)	(54,720)	(27,363)	(27,266)
Gross profit		71,535	66,660	63,811	31,604	31,055
Other operating income		3,408	6,390	4,963	2,721	2,087
Distribution expenses		(525)	(471)	(633)	(291)	(405)
Administrative expenses		(28,981)	(26,371)	(26,613)	(13,478)	(13,078)
Other operating expenses		(207)	(1,057)	(335)	(130)	(212)
Impairment losses on trade receivables and loans and advances	16	(3,871)	(8,302)	(5,103)	(2,250)	(2,056)
Results from operating activities		41,359	36,849	36,090	18,176	17,391
Finance income		78	432	272	140	249
Finance costs		(15,823)	(10,816)	(8,988)	(4,276)	(4,444)
Net finance (costs)/income	15	(15,745)	(10,384)	(8,716)	(4,136)	(4,195)
Profit before tax		25,614	26,465	27,374	14,040	13,196
Tax expense	17	(7,297)	(6,547)	(6,682)	(2,966)	(3,281)
Profit for the year/period attributable to owners of Ethoz	16	18,317	19,918	20,692	11,074	9,915
Other comprehensive income						
Item that is or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations		(5,432)	9,718	8,863	5,475	(4,463)
Other comprehensive income for the year/ period, net of tax		(5,432)	9,718	8,863	5,475	(4,463)
Total comprehensive income for the year/ period attributable to owners of Ethoz		12,885	29,636	29,555	16,549	5,452

The accompanying notes form an integral part of the Historical Financial Information.

Consolidated statements of changes in equity

Group	Note	Share capital $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2019		2,000	(8,708)	236,573	229,865
Total comprehensive income for the year					
Profit for the year		–	–	18,317	18,317
Other comprehensive income					
Foreign currency translation differences		–	(5,432)	–	(5,432)
Total comprehensive income for the year		–	(5,432)	18,317	12,885
Transactions with owners of Ethoz, recognised directly in equity					
Distributions to owners of Ethoz					
Dividends declared	10	–	–	(8,000)	(8,000)
Total transaction with owners of Ethoz		–	–	(8,000)	(8,000)
At 31 December 2019		2,000	(14,140)	246,890	234,750
At 1 January 2020		2,000	(14,140)	246,890	234,750
Total comprehensive income for the year					
Profit for the year		–	–	19,918	19,918
Other comprehensive income					
Foreign currency translation differences		–	9,718	–	9,718
Total comprehensive income for the year		–	9,718	19,918	29,636
Transactions with owners of Ethoz, recognised directly in equity					
Distributions to owners of Ethoz					
Dividends declared	10	–	–	(8,000)	(8,000)
Total transaction with owners of Ethoz		–	–	(8,000)	(8,000)
At 31 December 2020		2,000	(4,422)	258,808	256,386

The accompanying notes form an integral part of the Historical Financial Information.

Consolidated statements of changes in equity *(cont'd)*

Group	Note	Share capital $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2021		2,000	(4,422)	258,808	256,386
Total comprehensive income for the year					
Profit for the year		–	–	20,692	20,692
Other comprehensive income					
Foreign currency translation differences		–	8,863	–	8,863
Total comprehensive income for the year		–	8,863	20,692	29,555
At 31 December 2021		2,000	4,441	279,500	285,941
At 1 January 2021		2,000	(4,422)	258,808	256,386
Total comprehensive income for the period					
Profit for the period (unaudited)		–	–	11,074	11,074
Other comprehensive income					
Foreign currency translation differences (unaudited)		–	5,475	–	5,475
Total comprehensive income for the period (unaudited)		–	5,475	11,074	16,549
At 30 June 2021 (unaudited)		2,000	1,053	269,882	272,935
At 1 January 2022		2,000	4,441	279,500	285,941
Total comprehensive income for the period					
Profit for the period		–	–	9,915	9,915
Other comprehensive income					
Foreign currency translation differences		–	(4,463)	–	(4,463)
Total comprehensive income for the period		–	(4,463)	9,915	5,452
Transactions with owners of Ethoz, recognised directly in equity					
Distributions to owners of Ethoz					
Dividends declared	10	–	–	(8,000)	(8,000)
Repurchase of shares from shareholder	10	(400)	–	(60,600)	(61,000)
Total transaction with owners of Ethoz		(400)	–	(68,600)	(69,000)
At 30 June 2022		1,600	(22)	220,815	222,393

The accompanying notes form an integral part of the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		$'000	$'000	$'000	$'000	$'000
					(unaudited)	
Cash flows from operating activities						
Profit for the year/period		18,317	19,918	20,692	11,074	9,915
Adjustments for:						
Allowance for doubtful receivables (net)		3,871	8,302	5,103	2,250	2,056
Depreciation of property, plant and equipment		33,998	36,098	36,059	18,074	17,644
Derecognition on termination of lease		–	–	199	–	365
Amortisation of club membership		25	25	25	13	21
Net gains on disposal of property, plant and equipment		(3,450)	(2,031)	(2,713)	(1,148)	(1,712)
Net finance cost		15,745	10,384	8,716	4,136	4,195
Tax expense		7,297	6,547	6,682	2,966	3,281
Unrealised exchange differences		(1)	(144)	(53)	36	2
		75,802	79,099	74,710	37,401	35,767
Changes in:						
-inventories		(26)	99	125	48	(99)
-loans and advances		(22,505)	81,876	(5,019)	(14,323)	29,411
-trade and other receivables		(7,480)	(7,786)	2,219	(9,526)	13,079
-contract costs		808	925	611	255	287
-prepayments		(595)	170	32	(2,841)	(1,401)
-trade and other payables		8,098	42,198	3,159	(16,100)	20,178
Cash from operations		54,102	196,581	75,837	(5,086)	97,222
Purchase of motor vehicles		(48,054)	(20,002)	(15,520)	(7,666)	(8,289)
Proceeds from disposal of motor vehicles		8,642	6,470	6,684	3,120	2,980
Interest paid		(7,655)	(6,686)	(5,322)	(1,314)	(3,486)
Tax paid		(5,683)	(4,429)	(8,692)	(4,980)	(3,652)
Net cash from/(used in) operating activities		1,352	171,934	52,987	(15,926)	84,775

The accompanying notes form an integral part of the Historical Financial Information.

Consolidated statements of cash flows ***(cont'd)***

		Year ended 31 December			Six months ended 30 June	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
					(unaudited)	
Cash flows from investing activities						
Purchase of property, plant and equipment		(2,236)	(2,213)	(966)	(483)	(158)
Proceeds from disposal of property, plant and equipment		15	–	–	–	–
Interest received		78	432	272	140	249
Net cash from/(used in) investing activities		(2,143)	(1,781)	(694)	(343)	91
Cash flows from financing activities						
Dividends paid		(8,000)	(8,000)	–	–	(8,000)
Repurchase of shares from shareholder		–	–	–	–	(61,000)
Payment of transaction cost related to loans and borrowings		(4,675)	(1,691)	(1,570)	(1,570)	(2,637)
Payment of lease liabilities		(817)	(850)	(1,181)	(545)	(959)
Payment of lease interest		(135)	(132)	(285)	(123)	(114)
Proceeds from bank borrowings		538,048	227,124	289,950	175,000	291,974
Repayment of bank borrowings		(506,942)	(371,448)	(326,567)	(156,444)	(176,454)
Interest paid		(12,759)	(7,360)	(5,541)	(3,084)	(3,161)
Net cash from/(used in) financing activities		4,720	(162,357)	(45,194)	13,234	39,649
Net increase/(decrease) in cash and cash equivalents		3,929	7,796	7,099	(3,035)	124,515
Cash and cash equivalents at beginning of year		22,659	26,834	35,641	35,641	45,158
Effect of exchange rate fluctuation on cash held		246	1,011	2,418	1,347	(1,605)
Cash and cash equivalents at end of year	9	26,834	35,641	45,158	33,953	168,068

The accompanying notes form an integral part of the Historical Financial Information.

Notes to the Historical Financial Information

1 General information

Ethoz Group Ltd. (the "Ethoz") is incorporated in the Republic of Singapore. The address of Ethoz's registered office at 30 Bukit Batok Crescent, Singapore 658075.

Ethoz Group is primarily involved in the sale, leasing and financing of motor vehicles, leasing of equipment, commercial loans and provision of motor vehicles repair services.

Information about subsidiaries

As at 30 June 2022, Ethoz had direct interests in the following principal subsidiaries, the particulars of which are set out below:

Name of subsidiary	Place and date of incorporation	Currency	Issued ordinary share capital	Percentage of equity attributable to Ethoz Group	Principal activities
			$	%	
ETHOZ Protect Pte Ltd	Republic of Singapore, 8 January 1991	SGD	100,000	100	Motor vehicle repair and maintenance services
ETHOZ Capital Ltd	Republic of Singapore, 2 December 1995	SGD	50,000,000	100	Financing of commercial loans, leasing and financing of motor vehicles
ETHOZ Auto Leasing Ltd	Republic of Singapore, 23 May 2016	SGD	2,000,000	100	Sale and leasing of motor vehicles
ETHOZ Capital (China) Ltd	China, 16 July 2008	RMB	375,000,000	100	Financing leasing services
ETHOZ Equip Capital Berhad	Malaysia, 26 February 2016	MYR	10,000,000	100	Rental and leasing of equipment

The above table lists the subsidiaries of Ethoz which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of Ethoz Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All companies comprising Ethoz Group have adopted 31 December as their financial year end date.

2 Basis of preparation

2.1 Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing the Historical Financial Information, the accounting policies set out in Note 3 have been applied consistently throughout the Relevant Periods, except for those new accounting standards and interpretations which become effective and have been initially applied during the Relevant Periods. Details of the changes in accounting policies are discussed in Note 2.5.

The IASB has issued a number of new and revised IFRSs. Ethoz Group has not adopted any new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2022 are set out in Note 3.16.

2.2 Basis of measurement

The Historical Financial Information have been prepared on the historical cost basis, except where otherwise indicated in the significant accounting policies below.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2.3 Functional and presentation currency

The Historical Financial Information are presented in Singapore dollars, which is Ethoz's functional currency and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.4 Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – depreciation of property, plant and equipment;
- Note 5 – determination of fair value of investment property; and
- Note 18 – assessment of impairment losses on doubtful receivables and loans and advances

Measurement of fair values

The management has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, Ethoz Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level or the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Ethoz Group recognises transfers between levels of the fair value hierarchy as of the end of the Relevant Periods during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 5 – Investment property; and
Note 18 – Financial risk management

2.5 Changes in accounting policies

Ethoz Group has applied the following amendments to IFRSs for the first time for the financial period beginning on the following periods:

Financial period beginning on 1 January 2020

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IFRS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

Financial period beginning on 1 January 2021

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
- *Covid-19-Related Rent Concessions (Amendments to IFRS 16)*

Financial period beginning on 1 January 2022

- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)*
- *Reference to the Conceptual Framework (Amendments to IFRS 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)*
- *Annual Improvements to IFRSs 2018 – 2020*

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

3.1 Basis of consolidation

(i) Business combinations

Ethoz Group accounts for business combinations using the acquisition method when control is transferred to Ethoz Group.

Ethoz Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at the end of each Relevant Periods and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that Ethoz Group incurs in connection with a business combination are expensed as incurred.

Changes in Ethoz Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by Ethoz Group. Ethoz Group controls an entity when it is exposed to, 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. The Historical Financial Information of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Ethoz Group.

(iii) Loss of control

When Ethoz Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Historical Financial Information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Ethoz Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the Relevant Periods are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the end of the Relevant Periods. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When Ethoz Group disposes only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when Ethoz Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless Ethoz Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

Ethoz Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to Ethoz Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with Ethoz Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset, on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Ethoz Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, Ethoz Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit Ethoz Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

Ethoz Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - Ethoz Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when Ethoz Group enters into transactions whereby it transfers assets recognised in its consolidated statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

Ethoz Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Ethoz Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, Ethoz Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances used by Ethoz Group in the management of its short-term commitments.

(vi) Derivative financial instruments

Ethoz Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(vii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when Ethoz Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Ethoz Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised as an expense from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Assets under construction is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings	40 and 50 years
Leasehold land	50 years
Motor vehicles held for lease	4 – 10 years
Furniture, fittings and workshop equipment	5 years
Office, computer and electrical equipment	3 years
Renovations	5 years
Plant and machinery held for lease	5 years
Leasehold office units (right-of-use asset)	3 years
Leasehold land (right-of-use asset)	30 years

Depreciation methods, useful lives and residual values are reviewed at the end of each Relevant Periods and adjusted if appropriate.

3.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.6 Contract costs

Incremental costs of obtaining a contract for the sale are capitalised as contract costs only if (a) these costs relate directly to a contract or an anticipated contract which Ethoz Group can specifically identify; (b) these costs generate or enhance resources of Ethoz Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as Ethoz Group recognises the related revenue on the contract. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of motor vehicle is calculated on a specific identification basis while the cost of other inventories is based on the first-in first-out formula. Cost comprises the purchase price including import duties (where applicable) and other costs incurred 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 Relevant Periods or management estimates based on prevailing market conditions.

Inventories consist of motor vehicles spare parts.

3.8 Impairment

(i) Non-derivative financial assets

Ethoz Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Loss allowances of Ethoz Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the end of the Relevant Periods (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

Ethoz Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

Ethoz Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At the end of each Relevant Periods, Ethoz Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, Ethoz Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Ethoz Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

Ethoz Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to Ethoz Group in full, without recourse by Ethoz Group to actions such as realising security (if any is held).

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

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Ethoz Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the consolidated statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

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 Ethoz 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Ethoz Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of Ethoz Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at the end of each Relevant Periods to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each Relevant Periods for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if Ethoz Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and Ethoz Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other operating income' on a systematic basis over the useful life of the asset. Grants that compensate Ethoz Group for expenses incurred are recognised in profit or loss as 'other operating income' on a systematic basis in the same periods in which the expenses are recognise, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grants are recognised when it becomes receivable.

3.11 Revenue recognition

(i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when Ethoz Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which Ethoz Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if Ethoz Group does not receive a separate identifiable benefit from the customer.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Interest on hire purchase/finance lease/loan

Term charges on hire purchase, leasing and loan transactions are accounted for using the effective interest method. The balance of such term charges at the financial year end is carried forward as unearned charges.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

(iv) Dividend income

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

3.12 Finance income and finance cost

Ethoz Group's finance income and finance costs include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, finance income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.13 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Ethoz Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the Relevant Periods, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that Ethoz Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which Ethoz Group expects, at the end of the Relevant Periods, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in Ethoz Group. Deferred tax assets are reviewed at the end of each Relevant Periods and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at the end of each Relevant Periods and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, Ethoz Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Ethoz Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes Ethoz Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.14 Segment reporting

An operating segment is a component of Ethoz Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Ethoz Group's other components. All operating segments' operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated amount mainly consists of property, plant and equipment and investment property.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.15 Leases

At inception of a contract, Ethoz Group assesses whether a 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.

As a lessee

At commencement or on modification of a contract that contains a lease component, Ethoz Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the lease of land and buildings in which it is a lessee, Ethoz Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Ethoz Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term, unless the lease transfers ownership of the underlying asset to Ethoz Group by the end of the lease term or the cost of the right-of-use asset reflects that Ethoz Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Ethoz Group's incremental borrowing rate. Generally, Ethoz Group uses its incremental borrowing rate as the discount rate.

Ethoz Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Ethoz Group is reasonably certain to exercise, lease payments in an optional renewal period if Ethoz Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Ethoz Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Ethoz Group's estimate of the amount expected to be payable under a residual value guarantee, or if Ethoz Group changes its assessment of whether it will 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.

