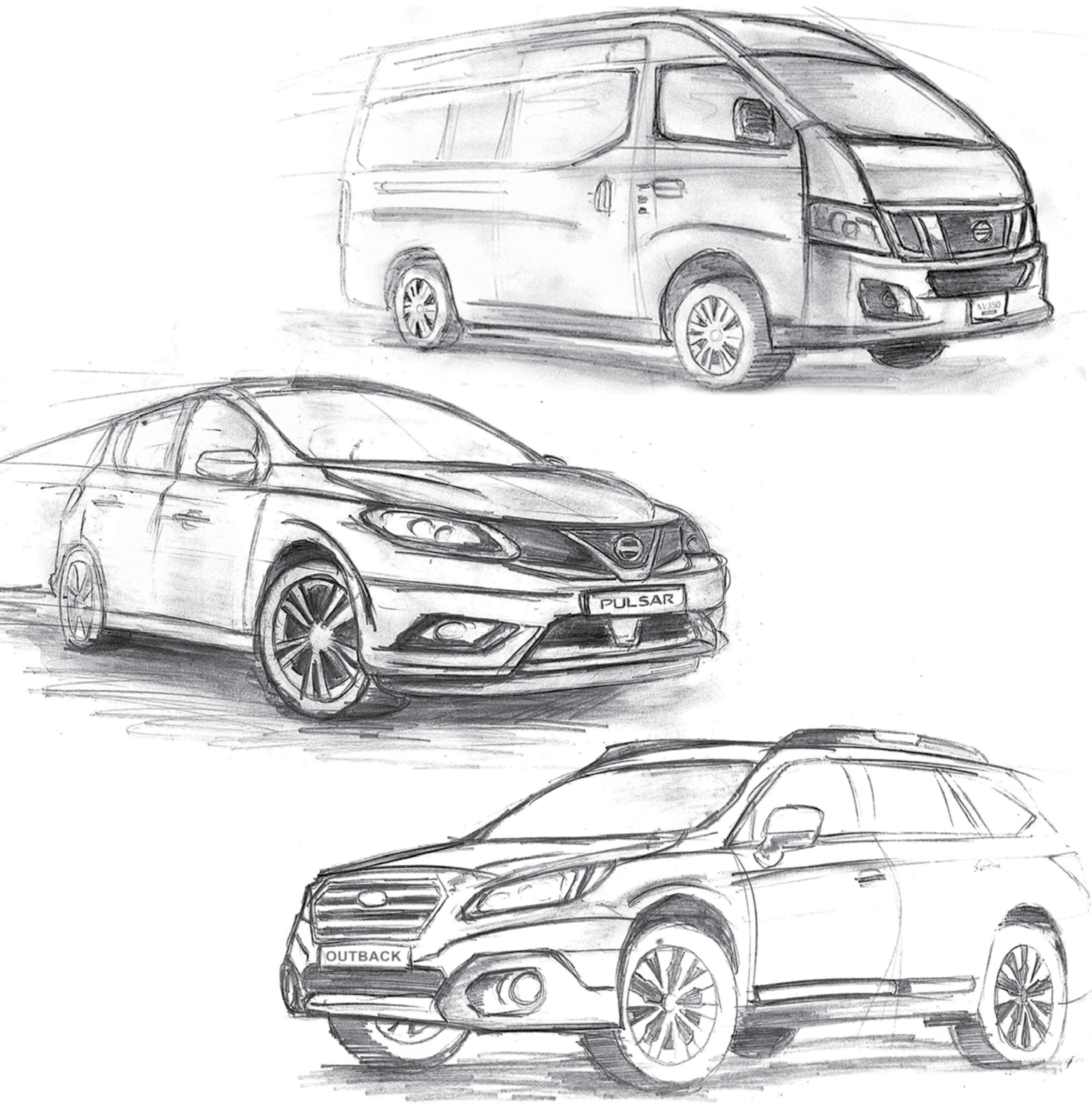

Annual Report 2016

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

Stock Code: 693

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

Tan Chong Subaru Automotive (Thailand) Co., Ltd
Starting production in 2019

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RESULTS

The Group achieved another year of record revenue of HK$16.7 billion, a 12.9% increase from the previous year. This was principally derived from the growth of our motor vehicle distribution and retail operations in Singapore and Taiwan, as well as from our complete knocked-down ("CKD") business in Thailand and Malaysia. 2016 was however, a challenging year. Global uncertainties and the strength of the Japanese Yen negatively impacted our cost of sales and consequently, reduced our gross profit margins. The Japanese Yen had appreciated 11% on average against the operating currencies of our motor vehicle distribution and dealership business.

Operating profit margin decreased to 4.1% down from 5.2% in the previous year. This is caused by a substantial increase of 22% in distribution cost as a result of sales increase in the complete built-up ("CBU") markets, rapid expansion of our regional distribution and retail network in the CKD markets of Malaysia and Thailand, as well as sizeable operational restructuring cost of our truck business in Thailand. Profit from operations decreased to HK$689.6 million, a 11% decrease from 2015. Profit attributable to shareholders was HK$191.1 million, a 38% decrease from the previous year.

The Group's return on capital employed (ROCE), computed by dividing earnings before interest and taxes (EBIT) by total equity and non-current liabilities, was 5.75% as compared to 5.68% in the previous year.

The Group's net gearing ratio, computed by dividing the net debt by total equity, was 10.0% as compared to 6.0% in the previous year. The net debt of HK$1.231 billion comprised total borrowing of HK$4.046 billion plus unsecured overdrafts of HK$0.085 billion less cash and cash equivalents of HK$2.891 billion and deposits of HK$0.009 billion.

In compliance to the regulatory, environmental and emission standard requirements in the countries that the Group operates, we take positive efforts to participate in programs and incentives that encourage sustainability, conservation and reduced environmental impact.

The Group recognises its human resources as valuable assets and maintains its commitment to training, developing and retaining talented employees. The number of employees at the end of 2016 was 6,131 as compared to 6,059 in 2015.

SIGNIFICANT INVESTMENTS

As at 31 December 2016, the Group had investments designated as at fair value through other comprehensive income of HK$3.5 billion representing listed and unlisted equity securities. The vast majority of these investments are equity securities listed on the Tokyo Stock Exchange, and have been accumulated over the years as strategic long-term investments. Fair value loss of HK$82 million was recognised in other comprehensive income during the year ended 31 December 2016. The loss is primarily due to share price changes of its listed investments, which are marked to market and therefore unrealised, as compared to an audited unrealised gain for the corresponding period in 2015. Such unrealised fair value loss on its investments will not be reclassified to the Group's consolidated statement of profit or loss.

FINANCE

Dividend payment will be HK$181 million for 2016 with the final dividend being HK7.0 cents per share (interim HK2.0 cents per share). Consolidated net assets year-on-year change from HK$6.17 to HK$6.10 per share primarily due to foreign exchange translation differences and changes in fair value of our listed equity securities.

SINGAPORE

Our Nissan and Subaru brands performed strongly in 2016, recording double-digit growth in unit sales and revenue. New car registration cycle continued to drive passenger vehicle market growth in 2016. The Group launched its new Subaru Impreza in January 2017. This is the first Subaru model launched on the Subaru Global Platform, and had won the 2016-2017 Japan Car of the Year award.

With the slowdown in economic growth and soft economic climate, the property division continued to weaken in 2016. It has, however, achieved modest revenue growth.

CHINA

The Group experienced a contraction in Subaru sales in China. In the light of severe competition from domestic Chinese brands and tighter government automotive policies, our Subaru passenger vehicle sale is expected to continue to face challenges in 2017. Our Nanjing seat manufacturing division has rebounded from the flooding that was experienced in 2015, and showing growth in both revenue and seat volume.

CKD MARKETS OF THAILAND AND MALAYSIA

With the launch of the CKD Subaru Forester in March 2016, the Group experienced a step-up in sales volume in Malaysia and Thailand, both recording sharp increases in sales. In supporting the step-up in sales volume and to grow our market share, the Group continued to invest in its sales and service infrastructure through an enhanced dealer and retail network so as to attain higher distribution scale and efficiencies. Consequently, the Group incurred higher sales, marketing, distribution, administrative and infrastructure costs in these territories.

The Group's truck distribution business recorded a decline in sales and reduced business scale in 2016. In May 2016, the Group commenced arbitration proceedings against Mitsubishi Fuso Truck and Bus Corporation. The Group has since restructured and downsized its truck operations, and has re-allocated resources to existing and new businesses with the view of creating opportunities for long term growth of our other truck and industrial machinery business. We have pared down overheads and reduced headcount. Total headcount in our Thailand truck operations has been reduced by approximately 40% in 2016.

Even though the Group has a relatively short period of market presence as compared to established industry players, it holds a positive long-term view of the business opportunities within the CKD territories of Thailand and Malaysia. As such, the Group is deploying additional investments to drive long-term growth in the CKD markets and the Subaru brand into the future. On schedule is a planned joint venture investment of HK$1.1 billion between Fuji Heavy Industries Japan and the Group to produce Subaru vehicles in Thailand. Fuji Heavy Industries Japan will own 25.1% and the Group will own 74.9% of the joint venture. The group portion of the total investment will be HK$824 million. HK$470 million will be invested in March 2017 and the balance of HK$354 million by January 2018.

TAIWAN AND PHILIPPINES

Taiwan continued on its growth path, expanding sales and unit volumes, outperforming the industry. Taiwan has developed into one of the key markets and major contributors to the Group's revenue. In first quarter of 2017, the Group completed and started to operate from its new vehicle distribution center in Zhongli, Taoyuan City, Taiwan. This augments the Group's effort to integrate vertically its vehicle operations fully from import to final retail to customers.

Philippines sales units grew 12% in 2016, reflecting the enlarged market and the Group's enhanced sales and marketing efforts in the country. Profitability at both Taiwan and Philippines were however, negatively impacted by strength of the Japanese Yen.

JAPAN

Zero Co., Ltd (Zero), the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded annual revenue of HK$5.5 billion. This accounts for 32% of consolidated revenue of the Group. The vehicle transportation business was impacted by weakness in both the Japanese new car and used car markets, which were further compounded by issues related to automotive manufacturers' fuel economy and vehicle emissions testing in Japan.

PROSPECTS

The operating environment in 2017 will remain challenging. With heightened uncertainties from global geopolitical changes and a rising interest rates environment impacting consumer and business sentiment, the Group remains cautious regarding the outlook for 2017. The Group continues to focus on the long-term opportunities in developing the nascent CKD territories and building upon the market traction gained thus far in our CBU markets. In February 2017, the Group established a joint venture with Fuji Heavy Industries to commence Subaru vehicle production in Thailand. Production is scheduled to start in first half of 2019 and vehicles produced are expected to be more competitive because of our scale and the advantages offered by the huge parts supply base in Thailand. Fuji Heavy Industries and the Group will own 25.1% and 74.9% of the joint venture company respectively. The Group intends to work closely with Fuji Heavy Industries to expand CKD production of Subaru vehicles for distribution in the Southeast Asian region. The Group will distribute the vehicles produced by the joint venture through its Subaru retail and dealer network in the region. The Group anticipates increased investment cost in the build-up of the marketing, infrastructure and network expansion to further develop our motor and commercial vehicle business segments, in particular the Subaru brand in our CKD markets. This new production centre demonstrates our Group's commitment and confidence in the future of the ASEAN market. Barring unforeseen circumstances, we expect to perform satisfactorily in 2017.

Corporate Governance Report

The Board of Directors (the "Board") of Tan Chong International Limited (the "Company") is committed to the observance of good corporate governance to protect the interests and rights of shareholders and the financial performance of the Company and its subsidiaries (collectively the "Group"). The Board has adopted the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that form part of the disclosure requirement under the Listing Rules. Throughout the year under review, the Company has complied with most of the code provisions set out in the CG Code. Where applicable various self-regulatory and monitoring measures were adopted for effective corporate governance practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules on dealing in securities. This has been made known to all the directors of the Company and each director has confirmed in writing that he or she has observed the Model Code for year 2016. The Group has its own in-house mechanism to guide its directors and relevant employees regarding dealing in the Company's securities including reminders on the law regarding insider trading.

BOARD OF DIRECTORS

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

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

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

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

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

Each member of the Board participated in continuous professional development in the form of either directors' training sessions which were arranged by the Company in May and August 2016, corporate governance conference, accounting standard seminar and/or reading relevant materials, to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their records of training received during the year ended 2016 which include directors' trainings, conference, seminar and/or reading materials relevant to the Company's business or to the directors' duties and responsibilities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence except for Mr. Azman Bin Badrillah ("Mr. Azman").

Mr. Azman was a non-executive director of the Company from 1 April 2015 to 13 September 2015 and a director of the Company's subsidiary, TC Subaru Sdn. Bhd. ("TC Subaru") during the two years immediately prior to his re-designation as an independent non-executive director effective from 14 September 2015. Thus, Mr. Azman cannot meet the independence guideline as set out in Rule 3.13(7) of the Listing Rules. The Board has assessed the independence of Mr. Azman and satisfied that Mr. Azman is independent from the Company on the following grounds:

- During Mr. Azman's appointment as a non-executive director and a member of the audit committee of the Company from 1 April 2015 to 13 September 2015, Mr. Azman's only involvement in the Company has been attendance at Board meetings, sub-committee meetings and audit committee meetings to provide independent advice, opinions and industry inputs. Mr. Azman has not performed, and will not perform, any executive or management function or position in the Company;

- Notwithstanding Mr. Azman's position as a director of TC Subaru, his role in TC Subaru is non-management in nature and limited. It comprises Mr. Azman's participation in board meetings to raise independent comments and provide industry inputs through his experience and expertise in the automobile sector and industrial milieu in Malaysia; and

- During the three years immediately preceding the date of Mr. Azman's resignation as a director of TC Subaru, he performed the same function in practice as an independent non-executive director of TC Subaru and did not receive any director's fees or remuneration in his office.

The Company believes that Mr. Azman's qualifications and experience in the automobile sector and industrial milieu in Malaysia will facilitate development and expansion of the Company's business in Malaysia. The Company also wishes to enhance corporate governance and diversity of the Board in terms of balance of skills, experience and professional background.

BOARD MEETING

The Board meets at approximately quarterly intervals. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Participation by means of telephone or video conference at board meetings are allowed under the Company's Bye-laws. The number of board meetings held in 2016 as well as the attendance of each Board member at those meetings and meetings of the various Board committees are disclosed below:

	Board of Directors Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Audit Committee Meeting		Non-Executive Directors Meeting		Annual General Meeting
	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	Position	No. attended/ held	No. attended/ held
Executive Director											
Mr. Tan Eng Soon	C	4/4	-	-	-	-	-	-	C	1/1	1/1
Mr. Tan Kheng Leong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mdm. Sng Chiew Huat	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Glenn Tan Chun Hong	M	4/4	-	-	-	-	-	-	-	-	1/1
Non-executive Director											
Mr. Joseph Ong Yong Loke[1]	M	4/4	-	-	-	-	-	-	-	-	1/1
Independent Non-executive Director											
Mr. Lee Han Yang	M	3/4	C	0/0	C	-	C	2/3	M	1/1	1/1
Mr. Ng Kim Tuck[2]	M	4/4	M	0/0	-	-	M	3/3	M	1/1	1/1
Mr. Azman Bin Badrillah	M	4/4	-	-	-	-	M	3/3	M	1/1	1/1
Mr. Prechaya Ebrahim	M	4/4	-	-	-	-	-	-	M	1/1	1/1
Mr. Teo Ek Kee[3]	M	2/2	M	0/0	-	-	-	-	M	1/1	0/0

Denotes:
C-Chairman, M-Member
No.attended/held-Number of meetings attended/held during the financial year from 1 January 2016 to 31 December 2016
1. Mr. Joseph Ong Yong Loke was re-designated from an executive director to a non-executive director of the Company on 30 March 2016.
2. Mr. Ng Kim Tuck ceased to be a member of the remuneration committee effective from 26 August 2016.
3. Mr. Teo Ek Kee was appointed as an independent non-executive director on 1 June 2016. He was also appointed as a member of the remuneration committee effective from 26 August 2016.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Tan Eng Soon ("Mr. Tan") currently holds the offices of chairman of the Board ("Chairman") and Chief Executive Officer. Mr. Tan had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

There is no service contract between the Company and the directors (including non-executive directors) and they have no fixed term of service but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE ("RC")

The RC currently comprises two independent non-executive directors, namely, Mr. Lee Han Yang (chairman of the RC) and Mr. Teo Ek Kee whom was appointed as a member of the RC on 26 August 2016.

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

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

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

NOMINATION COMMITTEE ("NC")

The NC currently comprises only one member, an independent non-executive director, namely, Mr. Lee Han Yang (chairman of the NC). However, the Board is currently carrying out the responsibilities of the NC until it appoints additional suitable member(s) to the NC. During 2016, the Board carried out the responsibilities of the NC under the following terms of reference:

a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;

c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors; and
f. to review the Board Diversity Policy adopted by the Board on a regular basis, make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

CORPORATE GOVERNANCE FUNCTIONS

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

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

AUDIT COMMITTEE ("AC")

The AC comprises three board members, namely Mr. Lee Han Yang, Mr. Ng Kim Tuck and Mr. Azman Bin Badrillah, all of whom are independent non-executive directors.

The chairman of the AC, Mr. Lee Han Yang, is a lawyer by profession. The other members of the AC have years of experience in business management, accounting, finance and legal services. The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC functions.

The AC convened three meetings during 2016 for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2015, (2) interim results and interim report for the six months ended 30 June 2016 and (3) external auditors' plans. The AC met up with the external auditors, without the presence of the Company's management, at least twice a year. Details of members and their attendance records are provided in the above table.

During 2016, the AC carried out its functions under the following terms of reference:

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

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

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The external auditors' reporting responsibilities on the financial statements are stated in the independent auditor's report on page 30 of the Company's Annual Report.

The external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services, tax services and other services for year 2016 is HK$8,803,000, HK$577,000 and HK$580,000 respectively.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

Address: Unit 3001, 30/F Shui On Centre, 6-8 Harbour Road,
Wan Chai, Hong Kong
(For the attention of the Company Secretary)
Fax: +852 27875099
Email: tcilhk@tanchong.com.hk

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

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

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

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

CONVENING A SPECIAL GENERAL MEETING BY SHAREHOLDERS

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

Environmental, Social And Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report has been prepared in accordance with the Stock Exchange Environmental, Social and Governance Reporting Guide ("ESG Guide") for the period from 1 January 2016 to 31 December 2016.

CORE BUSINESS OF THE GROUP

During the year ended 31 December 2016, the Group principally engaged in motor vehicle distribution and retail business in Singapore, Malaysia, Taiwan, the People's Republic of China (the "PRC") and Thailand, as well as transport business in Japan.

REPORT BOUNDARY

In this report, we cover our motor vehicle retail and distribution business in Singapore and Thailand as well as the transportation business in Japan during the reporting period. Singapore is a principal place of business and our core automotive distribution business – while vehicle assembly operations and related subsidiary companies are located in Thailand.

ESG APPROACH AND STRUCTURE

In light of the ESG disclosure requirement from the Stock Exchange, the Group has, in 2016, established relevant policies as well as enhanced our existing policies and guidelines with the appropriate elements. Accordingly, we have formed an ESG Committee that is comprised of six executives from key departments. The committee is in charge of handling ESG and related matters and serves as the liaison to communicate with the Board on the Group's ESG performance.

STAKEHOLDER ENGAGEMENT

This is the first year that the Group is preparing the ESG report – accordingly, the ESG committee has engaged with relevant members of our management team to establish and plan the Group's ESG approach. This will be repeated as appropriate in the course of future reporting periods. Together with the surveys conducted with a number of our business units, we have identified material ESG focus areas for disclosure in this report.

MATERIALITY ASSESSMENT

Based on our stakeholder engagement results in 2016, we have identified the following as material ESG issues to our company and will form our key focus on monitoring in 2017.

Environmental	- Use of electricity - Hazardous Waste Management
Social Aspects	- Product responsibility - Health & Safety

ENVIRONMENT

We aim to maintain a good environment by adopting an environmentally friendly approach in our business operations. We aim to make every practicable effort to comply with all applicable environmental laws and regulations in the places where we conduct our business.

Initiatives and Compliance 2016

a. General

In our office operations, we encourage our employees to minimize the use of resources such as electricity, water and paper consumption. Where practicable, in our showrooms and offices, we use e-copies to reduce paper consumption.

During the year, we are not aware of any non-compliance with any relevant environmental regulatory requirements that may have a significant impact on the businesses of the Group.

b. Showrooms

We have an LED lighting programme which will provide for gradual retrofit during maintenance and repair activity. We have also applied automated electricity control in our showrooms which will automatically turn off lighting and air conditioning after operating hours. We are also moving towards variable refrigerant volume air conditioning systems to further reduce electricity consumption significantly.

c. Workshops

We meet the local regulatory requirements on hazardous waste management by having appropriate storage and qualified service providers to dispose of the hazardous wastes from our workshops.

d. Transportation

Our transportation division has appropriate processes in place for local conditions and regulatory requirements. The division has processes to manage changes in emission regulations and also provides for gradual replacement of vehicles during scheduled fleet renewal activity. Replacement vehicles meet the applicable regulatory standards.

EMPLOYMENT

a. Employee Benefits

Equal opportunities are applied in our employment policies, in particular to recruitment, training, career development and promotion of employees. Remuneration and benefit packages of employees shall commensurate with regard to individual responsibility and performance. In accordance with local statutory requirement, eligible employees are enrolled to the relevant defined contribution provident fund scheme or social insurance scheme, and may be provided with other employment benefits at the discretion of the local business unit.

The Group promotes fair competition and prohibits discrimination or harassment against any employee on their gender, age, marital status, religion, race, nationality, disability or any status protected by law.

We value employee's well-being and have channels in place for our employees to express feedback, grievances and complaints according to the predetermined procedures to ensure equality to all employees.

The Group prohibits the employment of child and forced labour. During the reporting period, there were no reported instances on child labour or forced labour, nor is the Group aware of any discrimination or harassment incidents.

b. Healthy and Safe Working Environment

We are committed to providing a healthy and safe workplace to employees. Safety guidelines are formulated and communicated to all employees. Training are organized in the year to improve our employees' awareness on health and safety. Audits on the dealership stores and maintenance workshops were carried out. To the best of the Group's knowledge, appropriate permits have been obtained in compliance with relevant laws and regulations. No non-compliance on health and safety was reported in 2016. For example, our showrooms in Tan Chong Motor Sales in Singapore have fulfilled BizSafe Level 3 audit requirements.

c. Development and Training

We encourage continuous learning of our employees through coaching and further studies. In-house training and external workshops are provided to employees, as needed, to equip them with the necessary skills and knowledge to perform their roles effectively. Training sponsorships are available selectively and upon application as an initiative to encourage staff development. Professors and instructors from reputable institutions are invited to carry out training for selected staff.

d. Anti-corruption

The Group operates in various countries that are governed by their respective laws – including Anti-Corruption Laws. These laws vary among the various jurisdictions. The Group's existing Business Control Department will, besides their other normal functions, endeavour to monitor anti-corruption practices in accordance to the best practices of the laws of the respective jurisdictions. To the best of the Group's knowledge in the reporting period, no reported instances on corruption were noted.

SUPPLY CHAIN MANAGEMENT

The Group prefers, where practicable, independent service providers and business partners which employ environmentally friendly practices in providing their designs, services and products. Our automobiles and spare parts are provided by reputable automotive manufacturers, who are familiar with the applicable environmental and safety requirements. The Group makes every practicable effort to ensure that the contracting processes are fair and also tries to influence suppliers to reduce negative social and environmental impacts.

PRODUCT RESPONSIBILITY

The Group is committed to provide professional and high quality service to our customers. There are channels for customer feedback such as customer surveys indicating service-level satisfaction and areas for improvement. Our workshop technicians are trained in accordance with the manufacturer's training materials and guidelines, to ensure appropriate and quality service is delivered in a timely manner.

The Group assigns high importance to product quality. Accordingly, there are channels for customer feedback such as customer surveys. The Group, together with its respective suppliers, has processes in place in case of any technical issues that might affect the performance of the vehicle it has supplied to its customers. We are also committed to protect the data privacy of our customers. Customers' data is managed in accordance with applicable regulatory requirements. To the best of the Group's knowledge in the reporting period, no reported instances related to product responsibility were noted.

COMMUNITY INVESTMENT

The Group cares for the community and encourages employees and its customers to participate in community service activities. In 2016, Motor Image Enterprises Pte Ltd (MIE) - a wholly-owned subsidiary of the Group - partnered with Subaru Club SG and the Subaru Forester Club to organize a Subaru Charity Drive. Together with the club members, MIE employees brought young beneficiaries from TOUCH Young Arrows out in their personal Subaru vehicles to visit the River Safari as well as the 2016 Singapore Motorshow which included a performance of the Subaru Russ Swift Stunt Show.

TOUCH Young Arrows – a service of TOUCH Community Services in Singapore – cares for needy or disadvantaged children aged 6 to 12 years old. To help these children realise their potential, TOUCH Young Arrows aims to provide educational, social, emotional and moral support.

Corporate Information

BOARD OF DIRECTORS

Chairman
Mr. Tan Eng Soon

Deputy Chairman and Non-Executive Director
Mr. Joseph Ong Yong Loke

Executive Director
Mr. Tan Kheng Leong

Executive Director - Finance
Mdm. Sng Chiew Huat

Executive Director
Mr. Glenn Tan Chun Hong

Independent Non-Executive Directors
Mr. Lee Han Yang *+#
Mr. Ng Kim Tuck *
Mr. Azman Bin Badrillah *
Mr. Prechaya Ebrahim
Mr. Teo Ek Kee #

* Audit Committee Members
+ Nomination Committee Members
# Remuneration Committee Members

JOINT SECRETARIES

Ms. Teo Siok Ghee
Ms. Liew Daphnie Pingyen

AUDITORS

KPMG
8/F, Prince's Building
10 Chater Road
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street,
Hamilton HM 11, Bermuda

PRINCIPAL PLACES OF BUSINESS

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

SINGAPORE
Tan Chong Motor Centre
911 Bukit Timah Road
Singapore 589622

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

693

Directors and Senior Management Profile

CHAIRMAN

Mr. Tan Eng Soon

Aged 68, is the Chairman of the Company and is a director of certain subsidiaries of the Group. He is also a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange. Mr. Tan was the director of Tan Chong Motor Holdings Berhad ("TCMH") and APM Automotive Holdings Berhad ("APM"), listed companies on Bursa Malaysia. He ceased to act as the director of TCMH and APM on 30 June 2012 and 22 May 2013 respectively. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971. He is the father of Mr. Glenn Tan Chun Hong, an Executive Director of the Company.

DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Joseph Ong Yong Loke

Aged 68, is the Deputy Chairman of the Company. Mr. Ong was re-designated from an Executive Director to a Non-Executive Director on 30 March 2016. He was the Managing Director of the Company at its listing in 1998 until 30 March 2016. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992. Mr. Ong, a Chartered Surveyor, graduated with a BSc. (Building Economics) from the University of Reading in the United Kingdom in 1971. His previous work experience includes appointments with the Singapore Ministry of Defence and Straits Steamship Co Limited from 1976 to 1980.

EXECUTIVE DIRECTORS

Mr. Tan Kheng Leong

Aged 74, is the Deputy Managing Director of the Nissan motor operations in Singapore and a director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 50 years, Mr. Tan has worked in all areas of the Group's motor and industrial business.

Mdm. Sng Chiew Huat

Aged 69, is the Finance Director of the Company. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993. She is a Fellow of the Institute of Singapore Chartered Accountants, CPA Australia and the Association of Chartered Certified Accountants (ACCA).

Mr. Glenn Tan Chun Hong

Aged 39, is the Executive Director of the Company, and is currently in charge of the Group operations in the region and is a director of certain subsidiaries of the Group. He joined the Group in September 2001. He is a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange effective from 26 September 2014. Mr. Glenn Tan graduated from Santa Clara University, USA with a Bachelor of Science in Commerce, Management, in 1998. He is the son of Mr. Tan Eng Soon, the Chairman of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Han Yang

Aged 85, B.A (Singapore) of Lincoln's Inn, Barrister-at-law. He was appointed as an Independent Non-executive Director of the Company in April 1998. Mr. Lee is a consultant in the law firm of Messrs Belinda Ang, Tang and Partners. He sits on the board of directors of a public company in Singapore, Low Keng Huat (Singapore) Limited. He was a director of Wing Tai Holdings Limited, a public company in Singapore until 25 October 2013 and has been appointed Senior Advisor of the company. Mr. Lee was until recently a member of the Board of National Council of Social Service and the Board of the Society for the Physically Disabled. For many years he also chaired a Criminal Law Appeals Committee. Mr. Lee is an active member of the Law Society of Singapore and is a member of the Inquiry Panel. In August 2006 he was awarded the Public Service Star (BBM) by the President of the Republic of Singapore.

Mr. Ng Kim Tuck

Aged 62, was appointed as a Non-executive Director of the Company in June 2011 and re-designated as an Independent Non-executive Director of the Company in July 2012. Mr. Ng is currently the Senior Audit Advisor to BDO Malaysia. He is a Council Member of the Malaysian Institute of Certified Public Accountants ("MICPA") and was previously a Council Member of the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Taxation. Mr. Ng also serves on various committees and working groups of the MICPA. He joined KPMG Malaysia in 1974 and was admitted as a partner of the firm in 1985. He had been the partner-in-charge of KPMG Malaysia's Audit Division, Finance as well as Risk Management and Ethics and Independence. He was also formerly the Chairman of KPMG Malaysia's Audit and Accounting Committee and retired from the firm in December 2010.

Mr. Azman Bin Badrillah

Aged 69, was appointed as a Non-executive Director on 1 April 2015 and re-designated as an Independent Non-executive Director of the Company on 14 September 2015. Mr. Azman graduated from the University of Malaya in 1970 with a Bachelor of Economics degree. He joined Bank of America ("BOA") in Malaysia in 1971. In 1974, he was assigned to BOA's Asia Division and underwent training at its World Banking Division in San Francisco, USA. Upon his return to Malaysia in 1975, he worked at the BOA's Credit Department for another 3 years before relocation to its South & East Asia Division, Area Credit Administration, Hong Kong. In 1981, he returned back to Malaysia to take up position at BOA in Kuala Lumpur. His last position with BOA was the officer responsible for its Marketing & Strategic Planning Department. He resigned from BOA in 1982. Mr. Azman joined TCMH group in 1983 as an executive director of its auto parts industry division. He was responsible for the overall performance of one of its key product groups. In April 1994, he was appointed as a director to the board of directors of TCMH. He resigned as a director of TCMH in July 2010. He was a director of APM since its listing in 1999. He resigned as a director of APM on 1 June 2013.

Mr. Prechaya Ebrahim

Aged 55, was appointed as an Independent Non-executive Director of the Company on 12 June 2015. Mr. Prechaya is currently a partner in LS Horizon Limited, a law firm in Thailand. His areas of expertise include commercial litigation, dispute resolution, labor and employment law and employment benefits. Prior to joining LS Horizon Limited, Mr. Prechaya worked for Boonchoo International & Associates starting in 1983 and became partner of the firm in 1987. He joined Baker & McKenzie in 1991 and became a local partner in 1997. Mr. Prechaya has represented multi-national and local corporate clients in large-scale commercial litigation and in various areas including labor construction, banking and finance, intellectual property, and involving international transactions. In addition, he has been very active in the area of employment litigation and in arbitration matters. Mr. Prechaya has advised various foreign and local banks as well as large manufacturing companies in Thailand with respect to labor and employment matters. Mr. Prechaya was conferred a Bachelor of Laws (Honors) degree from Chulalongkorn University in 1983.


IMPREZA


SUBARU
Confidence in Motion
OUTBACK


18万9千8进口四驱SUV开回家
SUV性价王


BOARDING PASS
广州
新加坡

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Teo Ek Kee

Aged 64, was appointed as an Independent Non-executive Director of the Company on 1 June 2016. Mr. Teo is currently an associate director of equity sales at Lim & Tan Securities Private Limited, a brokerage firm in Singapore. Mr. Teo has more than 20 years experience in the financial services industry and has been involved mainly in equity sales to both corporate and individual clients. Mr. Teo also has vast experience and expertise in human resource management. Prior to joining Lim & Tan Securities Private Limited in 1993, Mr. Teo was at DBS Bank Limited in its consumer banking department since 1977. His last appointment held with DBS Bank Limited was an Assistant Vice President in the human resource department. Mr. Teo joined the Government of Singapore Investment Corporation in 1987 as a director of its administration and personnel department. He was then responsible for all the administration and human resource functions of this company. Mr. Teo was conferred a Bachelor of Business Administration (Second Class Upper Honours) degree from University of Singapore in 1977.

SENIOR MANAGEMENT

Mr. Yeong Yue Sun

Aged 63, is the Head of Truck Corporate Sales in Thailand. Mr. Yeong is a trained Automotive Engineer and a member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Melbourne Institute of Technology in Australia.

Ms. Teo Siok Ghee

Aged 64, is the Head of Operations in P.R.China. Ms. Teo was also appointed as a Joint Company Secretary of the Company in August 2011. She joined the Group in 1981. Ms. Teo holds a Bachelor of Commerce (major in Accountancy) from Nanyang University and a non-practicing member of the Institute of Singapore Chartered Accountants.

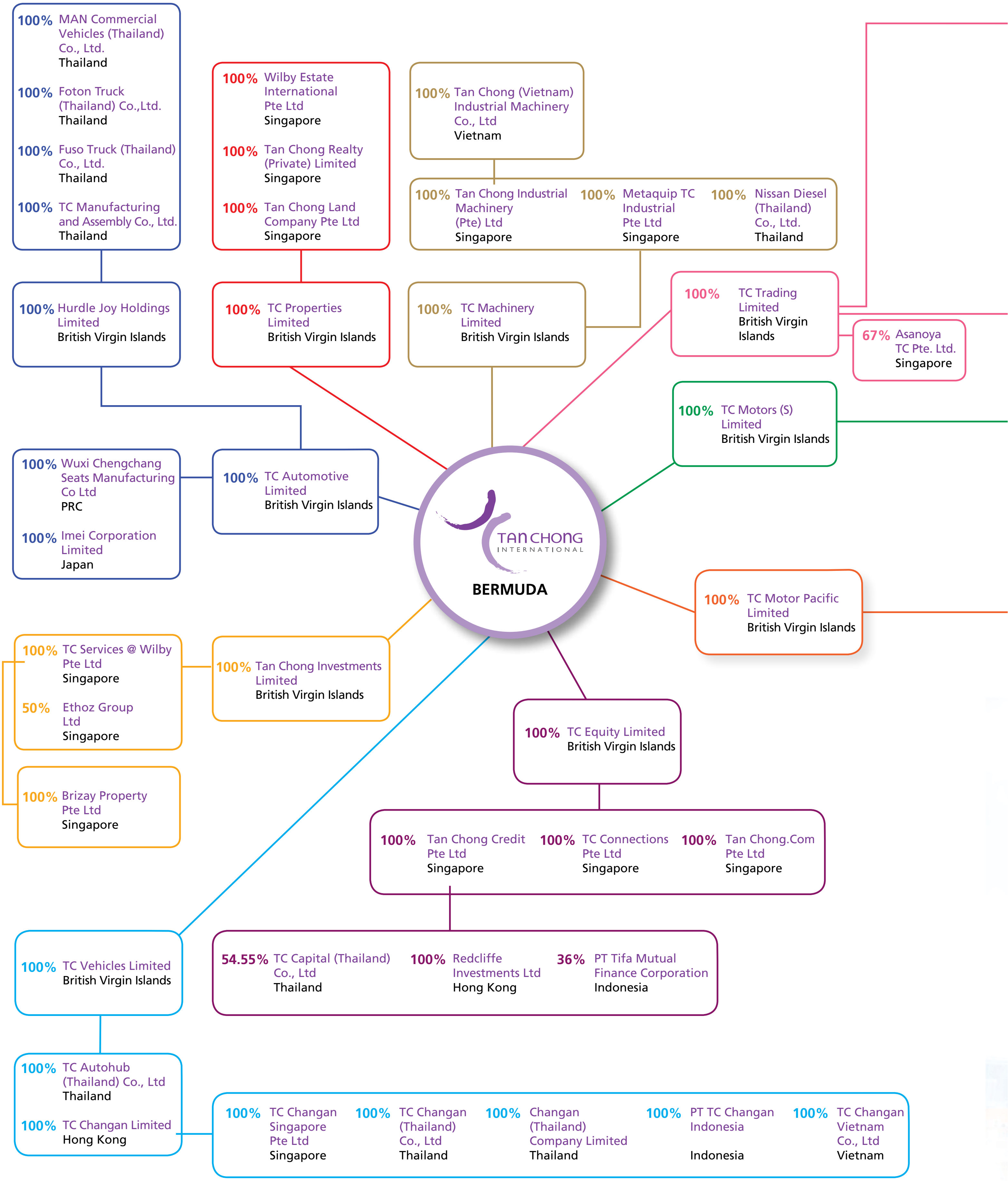
Mr. Goh Leng Kwang

Aged 66, is the Head of Corporate Affairs of the Group operations. He joined the Group in 1982 and is a director of several subsidiary companies within the Group. He graduated in 1976 from Singapore University with a degree in Bachelor of Accountancy.