Ethoz Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the consolidated statements of financial position.

Short-term leases and leases of low-value assets

Ethoz Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Ethoz Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, Ethoz Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When Ethoz Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Ethoz Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, Ethoz Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When Ethoz Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Ethoz Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then Ethoz Group applies IFRS 15 to allocate the consideration in the contract.

Ethoz Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'. Rental income from sub-leased property is recognised as 'other operating income'.

3.16 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, Ethoz Group has not early adopted the new or amended standards and interpretations in preparing the Historical Financial Information.

The following new IFRSs, interpretations and amendments to IFRSs are not expected to have a significant impact on Ethoz Group's Historical Financial Information.

- *IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

4 Property, plant and equipment

Group	Buildings $'000	Leasehold land $'000	Motor vehicles held for lease $'000	Furniture, fittings and workshop equipment $'000	Office, computer and electrical equipment $'000	Renovations $'000	Plant and machinery held for lease $'000	Under construction $'000	Rights-of-use assets $'000	Total $'000
Cost										
At 1 January 2019	15,620	7,200	264,447	1,160	3,204	3,137	45	–	2,741	297,554
Additions	–	–	48,054	95	451	240	–	1,450	946	51,236
Disposals	–	–	(28,674)	(13)	(1)	(300)	–	–	–	(28,988)
Effect of movement in exchange rates	–	–	1	(3)	(15)	(26)	–	–	–	(43)
At 31 December 2019	15,620	7,200	283,828	1,239	3,639	3,051	45	1,450	3,687	319,759
Additions	–	–	20,002	9	346	59	–	1,799	5,751	27,966
Transfer/reclassifications	–	–	–	–	–	1,450	–	(1,450)	–	–
Lease modification	–	–	–	–	–	–	–	–	(555)	(555)
Disposals	–	–	(19,264)	(58)	(384)	–	–	–	–	(19,706)
Effect of movement in exchange rates	–	–	(4)	21	113	42	–	–	174	346
At 31 December 2020	15,620	7,200	284,562	1,211	3,714	4,602	45	1,799	9,057	327,810
Additions	–	–	15,520	3	372	214	–	377	3,724	20,210
Transfer/reclassifications	–	–	7	–	–	1,439	–	(1,446)	–	–
Termination of lease	–	–	–	–	–	–	–	–	(1,785)	(1,785)
Disposals	–	–	(12,149)	(46)	(32)	–	(43)	–	–	(12,270)
Effect of movement in exchange rates	–	–	(21)	6	41	47	–	–	166	239
At 31 December 2021	15,620	7,200	287,919	1,174	4,095	6,302	2	730	11,162	334,204
Additions	–	–	8,289	2	63	19	–	75	454	8,902
Transfer/reclassifications	–	–	13	368	–	27	–	(408)	–	–
Termination of lease	–	–	–	–	–	–	–	–	(694)	(694)
Disposals	–	–	(1,966)	–	–	–	–	–	–	(1,966)
Effect of movement in exchange rates	–	–	(45)	(4)	(25)	(29)	–	–	(83)	(186)
At 30 June 2022	15,620	7,200	294,210	1,540	4,133	6,319	2	397	10,839	340,260

Group	Buildings $'000	Leasehold land $'000	Motor vehicles held for lease $'000	Furniture, fittings and workshop equipment $'000	Office, computer and electrical equipment $'000	Renovations $'000	Plant and machinery held for lease $'000	Under construction $'000	Rights-of-use assets $'000	Total $'000
Accumulated depreciation										
At 1 January 2019	4,560	2,267	93,827	1,018	2,471	2,135	45	–	–	106,323
Depreciation charge for the year	348	144	31,640	74	469	429	–	–	894	33,998
Disposals	–	–	(23,604)	(11)	(1)	(165)	–	–	–	(23,781)
Effect of movement in exchange rates	–	–	(1)	(2)	(13)	(44)	–	–	–	(60)
At 31 December 2019	4,908	2,411	101,862	1,079	2,926	2,355	45	–	894	116,480
Depreciation charge for the year	347	144	33,441	54	473	659	–	–	980	36,098
Disposals	–	–	(14,825)	(58)	(384)	–	–	–	–	(15,267)
Effect of movement in exchange rates	–	–	*	19	99	31	–	–	52	201
At 31 December 2020	5,255	2,555	120,478	1,094	3,114	3,045	45	–	1,926	137,512
Depreciation charge for the year	348	143	33,091	50	428	798	–	–	1,201	36,059
Termination of lease	–	–	–	–	–	–	–	–	(1,586)	(1,586)
Disposals	–	–	(8,178)	(46)	(32)	–	(43)	–	–	(8,299)
Effect of movement in exchange rates	–	–	(3)	5	36	41	–	–	108	187
At 31 December 2021	5,603	2,698	145,388	1,103	3,546	3,884	2	–	1,649	163,873
Depreciation charge for the period	174	72	16,193	27	174	399	–	–	605	17,644
Termination of lease	–	–	–	–	–	–	–	–	(423)	(423)
Disposals	–	–	(698)	–	–	–	–	–	–	(698)
Effect of movement in exchange rates	–	–	(16)	(4)	(21)	(25)	–	–	(23)	(89)
At 30 June 2022	5,777	2,770	160,867	1,126	3,699	4,258	2	–	1,808	180,307
Carrying amounts										
At 31 December 2019	10,712	4,789	181,966	160	713	696	–	1,450	2,793	203,279
At 31 December 2020	10,365	4,645	164,084	117	600	1,557	–	1,799	7,131	190,298
At 31 December 2021	10,017	4,502	142,531	71	549	2,418	–	730	9,513	170,331
At 30 June 2022	9,843	4,430	133,343	414	434	2,061	–	397	9,031	159,953

* less than $1,000

Property, plant and equipment under construction

For six months period ended 30 June 2022, the cost for the renovation work for its office incurred up to $75,000 (years ended 31 December 2021: $377,000; 31 December 2020: $1,799,000, 31 December 2019: $1,450,000).

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Ethoz Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any Relevant Periods. The estimation of useful lives is based on assumptions about wear and tear, ageing, technical standards and changes in demand as well as Ethoz Group's historical experience with similar assets. Changes in these factors may impact the useful lives of assets, which could result in higher annual depreciation expenses.

5 Investment property

	Freehold land and building $'000
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	9,400

Investment property comprises an industrial building that is leased to external party for a period ranging from 2 to 3 years. Subsequent renewal of the operating lease is negotiated with the lessee.

Changes in fair values are recognised as gains in profit or loss and included in `other operating income`. All gains are unrealised.

Amounts recognised in profit or loss

Rental income from investment property recognised by Ethoz Group for six months period ended 30 June 2022 and for years ended 31 December 2021, 31 December 2020, 31 December 2019 was $234,000, $468,000, $429,000 and $468,000 respectively and was included in 'other operating income'. The direct operating expenses from investment property that generated rental income is disclosed in Note 16.

Fair value hierarchy

The fair value of investment property was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value measurement for the investment property of $9,400,000 as at 30 June 2022 (31 December 2019 – 31 December 2021: $9,400,000) has been categorised as a Level 3 of the fair value based on the inputs to the valuation technique used (see Note 2.4).

Valuation technique and significant unobservable inputs

The following table shows Ethoz Group's valuation technique used in measuring the fair value of the investment property as well as significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation approach:	***Capitalisation rate:***	The estimated fair value varies inversely against the capitalisation rate.
The valuation model capitalises an income stream into a present value using single-year capitalisation rates. The income stream used is adjusted to recent leasing transactions achieved within the investment property.	6.70% (31 December 2021: 6.80%; 31 December 2020: 3.90%; 31 December 2019: 3.80%) derived from real estate publications from the related markets and comparable transactions.	
Direct comparison approach:		
The direct comparison method considered transacted prices of comparable properties.	Adjusted price per square foot.	The estimated fair value varies directly with the adjusted price per square foot.

Transfers between different levels of the fair value hierarchy

There were no transfers between the different levels of the fair value hierarchy for years ended 31 December 2019, 31 December 2020 and 31 December 2021 and for the period ended 30 June 2022.

6. Loans and advances

Ethoz Group provides loans and acts as lessor, under hire purchase contracts and finance lease, mainly of motor vehicles, consumer goods and IT equipment. Interest is charged over the period of the contract based on market related interest rates. The receivables are secured by the underlying assets or deed of guarantees.

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Hire purchase receivables	168,315	106,013	61,561	46,155
Finance lease receivables	309,521	279,687	312,555	314,822
Loan receivables	495,949	470,187	475,917	446,917
	973,785	855,887	850,033	807,894
Unearned interest income	(150,616)	(113,949)	(101,876)	(94,056)
Total loans and advances	823,169	741,938	748,157	713,838
These comprise balances:				
Due within 12 months	311,934	343,259	408,892	411,640
Due after 12 months	511,235	398,679	339,265	302,198
	823,169	741,938	748,157	713,838

Since 2020, Ethoz Group reviewed the expected maturity of the loans and advances to best reflect the conditions and circumstances based on the historical redemption and termination pattern.

In 2019, the expected maturity of the loans and advances were based on the contractual maturity.

Loans and advances

	Hire purchase receivables $'000	Finance lease receivables $'000	Loan receivables $'000	Total $'000
Group				
31 December 2019				
Gross receivables	169,052	314,469	498,282	981,803
Unearned interest income	(16,580)	(37,806)	(96,230)	(150,616)
Allowance for collective impairments	(737)	(4,948)	(2,333)	(8,018)
Net receivables	151,735	271,715	399,719	823,169
Expected maturity as follows:				
Gross receivables				
Less than 1 year	53,012	144,729	168,911	366,652
Between 1 and 5 years	111,740	169,524	174,313	455,577
More than 5 years	4,300	216	155,058	159,574
	169,052	314,469	498,282	981,803
Net receivables				
Less than 1 year	45,585	121,070	145,279	311,934
Between 1 and 5 years	101,997	150,433	126,042	378,472
More than 5 years	4,153	212	128,398	132,763
	151,735	271,715	399,719	823,169
31 December 2020				
Gross receivables	106,706	286,307	473,579	866,592
Unearned interest income	(6,930)	(34,877)	(72,142)	(113,949)
Allowance for collective impairments	(693)	(6,620)	(3,392)	(10,705)
Net receivables	99,083	244,810	398,045	741,938
Expected maturity as follows:				
Gross receivables				
Less than 1 year	76,181	127,119	189,375	392,675
Between 1 and 5 years	30,342	159,116	284,204	473,662
More than 5 years	183	72	–	255
	106,706	286,307	473,579	866,592
Net receivables				
Less than 1 year	71,195	108,470	163,594	343,259
Between 1 and 5 years	27,707	136,269	234,451	398,427
More than 5 years	181	71	–	252
	99,083	244,810	398,045	741,938

	Hire purchase receivables $'000	Finance lease receivables $'000	Loan receivables $'000	Total $'000
Group				
31 December 2021				
Gross receivables	62,045	319,780	480,279	862,104
Unearned interest income	(3,367)	(43,750)	(54,759)	(101,876)
Allowance for collective impairments	(484)	(7,225)	(4,362)	(12,071)
Net receivables	58,194	268,805	421,158	748,157
Expected maturity as follows:				
Gross receivables				
Less than 1 year	49,265	132,527	282,729	464,521
Between 1 and 5 years	12,780	187,253	197,550	397,583
More than 5 years	–	–	–	–
	62,045	319,780	480,279	862,104
Net receivables				
Less than 1 year	46,404	107,183	255,305	408,892
Between 1 and 5 years	11,790	161,621	165,854	339,265
More than 5 years	–	–	–	–
	58,194	268,804	421,159	748,157
30 June 2022				
Gross receivables	46,546	323,176	451,534	821,256
Unearned interest income	(2,917)	(42,998)	(48,141)	(94,056)
Allowance for collective impairments	(392)	(8,353)	(4,617)	(13,362)
Net receivables	43,237	271,825	398,776	713,838
Expected maturity as follows:				
Gross receivables				
Less than 1 year	36,099	134,873	319,874	490,846
Between 1 and 5 years	10,447	188,192	131,660	330,299
More than 5 years	–	111	–	111
	46,546	323,176	451,534	821,256
Net receivables				
Less than 1 year	33,528	109,038	269,074	411,640
Between 1 and 5 years	9,709	162,687	129,702	302,098
More than 5 years	–	100	–	100
	43,237	271,825	398,776	713,838

The following table indicates the expected periods in which financial instruments reprice or mature at the end of the Relevant Periods:

	Fixed interest rate instruments			
	Within 1 year $'000	In 1 to 5 years $'000	After 5 years $'000	Total $'000
Group				
31 December 2019				
Financial assets				
Hire purchase receivables	45,585	101,997	4,153	151,735
Finance lease receivables	121,070	150,433	212	271,715
Loan receivables	145,279	126,042	128,398	399,719
	311,934	378,472	132,763	823,169
31 December 2020				
Financial assets				
Hire purchase receivables	71,195	27,707	181	99,083
Finance lease receivables	108,470	136,269	71	244,810
Loan receivables	163,594	234,451	–	398,045
	343,259	398,427	252	741,938
31 December 2021				
Financial assets				
Hire purchase receivables	46,404	11,790	–	58,194
Finance lease receivables	107,183	161,621	–	268,804
Loan receivables	255,305	165,854	–	421,159
	408,892	339,265	–	748,157
30 June 2022				
Financial assets				
Hire purchase receivables	33,528	9,709	–	43,237
Finance lease receivables	109,038	162,687	100	271,825
Loan receivables	269,074	129,702	–	398,776
	411,640	302,098	100	713,838

Ethoz Group's exposure to credit risk and impairment losses related to loans and advances is disclosed in Note 18.

7 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities during the year are as follows:

	At 1 January 2019 $'000	Recognised in profit or loss (Note 17) $'000	Exchange differences $'000	At 31 December 2019 $'000	Recognised in profit or loss (Note 17) $'000	Exchange differences $'000	At 31 December 2020 $'000	Recognised in profit or loss (Note 17) $'000	Exchange differences $'000	At 31 December 2021 $'000
Group										
Deferred tax assets										
Trade and other receivables	1,252	334	(38)	1,548	558	85	2,191	174	122	2,487
Deferred tax liabilities										
Finance lease receivables	(6,840)	(464)	–	(7,304)	(111)	–	(7,415)	298	–	(7,117)
Property, plant and equipment	(15,349)	(3,187)	–	(18,536)	3,891	–	(14,645)	1,458	–	(13,187)
Trade and other payables	3,608	1,324	–	4,932	(2,939)	–	1,993	(1,208)	–	785
	(18,581)	(2,327)	–	(20,908)	841	–	(20,067)	548	–	(19,519)
	(17,329)	(1,993)	(38)	(19,360)	1,399	85	(17,876)	722	122	(17,032)

	At 1 January 2022 $'000	Recognised in profit or loss (Note 17) $'000	Exchange differences $'000	At 30 June 2022 $'000
Group				
Deferred tax asset				
Trade and other receivables	2,487	379	(59)	2,807
Deferred tax liabilities				
Finance lease receivables	(7,117)	(11)	–	(7,128)
Property, plant and equipment	(13,187)	(106)	–	(13,293)
Trade and other payables	785	(328)	–	457
	(19,519)	(445)	–	(19,964)
	(17,032)	(66)	(59)	(17,157)

8 Trade and other receivables

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Trade receivables	32,918	40,053	34,421	34,103
Allowance for doubtful receivables	(85)	(277)	(120)	(126)
Net trade receivables	32,833	39,776	34,301	33,977
Deposits	487	416	421	184
Other receivables	1,547	3,819	6,391	6,355
	34,867	44,011	41,113	40,516
Advances to suppliers	–	108	–	–
Goods and services tax/Value-added tax receivables	14,300	12,161	12,818	330
	49,167	56,280	53,931	40,846

An ageing analysis of the trade receivables as at the end of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Within 30 days	9,477	7,554	8,300	9,902
31 to 90 days	7,474	9,600	5,473	2,806
91 to 150 days	5,291	4,613	3,318	3,229
More than 150 days	10,591	18,009	17,210	18,040
	32,833	39,776	34,301	33,977

Other receivables mainly pertain to Enterprise SG ("ESG") reimbursement and general receivables.

Ethoz Group's exposures to credit risk and impairment losses related to trade and other receivables is disclosed in Note 18.

9 Cash and cash equivalents

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Cash at bank	26,812	35,633	45,153	168,063
Cash in hand	22	8	5	5
	26,834	35,641	45,158	168,068

10 Capital and reserves

Share capital

	Number of shares			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	'000	'000	'000	'000
Fully paid ordinary shares, with no par value:				
At beginning of the year/period	2,000	2,000	2,000	2,000
Repurchase and cancellation of shares	–	–	–	(400)
At end of the year/period	2,000	2,000	2,000	1,600

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 Ethoz. All shares rank equally with regard to Ethoz's residual assets.

On 29 June 2022, Ethoz Group entered into a definitive agreement with its shareholders, in which, Ethoz Group will become a direct wholly owned subsidiary of Tan Chong Investments Limited, upon the completion of the transactions detailed in the agreement. In the performance of the first transaction agreed in the agreement, Ethoz Group has repurchased 400,000 shares (representing 20% of the total issued share capital of Ethoz) from its shareholder, Orix Corporation, on 29 June 2022, for a consideration of S$61 million. The shares repurchased was subsequently cancelled on 29 June 2022.

Reserves

The reserves comprise the following items:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Translation reserve	(14,140)	(4,422)	4,441	(22)
Retained earnings	246,890	258,808	279,500	220,815
	232,750	254,386	283,941	220,793

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the Historical Financial Information of foreign operations.

Dividends

The following dividends were declared and paid by Ethoz:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
				(unaudited)	
Paid by Ethoz to owners of Ethoz					
$4.00 per qualifying ordinary share (2021: $Nil; 2020: $4.00; 2019: $4.00)	8,000	8,000	–	–	8,000

11 Loans and borrowings

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Unsecured bank loans	418,968	316,755	238,997	333,934
Amount due to Enterprise Singapore	1,223	19,066	45,089	32,848
Less: Unamortised loan issuance cost	(2,734)	(1,347)	(734)	(1,385)
	417,457	334,474	283,352	365,397
Current liabilities				
Unsecured short term bank loans	40,608	19,586	–	18,106
Current portion of unsecured long term bank loans	322,405	293,531	303,107	315,379
Current portion of amount due to Enterprise Singapore	2,011	12,854	38,082	40,555
Current portion of secured long term bank loans	20,900	–	–	–
Less: Unamortised loan issuance cost	(2,839)	(2,504)	(1,705)	(2,421)
	383,085	323,467	339,484	371,619
Total loans and borrowings	800,542	657,941	622,836	737,016

Loans and borrowings are repayable, including interest payments are as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
On demand or within a period not exceeding one year	400,519	332,271	349,886	387,219
Within a period of more than 1 year but not exceeding 2 years	237,351	247,976	199,564	236,966
Within a period of more than 2 years but not exceeding 5 years	193,293	91,677	90,758	138,345
	831,163	671,924	640,208	762,530

Information about Ethoz Group's exposure to interest rate and liquidity risks is included in Note 18.

Terms and debt repayment schedule:

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount S$'000
31 December 2019				
S$ Floating rate loans	COF* + margin, SOR* + margin, 1-month SOR* + margin, Swap rate + margin	2020 - 2024	677,975	672,426
Amount due to Enterprise Singapore	1.25 - 4.25, Spread + (0 - 2.13)	2020 - 2023	3,234	3,234
Fixed rate loans	Fixed Rate	2020 - 2022	124,906	124,882
			806,115	800,542
31 December 2020				
S$ Floating rate loans	COF* + margin, SOR* + margin, 1-month SOR* + margin, Swap rate + margin	2021 - 2025	559,281	555,557
Amount due to Enterprise Singapore	1.25 - 4.25, Spread + (0 - 2.13)	2021 - 2025	31,920	31,920
Fixed rate loans	Fixed Rate	2021 - 2022	70,591	70,464
			661,792	657,941
31 December 2021				
S$ Floating rate loans	COF* + margin, SOR* + margin, 1-month SOR* + margin, SORA* + margin, Swap rate + margin	2021 - 2025	443,448	441,151
Amount due to Enterprise Singapore	0.70 - 4.25, Spread + (0 - 2.00)	2021 - 2025	83,171	83,171
Fixed rate loans	Fixed Rate	2020 - 2022	98,656	98,514
			625,275	622,836
30 June 2022				
S$ Floating rate loans	COF* + margin, SOR* + margin, 1-month SOR* + margin, SORA* + margin, Swap rate + margin	2022 – 2026	619,314	615,604
Amount due to Enterprise Singapore	0.70 - 4.25, Spread + (0 - 2.00)	2022 – 2026	73,403	73,403
Fixed rate loans	Fixed Rate	2022 - 2023	48,105	48,009
			740,822	737,016

* Swap Offer Rate/Cost of Fund/Singapore Overnight Rate Average

Amount due to Enterprise Singapore represent unsecured advances under the Enterprise Finance Scheme (EFS) and Local Enterprise Finance Scheme (LEFS) to finance EFS/LEFS borrowers respectively. The interest rates and repayment period vary in accordance with the type, purpose and security of the facilities granted under the scheme. Credit risks are shared with Enterprise Singapore.

The following table indicates the expected periods in which financial liabilities reprice or mature for fixed interest rate loans and borrowings at the end of the Relevant Periods:

Group	Within 1 year $'000	In 1 to 5 years $'000	Total $'000
31 December 2019			
Financial liabilities			
Fixed rate loans	79,791	45,115	124,906
Amount due to Enterprise Singapore	2,011	1,223	3,234
	81,802	46,338	128,140
31 December 2020			
Financial liabilities			
Fixed rate loans	26,859	43,732	70,591
Amount due to Enterprise Singapore	12,855	19,065	31,920
	39,714	62,797	102,511
31 December 2021			
Financial liabilities			
Fixed rate loans	50,282	48,374	98,656
Amount due to Enterprise Singapore	38,082	45,089	83,171
	88,364	93,463	181,827
30 June 2022			
Financial liabilities			
Fixed rate loans	33,106	14,999	48,105
Amount due to Enterprise Singapore	40,555	32,848	73,403
	73,661	47,847	121,508

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities			
	Loans and borrowings $'000	**Interest payable $'000**	**Lease liabilities $'000**	**Total $'000**
Balance at 1 January 2019	771,440	304	2,741	774,485
Changes from financing cash flows				
Proceeds from bank borrowings	538,048	–	–	538,048
Repayment of bank borrowings	(506,942)	–	–	(506,942)
Payment of issuance cost related to loans and borrowings	(4,675)	–	–	(4,675)
Interest paid	–	(20,414)	(135)	(20,549)
Payment of lease liabilities	–	–	(817)	(817)
Total changes from financing cash flows	26,431	(20,414)	(952)	5,065
Other changes				
Liability-related				
Addition of lease liabilities	–	–	946	946
Interest expense	–	20,523	135	20,658
Amortisation of transaction cost	2,671	–	–	2,671
Total other changes	2,671	20,523	1,081	24,275
Balance at 31 December 2019	800,542	413	2,870	803,825

	Liabilities			
	Loans and borrowings $'000	Interest payable $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2020	800,542	413	2,870	803,825
Changes from financing cash flows				
Proceeds from bank borrowings	227,124	–	–	227,124
Repayment of bank borrowings	(371,448)	–	–	(371,448)
Payment of issuance cost related to loans and borrowings	(1,691)	–	–	(1,691)
Interest paid	–	(14,046)	(132)	(14,178)
Payment of lease liabilities	–	–	(850)	(850)
Total changes from financing cash flows	(146,015)	(14,046)	(982)	(161,043)
Other changes				
Liability-related				
Addition of lease liabilities	–	–	5,751	5,751
Interest expense	–	13,893	132	14,025
Lease modification	–	–	(456)	(456)
Amortisation of transaction cost	3,414	–	–	3,414
Total other changes	3,414	13,893	5,427	22,734
Balance at 31 December 2020	657,941	260	7,315	665,516
Balance at 1 January 2021	657,941	260	7,315	665,516
Changes from financing cash flows				
Proceeds from bank borrowings	289,950	–	–	289,950
Repayment of bank borrowings	(326,567)	–	–	(326,567)
Payment of issuance cost related to loans and borrowings	(1,570)	–	–	(1,570)
Interest paid	–	(10,863)	(285)	(11,148)
Payment of lease liabilities	–	–	(1,181)	(1,181)
Total changes from financing cash flows	(38,187)	(10,863)	(1,466)	(50,516)
Other changes				
Liability-related				
Addition of lease liabilities	–	–	3,724	3,724
Interest expense	–	10,929	285	11,214
Termination of lease	–	–	(85)	(85)
Amortisation of transaction cost	3,082	–	–	3,082
Total other changes	3,082	10,929	3,924	17,935
Balance at 31 December 2021	622,836	326	9,773	632,935

	Liabilities			
	Loans and borrowings $'000	Interest payable $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2021	657,941	260	7,315	665,516
Changes from financing cash flows (unaudited)				
Proceeds from bank borrowings (unaudited)	175,000	–	–	175,000
Repayment of bank borrowings (unaudited)	(156,444)	–	–	(156,444)
Payment of issuance cost related to loans and borrowings (unaudited)	(1,570)	–	–	(1,570)
Interest paid (unaudited)	–	(4,398)	(123)	(4,521)
Payment of lease liabilities (unaudited)	–	–	(545)	(545)
Total changes from financing cash flows (unaudited)	16,986	(4,398)	(668)	11,920
Other changes (unaudited)				
Liability-related (unaudited)				
Addition of lease liabilities (unaudited)	–	–	1,946	1,946
Interest expense (unaudited)	–	4,551	123	4,674
Termination of lease (unaudited)	–	–	(85)	(85)
Amortisation of transaction cost (unaudited)	2,187	–	–	2,187
Total other changes (unaudited)	2,187	4,551	1,984	8,722
Balance at 30 June 2021 (unaudited)	677,114	413	8,631	686,158
Balance at 1 January 2022	622,836	326	9,773	632,935
Changes from financing cash flows				
Proceeds from bank borrowings	291,974	–	–	291,974
Repayment of bank borrowings	(176,454)	–	–	(176,454)
Payment of issuance cost related to loans and borrowings	(2,637)	–	–	(2,637)
Interest paid	–	(6,647)	(114)	(6,761)
Payment of lease liabilities	–	–	(959)	(959)
Total changes from financing cash flows	112,883	(6,647)	(1,073)	105,163
Other changes				
Liability-related				
Addition of lease liabilities	–	–	454	454
Interest expense	–	6,773	114	6,887
Termination of lease	–	–	3	3
Amortisation of transaction cost	1,297	–	–	1,297
Total other changes	1,297	6,773	571	8,641
Balance at 30 June 2022	737,016	452	9,271	746,739

12 Trade and other payables, including derivatives

	Year ended 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Trade payables	23,166	21,085	19,743	17,389
Accrued operating expenses	5,614	7,944	7,150	6,686
Accrual for goods received not invoiced	5,366	34,957	25,914	49,336
Deposits	17,164	17,669	18,465	18,814
Interest payable	413	260	326	452
Other payables	670	1,722	4,085	6,354
Amount due to Enterprise Singapore (Interest)	14	55	128	126
	52,407	83,692	75,811	99,157
Derivatives financial liabilities – foreign currency swaps	273	928	940	300
Advances from customers	4,097	6,440	12,247	6,309
Goods and services tax payables	513	1,120	912	706
Total trade and other payables	57,290	92,180	89,910	106,472

As at 30 June 2022, the notional amounts of the foreign currency swaps is $5,000,000 (31 December 2021: $10,000,000; 31 December 2020: $20,000,000; 31 December 2019: $20,000,000).

An ageing analysis of the trade payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

	Year ended 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Within 30 days	21,568	19,771	18,550	13,978
30 to 60 days	354	742	80	16
Over 60 days	1,244	572	1,113	3,395
	23,166	21,085	19,743	17,389

Ethoz Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 18.

13 Revenue

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000	$'000
				(unaudited)	
Sale of motor vehicles	8,744	6,473	6,683	3,120	2,984
Sale of equipment	1,011	806	844	375	510
Rental income for motor vehicles held for lease	49,308	48,078	48,796	24,454	24,348
Interest income on loans and advances	64,609	63,204	57,710	28,453	28,413
Vehicles repairs and maintenance income	3,716	2,876	2,610	1,553	1,035
Others	2,742	1,697	1,888	1,012	1,031
	130,130	123,134	118,531	58,967	58,321

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies:

Interest income

Nature of goods or services	Ethoz Group earns interest income from contract customers.
When revenue is recognised	Interest income is recognised on a time proportionate basis.

Sale of motor vehicles and equipment

Nature of goods or services	Ethoz Group sells motor vehicles and equipment to external parties.
When revenue is recognised	Revenue is recognised a point in time when goods are delivered to the customer and all criteria for acceptance have been satisfied.

Rental income

Nature of goods or services	Ethoz Group rents motor vehicles and equipment to external parties.
When revenue is recognised	Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

Vehicles repairs and maintenance income

Nature of goods or services	Ethoz Group provides repairs and maintenance services to external customers.
When revenue is recognised	Revenue is recognised a point in time, based on the relative stand-alone selling prices of each of the services provided.

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
				(unaudited)	
Timing of revenue recognition					
Performance obligations satisfied at a point in time	16,213	11,852	12,025	6,060	5,560
Performance obligations satisfied over time	113,917	111,282	106,506	52,907	52,761
	130,130	123,134	118,531	58,967	58,321

Contract costs

The amount relates to commission fees paid to agents for securing sale contracts for Ethoz Group.