Mr. Lee Chow Yoke Samuel

Aged 51, is the Head of the Property Development and Seat Manufacturing division of the Group. Mr. Samuel Lee joined the Group in 1997. He holds a Bachelor of Civil & Structural Engineering (Hons) degree from the University of Sheffield, England.

Corporate Structure



100% Auto Business Pte Ltd
Singapore

100% Singapore Automotive Industries Pte Ltd
Singapore

100% TC Autoworld Sdn Bhd
Malaysia

100% PT TC Autoworld
Indonesia

100% Motor Infiniti Enterprises Pte Ltd
Singapore

100% Tan Chong & Sons Motor Co (S) Pte Ltd
Singapore

100% Tan Chong Motor Sales Pte Ltd
Singapore

100% Waste Management Pte Ltd
Singapore

100% STI Motor Pte Ltd
Singapore

100% T8 Gallery Pte Ltd
Singapore

100% Zenith Logistics Pte Ltd
Singapore

50% TC Zero Company Pte Ltd
Singapore
50%

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

50% Zero Powertrain Co., Ltd.
Thailand

100% PT T Eight Gallery
Indonesia

13% 39% Zero Co., Ltd
Japan

100% WRX Pte Ltd
Singapore

100% Motor Image International Pte Ltd
British Virgin Islands

50% Eight Zero Limited 50%
Hong Kong

20% Zenith Logistics Limited
Hong Kong
80%

100% Advance Pacific Holdings Limited
Hong Kong

100% TC Autoclinic Pte Ltd
Singapore

100% Guangzhou Yidu Motor Trading Co., Ltd
PRC

100% Zhuhai Subaru Sales Co., Ltd
PRC

100% Qingyuan Subaru Sales Co., Ltd
PRC

100% Liuzhou Meibo Motor Sales Co., Ltd
PRC

100% Motor Image (Guangzhou) Co. Ltd
PRC

100% Motor Image (Panyu) Company Ltd
PRC

51% Changsha Mei Hua Subaru Sales & Service Co., Ltd
PRC

51% Hengyang Mei Hua Subaru Sales & Service Co., Ltd
PRC

100% Motor Image Kowloon Limited
Hong Kong

50% 50% Everwide Corporation Limited
Hong Kong

100% TC International Limited
Bermuda

60% Xiamen Golden Dragon Auto Seat Co Limited
PRC

100% Motor Image China Limited
Hong Kong

100% Autolution Industrial Pte Ltd
Singapore

50% Tyre Pacific (HK) Limited
Hong Kong

100% Tan Chong Investments (HK) Limited
Hong Kong

100% Autolution Industrial Sdn Bhd
Malaysia

100% TC Artisan Bakery Pte Ltd
Singapore

100% Downtown Travel Services Pte Ltd
Singapore

100% Real Courage Limited
Hong Kong

100% Orizz (Shanghai) Ltd
PRC

100% Nanjing Tan Chong Engineering & Research Institute Co., Ltd.
PRC

100% Nanjing Tan Chong Automotive Co., Ltd.
PRC

60% Y & L (HK) International Limited
Hong Kong

100% Y&L (Nanjing) Metal Components Co., Ltd.
PRC

100% Motor Image (HK) Ltd
Hong Kong

100% Motor Image Manila Inc.
Philippines

100% TC Subaru Sdn Bhd
Malaysia

65% Subaru of Taiwan Co., Ltd
Taiwan

100% Taiwan Motor Image Co., Ltd
Taiwan

100% Taiwan TC Autoworld Co., Ltd
Taiwan

100% Motor Image Vietnam Co., Ltd
Vietnam

100% Motor Image Malaysia Sdn Bhd
Malaysia

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

100% Motor Image (Thailand) Co., Ltd
Thailand

100% Motor Image Enterprises Pte Ltd
Singapore

100% Motor Image Pilipinas, Inc.
Philippines

100% Motor Image (Cambodia) Ltd
Cambodia

100% Motor Image Dongguan Limited
PRC

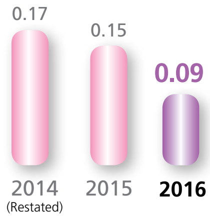
60% Global Link Limited
Hong Kong

100% Dongguan Mei Xing Motor Co., Ltd
PRC

Financial Highlights

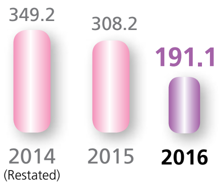
SHAREHOLDERS' FUND
(HK$ Millions)

EARNINGS PER SHARE
(HK$)

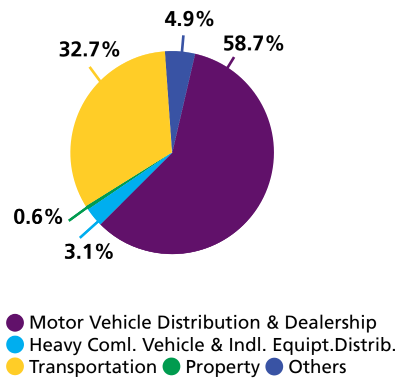


NET ASSET VALUE PER SHARE
(HK$)

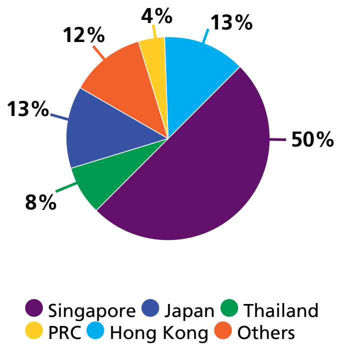
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Millions)



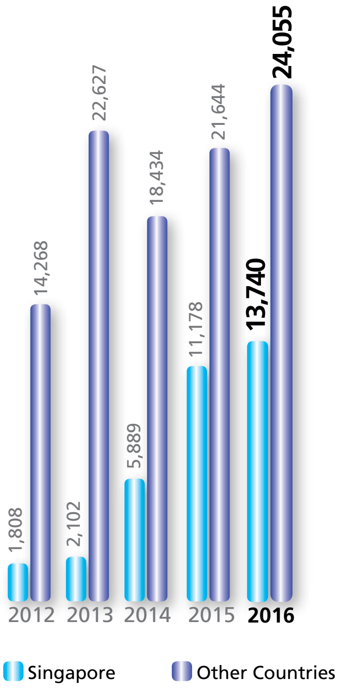
REVENUE BY BUSINESS TYPE



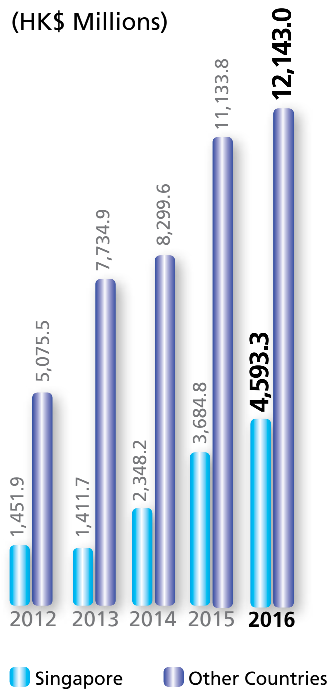
SPECIFIED NON-CURRENT ASSETS BY LOCATION



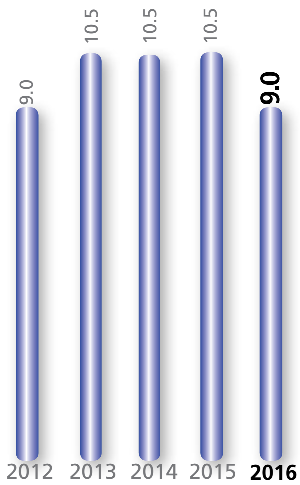
UNITS SOLD



REVENUE
(HK$ Millions)



DIVIDENDS
(HK Cents)



The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2016.

Principal activities and business review

The principal activity of Tan Chong International Limited (the "Company") is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 17 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on pages 02 to 03 of this Annual Report. This discussion forms part of this directors' report.

The analysis of the types of businesses and geographical areas of the operations of the Company and its subsidiaries during the financial year are set out in note 38 to the financial statements.

Financial statements

The profit of the Group for the year ended 31 December 2016 and the financial position of the Company and of the Group as at that date are set out in the financial statements on pages 35 to 110.

Major customers and suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	5%	
Five largest customers in aggregate	11%	
The largest supplier		14%
Five largest suppliers in aggregate		37%

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

Recommended dividend

An interim dividend of HK2.0 cents (2015: HK2.5 cents) per share was paid on 26 September 2016. The directors now recommend the payment of a final dividend of HK7.0 cents (2015: HK8.0 cents) per share in respect of the year ended 31 December 2016.

Share capital

Details of share capital of the Company are set out in note 33(d) to the financial statements. There were no movements during the year.

Directors

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

Executive directors

Tan Eng Soon (Chairman)
Tan Kheng Leong
Sng Chiew Huat
Glenn Tan Chun Hong

Non-executive director

Joseph Ong Yong Loke (Deputy Chairman and re-designated from executive director to non-executive director on 30 March 2016)

Independent non-executive directors

Lee Han Yang
Ng Kim Tuck
Azman Bin Badrillah
Prechaya Ebrahim
Teo Ek Kee (Appointed on 1 June 2016)

In accordance with Bye-law 87(1), Mr. Tan Eng Soon, Mr. Lee Han Yang and Mr. Ng Kim Tuck will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, Mr. Tan Eng Soon and Mr Ng Kim Tuck offer themselves for re-election but Mr. Lee Han Yang will not offer himself for re-election. In accordance with Bye-law 86(2), Mr. Teo Ek Kee will hold office until the forthcoming annual general meeting, and being eligible, offers himself for re-election.

Directors' service contracts

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

Connected transactions

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

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

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

(a) Assembly Agreement

TC Subaru Sdn. Bhd. ("TC Subaru"), a wholly-owned subsidiary of the Company, and TCMA entered into an assembly agreement on 30 December 2015 (the "Assembly Agreement") in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles for a term from 1 January 2016 to 31 December 2016.

Connected transactions (continued)

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

(a) Assembly Agreement (continued)

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

For the year ended 31 December 2016, the aggregate annual transaction amount under the Assembly Agreement amounted to HK$84,818,000 which was within the annual cap of HK$116,000,000.

Details of the Assembly Agreement were disclosed in the announcements of the Company dated 31 December 2015.

(b) Technical Support Agreement

TC Subaru and TCMA entered into a technical support agreement on 30 December 2015 (the "Technical Support Agreement") in relation to the provision of services, training, support, consultation and advice to be provided by TCMA to TC Subaru using the technical information or technical know-how which TCMA legally possesses as at 30 December 2015 (the "TCMA Services") for a term from 1 January 2016 to 31 December 2016. The service fee payable by TC Subaru to TCMA for the TCMA Services is Ringgit Malaysia ("RM") 39,500 (equivalent to approximately HK$71,818) per month from 1 January 2016 to 31 December 2016.

The prices and terms of the TCMA Services in respect of the Technical Support Agreement were agreed between TC Subaru and TCMA on arm's length terms on the basis that TCMA shall not provide the TCMA Services to TC Subaru on terms which are less favourable than those offered by TCMA to any third parties for services of comparable quality and quantity.

For the year ended 31 December 2016, the aggregate annual transaction amount under the Technical Support Agreement amounted to HK$856,000 which was within the annual cap of HK$880,000.

Details of the Technical Support Agreement were disclosed in the announcements of the Company dated 31 December 2015.

(c) Tenancy Agreement

A tenancy agreement dated 30 December 2015 (the "Tenancy Agreement) was entered into between TCMA as a landlord and TC Subaru as a tenant whereas TCMA agreed to let and TC Subaru agreed to rent a portion of the property located at No. 249, Jalan Segambut, 51200 Kuala Lumpur, Malaysia (with a total rental area of approximately 3,447 square feet) for a term from 1 January 2016 to 31 December 2016. The subject property is located at the manufacturing facility of TCMA and used by TC Subaru as an office to facilitate better discussion and coordination in Malaysia with TCMA in relation to its collaborative projects with TCMA and Fuji Heavy Industries Limited ("Fuji", the manufacturer of Subaru vehicles). The monthly rental payable by TC Subaru to TCMA under the Tenancy Agreement is RM8,617 (equivalent to approximately HK$15,667) excluding good and services tax.

The terms of the Tenancy Agreement were negotiated on an arm's length basis with reference to the market rents of similar properties in the vicinity of the subject property obtained by the property agents and from the online property guide.

For the year ended 31 December 2016, the aggregate annual transaction amount under the Tenancy Agreement amounted to HK$154,000 which was within the annual cap of HK$195,000.

Details of the Tenancy Agreement were disclosed in the announcement of the Company dated 31 December 2015.

Connected transactions (continued)

(ii) Parts Purchase Agreements

TC Subaru and the five subsidiaries of APM Automotive Holdings Berhad ("APM"), being Auto Parts Manufacturers Co. Sdn. Bhd., APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd. and APM Shock Absorbers Sdn. Bhd. (collectively, the "Five APM Subsidiaries") entered into the nine parts purchase agreements on 30 December 2015 (the "Parts Purchase Agreements") pursuant to which each of the Five APM Subsidiaries had agreed to sell to TC Subaru certain parts including components and various kinds of materials for Subaru motor vehicles designed, manufactured and/or assembled by Fuji or licensees of Fuji (the "Parts") from time to time during the six months period from 1 January 2016 to 30 June 2016.

As the Parts Purchase Agreements expired on 30 June 2016 and TC Subaru decided to continue to purchase certain Parts from APM, seven parts purchase agreements (the "New Parts Purchase Agreements") were entered into between TC Subaru and each of the four subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd. and APM Shock Absorbers Sdn. Bhd. (collectively, the "Four APM Subsidiaries") respectively on 30 June 2016 pursuant to which each of the Four APM Subsidiaries had agreed to sell to TC Subaru the Parts from time to time during the six months period from 1 July 2016 to 31 December 2016.

The price of the Parts shall be agreed upon by the parties based on arm's length negotiation and set out in the price notice(s) on the basis that each of the Five APM Subsidiaries and Four APM Subsidiaries (hereinafter referred to as "APM Subsidiaries") shall not provide the Parts to TC Subaru on terms which are less favourable than those offered by the APM Subsidiaries to any third parties for the supply of the Parts of comparable quality and quantity.

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

For the year ended 31 December 2016, the aggregate annual transaction amount under the Parts Purchase Agreements amounted to HK$57,544,000 which was within the annual cap of HK$68,925,000.

For the year ended 31 December 2016, the aggregate annual transaction amount under the New Parts Purchase Agreements amounted to HK$17,426,000 which was within the annual cap of HK$26,000,000.

Details of each of the Parts Purchase Agreements and New Parts Purchase Agreements were disclosed in the announcements of the Company dated 31 December 2015 and 30 June 2016 respectively.

(iii) TCMH Agreements

The Group and TCMH and its subsidiaries (the "TCMH Group") entered into 10 agreements on 30 December 2013 (the "TCMH Agreements") in relation to the sale and purchase of motor parts and accessories and vehicle servicing transactions for a term from 1 January 2014 to 31 December 2016.

The prices and terms of the transactions under the TCMH Agreements in respect of the sale and purchase of motor parts and accessories are based on arms' length terms taking into account the value and volume of orders and similar products available from independent third parties in the market. The prices and terms of the transactions under the TCMH Agreements in respect of the vehicle servicing transactions are based on arm's length terms taking into account similar services available from independent third parties in the market.

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

Connected transactions (continued)

(iii) TCMH Agreements (continued)

For the year ended 31 December 2016, the aggregate annual transaction amount under the TCMH Agreements amounted to HK$15,082,000.

The aggregated annual cap for the TCMH Agreements and the TCIM agreement is HK$28,000,000.

Details of the TCMH Agreements were disclosed in the announcement of the Company dated 30 December 2013.

(iv) TCIM Agreement

Tan Chong Industrial Machinery Pte. Ltd., a wholly-owned subsidiary of the Company, and TCIM Sdn. Bhd. ("TCIMSB") entered into an agreement on 30 December 2013 (the "TCIM Agreement") in relation to the sale, purchase and rent of cars, trucks, material handling equipment, parts and accessories for a term from 1 January 2014 to 31 December 2016.

The prices and terms of the transactions under the TCIM Agreement are based on arms' length terms taking into account the value and volume of orders and similar products and services available from independent third parties in the market.

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

For the year ended 31 December 2016, the aggregate annual transaction amount under the TCIM Agreement amounted to HK$Nil.