14 Cost of sales

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Depreciation of motor vehicles held for lease	31,626	33,423	32,468	16,652	16,182
Cost of motor vehicles	5,171	4,442	3,977	1,980	1,272
Cost of vehicles repair and maintenance	6,249	7,888	8,839	4,700	3,028
Cost of maintaining motor vehicles held for lease	5,736	2,236	2,679	691	2,537
Finance costs	7,506	6,623	5,308	2,585	3,740
Sales commission	704	561	322	245	58
Amortisation of contract cost	1,591	1,223	1,052	498	437
Others	12	78	75	12	12
	58,595	56,474	54,720	27,363	27,266

15 Net finance income/(cost)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Recognised in profit or loss					
Interest income:					
- Cash at bank	78	432	272	140	249
	78	432	272	140	249
Interest expense on loans from:					
- Financial institutions	(13,017)	(7,270)	(5,621)	(1,966)	(3,033)
- Lease liabilities	(135)	(132)	(285)	(123)	(114)
	(13,152)	(7,402)	(5,906)	(2,089)	(3,147)
Amortisation of transactions costs	(2,671)	(3,414)	(3,082)	(2,187)	(1,297)
	(15,823)	(10,816)	(8,988)	(4,276)	(4,444)
Net finance (cost)/income	(15,745)	(10,384)	(8,716)	(4,136)	(4,195)

16 Profit for the year/period

The following items have been included in arriving at profit for the year:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000	$'000
				(unaudited)	
Bad debt recovered	(157)	(223)	(519)	(253)	(138)
Penalty and late payment interest	(247)	(280)	(463)	(232)	(182)
Rentals receivable from investment properties and sub-lease properties	(468)	(609)	(648)	(324)	(324)
Government grants	(118)	(2,781)	(783)	(481)	(85)
Net gains on disposal of property, plant and equipment	(3,450)	(2,031)	(2,713)	(1,148)	(1,712)
Net foreign exchange gain/(loss)	(239)	243	312	227	(80)
Operating lease expenses on investment property that generated rental income	47	33	47	23	23
Staff costs exclude contributions to defined contribution plans	16,120	17,220	17,157	8,888	8,493
Contributions to defined contribution plans	2,240	1,764	2,083	1,031	1,027
Depreciation of property, plant and equipment	33,998	36,098	36,059	18,074	17,644
Impairment loss on trade receivables arising from contract with customers	182	241	78	–	6
Impairment loss on loans and advances arising from contract with customers	3,689	8,061	5,025	2,250	2,050
Club membership amortisation	25	25	25	13	21

17 Tax expense

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		$'000	$'000	$'000	$'000	$'000
					(unaudited)	
Current tax expense						
Current year		4,825	6,509	7,592	5,703	2,777
Withholding tax on foreign sourced income		1,957	1,355	970	490	536
(Over)/Underprovision in prior years		(1,478)	82	(1,158)	(417)	(98)
		5,304	7,946	7,404	5,776	3,215
Deferred tax expense						
Origination and reversal of temporary differences		512	(1,944)	(2,856)	(2,810)	66
Underprovision in prior years		1,481	545	2,134	–	–
	7	1,993	(1,399)	(722)	(2,810)	66
Total tax expense		7,297	6,547	6,682	2,966	3,281
Reconciliation of effective tax rate						
Profit before tax		25,614	26,465	27,374	14,040	13,196
Tax calculated using Singapore tax rate of 17% (2019 - 2021: 17%)		4,354	4,499	4,653	2,387	2,243
Effect of tax rates in foreign jurisdictions		514	391	934	853	182
Changes in temporary differences		(436)	(367)	(967)	167	530
Non-deductible expenses		3,532	2,646	2,445	1,499	3,220
Tax exempt income		(2,637)	(2,270)	(1,704)	(1,549)	(2,926)
Tax incentives		(17)	(728)	(630)	(249)	(249)
Changes in unrecognised deferred tax asset		27	394	5	(215)	(157)
Under/(over) provision in prior years		3	627	976	(417)	(98)
Withholding tax on foreign sourced income		1,957	1,355	970	490	536
		7,297	6,547	6,682	2,966	3,281

Deferred tax assets have not been recognised in respect of the following:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Deductible temporary differences	–	675	86	–
Tax losses	159	1,802	2,422	1,586

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the subsidiaries of Ethoz Group can utilise the benefits. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. The unutilised tax losses do not expire under current tax legislation in Singapore. The unutilised tax losses can be carried forward for maximum of five to ten years, from the tax losses arose for Ethoz Group's overseas subsidiaries.

18 Financial risk management

Overview

Ethoz Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about Ethoz Group's exposure to each of the above risks, Ethoz Group's objectives, policies and processes for measuring and managing risk, and Ethoz Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of Ethoz Group's risk management framework. Management is responsible for developing and monitoring Ethoz Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

Ethoz Group's risk management policies are established to identify and analyse the risks faced by Ethoz Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Ethoz Group's activities. Ethoz Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to Ethoz Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Ethoz Group's receivables from customers.

The carrying amounts of financial assets represent Ethoz Group's maximum exposures to credit risk, before taking into account any collateral held.

Exposure to credit risk

The carrying amount of financial assets at the end of the Relevant Periods was:

	Carrying amount			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Trade and other receivables[#]	34,867	44,011	41,113	40,516
Cash and cash equivalents	26,834	35,641	45,158	168,068
Loans and advances	823,169	741,938	748,157	713,838
	884,870	821,590	834,428	922,422

[#] Excludes advances to suppliers and goods and services tax/value-added tax receivables

Impairment losses on financial assets recognised in profit or loss were as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000	$'000
				(unaudited)	
Impairment loss on trade receivables arising from contract with customers	182	241	78	–	6
Impairment loss on loans and advances arising from contract with customers	3,689	8,061	5,025	2,250	2,050
	3,871	8,302	5,103	2,250	2,056

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Loans and advances				
Movement of impairment				
At the beginning of year/period	8,971	8,018	10,705	12,071
Impairment loss recognised	3,689	8,061	5,025	2,050
Utilised	(4,516)	(5,591)	(3,960)	(596)
Exchange differences	(126)	217	301	(163)
At the end of year/period	8,018	10,705	12,071	13,362
Trade receivables				
Movement of impairment				
At the beginning of year/period	46	85	277	120
Impairment loss recognised	182	241	78	6
Utilised	(143)	(49)	(235)	–
At the end of year/period	85	277	120	126

Trade receivables and loans and advances

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

Ethoz Group has established a credit policy under which each new customer is analysed individually for creditworthiness before Ethoz Group's standard payment and delivery terms and conditions are offered. Ethoz Group's review includes external ratings, if they are available, Historical Financial Information, credit agency information, industry information, and in some cases bank references. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed quarterly. Customers failing to meet Ethoz Group's benchmark creditworthiness may transact with Ethoz Group only on a prepayment basis.

Ethoz Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for individual and corporate customers respectively.

Expected credit loss assessment for trade receivables

Ethoz Group uses an allowance matrix to measure the ECLs of trade receivables using the simplified approach, which comprise a very large number of small balances.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from simplified approach as at the end of the Relevant Periods:

	Expected loss rate	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
	%	**$'000**	**$'000**	
31 December 2019				
Current (not past due)	–	1,909	–	No
1 – 30 days past due	–	8,123	–	No
31 – 90 days past due	–	8,079	–	No
More than 91 days past due	0.57	14,807	(85)	Yes
		32,918	(85)	
31 December 2020				
Current (not past due)	–	2,600	–	No
1 – 30 days past due	–	6,780	–	No
31 – 90 days past due	–	8,049	–	No
More than 91 days past due	1.22	22,624	(277)	Yes
		40,053	(277)	
31 December 2021				
Current (not past due)	–	5,154	–	No
1 – 30 days past due	–	3,146	–	No
31 – 90 days past due	–	5,473	–	No
More than 91 days past due	0.58	20,648	(120)	Yes
		34,421	(120)	
30 June 2022				
Current (not past due)	–	5,297	–	No
1 – 30 days past due	–	4,605	–	No
31 – 90 days past due	–	2,832	–	No
More than 91 days past due	0.59	21,369	(126)	Yes
		34,103	(126)	

Cash and cash equivalents

Ethoz Group held cash at bank of $168,063,000 as at 30 June 2022 (31 December 2021: $45,153,000; 31 December 2020: $35,633,000; 31 December 2019: $26,812,000). The cash and cash equivalents are held with banks and financial institutions with good credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. Ethoz Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Other receivables

Ethoz Group held other receivables (excluding deposits, goods and services tax/value-added tax and advances to suppliers) of $6,355,000 as at 30 June 2022 (31 December 2021: $6,391,000; 31 December 2020: $3,819,000; 31 December 2019: $1,547,000). These balances are short term in nature. Impairment on these balances has been measured on the 12-month expected credit loss basis; and the amount of the allowance is insignificant.

Loans and advances

Expected credit loss assessment for loans and advances

Ethoz Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years.

The exposure to credit risk for loans and advances at the end of the Relevant Periods by type of counterparty was:

	Carrying amount			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Multinational corporation	187,744	135,928	88,043	80,050
Small medium enterprise	577,847	548,184	632,973	596,738
Sole proprietor/Limited partnership	53,742	54,171	23,985	18,286
Non-Profit organization and statutory related	3,836	3,655	3,156	18,764
	823,169	741,938	748,157	713,838

The following table provides information about the exposure to credit risk and ECLs for loan and advances for customers under general approach:

	Weighted average loss rate %	Gross carrying amount $	Impairment loss allowance $	Credit impaired
31 December 2019				
Multinational corporation	0.65	188,968	(1,224)	No
Small medium enterprise	1.11	584,340	(6,493)	No
Sole proprietor/Limited partnership	0.55	54,037	(295)	No
Non-Profit organization and statutory related	0.16	3,842	(6)	No
		831,187	(8,018)	
31 December 2020				
Multinational corporation	0.65	136,817	(889)	No
Small medium enterprise	1.71	557,695	(9,511)	No
Sole proprietor/Limited partnership	0.55	54,471	(300)	No
Non-Profit organization and statutory related	0.14	3,660	(5)	No
		752,643	(10,705)	
31 December 2021				
Multinational corporation	1.03	88,960	(917)	No
Small medium enterprise	1.72	644,067	(11,094)	No
Sole proprietor/Limited partnership	0.24	24,042	(57)	No
Non-Profit organization and statutory related	0.09	3,159	(3)	No
		760,228	(12,071)	
30 June 2022				
Multinational corporation	1.10	80,942	(892)	No
Small medium enterprise	2.04	609,160	(12,422)	No
Sole proprietor/Limited partnership	0.26	18,333	(47)	No
Non-Profit organization and statutory related	0.01	18,765	(1)	No
		727,200	(13,362)	

Collateral

The main types of collateral obtained by the Financing Segment to mitigate credit risk are as follows:

- For property – charges over properties;
- For equipment – charges over equipment; and
- For Enterprise Singapore – government risk-sharing ratio

Based on the secured financing, the fair values of collaterals held by the Financing Segment for which they are entitled to sell or pledge in the event of default is as follows:

Financing Segment	**Fair value of collateral As at 31 December**			**As at 30 June**
	2019 $'000	**2020 $'000**	**2021 $'000**	**2022 $'000**
Type of collateral				
Properties	436,185	413,536	382,732	360,140
Equipment	93,722	61,428	34,881	24,350
Enterprise Singapore	1,784	30,652	69,928	60,846
Total	531,691	505,616	487,541	445,336

The fair value of collateral excluded the effect of over-collateralisation.

Trade receivables, loans and advances with a contractual amount of $596,000 as at 30 June 2022 (31 December 2021: $4,195,000; 31 December 2020: $5,640,000; 31 December 2019: $4,659,000) written off during the year are still subject to enforcement act.

Liquidity risk

Liquidity risk is the risk that Ethoz Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Ethoz Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance Ethoz Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, Ethoz Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 2 years $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group						
31 December 2019						
Secured bank loans	20,900	(21,061)	(21,061)	–	–	–
Unsecured bank loans	776,408	(806,680)	(377,330)	(236,057)	(193,293)	–
Amount due to Enterprise Singapore	3,234	(3,422)	(2,128)	(1,294)	–	–
Lease liabilities	2,870	(3,241)	(1,038)	(756)	(1,233)	(214)
Derivative financial liabilities – foreign currency swaps	273	(273)	(273)	–	–	–
Trade and other payables*	52,407	(52,407)	(52,407)	–	–	–
	856,092	(887,084)	(454,237)	(238,107)	(194,526)	(214)
31 December 2020						
Unsecured bank loans	626,021	(639,054)	(318,874)	(228,503)	(91,677)	–
Amount due to Enterprise Singapore	31,920	(32,870)	(13,397)	(19,473)	–	–
Lease liabilities	7,315	(10,283)	(972)	(683)	(1,654)	(6,974)
Derivative financial liabilities – foreign currency swaps	928	(975)	(975)	–	–	–
Trade and other payables*	83,692	(83,692)	(83,692)	–	–	–
	749,876	(766,874)	(417,910)	(248,659)	(93,331)	(6,974)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 2 years $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group						
31 December 2021						
Unsecured bank loans	539,665	(554,960)	(310,538)	(153,664)	(90,758)	–
Amount due to Enterprise Singapore	83,171	(85,248)	(39,348)	(45,900)	–	–
Lease liabilities	9,773	(13,604)	(1,469)	(1,404)	(1,985)	(8,746)
Derivative financial liabilities – foreign currency swaps	940	(973)	(973)	–	–	–
Trade and other payables*	75,811	(75,811)	(75,811)	–	–	–
	709,360	(730,596)	(428,139)	(200,968)	(92,743)	(8,746)
30 June 2022						
Unsecured bank loans	663,613	(687,560)	(345,604)	(203,611)	(138,345)	–
Amount due to Enterprise Singapore	73,403	(74,970)	(41,615)	(33,355)	–	–
Lease liabilities	9,271	(12,910)	(1,448)	(1,718)	(1,170)	(8,574)
Derivative financial liabilities – foreign currency swaps	300	(306)	(306)	–	–	–
Trade and other payables*	99,157	(99,157)	(99,157)	–	–	–
	845,744	(874,903)	(488,130)	(238,684)	(139,515)	(8,574)

* Excludes advances from customers and goods and services tax payables

Ethoz Group maintains the following lines of credit which are undrawn as at the end of the Relevant Periods:

- $600,000 (2021: $600,000; 2020: $600,000; 2019: $600,000) unsecured overdraft facility; and
- $386,769,000 (2021: $244,572,000; 2020: $214,300,000; 2019: $277,691,000) credit facilities for working capital.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Ethoz Group's total return or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Ethoz Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables, and borrowings, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Ethoz Group entities are primarily the Renminbi and Malaysian Ringgit.

Ethoz Group regularly monitors its exchange exposure and may hedge its position discriminately, depending on the size of the exposure and the future outlook of the particular currencies.

Foreign currency risk related to the principal amounts of Ethoz Group's Singapore dollars bank loan, taken out by Renminbi functional currency of Ethoz Group entities, have been economically hedged using foreign currency swap with the objective of protecting against loss through the fluctuation of the valuation of foreign currencies.

Exposure to currency risk

The summary of quantitative data about Ethoz Group's exposure to currency risk as reported to the management based on its risk management policy is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	SGD	SGD	SGD	SGD
	$'000	$'000	$'000	$'000
Unsecured bank loan	20,000	20,000	10,000	5,000
Foreign currency swaps	(20,000)	(20,000)	(10,000)	(5,000)
Net exposure	–	–	–	–

Sensitivity analysis

The sensitivity analysis is not performed as the net exposure of the currency risk of Singapore dollars denominated loan taken out by its subsidiary with Renminbi functional currency is Nil.

Ethoz Group has no other significant exposure to foreign currency risk.

Interest rate risk

Ethoz Group's exposure to changes in interest rates relates primarily to interest bearing financial liabilities. Ethoz Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuations.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). Ethoz Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

Ethoz Group's main IBOR exposure as at 31 December 2021 was indexed to SOR. In Singapore, the Steering Committee for SOR transition to SORA (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has recommended the discontinuation of SOR and a shift towards the use of Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark in Singapore. The timeline for SORA to replace SOR is by the end of June 2023.

Management monitors and manages Ethoz Group's transition to alternative rates. The management evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of interest rate benchmark reform and how to manage communication about interest rate benchmark reform with counterparties. Ethoz Group is still in the process of communication with the counterparties and specific changes have yet been agreed.

Non-derivative financial liabilities

Ethoz Group's IBOR exposures to non-derivative financial liabilities as of 30 June 2022 included bank loans indexed to SOR. Ethoz Group is still in the process of communication with the counterparties for all SOR indexed exposures and specific changes have yet been agreed.

Exposure to interest rate risk

At the end of the Relevant Periods, the interest rate profile of interest-bearing financial instruments is as follows:

	Carrying amount			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Fixed rate instrument				
Financial assets	823,169	741,938	748,157	713,838
Financial liabilities	(128,116)	(102,384)	(181,685)	(121,412)
	695,053	639,554	566,472	592,426
Variable rate instrument				
Financial liabilities	(672,426)	(555,557)	(441,151)	(615,604)

Fair value sensitivity analysis for fixed rate instruments

Ethoz Group does not account for any fixed rate instrument assets and liabilities at fair value through profit or loss. Therefore, a change of interest at the end of the Relevant Periods, would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the Relevant Periods would have (decreased)/ increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for all Relevant Periods.

	100 bp Increase	100 bp Decrease
	$'000	$'000
31 December 2019		
Variable rate instrument	(6,724)	6,724
31 December 2020		
Variable rate instrument	(5,556)	5,556
31 December 2021		
Variable rate instrument	(4,412)	4,412
30 June 2022		
Variable rate instrument	(6,156)	6,156

Accounting classifications and fair values

The carrying amounts of financial assets and liabilities carried at amortised cost with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables, loans and borrowings and loan and advances) are assumed to approximate their fair values because of the short period to maturity or are repriced on a regular basis where the effect of discounting is immaterial.

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows.

	Carrying amount			Fair value
	Amortised cost	Other financial liabilities	Total	Level 2
	$'000	$'000	$'000	$'000
31 December 2019				
Financial assets not measured at fair value				
Hire purchase receivables	151,735	–	151,735	
Finance lease receivables	271,715	–	271,715	
Loan receivables	399,719	–	399,719	
Trade and other receivables#	34,867	–	34,867	
Cash and cash equivalents	26,834	–	26,834	
	884,870	–	884,870	
Financial liabilities measured at fair value				
Derivatives financial liabilities – foreign currency swaps	–	(273)	(273)	(273)
	–	(273)	(273)	
Financial liabilities not measured at fair value				
Floating rate loans	–	(672,426)	(672,426)	
Amounts due to Enterprise Singapore	–	(3,234)	(3,234)	
Fixed rate loans	–	(124,882)	(124,882)	
Trade and other payables*	–	(52,407)	(52,407)	
	–	(852,949)	(852,949)	
31 December 2020				
Financial assets not measured at fair value				
Hire purchase receivables	99,083	–	99,083	
Finance lease receivables	244,810	–	244,810	
Loan receivables	398,045	–	398,045	
Trade and other receivables#	44,011	–	44,011	
Cash and cash equivalents	35,641	–	35,641	
	821,590	–	821,590	

	Carrying amount			Fair value
	Amortised cost	Other financial liabilities	Total	Level 2
	$'000	$'000	$'000	$'000
Financial liabilities measured at fair value				
Derivatives financial liabilities – foreign currency swaps	–	(928)	(928)	(928)
	–	(928)	(928)	
Financial liabilities not measured at fair value				
Floating rate loans	–	(555,557)	(555,557)	
Amounts due to Enterprise Singapore	–	(31,920)	(31,920)	
Fixed rate loans	–	(70,464)	(70,464)	
Trade and other payables*	–	(83,692)	(83,692)	
	–	(741,633)	(741,633)	
31 December 2021				
Financial assets not measured at fair value				
Hire purchase receivables	58,194	–	58,194	
Finance lease receivables	268,805	–	268,805	
Loan receivables	421,158	–	421,158	
Trade and other receivables#	41,113	–	41,113	
Cash and cash equivalents	45,158	–	45,158	
	834,428	–	834,428	
Financial liabilities measured at fair value				
Derivatives financial liabilities – foreign currency swaps	–	(940)	(940)	(940)
	–	(940)	(940)	
Financial liabilities not measured at fair value				
Floating rate loans	–	(441,151)	(441,151)	
Amounts due to Enterprise Singapore	–	(83,171)	(83,171)	
Fixed rate loans	–	(98,514)	(98,514)	
Trade and other payables*	–	(75,811)	(75,811)	
	–	(698,647)	(698,647)	

	Carrying amount			Fair value
	Amortised cost	Other financial liabilities	Total	Level 2
	$'000	$'000	$'000	$'000
30 June 2022				
Financial assets not measured at fair value				
Hire purchase receivables	43,237	–	43,237	
Finance lease receivables	271,825	–	271,825	
Loan receivables	398,776	–	398,776	
Trade and other receivables#	40,516	–	40,516	
Cash and cash equivalents	168,068	–	168,068	
	922,422	–	922,422	
Financial liabilities measured at fair value				
Derivatives financial liabilities – foreign currency swaps	–	(300)	(300)	(300)
	–	(300)	(300)	
Financial liabilities not measured at fair value				
Floating rate loans	–	(615,604)	(615,604)	
Amounts due to Enterprise Singapore	–	(73,403)	(73,403)	
Fixed rate loans	–	(48,009)	(48,009)	
Trade and other payables*	–	(99,157)	(99,157)	
	–	(836,173)	(836,173)	

* Excludes advances from customers and goods and services tax payables

\# Excludes goods and services tax/value-added tax receivables and advances to suppliers

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group			
Foreign currency swap	The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable	Not applicable

Transfers between level 1 and 2

There were no transfers between Level 1 and Level 2 of the fair value hierarchy.

Capital management

Ethoz Group defines capital as share capital and retained earnings. The primary objective of Ethoz Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

Ethoz Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Ethoz Group may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in Ethoz Group's approach to capital management during the Relevant Periods, except for the repurchase of shares as at 29 June 2022 (see Note 10). Ethoz and its subsidiaries are not subject to externally imposed capital requirements.

19 Leases

Leases as lessee

Ethoz Group leases office units and lands. The leases typically run for a period of 3 to 50 years, with an option to extend. Lease payments for office units are renegotiated every three years to reflect market rentals. Ethoz Group pays land rent to Jurong Town Council on an annual basis for all properties, which annual land rent payable is based on the market land rent in the relevant year of the lease term.

From 2019, one of the leased properties has been sub-let by Ethoz Group. The lease expires in 2051 and sub-lease expires in 2023.

Information about leases for which Ethoz Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 3.15).

Group	Office units $'000	Land $'000	Total $'000
31 December 2019			
Balance at 1 January	2,741	–	2,741
Additions to right-of-use assets	946	–	946
Depreciation charge for the year	(894)	–	(894)
Balance at 31 December	2,793	–	2,793
31 December 2020			
Balance at 1 January	2,793	–	2,793
Additions to right-of-use assets	109	5,642	5,751
Lease modification	(555)	–	(555)
Depreciation charge for the year	(904)	(76)	(980)
Effect of movement in exchange rates	122	–	122
Balance at 31 December	1,565	5,566	7,131
31 December 2021			
Balance at 1 January	1,565	5,566	7,131
Additions to right-of-use assets	2,202	1,522	3,724
Termination of lease	(199)	–	(199)
Depreciation charge for the year	(1,007)	(194)	(1,201)
Effect of movement in exchange rates	58	–	58
Balance at 31 December	2,619	6,894	9,513
30 June 2022			
Balance at 1 January	2,619	6,894	9,513
Additions to right-of-use assets	454	–	454
Termination of lease	(271)	–	(271)
Depreciation charge for the period	(489)	(116)	(605)
Effect of movement in exchange rates	(60)	–	(60)
Balance at 31 December	2,253	6,778	9,031

Amounts recognised in profit or loss

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Lease under IFRS 16					
Interest on lease liabilities	135	132	285	123	114

Amounts recognised in statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Total cash outflow for leases	952	982	1,466	668	1,073

Extension options

Office units contain extension options exercisable by Ethoz Group at the expiry of the lease term. Ethoz Group assessed that it is reasonably certain to exercise the extension options and have included the optional lease term in the measurement of lease liabilities. Lease liabilities arising from the optional lease term included in lease liabilities for office units as at 30 June 2022 amounted to $70,000 (31 December 2019: $73,000; 31 December 2020: $73,000; 31 December 2021: $Nil). There are no further extension options exercisable by Ethoz Group for its land leases.

Leases as lessor

Ethoz Group leases out its investment property consisting of its owned industrial building (see Note 5) and has sub-leased an office unit that has been presented as part of a right-of-use asset – property, plant and equipment. All leases are classified as operating leases from a lessor perspective.

Operating lease

Ethoz Group leases out its investment property, leases out its motor vehicles held for leases and sub-leases out its office unit that has been presented as part of a right-of-use asset – property, plant and equipment. Ethoz Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment property.

Ethoz Group is exposed to changes in residual value at the end of the lease term, Ethoz Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the investment property.

Rental income from investment property and property sub-lease recognised by Ethoz Group for six months period ended 30 June 2022 was $324,000 (31 December 2019: $468,000; 31 December 2020: $609,000; 31 December 2021: $648,000). Rental income from motor vehicles held for lease are disclosed in Note 13.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the end of the Relevant Periods.

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year	8,895	10,560	12,300	13,075
One to two years	20,741	20,232	19,291	18,439
Two to three years	23,049	16,087	14,741	13,905
Three to four years	10,981	7,830	4,342	3,104
Four to five years	8,371	3,481	2,470	1,441
More than five years	264	–	–	–
Total	72,301	58,190	53,144	49,964

20 Directors' emoluments

As at the date of this accountants' report, the following directors were in office:

Executive directors:
Oh Siew Guat
Joseph Ong Yong Loke

Non-executive directors:
Lim Kian Tong
Ng Wee Peng (Resigned on 1 July 2022)
Yoshiaki Matsuoka (Resigned on 1 July 2022)
Takehiro Onishi (Resigned on 1 July 2022)
Sng Chiew Huat (Appointed on 6 September 2022)
Goh Leng Kwang (Appointed on 6 September 2022)

Details of directors' emoluments during the Relevant Periods are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonus $'000	Retirement scheme contributions $'000	Sub-total $'000	Share based payments $'000	Total $'000
31 December 2019							
Executive director:							
Oh Siew Guat	–	541	541	13	1,095	–	1,095
	–	541	541	13	1,095	–	1,095
31 December 2020							
Executive director:							
Oh Siew Guat	–	565	542	12	1,119	–	1,119
	–	565	542	12	1,119	–	1,119
31 December 2021							
Executive director:							
Oh Siew Guat	–	589	577	9	1,175	–	1,175
	–	589	577	9	1,175	–	1,175
30 June 2021 (unaudited)							
Executive director:							
Oh Siew Guat	–	295	576	6	877	–	877
	–	295	576	6	877	–	877
30 June 2022							
Executive director:							
Oh Siew Guat	–	306	601	7	914	–	914
	–	306	601	7	914	–	914

21 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (30 June 2021 (unaudited): one; 31 December 2021: one; 31 December 2020: one; 31 December 2019: one) is director whom emoluments are disclosed in Note 20. The aggregate of the emoluments in respect of the other four (30 June 2021 (unaudited): four; 31 December 2021: four; 31 December 2020: four; 31 December 2019: four) individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Salaries and other emoluments	1,057	1,116	1,148	574	592
Discretionary bonuses	526	576	614	439	463
Retirement scheme contributions	69	69	69	45	44
	1,652	1,761	1,831	1,058	1,099

22 Related parties

Key management personnel compensation

Key management personnel of Ethoz Group are those persons having authority and responsibility for planning, directing and controlling the activities of Ethoz Group. The directors of the Ethoz are considered key management personnel of Ethoz Group.

Key management personnel compensation comprised:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Short-term employee benefits	4,191	3,959	4,149	2,529	2,627
Post-employment benefits	211	176	172	113	112
	4,402	4,135	4,321	2,642	2,739

Other related party transactions

Other than those disclosed elsewhere in the Historical Financial Information, transactions with related parties are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Related corporation					
Purchase of motor vehicles	14,876	970	1,757	1,246	483

23 Operating segments

Ethoz Group has three reportable segments which relate to Ethoz Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The reportable segment presentation is prepared based on Ethoz Group's management and internal reporting structure. As some of the activities of Ethoz Group are integrated, internal cost allocation has been made in preparing the segment information such as Ethoz Group's centralised support costs and funding costs. Inter-segment pricing where appropriate, is determined on an arm's length basis. The following summary describes the operations in each of Ethoz Group's reportable segments.

Auto leasing: Auto leasing represents the operating lease of commercial and passenger vehicles.

Financing: Financing encompasses a range of corporate term loans, equipment leasing, hired purchase as well as participation in the Enterprise Financing Scheme administered by Enterprise Singapore to corporate clients, mainly the small and medium-sized enterprises.

Others: Property holding, investment holding, group treasury and items not attributable to the business segments described above

Total operating income comprises rental income, interest income, vehicle repair and maintenance income, sale of motor vehicles and sale of equipment. Performance is measured based on segment profit before tax.

Information about reportable segments

	Auto leasing $'000	**Financing $'000**	**Others $'000**	**Total $'000**
31 December 2019				
Operating results				
External income	57,766	66,610	5,754	130,130
Inter-segment income	–	–	–	–
Total operating income	57,766	66,610	5,754	130,130
Reportable segment profit/(loss) before tax	7,197	19,227	(810)	25,614
Reportable segment Earnings before interest, tax, depreciation and amortisation (EBITDA)*	38,715	48,690	(2,926)	84,479
Interest income	–	62,885	1,724	64,609
Non-interest income- external	57,766	3,725	4,030	65,521
Non-interest income- internal segment	–	–	–	–
Other material items:				
- Recognition of impairment loss, net of impairment written back	–	(3,689)	(182)	(3,871)
- Depreciation and amortisation	(31,517)	(2,671)	(1,426)	(35,614)
Assets and liabilities				
Reportable segment assets	182,650	874,569	60,969	1,118,188
Capital expenditure	46,857	2,233	1,200	50,290
Reportable segment liabilities	184,676	673,958	24,805	883,439
Other material items:				
- Loans and advances and trade receivables	8	833,870	30,227	864,105
- Provision for impairment of loans and advances and trade receivables	–	8,018	85	8,103

* *Interests included in EBITDA are interest income classified as revenue and interest expenses classified as cost of sales*

	Auto leasing $'000	Financing $'000	Others $'000	Total $'000
31 December 2020				
Operating results				
External income	54,510	64,230	4,394	123,134
Inter-segment income	–	–	2,468	2,468
Total operating income	54,510	64,230	6,862	125,602
Reportable segment profit before tax	5,818	20,041	606	26,465
Reportable segment Earnings before interest, tax, depreciation and amortisation (EBITDA)*	39,039	44,564	(2,785)	80,818
Interest income	–	61,755	1,449	63,204
Non-interest income- external	54,505	2,475	2,950	59,930
Non-interest income- internal segment	–	–	2,468	2,468
Other material items:				
- Recognition of impairment loss, net of impairment written back	–	(8,061)	(241)	(8,302)
- Depreciation and amortisation	(34,499)	(2,614)	(233)	(37,346)
Assets and liabilities				
Reportable segment assets	164,454	814,168	6,584	985,206
Capital expenditure	20,009	1,438	768	22,215
Reportable segment liabilities	162,291	597,723	4,830	764,844
Other material items:				
- Loans and advances and trade receivables	2,861	768,850	20,985	792,696
- Provision for impairment of loans and advances and trade receivables	–	10,705	277	10,982
31 December 2021				
Operating results				
External income	55,774	59,339	3,418	118,531
Inter-segment income	–	–	5,665	5,665
Total operating income	55,774	59,339	9,083	124,196
Reportable segment profit before tax	5,678	21,669	27	27,374
Reportable segment earnings before interest, tax, depreciation and amortisation (EBITDA)*	30,687	50,568	(2,721)	78,534
Interest income	–	56,634	1,076	57,710
Non-interest income- external	55,774	2,705	2,342	60,821
Non-interest income- internal segment	–	–	5,665	5,665
Other material non-cash items:				
- Recognition of impairment loss, net of impairment written back	(60)	(5,025)	(18)	(5,103)
- Depreciation and amortisation	(34,164)	(2,608)	(364)	(37,136)
Assets and liabilities				
Reportable segment assets	154,099	826,313	6,804	987,216
Capital expenditure	15,533	417	536	16,486
Reportable segment liabilities	147,095	591,234	7,656	745,985
Other material items:				
- Loans and advances, and trade receivables	2,054	777,469	15,126	794,649
- Provision for impairment of loans and advances and trade receivables	60	12,071	60	12,191