The aggregated annual cap for the TCMH Agreements and the TCIM agreement is HK$28,000,000.

Details of the TCIM Agreement were disclosed in the announcement of the Company dated 30 December 2013.

Listing Rules Implications

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

The aggregated annual cap for the Transactions for the year ended 31 December 2016 was set at HK$240,000,000.

For the year ended 31 December 2016, the aggregate annual transaction amount under the Transactions amounted to HK$175,880,000 which was within the annual cap of HK$240,000,000.

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

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

Listing Rules Implications (continued)

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

Save as disclosed above, there was no connected transaction or contract of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2016 or at any time during the year ended 31 December 2016.

A summary of the material related party transactions undertaken by the Group during the year is set out in note 37 of the financial statements.

Stock compensation program

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

60,000 (2015: 71,420) points were awarded to the employees of the Group during the year ended 31 December 2016.

During the year ended 31 December 2016, the Group recognised a total expense of HK$5,658,000 (2015: HK$1,050,000) as the equity-settled share-based payments in relation to the points awarded under the Program.

Further details of the schemes are set out in note 34 to the consolidated financial statements.

Indemnity of directors

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

Directors' interests and short positions in shares

The directors who held office at 31 December 2016 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

	Ordinary shares of HK$0.50 each					
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Joint interests (Note 3)	Total number of shares held	Percentage of total issued shares
Executive Directors:						
Tan Eng Soon	100,460,000	–	438,544,700	11,999,972	551,004,672	27.36%
Tan Kheng Leong	2,205,000	210,000	–	–	2,415,000	0.12%
Sng Chiew Huat	900,000	–	–	–	900,000	0.04%
Glenn Tan Chun Hong	99,000	–	–	–	99,000	0.0049%
Non-Executive Director:						
Joseph Ong Yong Loke	684,000	795,000	940,536	–	2,419,536	0.12%
Independent Non-Executive Director:						
Teo Ek Kee	–	300,000	–	–	300,000	0.01%

Notes:

(1) These shares are beneficially owned by the spouses of Tan Kheng Leong, Joseph Ong Yong Loke and Teo Ek Kee, respectively, and hence they are deemed interested in these shares.

(2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.

(3) These shares are owned by Tan Eng Soon jointly with another persons.

Save as disclosed above, none of the directors or chief executives, or any of their spouses or children under eighteen years of age, had any beneficial or non-beneficial interests or short positions in shares of the Company or any of its subsidiaries or associates (within the meaning of the SFO) as at 31 December 2016, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the year to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial interests in the share capital of the Company

The Company has been notified of the following interests (other than a director of the Company) in the Company's issued shares at 31 December 2016 amounting to 5% (2015: 5%) or more of the ordinary shares in issue:

Name	Long/short positions	Note	Ordinary shares held	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	Long	(1)	705,819,720	35.05%
Promenade Group Limited	Long	(2)	302,067,000	15.00%
Tan Kim Hor	Long		144,801,495	7.19%
Pang Siew Har	Long		134,821,032	6.69%
Time Strategy Group Limited	Long	(3)	104,497,700	5.19%
Lee Lang	Long		103,930,622	5.16%

Notes:

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

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

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

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

Emolument policy

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

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

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

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

Sufficiency of public float

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

Directors' interests in contracts

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

Pre-emptive rights

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

Purchase, sale or redemption of the Company's listed securities

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

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in notes 26 and 27 to the financial statements.

Financial summary

A summary of the results of the Group and of the Group's assets and liabilities for the last five financial years is set out on page 111 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 112 to 116 of the annual report.

Retirement schemes

Details of retirement schemes to which the Group contributes are set out in note 29 to the financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules except for Mr. Azman Bin Badrillah who cannot meet the independence guideline as set out in Rule 3.13(7) of the Listing Rules. The Board considers all the independent non-executive directors to be independent and provides grounds for Mr. Azman Bin Badrillah's non-compliance with Rule 3.13(7) of the Listing Rules in the Corporate Governance Report.

For and on behalf of the Board

Tan Eng Soon
Chairman
Hong Kong,
29 March 2017

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of Tan Chong International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 35 to 110, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

Assessing the net realisable value of inventories

Refer to notes 2(b) and 21 to the consolidated financial statements and the accounting policies on page 52.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2016, the Group held inventories which comprised several different motor car brands and models in 10 different geographical markets with an aggregate carrying amount of HK$2,923 million. Changes in economic sentiment or consumer preferences and the introduction of newer models with the latest design and technologies by motor car manufacturers to these different markets could result in inventories on hand no longer being sought after or being sold at a discount below their cost. Estimating future demand for and the related selling prices of motor cars is inherently subjective and uncertain because it involves management estimating the extent of markdown of selling prices necessary to sell the older or slow moving models in the period subsequent to the reporting date. We identified the assessment of the net realisable value of inventories as a key audit matter because of the significance of inventories to the consolidated financial statements and because of the significant judgements made by management in assessing net realisable value, which increases the risk of error or potential management bias, particularly given the number of motor car models involved and the diversity of geographical markets in which these motor cars are sold.	Our audit procedures to assess the net realisable value of inventories included the following: • assessing whether the inventory provision at the end of the reporting period was determined on a basis consistent with the Group's inventory provisioning policy by recalculating the inventory write-downs and provisions based on expected selling prices; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including purchase invoices and goods received notes; • evaluating the Group's inventory provision balance for slow moving items as categorised in the inventory ageing report by comparison with management's sales forecasts with reference to historical sales and by considering recent changes in economic conditions, consumer preferences and available alternative motor car models sold by the Group and its competitors; • enquiring of management about any planned launch of new motor car models by the motor car manufacturers and plans for the Group to markdown the selling prices of older and slow moving motor car models; and • comparing, on a sample basis, the carrying value of inventories with sales prices subsequent to the end of the reporting period.

Key audit matters (continued)

Assessing the recoverability of trade debtors

Refer to notes 2(a) and 23 to the consolidated financial statements and the accounting policies on page 52.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2016, the Group's trade debtors amounted to HK$1,272 million, after making allowances for doubtful debts of HK$47 million. The Group's customers operate in a number of different geographical locations. These customers have different credit profiles and the timing of trade debtor settlement can also be influenced by geographical norms and the economic environment in which the customers operate. The Group's allowances for doubtful debts are based on management's estimate of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the Group's customers and current market and customer-specific conditions, all of which involve a significant degree of management judgement. The Group's allowances for doubtful debts include a specific element based on individual debtors and a collective element based on historical experience adjusted for geographical norms. We identified assessing the recoverability of trade debtors as a key audit matter because of the significance of trade debtors to the consolidated financial statements and because the assessment of the recoverability of trade debtors is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	Our audit procedures to assess the recoverability of trade debtors included the following: • understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of trade debtors, which included credit control procedures and the application of the Group's doubtful debt provisioning policy; • assessing, on a sample basis, whether items in the trade debtor ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales invoices; • assessing whether allowances for doubtful debts were required for significant or long overdue balances by referring to the recent history of settlement, defaults or disputes and management's assessment of the delinquent trade debtors' financial condition and estimated date of settlement, as well as the geographical locations in which the debtors operate; • assessing the Group's recorded allowances for doubtful debts by comparing cash receipts after the end of the reporting period against the balances at the end of the reporting period, on a sample basis, taking into account credit terms extended to the relevant trade debtors; and • evaluating the assumptions and estimates made by management in calculating the allowances for doubtful debts by examining the utilisation or release of previously recorded allowances during the current year and write-offs of trade debtors not previously provided for, on a sample basis.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang Lee.

KPMG
Certified Public Accountants

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

29 March 2017

Consolidated statement of profit or loss

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	3	16,736,332	14,818,639
Cost of sales		(13,858,480)	(12,016,230)
Gross profit		2,877,852	2,802,409
Other net income	4	288,666	138,665
Distribution costs		(1,404,704)	(1,154,116)
Administrative expenses		(1,039,903)	(975,527)
Other operating expenses	5	(32,344)	(36,172)
Profit from operations		689,567	775,259
Financing costs	6	(88,604)	(82,659)
Share of profits less losses of associates		68,197	76,179
Profit before taxation	7	669,160	768,779
Income tax expense	10(a)	(335,074)	(319,138)
Profit for the year		334,086	449,641
Attributable to:			
Equity shareholders of the Company		191,073	308,215
Non-controlling interests		143,013	141,426
Profit for the year		334,086	449,641
Earnings per share	11		
Basic and diluted		$0.09	$0.15

The notes on pages 44 to 110 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016 $'000	2015 $'000
Profit for the year	334,086	449,641
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(14,429)	201
Investments designated as at fair value through other comprehensive income:		
– changes in fair value recognised during the year	(81,875)	498,187
	(96,304)	498,388
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(74,506)	(441,311)
– associates outside Hong Kong	(33,268)	(59,795)
	(107,774)	(501,106)
Other comprehensive income for the year	(204,078)	(2,718)
Total comprehensive income for the year	130,008	446,923
Attributable to:		
Equity shareholders of the Company	(11,599)	314,781
Non-controlling interests	141,607	132,142
Total comprehensive income for the year	130,008	446,923

The notes on pages 44 to 110 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Investment properties	12	3,106,105	3,150,381
Other property, plant and equipment	13	3,539,999	3,393,880
Interest in leasehold land	14	76,428	85,128
Intangible assets	15	108,315	100,093
Goodwill	16	23,375	5,498
Interest in associates	18	752,203	728,678
Other financial assets	19	106,906	109,224
Hire purchase debtors and instalments receivable	24	253,223	258,992
Non-current prepayments		151,419	157,370
Deferred tax assets	10(c)	36,631	39,920
		8,154,604	8,029,164
Current assets			
Investments designated as at fair value through other comprehensive income	20	3,529,207	3,637,821
Inventories	21	2,923,136	2,180,032
Properties held for sale	22	53,523	54,760
Trade debtors	23	1,271,548	1,311,272
Hire purchase debtors and instalments receivable	24	138,022	122,172
Other debtors, deposits and prepayments		526,292	464,802
Amounts due from related companies	31	620	1,465
Fixed deposits at banks with maturity over three months		9,413	–
Cash and cash equivalents	25	2,891,325	3,166,150
		11,343,086	10,938,474

The notes on pages 44 to 110 form part of these financial statements.

Consolidated statement of financial position (continued)

at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Current liabilities			
Unsecured bank overdrafts	27	85,205	60,545
Bank loans	27	3,377,341	2,157,495
Trade creditors	30	1,243,402	1,043,459
Other creditors and accruals		1,160,712	980,241
Amounts due to related companies	31	23,538	8,068
Obligations under finance leases	28	37,207	29,240
Unsecured medium term note	26	632,538	–
Current taxation		150,120	174,397
Provisions	32	68,256	55,264
		6,778,319	4,508,709
Net current assets		4,564,767	6,429,765
Total assets less current liabilities		12,719,371	14,458,929
Non-current liabilities			
Bank loans	27	36,234	1,047,609
Unsecured medium term note	26	–	646,935
Obligations under finance leases	28	152,826	112,262
Net defined benefit retirement obligations	29	151,924	136,804
Deferred tax liabilities	10(c)	68,968	62,879
Provisions	32	20,719	30,448
		430,671	2,036,937
NET ASSETS		12,288,700	12,421,992

The notes on pages 44 to 110 form part of these financial statements.

Consolidated statement of financial position (continued)

at 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
CAPITAL AND RESERVES			
Share capital	33(d)	1,006,655	1,006,655
Reserves		10,521,040	10,731,010
Total equity attributable to equity shareholders of the Company		11,527,695	11,737,665
Non-controlling interests		761,005	684,327
TOTAL EQUITY		12,288,700	12,421,992

Approved and authorised for issue by the board of directors on 29 March 2017.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 44 to 110 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				
	Share capital $'000	Share premium (note 33(a)(i)) $'000	Capital reserve (note 33(a)(ii)) $'000	Stock compensation reserve (note 33(a)(iii)) $'000	Translation reserve (note 33(a)(iv)) $'000
Balance at 1 January 2015	1,006,655	550,547	9,549	–	740,974
Changes in equity for 2015:					
Profit for the year	–	–	–	–	–
Other comprehensive income	–	–	–	–	(491,458)
Total comprehensive income for the year	–	–	–	–	(491,458)
Transactions with non-controlling interests in respect of stock compensation program	–	–	–	–	–
Equity settled share based transactions	–	–	–	550	–
Dividends declared and approved during the year (Note 33(c))	–	–	–	–	–
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	–	–	–	–	–
Balance at 31 December 2015	1,006,655	550,547	9,549	550	249,516
Balance at 1 January 2016	1,006,655	550,547	9,549	550	249,516
Changes in equity for 2016:					
Profit for the year	–	–	–	–	–
Other comprehensive income	–	–	–	–	(115,462)
Total comprehensive income for the year	–	–	–	–	(115,462)
Equity settled share based transactions	–	–	–	2,960	–
Dividends declared and approved during the year (Note 33(c))	–	–	–	–	–
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	–	–	–	–	–
Balance at 31 December 2016	1,006,655	550,547	9,549	3,510	134,054

The notes on pages 44 to 110 form part of these financial statements.

Attributable to equity shareholders of the Company						
Contributed surplus (note 33(b)(ii)) $'000	Fair value reserve (note 33(a)(v)) $'000	Property revaluation reserve (note 33(a)(vi)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
377,690	2,702,508	331,167	5,912,248	11,631,338	630,575	12,261,913
–	–	–	308,215	308,215	141,426	449,641
–	497,921	–	103	6,566	(9,284)	(2,718)
–	497,921	–	308,318	314,781	132,142	446,923
–	–	–	2,393	2,393	(28,605)	(26,212)
–	–	–	–	550	500	1,050
–	–	–	(211,397)	(211,397)	–	(211,397)
–	–	–	–	–	(50,285)	(50,285)
377,690	3,200,429	331,167	6,011,562	11,737,665	684,327	12,421,992
377,690	3,200,429	331,167	6,011,562	11,737,665	684,327	12,421,992
–	–	–	191,073	191,073	143,013	334,086
–	(79,830)	–	(7,380)	(202,672)	(1,406)	(204,078)
–	(79,830)	–	183,693	(11,599)	141,607	130,008
–	–	–	–	2,960	2,698	5,658
–	–	–	(201,331)	(201,331)	–	(201,331)
–	–	–	–	–	(67,627)	(67,627)
377,690	3,120,599	331,167	5,993,924	11,527,695	761,005	12,288,700

Consolidated cash flow statement

for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Operating activities			
Profit from operations		689,567	775,259
Adjustments for:			
Depreciation	7	269,709	246,805
Amortisation charge for intangible assets	7	19,523	15,143
Amortisation of interest in leasehold land	7	7,995	8,048
Gain on disposal of property, plant and equipment	4	(7,557)	(14,105)
Gain on disposal of investment properties	4	(45,153)	–
Impairment of other property, plant and equipment	7	–	9,098
Net valuation (gains)/losses on investment properties	4	(19,725)	53,093
Decrease in fair value of listed investments designated as at fair value through profit or loss	4	718	1,513
Loss on disposal of an associate	4	2,354	–
Interest income	4	(26,946)	(30,269)
Dividend income	4	(101,899)	(67,982)
Equity settled share based payment expenses	8	5,658	1,050
Net foreign exchange loss		51,156	65,440
Operating profit before changes in working capital		845,400	1,063,093
(Increase)/decrease in inventories		(743,139)	325,566
Decrease/(increase) in trade debtors		15,714	(221,906)
Increase in hire purchase debtors and instalments receivable		(16,819)	(44,871)
Decrease in other debtors, deposits and prepayments		2,774	23,828
Decrease in amounts due from related companies		827	5,002
Increase in trade creditors		231,012	54,602
Increase in other creditors and accruals		114,600	73,993
Increase/(decrease) in amounts due to related companies		16,330	(4,461)
Increase in provisions		1,970	5,100
Increase/(decrease) in net defined benefit obligations		7,499	(7,308)
Cash generated from operations carried forward		476,168	1,272,638
Interest paid		(86,081)	(80,696)
Taxes paid		(350,518)	(270,349)
Net cash generated from operating activities		39,569	921,593

The notes on pages 44 to 110 form part of these financial statements.

	Note	2016 $'000	2015 $'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(409,296)	(612,955)
Payment for the additions to intangible assets		(25,219)	(11,945)
Payment for purchase of securities investment		(9,431)	–
Payment for additions to investment properties		–	(658)
Decrease/(increase) in non-current prepayments		5,845	(44,894)
Decrease in pledged bank deposits		1,632	4,986
Proceeds from disposal of an associate		1,311	–
Placement of fixed deposits at banks with maturity over three months		(9,413)	–
Proceeds from disposal of property, plant and equipment		67,651	74,131
Proceeds from disposal of investment property		5,000	–
Net cash inflow from acquisition of subsidiaries	39	14,266	–
Proceeds from disposal of securities investments		35,954	78,862
Dividends received from associates		23,725	31,794
Dividends received from listed investments		101,313	67,409
Dividends received from unlisted investments		586	573
Interest received		26,946	30,269
Net cash used in investing activities		(169,130)	(382,428)
Cash flows from financing activities			
Repayment of bank loans		(4,397,482)	(3,059,216)
Proceeds from new bank loans		4,565,491	3,200,727
Dividends paid to shareholders		(201,331)	(211,397)
Dividends paid to non-controlling shareholders of subsidiaries		(67,627)	(50,285)
Interest element of finance lease obligations paid		(2,523)	(1,963)
Capital element of finance lease obligations paid		(29,240)	(23,390)
Payment for share repurchase of subsidiary		–	(26,212)
Net cash used in financing activities		(132,712)	(171,736)
Net (decrease)/increase in cash and cash equivalents		(262,273)	367,429
Cash and cash equivalents at 1 January	25	3,103,973	2,832,712
Effect of foreign exchange rate changes		(35,580)	(96,168)
Cash and cash equivalents at 31 December	25	2,806,120	3,103,973

The notes on pages 44 to 110 form part of these financial statements.

General information

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

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The consolidated financial statements were authorised for issue by the directors on 29 March 2017.

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Basis of consolidation

(i) Subsidiaries and non-controlling interests

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

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

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

(ii) Associates

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

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) Associates (continued)

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

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

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

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised gains resulting from transactions with associates are eliminated to the extent of the Group's interest in the investee. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Goodwill

Goodwill represents the excess of

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

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

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

1 Significant accounting policies (continued)

(e) Goodwill (continued)

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

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

(f) Translation of foreign currencies

(i) Individual companies

Transactions in foreign currencies during the year are translated into the respective entity's functional currency at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Foreign exchange differences arising on translation are recognised in profit or loss.

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

(ii) On consolidation

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

(g) Investment properties

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

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

1 Significant accounting policies (continued)

(h) Completed property held for sale

Completed property held for sale is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties sold is determined by the apportionment of the total development cost of the project. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion, borrowing costs and other costs incurred in bringing the properties to their present condition.

(i) Property, plant and equipment

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

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

Freehold land is not amortised.

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

- Buildings situated on freehold land — 2% - 4%
- Interest in leasehold land is depreciated over the unexpired term of the lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 50 years after the date of completion.
- Plant, machinery and equipment
  - engine, construction equipment and forklifts for hire — 20% on cost less residual value
  - other plant, machinery and equipment — $6^2/_3$% - 50%
- Furniture, fixtures, fittings and office equipment — 5% - 50%
- Motor vehicles — 10% - 50%

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

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

Construction in progress

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

1 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Construction in progress (continued)

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

(j) Intangible assets (other than goodwill)

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

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

- Customer relationships	10 years
- Others	5 years
- Backlog	Indefinite

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property which is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease as set out in note 1(g).

(ii) Assets held for rental

Where the Group rents out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(x).

1 Significant accounting policies (continued)

(k) Leased assets (continued)

(iii) Assets acquired under finance lease

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

(iv) Operating lease charges

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

(l) Other investments in debt and equity securities

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortised cost.

(i) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss (see note 1(x)(i)), if: the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

(ii) Financial assets measured at fair value

Financial assets, other than those subsequently measured at amortised cost, are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

For investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

1 Significant accounting policies (continued)

(m) Borrowing costs

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

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

(n) Hire purchase contracts

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

(o) Income tax

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale. In all other cases, the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

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

1 Significant accounting policies (continued)

(o) Income tax (continued)

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

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

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

(p) Inventories

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

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

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

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

(q) Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(x)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturity of less than three months when placed. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Trade and other creditors

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

1 Significant accounting policies (continued)

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(u) Provisions and contingent liabilities

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

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

(v) Warranties

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

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue arising from the sale of goods (excluding sale of properties (see note 1(w)(v)) is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Service fees, agency commission and handling fees are recognised upon the conclusion of the related services provided.

(iii) Interest and hire purchase financing income is recognised as it accrues using the effective interest method.

(iv) Rental income from investment properties is recognised on a straight-line basis over the periods of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.

(v) Revenue arising from the sale of properties held for sale is recognised upon the execution of the sale and purchase agreement by the buyer which is the time when the risks and rewards of ownership have been transferred. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under other creditors and accruals.

1 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(vi) Dividend income from unlisted investments is recognised when the Group's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(x) Impairment

(i) Impairment of investments in debt securities and other receivables

Investments in debt securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes but is not limited to the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For interest in associates accounted for under the equity method in the consolidated financial statements (see note 1(d)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(x)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(x)(ii).
- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses in respect of hire purchase debtors and trade debtors, the recovery of which is considered doubtful. In this case, the impairment losses are recorded using an allowance account. Recovery of amounts previously charged to the allowance account is reversed against the allowance account. Recovery of amounts previously written off is recognised in profit or loss.

1 Significant accounting policies (continued)

(x) Impairment (continued)

(ii) Impairment of other assets

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

- other property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries and associates in the Company's statement of financial position.

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

- Recognition of impairment losses

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

  When an impairment loss arises on the land and buildings which were revalued in 1984, it will first be charged against the attributable balance relating to the properties included in the capital reserve and any excess will be charged to profit or loss.

- Reversals of impairment losses

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

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

1 Significant accounting policies (continued)

(x) Impairment (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(x)(i) and (ii)). Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(y) Employee benefits

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

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

(ii) Defined benefit retirement plans

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

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

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

1 Significant accounting policies (continued)

(y) Employee benefits (continued)

(iii) Share-based payments

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

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

(z) Segment reporting

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

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

(aa) Dividends

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

(ab) Related parties

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

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

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

1 Significant accounting policies (continued)

(ab) Related parties (continued)

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

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2 Significant accounting estimates and judgements

(a) Impairment of hire purchase and trade debtors

Hire purchase and trade debtors are reviewed periodically to assess whether impairment losses exist and if they exist, impairment losses are recognised. The estimate is based on historical loss experience for debtors with similar credit risk. The methodology and assumptions used are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

(b) Allowances for obsolescence of inventories

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

(c) Valuation of investment properties

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

2 Significant accounting estimates and judgements (continued)

(d) Impairment of other property, plant and equipment

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

3 Revenue

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

	2016 $'000	2015 $'000
Sale of goods	10,531,624	9,088,115
Rendering of services	5,875,039	5,459,602
Hire purchase financing income	53,518	43,278
Gross rentals from investment properties	100,456	97,715
Management service fees	1,000	1,433
Agency commission and handling fees	161,257	114,023
Warranty reimbursements	13,438	14,473
	16,736,332	14,818,639

The Group's customer base is diversified and includes no customer (2015: Nil) with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities and segment information are disclosed in note 38 to these financial statements.

4 Other net income

	2016 $'000	2015 $'000
Bank and other interest income	26,946	30,269
Dividend income		
- listed investments	101,313	67,366
- unlisted investments	586	616
Gain on disposal of property, plant and equipment	7,557	14,105
Gain on disposal of investment properties	45,153	–
Net valuation gains/(losses) on investment properties	19,725	(53,093)
Decrease in fair value of listed investments designated as at fair value through profit or loss	(718)	(1,513)
Reversal of impairment losses on trade receivables and hire purchase debtors and instalments receivable	5,360	1,096
Loss on disposal of an associate	(2,354)	–
Proceeds from sales of scrap materials	2,551	7,636
Marketing subsidies	19,708	40,116
Others	62,839	32,067
	288,666	138,665

5 Other operating expenses

	2016 $'000	2015 $'000
Bank charges	23,281	24,016
Impairment losses on trade receivables and hire purchase debtors and instalments receivable	4,672	754
Others	4,391	11,402
	32,344	36,172

6 Financing costs

	2016 $'000	2015 $'000
Interest expense		
- on bank loans	64,491	61,169
- on bank overdrafts	2,985	933
- on unsecured medium term note	18,605	18,594
- on finance leases	2,523	1,963
	88,604	82,659

7 Profit before taxation

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

	2016 $'000	2015 $'000
Cost of goods sold	7,265,595	7,796,204
Depreciation		
- assets held for use under operating leases	34,578	40,766
- other assets	235,131	206,039
Amortisation		
- interest in leasehold land	7,995	8,048
- intangible assets	19,523	15,143
Impairment losses on		
- trade debtors	4,672	754
- other plant, property and equipment	–	9,098
Auditors' remuneration		
- audit services	8,803	8,566
- tax services	577	760
- others	580	1,048
Provision for warranties	26,716	29,641
Net foreign exchange losses	14,285	89,508
Operating lease rental expenses in respect of properties	83,838	69,746
Rentals receivable from investment properties less direct outgoings of $39,654,000 (2015: $42,294,000)	(60,802)	(55,421)

8 Personnel expenses

	2016 $'000	2015 $'000
Wages and salaries	763,193	688,911
Retirement benefit costs	91,848	75,243
Equity settled share based payment expenses	5,658	1,050
Others	117,170	126,005
	977,869	891,209

The number of employees at the end of 2016 was 6,131 (2015: 6,059).

The Group makes contributions to defined benefit retirement plans and defined contribution retirement plans pursuant to the rules and regulations applicable to the Group in the countries where the Group operates. The Group's obligation for the payment of retirement benefits are set out in note 29.

9 Directors' and senior executives' remuneration

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

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Gratuity $'000	Total $'000
2016						
Executive directors						
Tan Eng Soon	400	11,166	12,562	43	–	24,171
Tan Kheng Leong	200	2,960	617	43	–	3,820
Sng Chiew Huat	200	3,367	2,525	43	–	6,135
Glenn Tan Chun Hong	200	2,696	2,583	97	–	5,576
Non-executive director						
Joseph Ong Yong Loke (Note (iv))	450	1,143	2,511	20	5,000	9,124
Independent non-executive directors						
Lee Han Yang	396	–	–	–	–	396
Ng Kim Tuck	254	–	–	–	–	254
Azman Bin Badrillah (Note (ii))	191	–	–	–	–	191
Prechaya Ebrahim (Note (iii))	94	–	–	–	–	94
Teo Ek Kee (Note (v))	–	–	–	–	–	–
	2,385	21,332	20,798	246	5,000	49,761

9 Directors' and senior executives' remuneration (continued)

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

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2015					
Executive directors					
Tan Eng Soon	260	11,191	12,590	36	24,077
Joseph Ong Yong Loke (Note (iv))	450	3,776	3,146	36	7,408
Tan Kheng Leong	140	2,966	618	36	3,760
Sng Chiew Huat	140	3,375	2,531	36	6,082
Glenn Tan Chun Hong	140	2,702	2,364	81	5,287
Independent non-executive directors					
Lee Han Yang	220	–	–	–	220
Tan Ngiap Joo (Note (i))	180	–	–	–	180
Ng Kim Tuck	120	–	–	–	120
Azman Bin Badrillah (Note (ii))	–	–	–	–	–
Prechaya Ebrahim (Note (iii))	–	–	–	–	–
	1,650	24,010	21,249	225	47,134

Notes:

(i) Tan Ngiap Joo, an independent non-executive director of the Group resigned on 30 March 2015.

(ii) Azman Bin Badrillah was appointed as non-executive director of the Group on 1 April 2015 and re-designated as independent non-executive director on 14 September 2015.

(iii) Prechaya Ebrahim was appointed as independent non-executive director of the Group on 12 June 2015.

(iv) Joseph Ong Yong Loke was re-designated from executive director of the Group to non-executive director on 30 March 2016.

(v) Teo Ek Kee was appointed as independent non-executive director of the Group on 1 June 2016.

(b) Of the five individuals with the highest emoluments, four (2015: four) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other one (2015: one) individual is as follows:

	2016 $'000	2015 $'000
Salaries and other emoluments	4,151	3,461
Retirement scheme contributions	–	5,400
Others	–	267
	4,151	9,128

9 Directors' and senior executives' remuneration (continued)

(b) Of the five individuals with the highest emoluments, four (2015: four) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other one (2015: one) individual is as follows: (continued)

The emoluments of the one (2015: one) individual with the highest emoluments is within the following band:

	2016 Number of individuals	2015 Number of individuals
$4,000,001 - $4,500,000	1	–
$9,000,001 - $9,500,000	–	1

10 Taxation

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

	2016 $'000	2015 $'000
Current tax expense		
Provision for the year	325,815	321,358
Under/(over)-provision in respect of prior years	895	(1,627)
	326,710	319,731
Deferred tax expense		
Origination and reversal of temporary differences	8,364	(593)
Total income tax expense in the consolidated statement of profit or loss	335,074	319,138

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

The statutory corporate income tax rate for the Group's operations in Singapore, Japan and the People's Republic of China ("PRC") is 17% (2015: 17%), 31% (2015: 33%) and 25% (2015: 25%) respectively. Taxation for other subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

10 Taxation (continued)

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

	2016 $'000	2015 $'000
Profit before taxation	669,160	768,779
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	176,026	140,543
Adjustments resulting from:		
Tax effect of non-deductible expenses	71,080	66,164
Tax effect of non-taxable income	(71,037)	(15,447)
Tax effect of tax losses not recognised	104,865	90,658
Tax effect of previously unrecognised tax losses or deductible temporary differences utilised	(2,076)	(1,758)
Withholding tax on dividend income from subsidiaries (Note)	55,321	40,605
Under/(over)-provision in respect of prior years	895	(1,627)
Actual tax expense	335,074	319,138

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

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2016 are attributable to the items detailed in the table below:

	2016			2015		
	Assets $'000	Liabilities $'000	Net $'000	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	4,318	(90,655)	(86,337)	4,626	(94,013)	(89,387)
Investment properties	–	(18,882)	(18,882)	–	(17,576)	(17,576)
Inventories	1,159	–	1,159	2,518	–	2,518
Trade debtors	11,358	–	11,358	10,907	–	10,907
Creditors and accruals	70,610	(1,237)	69,373	81,626	–	81,626
Provisions	1,182	–	1,182	6,101	–	6,101
Intangible assets	–	(19,647)	(19,647)	–	(23,880)	(23,880)
Tax losses carried-forward	9,457	–	9,457	6,732	–	6,732
Deferred tax assets/(liabilities)	98,084	(130,421)	(32,337)	112,510	(135,469)	(22,959)
Set–off within legal tax units and jurisdictions	(61,453)	61,453	–	(72,590)	72,590	–
Net deferred tax assets/(liabilities)	36,631	(68,968)	(32,337)	39,920	(62,879)	(22,959)

10 Taxation (continued)

(c) Deferred tax assets and liabilities (continued)

Potential deferred tax assets of approximately $470,821,000 (2015: $364,100,000) relating to the future benefits of tax losses and deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom before the ability to realise such potential benefits expires. Among these tax losses $1,060,963,000 (2015: $774,648,000) will expire within 5-10 years after the end of the reporting period.

At 31 December 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to $1,786,012,000 (2015: $1,654,061,000). Deferred tax liabilities of $332,341,000 (2015: $299,944,000) have not been recognised in respect of tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and the directors are of the opinion that the profits will not be distributed in the foreseeable future.

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

	Balance at 1 January 2015 $'000	Exchange adjustment $'000	Recognised in other comprehensive income $'000	Recognised in profit or loss $'000	Balance at 31 December 2015 $'000
Property, plant and equipment	(99,388)	2,047	–	7,954	(89,387)
Investment properties	(15,113)	474	–	(2,937)	(17,576)
Inventories	1,647	(3)	–	874	2,518
Trade debtors	11,408	(545)	–	44	10,907
Creditors and accruals	90,300	372	(1,547)	(7,499)	81,626
Provisions	6,101	–	–	–	6,101
Intangible assets	(25,448)	179	–	1,389	(23,880)
Tax losses carried-forward	5,967	(3)	–	768	6,732
	(24,526)	2,521	(1,547)	593	(22,959)

	Balance at 1 January 2016 $'000	Exchange adjustment $'000	Recognised in other comprehensive income $'000	Recognised in profit or loss $'000	Balance at 31 December 2016 $'000
Property, plant and equipment	(89,387)	(1,280)	–	4,330	(86,337)
Investment properties	(17,576)	(148)	–	(1,158)	(18,882)
Inventories	2,518	3	–	(1,362)	1,159
Trade debtors	10,907	(456)	–	907	11,358
Creditors and accruals	81,626	(2,819)	4,199	(13,633)	69,373
Provisions	6,101	(77)	–	(4,842)	1,182
Intangible assets	(23,880)	(434)	–	4,667	(19,647)
Tax losses carried-forward	6,732	(2)	–	2,727	9,457
	(22,959)	(5,213)	4,199	(8,364)	(32,337)

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $191,073,000 (2015: $308,215,000) and the number of 2,013,309,000 ordinary shares (2015: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2016 and 2015 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

12 Investment properties

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Total $'000
At 1 January 2015	2,522,581	876,670	3,399,251
Exchange adjustments	(148,345)	(40,917)	(189,262)
Additions	58	600	658
Disposals	(96)	–	(96)
Transfer	–	(7,077)	(7,077)
Fair value adjustments	(21,208)	(31,885)	(53,093)
At 31 December 2015	2,352,990	797,391	3,150,381
At 1 January 2016	2,352,990	797,391	3,150,381
Exchange adjustments	(35,067)	(11,358)	(46,425)
Disposals	(5,847)	(21,800)	(27,647)
Transfer	–	10,071	10,071
Fair value adjustments	(29,773)	49,498	19,725
At 31 December 2016	2,282,303	823,802	3,106,105

(a) Fair value measurement of properties

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

12 Investment properties (continued)

(a) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
– Freehold land and buildings				
– Singapore	1,979,630	–	–	1,979,630
– Japan	302,673	–	–	302,673
	2,282,303	–	–	2,282,303
– Leasehold land and buildings				
– Hong Kong	297,703	–	–	297,703
– Singapore	526,099	–	–	526,099
	823,802	–	–	823,802
	3,106,105	–	–	3,106,105

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
– Freehold land and buildings				
– Singapore	2,053,508	–	–	2,053,508
– Japan	299,482	–	–	299,482
	2,352,990	–	–	2,352,990
– Leasehold land and buildings				
– Hong Kong	230,635	–	–	230,635
– Macau	21,800	–	–	21,800
– Singapore	544,956	–	–	544,956
	797,391	–	–	797,391
	3,150,381	–	–	3,150,381

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (continued)

(a) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2016, there were no transfers between levels. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2016. The valuations were carried out either by a director of the Company or an independent firm of surveyors, Midzuki Real Estate Appraisal Firm Co., Ltd.