* *Interests included in EBITDA are interest income classified as revenue and interest expenses classified as cost of sales*

	Auto leasing $'000	Financing $'000	Others $'000	Total $'000
Six months ended 30 June 2021 (unaudited)				
Operating results				
External income	27,921	29,244	1,802	58,967
Inter-segment income	–	–	2,756	2,756
Total operating income	27,921	29,244	4,558	61,723
Reportable segment profit/(loss) before tax	3,039	11,758	(757)	14,040
Reportable segment Earnings before interest, tax, depreciation and amortisation (EBITDA)*	19,579	21,047	(1,280)	39,346
Interest income	–	27,867	586	28,453
Non-interest income- external	27,922	1,376	1,216	30,514
Non-interest income- internal segment	–	–	2,756	2,756
Other material items:				
- Recognition of impairment loss, net of impairment written back	–	(2,250)	–	(2,250)
- Depreciation and amortisation	(16,540)	(1,266)	(779)	(18,585)
Six months ended 30 June 2022				
Operating results				
External income	27,146	29,520	1,655	58,321
Inter-segment income	–	–	2,709	2,709
Total operating income	27,146	29,520	4,364	61,030
Reportable segment profit/(loss) before tax	5,195	11,717	(3,716)	13,196
Reportable segment Earnings before interest, tax, depreciation and amortisation (EBITDA)*	21,400	21,950	(4,117)	39,233
Interest income	–	27,998	415	28,413
Non-interest income- external	27,146	1,522	1,240	29,908
Non-interest income- internal segment	–	–	2,709	2,709
Other material items:				
- Recognition of impairment loss, net of impairment written back	–	(2,050)	(6)	(2,056)
- Depreciation and amortisation	(16,193)	(1,270)	(639)	(18,102)
Assets and liabilities				
Reportable segment assets	140,642	856,463	101,779	1,098,884
Capital expenditure	8,289	23	135	8,447
Reportable segment liabilities	129,377	582,296	159,919	871,592
Other material items:				
- Loans and advances and trade receivables	2,616	745,251	13,436	761,303
- Provision for impairment of loans and advances and trade receivables	60	13,362	66	13,488

* *Interests included in EBITDA are interest income classified as revenue and interest expenses classified as cost of sales*

Reconciliations of reportable segment operating income, profit or loss, assets and liabilities and other material items

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
				(unaudited)	
Operating income					
Total income for reportable segments	130,130	125,602	124,196	61,723	61,030
Elimination of inter-segment income	–	(2,468)	(5,665)	(2,756)	(2,709)
Consolidated revenue	130,130	123,134	118,531	58,967	58,321
Profit					
Total profit before tax for reportable segments	25,614	26,465	27,374	14,040	13,196
Consolidated profit before tax	25,614	26,465	27,374	14,040	13,196

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Total assets for reportable segments	1,118,188	985,206	987,216	1,098,884
Other unallocated amounts	1	54,115	45,028	–
Consolidated total assets	1,118,189	1,039,321	1,032,244	1,098,884
Liabilities				
Total liabilities for reportable segments	883,439	764,844	745,985	871,592
Other unallocated amounts	–	18,091	318	4,899
Consolidated total liabilities	883,439	782,935	746,303	876,491

Geographical segments

In view of Ethoz Group's continuing efforts to develop its businesses across the region, resources are now allocated mainly to three principal geographical areas: *Singapore, China and Others.* Others in 2021 and 2022 represent Malaysia.

The geographical location of the business units is used as basis in presenting information on the segmental income, performance, assets and liabilities.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	$'000	$'000	$'000	$'000 (unaudited)	$'000
Revenue					
Singapore	104,615	98,981	95,649	48,097	44,718
China	25,091	23,651	22,293	10,620	13,272
Others	424	502	589	250	331
	130,130	123,134	118,531	58,967	58,321

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Segment non-current assets				
Singapore	617,997	505,042	394,092	342,767
China	106,784	93,416	125,203	129,904
Others	2,423	3,225	2,888	3,149
	727,204	601,683	522,183	474,820
Segment total assets				
Singapore	851,690	785,570	746,802	792,865
China	262,895	248,691	280,555	300,609
Others	3,604	5,060	4,887	5,410
	1,118,189	1,039,321	1,032,244	1,098,884

Major customers

Due to a well-diversified portfolio of customers across operating and geographical segments, there are no external customer that account for more than 10% of Ethoz Group's revenue.

24 Subsequent event

Subsequent to 30 June 2022, Ethoz Group has the following subsequent event:

- On 1 July 2022, Ethoz Group had repurchased 320,000 shares (representing 16% of the total issued share capital of Ethoz) from Orix Corporation for a consideration of S$48.8 million, in its performance of the second transaction agreed in the definitive agreement that was entered on 29 June 2022 with its shareholders, in which, Ethoz Group will become a direct wholly owned subsidiary of Tan Chong Investments Limited, upon the completion of the transactions in the agreement.

25 Statements of financial position of Ethoz

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	$'000	$'000	$'000	$'000
Assets				
Property, plant and equipment	196,713	154,562	24,409	23,407
Investment property	9,400	9,400	9,400	9,400
Subsidiaries	475,581	413,407	468,871	302,138
Club membership	71	46	21	–
Loans and advances	18,982	12,812	7,972	6,188
Contract costs	410	231	111	73
Non-current assets	701,157	590,458	510,784	341,206
Inventories	104	2	–	–
Trade and other receivables	6,690	4,414	3,064	12,719
Loans and advances	6,323	4,930	3,554	3,256
Contract costs	223	155	99	89
Cash and cash equivalents	1,902	2,279	7,634	52,521
Current tax asset	355	–	–	53
Prepayments	857	483	123	76
Current assets	16,454	12,263	14,474	68,714
Total assets	717,611	602,721	525,258	409,920
Equity				
Share capital	2,000	2,000	2,000	1,600
Retained earnings	125,300	132,860	144,499	83,608
Equity attributable to owners of Ethoz	127,300	134,860	146,499	85,208
Liabilities				
Loans and borrowings	309,224	205,604	161,084	131,852
Lease liabilities	–	5,476	6,835	6,756
Deferred tax liabilities	16,317	15,463	673	446
Non-current liabilities	325,541	226,543	168,592	139,054
Loans and borrowings	245,448	16,637	14,149	179,467
Lease liabilities	–	118	154	157
Trade and other payables	19,322	222,921	195,183	6,034
Current tax liabilities	–	1,642	681	–
Current liabilities	264,770	241,318	210,167	185,658
Total liabilities	590,311	467,861	378,759	324,712
Total equity and liabilities	717,611	602,721	525,258	409,920

Statements of changes in equity of Ethoz

	Share capital $'000	Retained earnings $'000	Total $'000
At 1 January 2019	2,000	118,867	120,867
Total comprehensive income for the year			
Profit for the year	–	14,433	14,433
Total comprehensive income for the year	–	14,433	14,433
Transactions with owners of Ethoz, recorded directly in equity			
Distributions to owners of Ethoz			
Dividends declared	–	(8,000)	(8,000)
Total transaction with owners of Ethoz	–	(8,000)	(8,000)
At 31 December 2019	2,000	125,300	127,300
At 1 January 2020	2,000	125,300	127,300
Total comprehensive income for the year			
Profit for the year	–	15,560	15,560
Total comprehensive income for the year	–	15,560	15,560
Transactions with owners of Ethoz, recorded directly in equity			
Distributions to owners of Ethoz			
Dividends declared	–	(8,000)	(8,000)
Total transaction with owners of Ethoz	–	(8,000)	(8,000)
At 31 December 2020	2,000	132,860	134,860
At 1 January 2021	2,000	132,860	134,860
Total comprehensive income for the year			
Profit for the year	–	11,639	11,639
Total comprehensive income for the year	–	11,639	11,639
At 31 December 2021	2,000	144,499	146,499
At 1 January 2022	2,000	144,499	146,499
Total comprehensive income for the period			
Profit for the period	–	7,709	7,709
Total comprehensive income for the period	–	7,709	7,709
Transactions with owners of Ethoz, recorded directly in equity			
Distributions to owners of Ethoz			
Dividends declared	–	(8,000)	(8,000)
Repurchase of shares from shareholders	(400)	(60,600)	(61,000)
Total transaction with owners of Ethoz	(400)	(68,600)	(69,000)
At 30 June 2022	1,600	83,608	85,208

Subsequent financial statements

No audited financial statements have been prepared by Ethoz Group and its subsidiaries in respect of any period subsequent to 30 June 2022.

The information set forth in this Appendix does not form part of the accountants' report of the Ethoz Group received from KPMG LLP, Public Accountants and Chartered Accountants, Singapore as set forth in Appendix II to this circular, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group set out in the interim report of the Company for the six months ended 30 June 2022 and with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 (the "**Unaudited Pro Forma Financial Information**") of Tan Chong International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") in connection with the transaction contemplated under the definitive agreement relating to the shares in Ethoz Group Ltd. ("**Ethoz**", together with its subsidiaries, the "**Ethoz Group**") dated 29 June 2022 entered into among Tan Chong Investments Limited, ORIX Corporation, ORIX Leasing Singapore Limited and Ethoz, whereby Tan Chong Investments Limited became a 100% shareholder of Ethoz after completion of the acquisition and repurchase as contemplated thereunder (the "**Transaction**") which has been prepared on the basis of the notes set out below and assumes the Transaction had been completed on 30 June 2022. The Group and the Ethoz Group are collectively referred to as the "**Enlarged Group**". Details of the Transaction are set out in the section headed "Letter from the Board" contained in this circular.

The Unaudited Pro Forma Financial Information is based on the consolidated statements of financial position of the Group as at 30 June 2022, which has been extracted from the Company's published interim report for the period then ended as referred to in Appendix I to this circular, and the consolidated statements of financial position of the Ethoz Group as at 30 June 2022 which are extracted from the accountants' report of the Ethoz Group as set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Transaction as if it had been completed on 30 June 2022. These pro forma adjustments are (i) directly attributable to the Transaction and not relating to other future events and decisions and (ii) factually supportable based on the terms of the Definitive Agreement.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Transaction. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed as of the specified date or any future dates.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2022 HK$ million	Ethoz Group as at 30 June 2022 HK$ million	Unaudited pro forma adjustments HK$ million	HK$ million	HK$ million	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group HK$ million
	Note 1	Note 2	Note 3	Note 4	Note 5	
Non-current assets						
Investment properties	3,407	53		(4)		3,456
Property, plant and equipment	4,410	902		139		5,451
Intangible assets	40	–				40
Goodwill	68	–		10		78
Interest in associates	877	–		(788)		89
Investments designated as at fair value through other comprehensive income	1,627	–				1,627
Loan receivables	–	732				732
Finance lease receivables	–	918				918
Hire purchase debtors and instalments receivable	87	55				142
Contract costs	–	3				3
Receivables, deposits and prepayments	202	–				202
Deferred tax assets	52	16		1		69
	10,770	2,679				12,807
Current assets						
Inventories	1,344	2				1,346
Trade debtors	1,011	192				1,203
Loan receivables	–	1,518				1,518
Finance lease receivables	–	615				615
Hire purchase debtors and instalments receivable	59	189				248
Contract costs	–	2				2
Other debtors, deposits and prepayments	828	55		(241)		642
Amounts due from related companies	–*	–				–*
Cash and bank balances	2,774	948	(275)		(13)	3,434
	6,016	3,521				9,008
Current liabilities						
Unsecured bank overdrafts	195	–				195
Bank loans	1,707	2,097				3,804
Trade creditors	802	98				900
Other creditors and accruals	972	503				1,475
Amounts due to related companies	21	–				21
Lease liabilities	211	7				218
Current taxation	117	21				138
Provisions	22	–				22
	4,047	2,726				6,773
Net current assets	1,969	795				2,235
Total assets less current liabilities	12,739	3,474				15,042

* The balance represents amount less than HK$1 million.

	The Group as at 30 June 2022	Ethoz Group as at 30 June 2022	Unaudited pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
	Note 1	Note 2	Note 3	Note 4	Note 5	
Non-current liabilities						
Bank loans	495	2,061				2,556
Lease liabilities	396	46				442
Net defined benefit retirement obligations	52	–				52
Deferred tax liabilities	90	113		24		227
Provisions	55	–				55
	1,088	2,220				3,332
NET ASSETS	11,651	1,254				11,710

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts were extracted from the consolidated statement of financial position of the Group as at 30 June 2022, which formed part of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022, as set out in the Company's published interim report for the six months ended 30 June 2022. The relevant balances have been rounded to the nearest Hong Kong Dollars ("**HK$**") million.

2. The amounts were extracted from the consolidated statement of financial position of the Ethoz Group as at 30 June 2022 as set out in the accountants' report in Appendix II to this circular. The accountants' report of the Ethoz Group is presented in Singapore dollar ("**S$**" or "**SGD**") which is different from the presentation currency of the Group, i.e. HK$. The assets and liabilities of the Ethoz Group has been translated to HK$ at the closing rate of SGD 0.17725 to HK$ 1 as at 30 June 2022 and rounded to the nearest HK$ million.

3. Pursuant to the Definitive Agreement, the Transaction includes, inter alia, repurchase of the OC Repurchase Shares by Ethoz from OC in two tranches. The repurchase of the first tranche of 400,000 OC Repurchase Shares took place on 29 June 2022, followed by completion of the repurchase of the second tranche of 320,000 OC Repurchase Shares on 1 July 2022.

   The adjustment represents the second tranche of 320,000 OC Repurchase Shares on 1 July 2022 at the consideration of S$48,800,000 (equivalent to approximately HK$275,317,000).

4. Pursuant to the Definitive Agreement, the Transaction includes, inter alia, purchase of the OC Sale Shares and the OLS Sale Shares by Tan Chong from OC and OLS at the Sale Share Consideration of S$12,200,000 (equivalent to approximately HK$68,830,000) and S$30,500,000 (equivalent to approximately HK$172,073,000) respectively, to be paid by Tan Chong by 1 July 2022. The total consideration of S$42,700,000 (equivalent to approximately HK$240,903,000) was prepaid on 29 June 2022.

   Prior to the Transaction, the Group already owned 50% of the equity interests of Ethoz which accounted for as an associate of the Group. After completion of the Transaction, Ethoz has become an indirect wholly-owned subsidiary of the Group and the Ethoz Group will be consolidated into the Enlarged Group's consolidated financial statements at the completion date of the Transaction.

   In this connection, the Transaction is treated as a "step acquisition" under International Financial Reporting Standard 3 (Revised) – Business Combinations ("**IFRS 3**").