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

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

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
– Freehold land and buildings			
– Singapore	Market comparison approach	Discount on quality of the buildings	-20% to -19% (2015: -13% to -10%)
– Japan	Discounted cash flow approach	Discount rate	5.5% (2015: 5.8%)
– Leasehold land and buildings			
– Hong Kong	Market comparison approach	Discount/premium on quality of the buildings	-20% to 0% (2015: 7% to 1%)
– Macau	Market comparison approach	Discount on quality of the buildings	Not applicable (2015: -14%)
– Singapore	Market comparison approach	Discount on quality of the buildings	-5% to -4% (2015: -1%)
	Residual approach	Estimated profit margin on redevelopment	10% (2015: 10%)

12 Investment properties (continued)

(a) Fair value measurement of properties (continued)

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

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

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

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

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

	2016 $'000	2015 $'000
Freehold land and buildings – Singapore		
At 1 January	2,053,508	2,222,758
Exchange adjustments	(44,338)	(146,247)
Fair value adjustments	(29,540)	(23,003)
At 31 December	1,979,630	2,053,508
Freehold land and buildings – Japan		
At 1 January	299,482	299,823
Exchange adjustments	9,271	(2,098)
Fair value adjustments	(233)	1,795
Additions	–	58
Disposals	(5,847)	(96)
At 31 December	302,673	299,482
Leasehold land and buildings – Hong Kong and Macau		
At 1 January	252,435	235,741
Exchange adjustments	(37)	–
Fair value adjustments	67,105	23,171
Additions	–	600
Disposals	(21,800)	–
Transfer	–	(7,077)
At 31 December	297,703	252,435
Leasehold land and buildings – Singapore		
At 1 January	544,956	640,929
Exchange adjustments	(11,321)	(40,917)
Fair value adjustments	(17,607)	(55,056)
Transfer	10,071	–
At 31 December	526,099	544,956

12 Investment properties (continued)

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

	Freehold land and buildings		Leasehold land and buildings	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
In Hong Kong				
– Medium term lease	–	–	297,703	230,635
Outside Hong Kong				
– Freehold	2,282,303	2,352,990	–	–
– Long lease	–	–	526,099	544,956
– Short term lease	–	–	–	21,800
	2,282,303	2,352,990	823,802	797,391

Investment properties comprise a number of commercial and residential properties that are leased to third party tenants. The leases typically contain an initial lease period up to two years. Subsequent renewals are negotiated with the respective lessees. No contingent rents are charged.

13 Other property, plant and equipment

	Freehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost or valuation:							
At 1 January 2016	1,015,305	2,092,406	404,385	346,456	661,980	164,771	4,685,303
Exchange adjustments	9,916	(25,118)	(11,201)	(6,002)	(7,187)	191	(39,401)
Acquisition of subsidiaries	–	13,258	1,379	3,700	6,221	594	25,152
Additions	–	29,101	38,683	51,625	215,616	151,792	486,817
Disposals	(2,579)	(5,072)	(45,413)	(14,234)	(89,801)	(4,587)	(161,686)
Transfer from construction in progress	–	146,317	288	579	–	(147,184)	–
Transfer to investment properties	–	(11,032)	–	–	–	–	(11,032)
At 31 December 2016	1,022,642	2,239,860	388,121	382,124	786,829	165,577	4,985,153
Representing:							
Cost	811,765	2,182,385	388,121	382,124	786,829	165,577	4,716,801
Valuation – 1984	210,877	57,475	–	–	–	–	268,352
	1,022,642	2,239,860	388,121	382,124	786,829	165,577	4,985,153
Accumulated depreciation and impairment loss:							
At 1 January 2016	–	555,798	218,071	218,193	299,361	–	1,291,423
Exchange adjustments	–	(9,831)	(5,559)	(3,673)	(2,852)	–	(21,915)
Acquisition of subsidiaries	–	2,227	974	2,473	2,816	–	8,490
Charge for the year	–	62,596	48,255	41,891	116,967	–	269,709
Written back on disposals	–	(3,771)	(37,327)	(10,360)	(50,134)	–	(101,592)
Transfer to investment properties	–	(961)	–	–	–	–	(961)
At 31 December 2016	–	606,058	224,414	248,524	366,158	–	1,445,154
Net book value:							
At 31 December 2016	1,022,642	1,633,802	163,707	133,600	420,671	165,577	3,539,999

13 Other property, plant and equipment (continued)

	Freehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Furniture, fixtures, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost or valuation:							
At 1 January 2015	869,781	2,018,748	405,763	327,894	639,983	177,746	4,439,915
Exchange adjustments	(51,534)	(124,061)	(33,675)	(23,361)	(31,615)	(15,498)	(279,744)
Additions	197,058	83,196	54,153	53,516	142,642	130,949	661,514
Disposals	–	(4,570)	(28,298)	(14,167)	(95,266)	(1,158)	(143,459)
Transfer from construction in progress	–	112,016	6,442	2,574	6,236	(127,268)	–
Transfer from investment properties	–	7,077	–	–	–	–	7,077
At 31 December 2015	1,015,305	2,092,406	404,385	346,456	661,980	164,771	4,685,303
Representing:							
Cost	799,628	2,033,623	404,385	346,456	661,980	164,771	4,410,843
Valuation – 1984	215,677	58,783	–	–	–	–	274,460
	1,015,305	2,092,406	404,385	346,456	661,980	164,771	4,685,303
Accumulated depreciation and impairment loss:							
At 1 January 2015	–	517,294	200,517	204,022	267,798	–	1,189,631
Exchange adjustments	–	(25,829)	(18,927)	(13,650)	(12,272)	–	(70,678)
Charge for the year	–	67,247	50,325	39,461	89,772	–	246,805
Impairment loss	–	–	9,098	–	–	–	9,098
Written back on disposals	–	(2,914)	(22,942)	(11,640)	(45,937)	–	(83,433)
At 31 December 2015	–	555,798	218,071	218,193	299,361	–	1,291,423
Net book value:							
At 31 December 2015	1,015,305	1,536,608	186,314	128,263	362,619	164,771	3,393,880

Impairment loss

In June 2015, a number of machinery and equipment of two subsidiaries were physically damaged. The Group assessed the machinery and equipment to be fully impaired. An impairment loss of $9,098,000 was recognised in "Administrative expenses" in the consolidated statement of profit or loss.

13 Other property, plant and equipment (continued)

(i) An analysis of net book value of land and buildings is as follows:

	Land		Buildings	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
In Hong Kong				
– Medium term lease	–	–	22,196	28,508
Outside Hong Kong				
– Freehold	1,022,642	1,015,305	570,208	415,884
– Medium term lease	–	–	1,020,612	1,066,516
– Short term lease	–	–	20,786	25,700
	1,022,642	1,015,305	1,633,802	1,536,608

(ii) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts totalling SGD50,000,000 (equivalent to $268,352,000 (2015: $274,460,000)) as their deemed cost, as the amount of the adjustments relating to prior periods could not be reasonably determined when IFRSs were first adopted for the purpose of preparing financial statements prior to the initial public offering of the Company. The requirements of IAS 16, *Property, plant and equipment* with respect to assets carried at amounts other than cost less accumulated depreciation are therefore not applicable.

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

The cost of motor vehicles and machineries of the Group held for rental amounted to a total of $227,362,000 (2015: $268,045,000) and the related accumulated depreciation charges amounted to a total of $118,822,000 (2015: $130,876,000).

(iv) At 31 December 2016, the net book value of motor vehicles and plant, machinery and equipment held under finance leases of the Group was $170,774,000 (2015: $127,971,000) and $1,450,000 (2015: $2,862,000) respectively.

14 Interest in leasehold land

	2016 $'000	2015 $'000
At 1 January	85,128	97,622
Exchange adjustments	(705)	(4,446)
Amortisation	(7,995)	(8,048)
At 31 December	76,428	85,128

All interest in leasehold land relates to owner-occupied properties. An analysis of interest in leasehold land is as follows:

	2016 $'000	2015 $'000
Outside Hong Kong		
– Medium term lease	76,428	85,128

15 Intangible assets

	Customer relationships $'000	Backlog $'000	Others $'000	Total $'000
Cost:				
At 1 January 2016	63,072	11,585	65,204	139,861
Exchange adjustments	1,848	339	660	2,847
Additions	–	–	25,219	25,219
At 31 December 2016	64,920	11,924	91,083	167,927
Accumulated amortisation:				
At 1 January 2016	9,461	–	30,307	39,768
Charge for the year	6,991	–	12,532	19,523
Exchange adjustments	(222)	–	543	321
At 31 December 2016	16,230	–	43,382	59,612
Net book value:				
At 31 December 2016	48,690	11,924	47,701	108,315
Cost:				
At 1 January 2015	63,518	11,667	53,585	128,770
Exchange adjustments	(446)	(82)	(326)	(854)
Additions	–	–	11,945	11,945
At 31 December 2015	63,072	11,585	65,204	139,861
Accumulated amortisation:				
At 1 January 2015	3,176	–	21,560	24,736
Charge for the year	6,281	–	8,862	15,143
Exchange adjustments	4	–	(115)	(111)
At 31 December 2015	9,461	–	30,307	39,768
Net book value:				
At 31 December 2015	53,611	11,585	34,897	100,093

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

The intangible asset with indefinite useful life is allocated to the Group's transportation activities based in Japan. No impairment loss was recognised during the year (2015: $Nil).

16 Goodwill

	$'000
Cost:	
At 1 January 2016	5,498
Acquisition of subsidiaries	14,905
Exchange adjustments	2,972
At 31 December 2016	23,375
Carrying amount:	
At 31 December 2016	23,375
Cost:	
At 1 January 2015	6,214
Exchange adjustments	(716)
At 31 December 2015	5,498
Carrying amount:	
At 31 December 2015	5,498

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's transportation activities based in Japan. No impairment loss was recognised during the year (2015: $Nil).

17 Interest in subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2016 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	Ordinary shares of SGD4,000,000 Redeemable preference shares of SGD25,000,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD50,000	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	Ordinary shares of SGD46,600,000 Redeemable preference shares of SGD12,500,000	100%	Hire purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	Ordinary shares of SGD57,900,000 Redeemable preference shares of SGD25,000,000	100%	Property investment
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property investment
Tan Chong Land Company Pte Ltd	Singapore	SGD1,000,000	100%	Sales of properties and property development
Advance Pacific Holdings Limited	Hong Kong	$8,500,000	100%	Investment holding
Motor Image (HK) Limited	Hong Kong	$8,000,000	100%	Distribution of motor vehicles
Motor Image (Guangzhou) Co. Ltd	The People's Republic of China	Registered and paid up capital of $120,000,000	100%	Distribution of motor vehicles
Motor Image Pilipinas, Inc.	Republic of the Philippines	Peso137,625,000	100%	Distribution of motor vehicles
Taiwan Motor Image Co., Ltd.	Taiwan	NTD5,000,000	100%	Distribution of motor vehicles

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Nissan Diesel (Thailand) Company Limited	Thailand	Ordinary shares of Baht1,646,456,000 Redeemable preference shares of Baht250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Fuso Truck (Thailand) Co., Ltd.	Thailand	Baht100,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Zero Co., Ltd.	Japan	JPY3,390,798,450	52.32% (2015: 52.41%)	Investment holding, used-car trading and provision of vehicle transportation and maintenance services
Zero Trans Co., Ltd	Japan	JPY15,000,000	52.32% (2015: 52.41%)	Provision of vehicle transportation services
Kyuso Co., Ltd.	Japan	JPY39,000,000	52.32% (2015: 52.41%)	Provision of cargo logistics services
Japan Relief Co., Ltd.	Japan	JPY83,124,775	52.32% (2015: 52.41%)	Provision of human resources services
Koei Transport Co., Ltd.	Japan	JPY10,000,000	52.32%	Provision of vehicle transportation services

18 Interest in associates

	2016 $'000	2015 $'000
Share of net assets	752,203	728,678
Representing:		
Associates listed outside Hong Kong	78,811	59,448
Unlisted associates	673,392	669,230
	752,203	728,678
Market value of listed associates	41,496	37,318

Details of the associates are as follows:

Name of company	Place of incorporation and operation	Percentage of equity held by the Group	Principal activities
Ethoz Group Limited	Singapore	50%	Car rental
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres
Zero Powertrain (Thailand) Co., Ltd.	Thailand	50%	Trading and assembly of vehicle parts
Utsunomiya Terminal (Note)	Japan	43%	Provision of vehicle transportation services
Zero SCM Logistics (Beijing) Co., Ltd.	The People's Republic of China	25%	Provision of transportation services
Tifa Finance Tbk PT	Indonesia	36%	Provision of leasing and financing services

Note: Disposed during the year ended 31 December 2016.

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

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

	2016 $'000	2015 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	752,203	728,678
Aggregate amounts of the Group's share of those associates'		
– Profit from continuing operations	68,197	76,179
– Other comprehensive income	(33,268)	(59,795)
– Total comprehensive income	34,929	16,384

19 Other financial assets

	2016 $'000	2015 $'000
Equity securities designated as at fair value through other comprehensive income (note 20)		
Listed outside Hong Kong	26,544	11,957
Unlisted equity securities	27,281	34,054
	53,825	46,011
Debt securities at fair value through profit or loss		
Listed outside Hong Kong, at market value	53,081	63,213
	106,906	109,224

	2016 $'000	2015 $'000
Market value of listed securities	79,625	75,170

20 Investments designated as at fair value through other comprehensive income

	2016 $'000	2015 $'000
Equity securities		
Listed outside Hong Kong, designated as at fair value through other comprehensive income	3,529,207	3,637,821

Financial assets at fair value through other comprehensive income

The Group designated all of its investments in equity securities as at fair value through other comprehensive income under IFRS 9 (2009) as listed below. This designation was chosen as the investments are held for strategic purposes.

	Fair value at 31 December		Dividend income recognised	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Investments in Fuji Heavy Industries Ltd.	3,524,751	3,607,390	99,628	65,902
Investment in SMRT Corporation Ltd	–	18,152	382	405
Investment in SM Development Pte. Ltd.	19,298	19,737	586	486
Others	38,983	38,553	1,303	1,189
	3,583,032	3,683,832	101,899	67,982

Note: Fair value gain of $82,639,000 (2015: $499,882,000) was recognised in other comprehensive income during the year ended 31 December 2016. There was no significant addition nor disposal for this equity security during the year ended 31 December 2016 (2015: $Nil).

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

Reclassifications

There were no reclassifications of financial assets since the date of initial application of IFRS 9 (2009), being 1 January 2015.

21 Inventories

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

	2016 $'000	2015 $'000
Raw materials	76,740	138,230
Work-in-progress	248,742	69,268
Spare parts and others	229,157	133,493
Finished goods	2,227,443	1,679,403
Goods in transit	141,054	159,638
	2,923,136	2,180,032

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

	2016 $'000	2015 $'000
Carrying amount of inventories sold	7,258,908	7,787,835
Provision for write-down of inventories	6,687	8,369
	7,265,595	7,796,204

22 Properties held for sale

	2016 $'000	2015 $'000
Completed properties held for sale	53,523	54,760

23 Trade debtors

	2016 $'000	2015 $'000
Trade debtors	1,318,637	1,354,349
Less: Allowance for doubtful debts (note 23(b))	(47,089)	(43,077)
	1,271,548	1,311,272

23 Trade debtors (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors, based on invoice date and net of allowance for doubtful debts, is as follows:

	2016 $'000	2015 $'000
0 – 30 days	970,868	983,218
31 – 90 days	199,256	223,410
Over 90 days	101,424	104,644
	1,271,548	1,311,272

The Group allows credit periods ranging from seven days to six months. Further details on the Group's credit policy are set out in note 35(b).

(b) Impairment of trade debtors

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

As at 31 December 2016, allowance for doubtful debts has been made for trade debtors of $47,089,000 (2015: $43,077,000). The movement in the allowance for doubtful debts during the year is as follows:

	2016 $'000	2015 $'000
At 1 January	43,077	45,107
Exchange adjustments	(177)	(1,247)
Impairment loss recognised/(reversal of impairment loss)	4,672	(342)
Uncollectible amounts written off	(483)	(441)
At 31 December	47,089	43,077

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2016 $'000	2015 $'000
Neither past due nor impaired	945,044	883,394
1 – 30 days past due	181,961	293,964
31 – 90 days past due	64,801	95,730
Over 90 days past due	79,742	38,184
	326,504	427,878
	1,271,548	1,311,272

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24 Hire purchase debtors and instalments receivable

	2016 $'000	2015 $'000
Balance due		
– within one year	162,673	144,582
– between one and five years	249,739	266,433
– after more than five years	36,810	40,438
Hire purchase debtors and instalments receivable	449,222	451,453
Unearned interest charges	(37,695)	(46,195)
	411,527	405,258
Less: Allowance for doubtful debts	(20,282)	(24,094)
	391,245	381,164
Balance due		
– within one year	138,022	122,172
– between one year and five years	221,033	222,364
– after more than five years	32,190	36,628
	253,223	258,992
	391,245	381,164

Impairment of hire purchase debtors and instalments receivable

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

As at 31 December 2016, allowance for doubtful debts has been made for hire purchase debtors and instalments receivable of $20,282,000 (2015: $24,094,000). The movement in the allowance for doubtful debts during the year is as follows:

	2016 $'000	2015 $'000
At 1 January	24,094	27,428
Exchange adjustments	1,548	(2,039)
Reversal of impairment loss	(5,360)	–
Uncollectible amounts written off	–	(1,295)
At 31 December	20,282	24,094

25 Cash and cash equivalents

	2016 $'000	2015 $'000
Bank deposits	1,133,508	1,259,274
Cash at bank	1,755,401	1,905,232
Cash in hand	2,416	1,644
Cash and cash equivalents in the consolidated statement of financial position	2,891,325	3,166,150
Unsecured bank overdrafts (note 27)	(85,205)	(60,545)
Less: Pledged bank deposits	–	(1,632)
Cash and cash equivalents in the consolidated cash flow statement	2,806,120	3,103,973

The Group's effective interest rate for bank deposits ranged from 0.03% to 5.5% (2015: 0.03% to 7.00%) per annum.

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

Bank overdrafts bear interest at rates ranging from 0.43% to 5.00% (2015: 0.53% to 5.00%) per annum.

26 Unsecured medium term note

	2016 $'000	2015 $'000
Unsecured medium term note 2.8% 2017	632,538	646,935

The medium term note bears interest at a rate of 2.8% per annum, is unsecured and repayable on 9 January 2017. The note is subject to the following financial covenants:

(i) the consolidated tangible net worth shall not at any time be less than $2,000,000,000;
(ii) the ratio of consolidated total borrowings to consolidated tangible net worth shall not at any time be more than 2:1; and
(iii) the interest coverage ratio shall not at any time be less than 2.5:1.

The above mentioned term note was fully repaid on 9 January 2017.

27 Bank loans and overdrafts

	2016 $'000	2015 $'000
Within one year		
– bank overdrafts (note 25)	85,205	60,545
– bank loans	3,377,341	2,157,495
	3,462,546	2,218,040
Bank loans:		
– After one year but within two years	23,852	467,050
– After two years but within five years	12,382	548,009
– Over five years	–	32,550
	36,234	1,047,609
	3,498,780	3,265,649

27 Bank loans and overdrafts (continued)

At 31 December 2016, the bank loans and overdrafts were secured as follows:

	2016 $'000	2015 $'000
Unsecured bank overdrafts	85,205	60,545
Bank loans		
– Secured	54,334	73,707
– Unsecured	3,359,241	3,131,397
	3,498,780	3,265,649

At 31 December 2016, certain property, plant and equipment and pledged bank deposits of the Group with carrying values of $382,972,000 (2015: $412,622,000) and $Nil (2015: $1,632,000), respectively, have been pledged to banks to secure bank loans totalling $54,334,000 (2015: $73,707,000) granted to the Group.

At 31 December 2016, the bank loans bore interest at floating rates which ranged from 0.33% to 6.5% (2015: 0.33% to 7.6%) per annum.

28 Obligations under finance leases

At 31 December 2016, the Group had obligations under finance leases repayable as follows:

	2016		2015	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	37,207	37,768	29,240	31,762
After 1 year but within 2 years	43,503	44,826	25,381	27,197
After 2 years but within 5 years	72,109	76,107	35,549	37,325
After 5 years	37,214	40,718	51,332	51,352
	152,826	161,651	112,262	115,874
	190,033	199,419	141,502	147,636
Less: total future interest expenses		(9,386)		(6,134)
Present value of lease obligations		190,033		141,502

29 Employee retirement benefits

(a) Defined benefit retirement plans

The Group, through Zero makes contributions to defined benefit retirement plans registered in Japan, which cover 82% (2015: 78%) of Zero's employees. The plans are administered by trustees, the majority of which are independent, with their assets held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans.

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

The plans are funded by contributions from the Group in accordance with independent actuaries' recommendations based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 30 June 2016 and were prepared by qualified staff of Mizuho Trust & Banking Co., Ltd and Sumitomo Life Insurance Company. The actuarial valuations indicated that the Group's obligations under these defined benefit retirement plans were 54% (2015: 54%) covered by the plan assets held by the trustees.

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

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

	2016 $'000	2015 $'000
Present value of defined benefit obligations	(331,495)	(299,928)
Fair value of plan assets	179,571	163,124
	(151,924)	(136,804)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay approximately $22,777,000 in contributions to defined benefit retirement plans in 2017.

(ii) Plan assets consist of the following:

	2016 $'000	2015 $'000
Equity securities	44,150	62,124
Government bonds	54,246	64,921
Others	81,175	36,079
	179,571	163,124

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

At the end of each reporting period, an Asset-Liability Matching study is performed by the trustees to analyse the outcome of the strategic investment policies. The investment portfolio targets a mix of 5%-65% (2015: 12%-62%) in equity securities across a range of industries, 5%-70% (2015: 28%-68%) in government bonds and remaining in other investments. Interest rate risk is managed with the objective of reducing the risk by investing in government bonds.

29 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

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

	2016 $'000	2015 $'000
At 1 January	299,928	299,355
Benefits paid by the plans	(19,242)	(17,567)
Current service cost	21,678	18,220
Interest cost	1,548	2,199
Remeasurement of present value	20,173	(187)
Exchange adjustments	7,410	(2,092)
At 31 December	331,495	299,928

The weighted average duration of the defined benefit obligation is 10.6 years.

(iv) Movements in plan assets

	2016 $'000	2015 $'000
At 1 January	163,124	154,090
Group's contributions paid to the plan	22,490	19,457
Benefits paid by the plans	(10,265)	(9,228)
Interest income	879	1,193
Return on plan assets, excluding interest income	(542)	(1,346)
Exchange adjustments	3,885	(1,042)
At 31 December	179,571	163,124

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

	2016 $'000	2015 $'000
Current service cost	21,678	18,220
Net interest on net defined benefit liability	669	1,006
Total amounts recognised in profit or loss	22,347	19,226
Return on plan assets, excluding interest income (after tax adjustment)	449	588
Remeasurement of present value of the defined benefit obligation (after tax adjustment)	13,980	(789)
Total amounts recognised in other comprehensive income	14,429	(201)
Total defined benefit costs	36,776	19,025

29 Employee retirement benefits (continued)

(a) Defined benefit retirement plans (continued)

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

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

	2016 $'000	2015 $'000
Cost of sales	11,804	8,029
Distribution costs	3,573	10,678
Administrative expenses	6,970	519
	22,347	19,226

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

	2016	2015
Discount rate	0.22%	0.70%

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

	Increase by 0.5 percent point		Decrease by 0.5 percent point	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Discount rate	(16,857)	(14,195)	16,897	15,025

(b) Defined contribution retirement plans

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

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

30 Trade creditors

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

	2016 $'000	2015 $'000
0 – 30 days	823,501	732,319
31 – 90 days	269,195	186,102
91 – 180 days	94,343	49,226
Over 180 days	56,363	75,812
	1,243,402	1,043,459

31 Amounts due from/to related companies

The amounts due from/to related companies are unsecured, interest-free and recoverable/repayable on demand. The amounts due from related companies are neither past due nor impaired.

32 Provisions

	Note	2016 $'000	2015 $'000
Provisions for warranties	(a)	77,201	74,286
Provisions for custom duties	(b)	11,774	11,426
		88,975	85,712
Current		68,256	55,264
Non-current		20,719	30,448
		88,975	85,712

(a) Provisions for warranties

	2016 $'000	2015 $'000
At 1 January	74,286	69,918
Provisions made	26,716	29,641
Provisions utilised	(21,431)	(21,311)
Exchange adjustment	(2,370)	(3,962)
At 31 December	77,201	74,286

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

(b) Provisions for custom duties

	2016 $'000	2015 $'000
At 1 January	11,426	12,709
Exchange adjustment	348	(1,283)
At 31 December	11,774	11,426

32 Provisions (continued)

(b) Provisions for custom duties (continued)

In July 2014, the Director General Customs and Excise in Indonesia issued a notice to a subsidiary of the Group claiming entitlement to additional import duties, related taxes and penalties for cars imported during 2012 and 2013. The Group does not agree with such claim and has applied to the Indonesian Courts to dispute the Indonesian Customs Department's claim. As at the end of the reporting period, such legal process was still on-going, and no conclusion has been reached.

The directors have taken into account all available facts, including the opinions of an Indonesian tax consultant and legal advisor, and consider that the total amount payable in relation to this matter should be no more than IDR20,432,499,000 (equivalent to $11,774,000 (2015: $11,426,000)). Accordingly, a provision of the said amount has been made in the financial statements.

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

33 Capital, reserves and dividends

(a) The Group

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

(i) Share premium

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

(ii) Capital reserve

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

(iii) Stock compensation reserve

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

(iv) Translation reserve

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

(v) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investments designated as at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 1(l) and 1(x)(i).

(vi) Property revaluation reserve

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

33 Capital, reserves and dividends (continued)

(b) The Company

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

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
Balance at 1 January 2015	1,006,655	550,547	623,313	181,728	2,362,243
Changes in equity in 2015:					
Total comprehensive income for the year	–	–	–	224,122	224,122
Dividends to equity shareholders	–	–	–	(211,397)	(211,397)
Balance at 31 December 2015 and 1 January 2016	1,006,655	550,547	623,313	194,453	2,374,968
Changes in equity in 2016:					
Total comprehensive income for the year	–	–	–	181,207	181,207
Dividends to equity shareholders	–	–	–	(201,331)	(201,331)
Balance at 31 December 2016	1,006,655	550,547	623,313	174,329	2,354,844

(ii) Contributed surplus

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

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

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

The Company's reserves available for distribution to equity shareholders at 31 December 2016 are as follows:

	2016 $'000	2015 $'000
Contributed surplus	623,313	623,313
Retained profits	174,329	194,453
	797,642	817,766

33 Capital, reserves and dividends (continued)

(c) Dividends

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

	2016 $'000	2015 $'000
Interim dividend paid of HK2.0 cents per ordinary share (2015: HK2.5 cents per ordinary share)	40,266	50,332
Final dividend proposed after the end of the reporting period of HK7.0 cents per ordinary share (2015: HK8.0 cents per ordinary share)	140,932	161,065
	181,198	211,397

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

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

	2016 $'000	2015 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK8.0 cents per ordinary share (2015: HK8.0 cents per ordinary share)	161,065	161,065

(d) Share capital

	2016 $'000	2015 $'000
Authorised:		
3,000,000,000 ordinary shares of $0.50 each	1,500,000	1,500,000
Issued and fully paid:		
2,013,309,000 ordinary shares of $0.50 each	1,006,655	1,006,655

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

(e) Capital management

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

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

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total debt over its total equity, was 33% at 31 December 2016 (2015: 31%).

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Equity settled share based transactions

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

The maximum number of points which may be awarded to selected participants under the Program shall not exceed 500,000. The trust fund shall not have a definite expiration date and continue as long as the Program exist. Maximum amount of money to be contributed by the subsidiary is JPY500,000,000 (equivalent to $35,668,000) and further contribution to the trust fund is subject to approval by the board of the subsidiary.

The first grant date is 26 November 2015, in the years after, point is granted to the eligible recipient annually on 30 June. However, if the eligible recipient retires during the fiscal year, the point will be granted on the date of retirement in proportion.

A total of 60,000 (2015: 71,420) points were granted to selected participants during the year ended 31 December 2016.

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

	Number of points
Points granted to employees:	
On 26 November 2015	71,420
On 1 July 2016	60,000

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

	2016 Number of points	2015 Number of points
Outstanding at the beginning of the year	71,420	–
Exercised during the year	(29,500)	–
Forfeited during the year	(16,920)	–
Granted during the year	60,000	71,420
Outstanding at the end of the year	85,000	71,420
Exercisable at the end of the year	85,000	71,420

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Equity settled share based transactions (continued)

(c) Fair value of points and assumptions

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

	26 November 2015	1 July 2016
Fair value of points and assumptions		
Fair value at measurement date	JPY1,111	JPY991
Share price	JPY1,405	JPY1,312
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	41.3%	41.3%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	6.3 years	7.2 years
Expected dividends	3.7%	3.9%
Risk-free interest rate (based on the yield of Japanese government bonds)	0.1%	0.3%

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

The closing prices of the subsidiary's shares immediately before the grant of the points on 26 November 2015 and 1 July 2016 were JPY1,405 (equivalent to $87) and JPY1,312 (equivalent to $99) per share respectively.

During the year ended 31 December 2016, the Group recognised a net expense of $5,658,000 (2015: $1,050,000) as equity settled share based payments in relation to the Program.

35 Financial risk management and fair values of financial instruments

Financial assets of the Group include cash and cash equivalents, debt and equity securities, trade, hire purchase and other debtors and amounts due from related companies. Financial liabilities of the Group include bank overdrafts and loans, medium term note, trade and other creditors, obligations under finance leases and amounts due to related companies. Accounting policies for financial assets and liabilities are set out in note 1. Exposure to interest rate, credit, currency and liquidity risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and debt investments. Borrowings with variable rates expose the Group to cash flow interest rate risk. The Group has fair value interest rate risk arising from its debt investments.

Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately $43,110,000/$41,697,000 (2015: $43,624,000/$41,780,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and listed debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

(b) Credit risk (continued)

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

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for strategic purpose. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(c) Currency risk

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

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

	Exposure to foreign currencies (expressed in Hong Kong dollars)							
	2016				2015			
	SGD $'000	JPY $'000	USD $'000	RMB $'000	SGD $'000	JPY $'000	USD $'000	RMB $'000
Investments designated as at fair value through other comprehensive income	–	3,527,135	–	–	–	3,609,800	–	–
Trade debtors	–	57,499	39	–	–	3,892	4,044	–
Cash and cash equivalents	5,704	125,822	125,110	304,154	–	177,621	908,440	313,898
Trade creditors	(820)	(509)	(1,217)	–	–	(2,554)	(287)	–
Other debtors	–	10,768	3,800	3	–	–	–	–
Other creditors	(2,611)	(775)	(78)	–	–	(109)	(954)	(3)
Bank loans	(161,271)	(139,796)	–	–	–	(443,546)	(117,800)	–
Unsecured medium term note	(632,538)	–	–	–	(646,935)	–	–	–
	(791,536)	3,580,144	127,654	304,157	(646,935)	3,345,104	793,443	313,895

The Group's operating subsidiaries regularly monitor their foreign exchange exposure and may hedge their position depending on the size of the exposure and the future outlook of the particular currency unit. There were no material forward exchange contracts outstanding as at 31 December 2016 (2015: Nil).

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

(c) Currency risk (continued)

Sensitivity analysis

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

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
JPY	10%	358,014	10%	334,510
	(10)%	(358,014)	(10)%	(334,510)
USD	10%	12,765	10%	79,344
	(10)%	(12,765)	(10)%	(79,344)
RMB	10%	30,416	10%	31,390
	(10)%	(30,416)	(10)%	(31,390)
SGD	10%	(79,154)	10%	(64,694)
	(10)%	79,154	(10)%	64,694

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of subsidiaries and associates outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(d) Liquidity management

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

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

(d) *Liquidity management (continued)*

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

2016

	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Bank overdrafts	85,205	–	–	–	85,205	85,205
Bank loans	3,444,662	21,323	15,773	–	3,481,758	3,413,575
Trade creditors	1,243,402	–	–	–	1,243,402	1,243,402
Other creditors and accruals	1,160,712	–	–	–	1,160,712	1,160,712
Amounts due to related companies	23,538	–	–	–	23,538	23,538
Unsecured medium term note	632,975	–	–	–	632,975	632,538
Obligations under finance leases	37,768	44,826	76,107	40,718	199,419	190,033
	6,628,262	66,149	91,880	40,718	6,827,009	6,749,003

2015

	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Over 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Bank overdrafts	60,545	–	–	–	60,545	60,545
Bank loans	2,223,891	18,932	1,024,550	33,038	3,300,411	3,205,104
Trade creditors	1,043,459	–	–	–	1,043,459	1,043,459
Other creditors and accruals	980,241	–	–	–	980,241	980,241
Amounts due to related companies	8,068	–	–	–	8,068	8,068
Unsecured medium term note	18,597	655,987	–	–	674,584	646,935
Obligations under finance leases	31,762	27,197	37,325	51,352	147,636	141,502
	4,366,563	702,116	1,061,875	84,390	6,214,944	6,085,854

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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets designated as at fair value through other comprehensive income (see notes 19 and 20).

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

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

At 31 December 2016, it is estimated that an increase/(decrease) of 10% in the relevant stock price, with all other variables held constant, would have increased/(decreased) the Group's fair value reserve as follows:

	2016		2015	
		Effect on fair value reserve $'000		Effect on fair value reserve $'000
Change in the relevant equity price risk variable:				
Increase	10%	355,575	10%	364,978
Decrease	(10)%	(355,575)	(10)%	(364,978)

The sensitivity analysis has been determined assuming that the changes in the stock prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that all other variables remain constant. The analysis has been performed on the same basis for 2015.

(f) Fair value

(i) Financial instruments carried at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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

(f) Fair value (continued)

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

	Fair value at 31 December 2016	Fair value measurement as at 31 December 2016 categorised into			Fair value at 31 December 2015	Fair value measurement as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Recurring fair value measurements								
Assets								
Equity securities designated as at fair value through other comprehensive income								
– Listed outside Hong Kong	3,555,751	3,555,751	–	–	3,649,778	3,649,778	–	–
– Unlisted	27,281	–	–	27,281	34,054	–	–	34,054
Debt securities at fair value through profit or loss, listed outside Hong Kong	53,081	53,081	–	–	63,213	63,213	–	–
	3,636,113	3,608,832	–	27,281	3,747,045	3,712,991	–	34,054

During the years ended 31 December 2016 and 2015, there was no transfer among Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

(iii) Information about Level 3 fair value measurements

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

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

	2016 $'000	2015 $'000
Unlisted equity securities:		
At 1 January	34,054	35,461
Exchange adjustments	(6,773)	(1,407)
At 31 December	27,281	34,054

(g) Estimation of fair value

Fair values of securities are based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

36 Commitments

(a) Capital commitments outstanding at 31 December 2016 not provided for in the financial statements were as follows:

	2016 $'000	2015 $'000
Authorised and contracted for	54,409	51,422

(b) Operating lease commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 $'000	2015 $'000
Within one year	84,699	53,840
After one year but within five years	196,287	149,464
After five years	161,314	138,037
	442,300	341,341

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of between one and six years, except for one lease agreement which has an initial period of nineteen years, with an option to renew the lease upon expiry at which point all terms will be re-negotiated. None of the leases includes contingent rentals.

37 Material related party transactions

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

(a) Key management personnel remuneration

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

(b) Transactions with related companies

	Note	2016 $'000	2015 $'000
Transactions with TCMH Group:	(i)		
– Sales of goods and services		1,783	909
– Receiving assembly services		84,818	39,149
– Receiving technical consultancy services		856	982
– Purchase of inventories		13,299	19,494
– Rental of property		154	214
Transactions with APM Group:	(ii)		
– Receiving technical consultancy services		–	900
– Purchase of inventories		74,970	30,521
Purchase of inventories from TCIM Sdn. Bhd.	(iii)	–	4

37 Material related party transactions (continued)

(b) Transactions with related companies (continued)

Notes:

(i) Transactions with TCMH Group

- Sales of goods and services and purchase of inventories

Tan Chong Consolidated Sdn. Bhd. ("TCC"), a substantial shareholder of the Company, is also a substantial shareholder of Tan Chong Motor Holdings Berhad ("TCMH") Group. Various subsidiaries of the Group have been conducting sales and purchases of motor parts and accessories and vehicle servicing transactions with TCMH Group. On 30 December 2013, 10 new agreements were signed in relation to the sales and purchases of motor parts and accessories and vehicle servicing for the period from 1 January 2014 to 31 December 2016.