   Upon completion of the Transaction, the identifiable assets and liabilities of the Ethoz Group have been accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method of accounting in accordance with IFRS 3.

The fair values and the carrying amounts of the assets and liabilities of the Ethoz Group as at 30 June 2022 and the financial effect of the transaction described above are analyzed as follows:

	Fair value of identifiable net assets	Carrying amount (Note)
	HK$ million	HK$ million
Investment properties	49	53
Property, plant and equipment	1,041	902
Loan receivables - Non-current	732	732
Finance lease receivables - Non-current	918	918
Hire purchase debtors and instalments receivable - Non-current	55	55
Contract costs - Non-current	3	3
Deferred tax assets	17	16
Inventories	2	2
Trade debtors	192	192
Loan receivables - Current	1,518	1,518
Finance lease receivables - Current	615	615
Hire purchase debtors and instalments receivable - Current	189	189
Contract costs - Current	2	2
Other debtors, deposits and prepayments - Current	55	55
Cash and bank balances	673	673
Bank loans - current	(2,097)	(2,097)
Trade creditors	(98)	(98)
Other creditors and accruals	(503)	(503)
Lease liabilities - current	(7)	(7)
Current taxation	(21)	(21)
Bank loans - Non-current	(2,061)	(2,061)
Lease liabilities - Non-current	(46)	(46)
Deferred tax liabilities	(137)	(113)
Net assets	**1,091**	**979**

(Note):

Cash and bank balances have been adjusted for the second tranche of 320,000 OC Repurchase Shares at completion.

	HK$ million	HK$ million
Fair value of identifiable net assets acquired by the Group (100%)		1,091
Consideration for 100% equity interests in the Ethoz:		
- Estimated cash consideration	241	
- Fair value of interest in associates *	860	
Total consideration for 100% equity interests in the Ethoz		1,101
Goodwill based on 100% equity interests in the Ethoz		10

* Amount represents the fair value of the then existing 50% of equity investments at the date of the Transaction which was made with reference to the agreed equity value of S$305,000,000.

For the purpose of the Unaudited Pro Forma Financial Information, the fair values of the identifiable assets and liabilities of the Ethoz Group as at 30 June 2022 were determined by the Directors after making reference to the purchase price allocation report prepared by an independent professional valuer. The amounts of goodwill and fair values of the identifiable assets and liabilities of the Ethoz Group are subject to change upon completion of the Transaction. Consequently, the resulting goodwill and the actual allocation of the purchase price will likely result in different amounts than those stated in this Unaudited Pro Forma Financial Information.

The Directors have assessed whether there is any indication of impairment in respect of goodwill arising from the Transaction with reference to the principles in International Accounting Standard 36 "Impairment of Assets" ("**IAS 36**") which is consistent with the accounting policies of the Group. Based on the Directors' assessment, they consider that there is no indication of impairment on the goodwill of HK$10 million arising from the Transaction. The Directors confirm that they will apply consistent accounting policies for impairment assessment of goodwill arising from the Transaction in subsequent reporting periods in accordance with the requirements of IAS 36.

5. The adjustment represents costs relating to the Transaction (including fees to legal advisors, reporting accountants, valuers, printer, taxes and levies and other expenses), which are estimated to be approximately HK$13 million.

6. No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Ethoz Group entered into subsequent to 30 June 2022.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF TAN CHONG INTERNATIONAL LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tan Chong International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes as set out in Appendix III to the circular dated 25 November 2022 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of remaining interest in Ethoz Group Ltd. ("**Ethoz**", together with its subsidiaries, the "**Ethoz Group**") (the "**Acquisition**") on the Group's assets and liabilities as at 30 June 2022 as if the Acquisition had taken place at 30 June 2022. As part of this process, information about the Group's assets and liabilities as at 30 June 2022 has been extracted by the Directors from the interim report of the Group for the six months ended 30 June 2022, on which no review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with Rule 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 November 2022

MANAGEMENT DISCUSSION AND ANALYSIS ON THE ETHOZ GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND SIX MONTHS ENDED 30 JUNE 2022

Set out below is the management discussion and analysis on the Ethoz Group for the three years ended 31 December 2019, 2020, and 2021 and the six months ended 30 June 2022. The following information should be read in conjunction with the accountants' report of the Ethoz Group as set out in Appendix II to this circular.

REVENUE

For the three years ended 31 December 2019, 2020 and 2021, the revenue of the Ethoz Group was approximately S$130.1 million (equivalent to approximately HK$735.2 million), approximately S$123.1 million (equivalent to approximately HK$695.7 million) and approximately S$118.5 million (equivalent to approximately HK$669.7 million), respectively. For the six months ended 30 June 2021, the revenue of the Ethoz Group was approximately S$59.0 million (equivalent to approximately HK$333.2 million). For the six months ended 30 June 2022, the revenue of the Ethoz Group was approximately S$58.3 million (equivalent to approximately HK$329.5 million).

The revenue of the Ethoz Group is derived from its primary activities involved in the provision of car rental services, automotive leasing and capital financing.

In 2019, the registered total revenue of the Ethoz Group was approximately S$130.1 million (equivalent to approximately HK$735.2 million), which amounted to an increase of 6.6% as compared to 2018, mainly due to an increase in interest income by approximately S$6.8 million (equivalent to approximately HK$38.1 million) arising due to an increase in loans and advances in 2019.

In 2020, the registered total revenue of the Ethoz Group was approximately S$123.1 million (equivalent to approximately HK$695.7 million), which amounted to a decline of 5.4% as compared to 2019, mainly due to the COVID-19 pandemic. Vehicle-related revenue declined approximately S$3.5 million (equivalent to approximately HK$19.8 million) as sales of motor vehicles and rental income declined approximately $2.3 million (equivalent to approximately HK$12.8 million) and approximately $1.2 million (equivalent to approximately HK$6.9 million), respectively. The decline in rental income was attributed to the weak utilization and rental rates of passenger vehicle ("**PV**") fleet which mainly served the expatriates whom many left Singapore due to the COVID-19 pandemic. Fortunately, the decline in rental in the PV fleet of the Ethoz Group was partially offset by the strong utilization rates in the commercial vehicle ("**CV**") fleet of the Ethoz Group. The Ethoz Group's CV customers are mostly involved in essential services, such as supermarkets, bakeries, pest control, logistic, and there was continuing strong demand for their services. The Ethoz Group continued to increase its commercial fleet size to meet the demand of its customers.

In 2021, the registered total revenue of the Ethoz Group was approximately S$118.5 million (equivalent to approximately HK$669.7 million), which amounted to a decline of 3.7% as compared to 2020 mainly due to the decrease in decline in hire purchase interest income by approximately S$2.9 million (equivalent to approximately HK$16.3 million) attributable to the impact of cessation of new straight financing ("**SF**") products in Singapore in 2018 related to the hire purchase of vehicles. Such financing has the lowest yield in the portfolio. The decrease in revenue was partially offset by an increase in vehicle rental income of the Ethoz Group which grew by approximately S$0.7 million (equivalent to approximately HK$4.1 million) in 2021 due to improved market conditions for both the PV and CV fleet of the Ethoz Group as rental rates increased in 2021.

For the six months ended June 2022, the registered total revenue of the Ethoz Group was approximately S$58.3 million (equivalent to approximately HK$329.5 million), which amounted to a decline of 1.1% as compared to the same period of 2021. This was mainly due to the decline in hire purchase interest income by approximately S$1.1 million (equivalent to approximately HK$6.0 million) attributable to the cessation of new SF contracts.

PROFIT BEFORE TAXATION

For the three years ended 31 December 2019, 2020 and 2021, profit before taxation of the Ethoz Group was approximately S$25.6 million (equivalent to approximately HK$144.7 million), approximately S$26.5 million (equivalent to approximately HK$149.5 million) and approximately S$27.4 million (equivalent to approximately HK$154.7 million), respectively. For the six months ended 30 June 2021, profit before taxation of the Ethoz Group was approximately S$14.0 million (equivalent to approximately HK$79.2 million). For the six months ended 30 June 2022, profit before taxation of the Ethoz Group was approximately S$13.2 million (equivalent to approximately HK$74.6 million).

Profit before tax of the Ethoz Group for the year ended 31 December 2019 increased by approximately 4.0% to approximately S$25.6 million (equivalent to approximately HK$144.7 million), compared to the figure for the year ended 31 December 2018. The increase was primarily due to an increase in interest income arising from higher loans and advances during the year ended 31 December 2019.

Despite the decline in revenue in 2020, profit before taxation of the Ethoz Group for the year ended 31 December 2020 increased by approximately by 3.5% to approximately S$26.5 million (equivalent to approximately HK$149.5 million), compared to the figure for the year ended 31 December 2019. The increase was primarily due to lower finance and interest costs which reduced drastically by 26.9% year on year, attributable to lower interest benchmark rates and a reduction in interest-bearing borrowings by 17.8%. Other operating income also increased by 87.5% year on year mainly due to the Job Support Scheme ("**JSS**") grant given by the Government of Singapore.

The profit before taxation of the Ethoz Group of the year ended 31 December 2021 increased by approximately S$0.9 million (equivalent to approximately HK$5.1 million), compared to the figure for the year ended 31 December 2020. The increase was primarily due to a reduction in the impairment loss on trade receivables and loans and advances arising from contract with customers amounting to approximately $3.2 million (equivalent to approximately HK$18.1 million) as less provision on trade receivables and loans and advances were required to be made. Other income decreased by approximately S$1.4 million (equivalent to approximately HK$8.1 million) in the year of 2021 due to the decrease in JSS grants by the Government of Singapore.

For the six months ended 30 June 2022, profit before taxation of the Ethoz Group decreased by approximately S$0.8 million (equivalent to approximately HK$4.8 million) compared to the six months ended 30 June 2021, because of a decrease in other operating income by approximately S$0.6 million (equivalent to approximately HK$3.6 million) as a result of decrease in government grants which were granted in 2020 and 2021 due to the COVID-19 pandemic.

MAJOR CUSTOMERS AND SUPPLIERS

Due to a well-diversified portfolio of customers and suppliers across operating and geographical segments, there is no external customer or supplier that accounts for more than 10% of the Ethoz Group's revenue or purchases respectively.

For the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, (a) the percentage of revenue attributable to the Ethoz Group's five largest customers in aggregate represents less than 30% of the Ethoz Group's total sales; and (b) the percentage of purchases attributable to the Ethoz Group's five largest suppliers in aggregate represents less than 30% of the Ethoz Group's total purchases.

CAPITAL RESOURCES AND LIQUIDITY

The Ethoz Group allocates its existing funds and debt from financial institutions to finance new executions in its financial services segment in Singapore and China. The vehicle segment is mainly self-funded due to the high earnings before interest, taxes, depreciation and amortization ("**EBITDA**") generated therefrom. Employing a cash management system, the Ethoz Group effectively manages surplus funds and controls liquidity risk by maintaining liquidity in the appropriate amount through the timely formulation and updating of the cash management plan.

Cash and cash equivalents

As at 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, the Ethoz Group had cash and cash equivalents of approximately S$26.8 million (equivalent to approximately HK$151.6 million), approximately S$35.6 million (equivalent to approximately HK$201.4 million), approximately S$45.2 million (equivalent to approximately HK$255.1 million) and approximately S$168.1 (equivalent to approximately HK$949.6 million), respectively.

Cash and cash equivalents increased by S$4.2 million (equivalent to approximately HK$23.6 million) as at 31 December 2019 as compared to 31 December 2018 due to net cash from financing activities amounting to S$4.7 million (equivalent to approximately HK$26.7 million) in 2019.

Subsequently, the Ethoz Group demonstrated clear resilience in its strong cash flow during the COVID-19 pandemic in 2020 when new bank lending tightened globally. Cash flow from operations before working capital continued to increase by 11.3% which was supported by its strong EBITDA amounting to S$80.9 million (equivalent to approximately HK$457.3 million) in 2020. This enabled the Ethoz Group to still have a net cash increase in cash and cash equivalents including foreign exchange effects of approximately S$8.8 million (equivalent to approximately HK$49.7 million) despite having a net repayment of debt amounting to approximately S$144.3 million (equivalent to approximately HK$815.4 million) in 2020.

Cash and cash equivalents of the Ethoz Group continued to increase by about S$9.5 million (equivalent to approximately HK$53.8 million) in 2021. This was supported by EBITDA amounting to approximately S$78.8 million (equivalent to approximately HK$445.3 million) in 2021, which was partially offset by the net repayment of bank borrowings of approximately S$36.6 million (equivalent to approximately HK$206.9 million).

Cash and cash equivalents of the Ethoz Group increased by about S$122.9 million (equivalent to approximately HK$694.4 million) as at 30 June 2022 as compared to 31 December 2021. This was mainly due to a drawdown of a syndicated loan amounting to approximately S$200.0 million (equivalent to approximately HK$1,130.0 million) in June 2022.

Loans

The Ethoz Group establishes short-term and long-term facility arrangements with financial institutions and credit lines with Enterprise Singapore ("ESG"). Short-term facilities are the revolving credit facilities. Long-term facility arrangements include bilateral loans, club deals and syndicated loans. ESG credit lines include temporary bridging loans, working capital loans and fixed asset loans.

As at 31 December 2019, 2020 and 2021, and 30 June 2022, the carrying amount of the Ethoz Group loans amounting to approximately S$800.5 million (equivalent to approximately HK$4,523.1 million), approximately S$657.9 million (equivalent to approximately HK$3,717.4 million) and approximately S$622.8 million (equivalent to approximately HK$3,519.0 million) and approximately S$737.0 million (equivalent to approximately HK$4,164.1 million), respectively.

The contractual maturity of all loans, including interest payments was as follows:

	Year ended 31 December						Six months ended 30 June	
	2019		2020		2021		2022	
	Million S$	Million HK$ equivalent to approximately	Million S$	Million HK$ equivalent to approximately	Million S$	Million HK$ equivalent to approximately	Million S$	Million HK$ equivalent to approximately
Within one year	400.5	2,262.9	332.3	1,877.3	349.9	1,976.9	387.2	2,187.8
After one year but within two years	237.4	1,341.0	248.0	1,401.1	199.6	1,127.5	237.0	1,338.9
After two years but within five years	193.3	1,092.1	91.7	518.0	90.8	512.8	138.3	781.6
	831.2	4,696.0	672.0	3,796.4	640.3	3,617.2	762.5	4,308.3

All loans were substantively denominated in the same local functional currency of the borrower, i.e. in S$, Malaysian Ringgit and Renminbi if borrowed in Singapore, Malaysia and the PRC respectively with variable or fixed interest.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, approximately 16.0%, 15.6%, 29.2% and 16.5% of total bank loans of the Ethoz Group were fixed rate loans. The floating rate loans were mostly based on margin plus Singapore Dollar Swap Offer Rate (SOR) or Singapore Overnight Rate Average (SORA).