- Receiving assembly services

On 30 December 2013, a subsidiary of the Group entered into an assembly agreement with Tan Chong Motor Assemblies Sdn. Bhd. ("TCMA"), a subsidiary of TCMH, pursuant to which TCMA was appointed as the subsidiary's assembler to assemble vehicles for the period from 1 January 2014 to 31 December 2015. The principal business of TCMA is the assembly of motor vehicles and engines and trading of parts.

On 30 December 2015, a subsidiary of the Group entered into an assembly agreement with TCMA, pursuant to which TCMA was appointed as the subsidiary's assembler to assemble vehicles for the period from 1 January 2016 to 31 December 2016. The principal business of TCMA is the assembly of motor vehicles and engines and trading of parts.

- Receiving technical consultancy services

On 30 December 2013 (as amended by a supplemental technical support agreement dated 30 December 2014), a subsidiary of the Group entered into a technical support agreement in relation to the provision of services, training, support, consultation and advice to be provided by TCMA using the technical information or technical know-how which TCMA legally possesses as at 30 December 2013 for a term from 1 January 2014 to 31 December 2015.

On 30 December 2015, a subsidiary of the Group entered into a technical support agreement in relation to the provision of services, training, support, consultation and advice to be provided by TCMA using the technical information or technical know-how which TCMA legally possesses as at 30 December 2015 for a term from 1 January 2016 to 31 December 2016.

- Rental of property

On 30 December 2014, a subsidiary of the Group entered into a tenancy agreement with TCMA in relation to the rental of property located at the manufacturing facility of TCMA, for a term from 1 January 2015 to 31 December 2015. The property is used as an office to facilitate better discussion and coordination in Malaysia with TCMA in relation to the collaborative projects with TCMA and Fuji.

On 30 December 2015, a subsidiary of the Group entered into a tenancy agreement with TCMA in relation to the rental of property located at the manufacturing facility of TCMA, for a term from 1 January 2016 to 31 December 2016. The property is used as an office to facilitate better discussion and coordination in Malaysia with TCMA in relation to the collaborative projects with TCMA and Fuji.

37 Material related party transactions (continued)

(b) Transactions with related companies (continued)

(ii) Transactions with APM Group

- Receiving technical consultancy services

  On 30 May 2014, a subsidiary of the Group entered into a technical service agreement with APM Engineering & Research Sdn. Bhd. ("APMER"). APMER is a subsidiary of APM Automotive Holdings Berhad ("APM"), and TCC is interested in more than 30% of the equity interests of APM Group.

- Purchase of inventories

  On 30 May 2014, a subsidiary of the Group entered into a parts purchase agreement with APM Seatings Sdn. Bhd. ("APMS"), a wholly owned subsidiary of APM Group. Pursuant to the agreement, APMS will provide the necessary parts and components for the manufacture of automotive seats to a subsidiary of the Group for the period from 30 May 2014 to 31 December 2015.

  On 30 December 2015, a subsidiary of the Group entered into five parts purchase agreements with five subsidiaries of APM, being Auto Parts Manufacturers Co. Sdn. Bhd., APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Springs Sdn. Bhd. and APM Automotive Modules Sdn. Bhd. (collectively, the "Five APM Subsidiaries"). Pursuant to the agreement, the Five APM Subsidiaries agree to provide certain parts including components and various kinds of materials for Subaru motor vehicles designed, manufactured and/or assembled by Fuji or licensees of Fuji for a term from 1 January 2016 to 30 June 2016.

  On 30 June 2016, a subsidiary of the Group entered into seven parts purchase agreements with four subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd. and APM Shock Absorbers Sdn. Bhd. (collectively, the "Four APM Subsidiaries"). Pursuant to the agreement, the Four APM Subsidiaries agree to provide certain parts including components and various kinds of materials for Subaru motor vehicles designed, manufactured and/or assembled by Fuji or licensees of Fuji for a term from 1 July 2016 to 31 December 2016.

(iii) Purchase of inventories from TCIM Sdn. Bhd.

On 30 December 2013, a subsidiary of the Group entered into a written agreement with TCIM Sdn. Bhd. in relation to the sales and purchases of motor parts and accessories and vehicles for the period from 1 January 2014 to 31 December 2016. TCC is a substantial shareholder of TCIM Sdn. Bhd..

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

Amounts due from/to related parties are recorded in the consolidated statement of financial position and disclosed in note 31.

(c) Transaction with an associate

Management service fees received from an associate of the Group during the year ended 31 December 2016 amounted to $1,000,000 (2015: $1,000,000).

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

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

38 Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the reportable segments as set out in note (b). No operating segments have been aggregated to form the reportable segments.

(a) Business lines

(i) Motor vehicle distribution and dealership business

The Group is the distributor for Nissan vehicles in Singapore and distributor or dealer for Subaru vehicles in Singapore, Guangdong Province of the PRC, Hong Kong, Taiwan, Thailand and certain other Southeast Asia countries. The Group distributes various models of Nissan and Subaru passenger cars and Nissan light commercial vehicles.

(ii) Heavy commercial vehicle and industrial equipment distribution business

The Group is the sole distributor for Nissan forklift trucks in Singapore. The Group markets and distributes a wide range of heavy commercial vehicles and industrial equipment.

(iii) Property rentals and development

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

(iv) Transportation

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

(v) Other operations

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

(b) Segment results

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measures used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including bank and other interest income.

38 Segment reporting (continued)

(b) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2016 is set out below:

	Motor vehicle distribution and dealership business		Heavy commercial vehicle, industrial equipment distribution and dealership business		Property rentals and development	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue from external customers:						
- Singapore	4,261,279	3,314,437	92,124	132,461	90,776	87,575
- Hong Kong	117,701	105,913	–	–	5,818	4,013
- PRC	997,902	1,256,181	–	–	–	–
- Thailand	718,081	636,734	406,972	519,921	–	–
- Japan	–	–	–	–	–	–
- Others	3,733,923	3,212,247	19,793	17,949	–	–
	9,828,886	8,525,512	518,889	670,331	96,594	91,588
EBITDA:						
- Singapore	318,255	349,093	23,174	33,933	(27,108)	(62,979)
- Hong Kong	58,984	29,364	–	–	121,271	16,625
- PRC	22,929	10,212	(36)	(21)	–	–
- Thailand	(135,523)	(50,593)	(75,546)	(53,107)	–	–
- Japan	–	–	–	–	–	–
- Others	117,800	289,084	6,716	3,695	(44)	15
	382,445	627,160	(45,692)	(15,500)	94,119	(46,339)
Share of profits less losses of associates:						
- Singapore	49,051	59,119	–	–	–	–
- Hong Kong	–	–	–	–	–	–
- PRC	–	–	–	–	–	–
- Thailand	–	–	–	–	–	–
- Japan	–	–	–	–	–	–
- Others	–	–	–	–	–	–
	49,051	59,119	–	–	–	–

Transportation		Other operations		Consolidated	
2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
–	–	149,125	150,368	4,593,304	3,684,841
–	–	1,157	1,177	124,676	111,103
–	–	657,968	363,924	1,655,870	1,620,105
–	–	13,051	8,508	1,138,104	1,165,163
5,470,662	5,007,128	–	–	5,470,662	5,007,128
–	–	–	103	3,753,716	3,230,299
5,470,662	5,007,128	821,301	524,080	16,736,332	14,818,639
–	–	80,054	66,222	394,375	386,269
–	–	4,793	50,950	185,048	96,939
–	–	(15,292)	(39,737)	7,601	(29,546)
–	–	11,765	528	(199,304)	(103,172)
484,638	357,811	(231)	(1,104)	484,407	356,707
–	–	(36,751)	14,995	87,721	307,789
484,638	357,811	44,338	91,854	959,848	1,014,986
–	–	–	–	49,051	59,119
–	–	9,890	1,312	9,890	1,312
–	–	–	–	–	–
192	1,469	–	–	192	1,469
3,962	7,122	–	–	3,962	7,122
–	–	5,102	7,157	5,102	7,157
4,154	8,591	14,992	8,469	68,197	76,179

38 Segment reporting (continued)

(c) Reconciliation of reportable segment profit or loss

	2016 $'000	2015 $'000
Total segment EBITDA	959,848	1,014,986
Depreciation and amortisation	(297,227)	(269,996)
Interest income	26,946	30,269
Finance costs	(88,604)	(82,659)
Share of profits less losses of associates	68,197	76,179
Consolidated profit before taxation	669,160	768,779

(d) Geographic information

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

	Singapore		Hong Kong		PRC		Thailand		Japan		Others		Consolidated	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Specified non-current assets	3,699,316	3,871,063	1,005,248	919,532	324,568	347,199	593,862	565,306	978,995	923,522	872,746	731,445	7,474,735	7,358,067

39 Acquisition of subsidiaries

On 12 December 2016, the Group acquired 100% interest in Koei Transport Co., Ltd.. The purchase consideration of JPY1 has been settled in cash.

The fair value of net liabilities acquired as at the date of acquisition is as follows:

	$'000
Property, plant and equipment	5,588
Other non-current assets	266
Trade and other receivables	2,751
Inventories	69
Cash and cash equivalents	644
Trade and other payables	(3,588)
Loan payables	(15,289)
Other non-current liabilities	(3,470)
Net liabilities acquired	(13,029)
Goodwill on acquisition	13,029

Analysis of net cash inflow of cash and cash equivalents in respect of the acquisition of the above subsidiary:

	$'000
Cash acquired	644
Net cash inflow	644

At the end of the reporting period, the allocation of the cost of acquisition of Koei Transport Co, Ltd. to the identifiable assets and liabilities is pending the completion of appraisal of certain intangible assets acquired, which is expected to be completed during the year ending 31 December 2017. Accordingly, the above goodwill arising on the acquisition is a provisional amount and may change upon the completion of the appraisal.

In addition to the acquisition above, the Group acquired four other subsidiaries in 2016 with net cash inflows totalling $13,622,000 and the Group generated net cash inflows totalling $14,266,000 from acquisition of subsidiaries during the year ended 31 December 2016.

40 Company-level statement of financial position

	Note	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment		13	19
Interest in subsidiaries		2,342,961	2,342,961
Non-current prepayments		–	326
		2,342,974	2,343,306
Current assets			
Amounts due from subsidiaries		1,044,785	1,030,031
Other debtors, deposits and prepayments		481	1,907
Cash and cash equivalents		13,349	25,869
		1,058,615	1,057,807
Current liabilities			
Other creditors and accruals		23,545	20,115
Amounts due to subsidiaries		258,172	133,838
Bank loans		132,490	–
Unsecured medium term note		632,538	–
		1,046,745	153,953
Net current assets		11,870	903,854
Total assets less current liabilities		2,354,844	3,247,160
Non-current liabilities			
Bank loans		–	225,257
Unsecured medium term note		–	646,935
		–	872,192
NET ASSETS		2,354,844	2,374,968
CAPITAL AND RESERVES	33(b)		
Share capital		1,006,655	1,006,655
Reserves		1,348,189	1,368,313
TOTAL EQUITY		2,354,844	2,374,968

Approved and authorised for issue by the board of directors on 29 March 2017.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

(Expressed in Hong Kong dollars unless otherwise indicated)

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9 (2014), *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9 (2014), *Financial instruments*

IFRS 9 (2014) introduces new requirements for calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 (2014) incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group is currently assessing the impacts of adopting IFRS 9 (2014) on its financial statements. Based on the preliminary assessment, the Group has identified that impairment is likely to be affected.

The new impairment model in IFRS 9 (2014) replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified that provision for warranty services is likely to be affected.

IFRS 16, *Leases*

Under IFRS 16, lessees will no longer distinguish between finance lease and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting. As disclosed in note 36(b), at 31 December 2016, the Group's future minimum lease payments under non-cancellable operating lease amounted to $257,829,000. Most of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted.

	2012 $'000 (restated)	2013 $'000 (restated)	2014 $'000 (restated)	2015 $'000	2016 $'000
Results					
Revenue	6,527,365	9,146,542	10,647,779	14,818,639	16,736,332
Profit from operations	464,607	766,536	635,833	775,259	689,567
Financing costs	(35,573)	(31,640)	(63,333)	(82,659)	(88,604)
Share of profits less losses of associates	167,712	82,416	76,047	76,179	68,197
Profit before taxation	596,746	817,312	648,547	768,779	669,160
Income tax expense	(86,850)	(166,212)	(221,683)	(319,138)	(335,074)
Profit for the year	509,896	651,100	426,864	449,641	334,086
Attributable to:					
Equity shareholders of the Company	503,571	626,005	349,227	308,215	191,073
Non-controlling interests	6,325	25,095	77,637	141,426	143,013
Profit for the year	509,896	651,100	426,864	449,641	334,086
Assets and liabilities					
Investment properties, other property, plant and equipment and interest in leasehold land	5,146,511	5,368,544	6,747,157	6,629,389	6,722,532
Intangible assets	–	–	104,034	100,093	108,315
Goodwill	–	–	6,214	5,498	23,375
Interest in associates	924,694	914,435	744,089	728,678	752,203
Other non-current assets	412,211	356,126	511,028	565,506	548,179
Net current assets	3,407,625	4,559,009	6,502,137	6,429,765	4,564,767
Total assets less current liabilities	9,891,041	11,198,114	14,614,659	14,458,929	12,719,371
Non-current liabilities	(507,526)	(174,709)	(2,352,746)	(2,036,937)	(430,671)
Total equity	9,383,515	11,023,405	12,261,913	12,421,992	12,288,700
Earnings per share					
– basic	$0.25	$0.31	$0.17	$0.15	$0.09
– diluted	$0.25	$0.31	$0.17	$0.15	$0.09

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

Group properties

Location	Description	Land area (sq. feet)	Tenure	Expiry date
30/F Shui On Centre 6–8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622/3	Showroom, workshop and office (own use)	198,606	Freehold	–
14 Upper Aljunied Road Singapore 367843	Property held for sale	18,004	Freehold	–
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	–
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059
15 Queen Street Tan Chong Tower Singapore 188537	Office, restaurant and apartments for rental (investment)	22,193	Freehold	–
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (investment)	198,976	Leasehold	6 April 2078
210 New Upper Changi Road #01–703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 – 276304	Condominiums for rental (investment)	200,991	Freehold	–
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023

Location	Description	Land area (sq. feet)	Tenure	Expiry date
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	131,750 92,158	Leasehold Leasehold	15 April 2036 15 April 2036
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053
816 & 818 Upper Bukit Timah Road Singapore 678149/50	Shophouses (investment and own use)	2,155	Leasehold	15 April 2874
59 Moo 1, Rangsit–Pathumthani Road, Banklang, Muang District, Pathumthani Province, Thailand	Showroom, workshop, office and warehouse (own use)	557,754	Freehold	–
118 Moo 5, T. Bangsamak A, Bangpakong Chachoengsao 24180 Thailand	Showroom, workshop and office (own use)	31,579	Freehold	–
12/17 Moo 2, Seri Thai Road Khlong Kum Sub–District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	–
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	–
388, Moo 5 Chiangmai–Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	–
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Production plant (own use)	1,130,211	Freehold	–
44410 ChalongKrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Vehicle yard (own use)	1,083,747	Freehold	–
Jalan Sultan Iskandar Muda No 24 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041

Group properties (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Komplek Ruko Mahkota Raya Blok D No. 9–12A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032
Jalan Raden Patah Komplek Sumber Jaya B9 – B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2035
Lembar K–8–4 Kotak F–G/1 Teluk Tering Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028
Jalan Bypass Ngurah Rai No 643 Desa Pemogan Denpasar, Bali Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043
Jiangyin Residence No. 49 Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	Unspecified term
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062
West of Xi Wai Huan Yangliu Town Lianhe Sub–district, Zhengxiang District Hengyang Hunan Province, China	Showroom and workshop (own use)	6,226	Leasehold	16 May 2052
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062

Location	Description	Land area (sq. feet)	Tenure	Expiry date
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	–
No. 38–2, Dong Yuan Road, Zhongli District. Taoyuan City, Taiwan	Showroom, workshop, office and warehouse (own use)	143,622	Freehold	–
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	–
212 Vietnam–Singapore Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046
Kawasaki–shi, Kanagawa, Japan	Vehicle distribution center (own use)/ Delivery center (investment)	147,112	Freehold	–
Fukuoka–shi, Fukuoka, Japan	Vehicle distribution center (own use)	89,079	Freehold	–
Kasuya–gun, Fukuoka, Japan	Auction venue (own use)/ Vehicle yard (investment)	272,853	Freehold	–
Tagazyo–shi, Miyagi, Japan	Vehicle distribution center (own use)	139,055	Freehold	–
Miyako–gun, Fukuoka, Japan	Delivery center (investment)	92,982	Freehold	–
Kitakyusyu–shi, Fukuoka, Japan	Delivery center (investment)	87,767	Freehold	–
Yokosuka–shi, Kanagawa, Japan	Vehicle maintenance shop (own use)	53,254	Freehold	–
Nagoya–shi, Aichi, Japan	Vehicle distribution center (own use)	244,023	Freehold	–
Miyako–gun, Fukuoka, Japan	Vehicle yard (own use & investment)	208,590	Freehold	–
Koza–gun, Kanagawa, Japan	Vehicle maintenance shop (own use)	35,595	Freehold	–
Miyako–gun, Fukuoka, Japan	Vehicle maintenance shop (own use)	142,336	Freehold	–

Group properties (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Kagoshima–shi, Kagoshima, Japan	Vehicle distribution center (own use)	79,074	Freehold	–
Tomakomai–shi, Hokkaido, Japan	Vehicle distribution center (own use)	142,279	Freehold	–
Kitakyusyu–shi, Fukuoka, Japan	Delivery center (investment)	47,391	Freehold	–
Mooka–shi, Tochigi, Japan	Vehicle maintenance shop (own use)	54,167	Freehold	–