Lease liabilities

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Ethoz Group had lease liabilities of approximately S$2.9 million (equivalent to approximately HK$16.4 million), approximately S$7.3 million (equivalent to approximately HK$41.2 million), approximately S$9.8 million (equivalent to approximately HK$55.4 million) and approximately S$9.3 million (equivalent to approximately HK$52.5 million), respectively. The amount of lease liabilities as at 30 June 2022 decreased as compared to the amount as of 31 December 2021. This was attributable to amortization of lease liabilities interest expense. Fixed interest rates were applied to lease liabilities transactions. For the years ended 31 December 2019, 2020 and 2021, the weighted average effective interest rates were 4.75%, 3.2% and 3.3%, respectively. For the six months ended 30 June 2022, the weighted average effective interest rate was 3.3%. The maturity of lease liabilities, including interest payments was as follows:

	Year ended 31 December						Six months ended 30 June	
	2019		2020		2021		2022	
	Million S$	Million HK$ equivalent to approximately	Million S$	Million HK$ equivalent to approximately	Million S$	Million HK$ equivalent to approximately	Million S$	Million HK$ equivalent to approximately
Within one year	1.0	5.9	1.0	5.5	1.5	8.3	1.4	8.2
After one year but within two years	0.8	4.3	0.7	3.9	1.4	8.0	1.7	9.7
After two years but within five years	1.2	7.0	1.7	9.3	2.0	11.2	1.2	6.6
After five years	0.2	1.2	7.0	39.4	8.7	49.4	8.6	48.4

Funding and treasury policies

The Ethoz Group manages its funding/liquidity risks by firstly matching the duration of the bank borrowings with the expected cash inflows from its operating assets. Secondly, all long-term bank borrowings have principal repayments on an amortization basis to match the expected inflows from its operating assets. Thirdly, the Ethoz Group matches average duration of the portfolio of its loans and advances with the average duration of the bank borrowings maturity.

Gearing ratio

The Ethoz Group monitors its interest gearing ratio and total gearing ratio monthly. Interest gearing ratio is defined by total bank borrowings divided by the total equity. Total gearing ratio is defined by total liabilities divided by the total equity. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the interest gearing ratios of the Ethoz Group were 3.41 times, 2.57 times, 2.18 times and 3.31 times, respectively. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the total gearing ratios of the Ethoz Group were 3.76 times, 3.05 times, 2.61 times and 3.94 times, respectively. The changes in gearing was due to the changes in borrowings in line with the changes in total assets and equity.

FINANCIAL POSITION

Total assets of the Ethoz Group were approximately S$1,118 million (equivalent to approximately HK$6,318 million) as at 31 December 2019, approximately S$1,039 million (equivalent to approximately HK$5,872 million) as at 31 December 2020, approximately S$1,032 million (equivalent to approximately HK$5,832 million) as at 31 December 2021, and approximately S$1,099 million (equivalent to approximately HK$6,209 million) as at 30 June 2022. The decrease in total assets for the year ended 31 December 2020 by approximately S$78.9 million (equivalent to approximately HK$446 million) was mainly due to the decline in loans and advances. The increase in total assets for the six months ended 30 June 2022 was due to an increase in cash and cash equivalents due to a drawdown in a syndicated loan.

Total liabilities of the Ethoz Group were approximately S$883 million (equivalent to approximately HK$4,991 million) as at 31 December 2019, approximately S$783 million (equivalent to approximately HK$4,424 million) as at 31 December 2020, approximately S$746 million (equivalent to approximately HK$4,217 million) as at 31 December 2021, and approximately S$876 million (equivalent to approximately HK$4,952 million) as at 30 June 2022. The decrease in total liabilities in 2020 and 2021 was due to a decline in loans and borrowings by about 17.8% and 5.3% as loans receivables declined during the COVID-19 pandemic. The increase in total liabilities for the six months ended 30 June 2022 was due to a drawdown in a syndicated loan.

CAPITAL EXPENDITURE

The Ethoz Group's capital expenditure for the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 were approximately S$50.3 million (equivalent to approximately HK$284.1 million), approximately S$22.2 million (equivalent to approximately HK$125.5 million), approximately S$16.5 million (equivalent to approximately HK$93.1 million) and approximately S$8.4 million (equivalent to approximately HK$47.7 million), respectively.

Capital expenditure of the Ethoz Group is mainly for the purchase of new motor vehicles (PV and CV) which were rented to customers amounted to approximately S$48.1 million (equivalent to approximately HK$271.8 million), approximately S$20.0 million (equivalent to approximately HK$113.0 million) and approximately S$15.5 million (equivalent to approximately HK$87.6 million) and approximately S$8.3 million in (equivalent to approximately HK$46.9 million) 2019, 2020, 2021 and the first half of 2022, respectively.

SIGNIFICANT INVESTMENTS

There was no significant financial investment held by the Ethoz Group for the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries or associated companies by the Ethoz Group for the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

CAPITAL COMMITMENTS, CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Ethoz Group did not have any other material outstanding capital commitments.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, there was no charges on any assets in the Ethoz Group except for the approximately S$80.3 million (equivalent to approximately HK$453.9 million) of loans and advances that were securitized under a secured bank borrowing that amounted to S$20.9 million (equivalent to approximately HK$118.1 million) as at 31 December 2019. This securitization loan expired in June 2020. Hence, subsequently, there was no other charges on assets in the Ethoz Group.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Ethoz Group did not have any material contingent liabilities (other than financial guarantee contracts to guarantee the indebtedness of the companies within the Ethoz Group). As at 31 December 2019, 2020 and 2021 and 30 June 2022, guarantees issued to banks by the Ethoz Group in respect of banking facilities on borrowings extended to certain entities in the Ethoz Group amounted to S$952.6 million, S$846.3 million, S$1,107.5 million and S$1,273.5 million respectively (equivalent to approximately HK$5,382.1 million, HK$4,781.6 million, HK$6,257.2 million and HK$7,195.4 million respectively). The amount utilized as at 31 December 2019, 2020 and 2021 and 30 June 2022 were S$594.7 million, S$452.1 million, S$451.0 million and S$584.7 million respectively (equivalent to approximately HK$3,359.9 million, HK$2,554.6 million, HK$2,548.2 million and HK$3,303.6 million respectively). In addition, as at 31 December 2019, 2020 and 2021 and 30 June 2022, guarantees issued to banks by the Ethoz Group in respect of banking facilities on foreign exchange extended to certain entities in the Ethoz Group amounted to S$15.1 million, S$15.1 million, S$15.1 million and nil respectively (equivalent to approximately HK$85.2 million, HK$85.2 million, HK$85.2 million, nil respectively). No guarantee amount was utilized on such foreign exchange facilities as at 31 December 2019, 2020 and 2021 and 30 June 2022.

FOREIGN EXCHANGE RISK MANAGEMENT

The Ethoz Group conducts its business in Singapore dollar, Malaysian Ringgit and Renminbi based on the location where its business activities are located. The functional currencies of each entity in the Ethoz Group match the local currency of such business activities. The Ethoz Group will take necessary steps to mitigate any potential transactional foreign exchange risk, including hedging.

In 2019, ETHOZ Capital (China) Ltd, a direct wholly-owned subsidiary of Ethoz, entered into a Renminbi/Singapore dollar cross currency swap with United Overseas Bank China to do a back-to-back swap for its loan with United Overseas Bank Singapore. This hedge and the underlying loan will mature in 2022.

SEGMENT INFORMATION

The reportable segments of the Ethoz Group are the units for which separate financial statements can be obtained among the constituent units of the Ethoz Group and which are regularly examined by the executive management of the Ethoz Group to assess performance and allocate management resources. Consolidating its business segments based on the organization structure and characteristics of services, the Ethoz Group defines its reportable segments as the auto leasing, financing and others as set out below:

Auto leasing

Auto leasing represents the operating lease of commercial and passenger vehicles.

Financing

Financing encompasses a range of corporate term loans, equipment leasing, hire purchase as well as participation in the Enterprise Financing Scheme administered by ESG to corporate clients, mainly the small and medium-sized enterprises.

Others

Others represent property holding, investment holding, group treasury and items not attributable to the business segments described above.

EMPLOYEES AND REMUNERATION POLICY

The Ethoz Group had 356, 314, 291 and 293 employees as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively.

The remuneration policy of the Ethoz Group is reviewed every six months and appropriate adjustments are made with reference to employees' performance, conditions in the human resources market and general economic conditions.

The Ethoz Group's total staff cost for the three years ended 31 December 2019, 2020, 2021 and for the six months ended 30 June 2022 were approximately S$18.4 million (equivalent to approximately HK$103.7 million), S$19.0 million (equivalent to approximately HK$107.3 million), S$19.2 million (equivalent to approximately HK$108.7 million) and S$9.5 million (equivalent to approximately HK$53.8 million) respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Ethoz Group has been exploring potential opportunities for business expansion in ASEAN countries. Currently, the Ethoz Group does not have any commitments for material investment.

PROSPECTS

Auto Leasing Segment

The Ethoz Group's portfolio of operating lease assets of more than 3,000 passenger and commercial vehicles generates not only strong positive cashflow for the Ethoz Group operations due to its high EBITDA model, but also recurring cash flows which are underpinned by the average effective tenor of three to five years in the rental contracts. With global supply disruptions continue to impact the supply of rental vehicles in Singapore, it is expected that utilisation and rental rates for both the PV and CV fleet of the Ethoz Group will continue to remain strong. The Ethoz Group has started to expand its fleet of electric vehicles with keen interest noted from many large companies, which are primarily motivated by the cheaper energy costs and ability to fulfil their corporate social responsibility in environmental and social sustainability. The Ethoz Group is also looking at expanding its CV fleet to include heavy vehicles.

Financing Segment

The Ethoz Group also expects growth in the equipment leasing market in the PRC as many companies in the PRC are revamping their manufacturing process via equipment upgrades, which presents promising opportunities for leasing companies. Ethoz's subsidiary, ETHOZ Capital (China) Ltd ("**ECC**") has maintained a robust credit risk management and strategy. It selects only the most suitable vendors, thereby ensuring good quality of asset and portfolio mix in the PRC. Predominantly, ECC's vendors are either large manufacturers or distributors of major brands of machineries. These businesses are not only established, but many had also gone through the severe acute respiratory syndrome (SARS) epidemic and business cyclical downturns and strengthened their models as a result thereof. Furthermore, the businesses are classified essential and exempt services. As such, most have resumed almost to full operations when the government moratorium was relaxed.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and chief executive of the Company

Save as disclosed below, at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

	Number of ordinary Shares					
Name of Directors	**Personal interests**	**Family interests** *(Note 1)*	**Corporate interests** *(Note 2)*	**Joint interests** *(Note 3)*	**Total number of Shares held**	**Approximate percentage of total issued Shares** *(Note 4)*
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%
Joseph Ong Yong Loke	684,000	795,000	940,536	–	2,419,536	0.12%
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 pursuant to sections 317 and 318 of the SFO.

(4) These percentages have been compiled based on the total number of issued Shares (i.e. 2,013,309,000 Shares) of the Company at the Latest Practicable Date.

At the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of substantial shareholders of the Company

So far as the Directors and the chief executive of the Company were aware, as of the Latest Practicable Date, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or had any options in respect of such capital:

Name of shareholder(s)	Long/short positions	Note	Total number of Shares held	Approximate percentage of total issued Shares *(Note 6)*
Tan Chong Consolidated Sdn. Bhd.	Long	(1)	705,819,720	35.05%
Promenade Group Limited	Long	(2)	212,067,000	10.53%
Tam Kim Hor	Long	(3)	144,801,495	7.19%
Pang Siew Ha	Long		134,821,032	6.99%
Time Strategy Group Limited	Long	(4)	104,497,700	5.19%
Lee Lang	Long		103,930,622	5.16%
Tan Heng Chew	Long	(5)	100,692,856	5.00%
Khor Swee Wah	Long	(5)	100,692,856	5.00%
Wang Shu Erh	Long	(5)	100,692,856	5.00%

Notes:

(1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not Directors.

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

(3) Tan 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.

(5) Based on the disclosure of interests filed, Tan Heng Chew has personal, corporate and family interests of 50,981,686 Shares, 37,848,000 Shares and 11,863,170 Shares respectively, making a total interests of 100,692,856 Shares. Khor Swee Wah and Wang Shu Erh, being spouses of Tan Heng Chew, are deemed to be interested in all the Shares held by Tan Heng Chew.

(6) These percentages have been compiled based on the total number of issued Shares (i.e. 2,013,309,000 Shares) of the Company at the Latest Practicable Date.

Save as disclosed above and so far as the Directors and the chief executive of the Company were aware, as at the Latest Practicable Date, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or had any options in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group that will expire or is terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

At the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance which were pending or threatened against any member of the Enlarged Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Enlarged Group.

6. DIRECTORS' INTERESTS IN ASSETS

At the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in the businesses apart from the Group's businesses that competed or was likely to compete, either directly or indirectly, with the businesses of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

9. MATERIAL CONTRACTS

The following contracts have been entered into by any memer of the Enlarged Group (not being contracts entered into in the ordinary course of business) within two years preceding the date of this circular:

(a) a put and call option agreement dated 19 November 2021 (the "**Option Agreement**") entered into between Tan Chong Realty (Private) Limited ("**TC Realty**"), an indirect wholly-owned subsidiary of the Company, as vendor, and CDL Aries Pte. Ltd. ("**CDL**"), as purchaser, pursuant to which (1) TC Realty agreed to grant to CDL a call option (the "**Call Option**") to CDL to accept TC Realty's offer to sell a land comprising the whole of (i) Lot 713K, (ii) Lot 99950N, (iii) Lot 1763K and (iv) Lot 1766L, of Mukim 14, together with the buildings erected thereon (the "**Property**") as well as the fixed plant and equipment including, without limitation, all fixtures, lifts, air-conditioning equipment, if any, located in or on the Property (the "**Plant and Equipment**"), at the option fee of S$6,315,000 (equivalent to approximately HK$35,679,750) (excluding goods and services tax in Singapore), and (2) CDL agreed to grant to TC Realty a put option to accept CDL's offer to purchase the Property and the Plant and Equipment in consideration of the mutual covenants in the Option Agreement, in relation to the sale and purchase of the Property together with the Plant and Equipment for a sale price of S$126,300,000 (equivalent to approximately HK$713,595,000) (excluding goods and services tax in Singapore). CDL had exercised the Call Option on 13 April 2022 and completion had taken place on 21 April 2022. For details, please refer to the Company's announcement dated 19 November 2021 and 14 April 2022, respectively; and

(b) the Definitive Agreement.

10. EXPERTS AND CONSENTS

The following are the qualification of the experts who have provided opinions and advice referred to or contained in this circular:

Name	Qualification
KPMG Singapore	Public Accountants and Chartered Accountants, Singapore
KPMG	Certified Public Accountants, Hong Kong

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or references to its name in the form and context in which they respectively appear. Such letter and/or report and/or references from the experts are given as of the date of this circular for incorporation herein.

11. EXPERTS' INTEREST

Each of the experts named above has confirmed that at the Latest Practicable Date:

(a) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

12. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Unit 3001, 30th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, 4^{th} Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The joint company secretaries are Ms. Teo Siok Ghee and Ms. Liew Daphnie Pingyen. Ms. Teo Siok Ghee holds a Bachelor of Commerce (Accountancy) from Nanyang University and is a non-practicing member of Institute of Singapore Chartered Accountants (previously known as Institute of Certified Public Accountants of Singapore). Ms. Liew Daphnie Pingyen holds a Bachelor Degree in Business (Accounting) and a Master Degree in Business (Accounting) from Monash University, Australia, and is a member of CPA Australia.

(f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tanchong.com) from the date of this circular and up to and including the date which is 14 days from the date of this circular.

(a) the Definitive Agreement;

(b) the accountants' report of the Ethoz Group from KPMG Singapore, the text of which is set out in Appendix II to this circular;

(c) the report on the unaudited pro forma financial information of the Enlarged Group from KPMG Hong Kong, the text of which is set out in Appendix III to this circular; and

(d) the written consents referred to in the section headed "Experts and Consents" in this appendix.