ANNUAL REPORT 2018

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

Stock code: 693

COMPANY OVERVIEW

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

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MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded revenue of HK$15.7 billion, a 1.00% decrease from that of year 2017. The decline was primarily due to sales volume reduction in our motor vehicle distribution and retail division. Though the transportation and logistics business represented by ZERO CO. LTD ("Zero") in Japan continues to show growth in revenue, it recorded a considerable drop in profit contribution to the Group. While the Group experienced a slowdown in Singapore, China and Philippines amid some growth in Hong Kong, it continues to achieve healthy revenue growth in Taiwan, Thailand and Malaysia vehicle markets. The Japanese Yen that is our input cost currency had remained relatively stable against the currencies of Asia Pacific Countries where our businesses are located.

Despite the headwinds to our top-line revenue, the Group achieved an improvement in our Profit from operation of 2%, due in part to an increase in other net income.

Profit from operations increased to HK$971.75 million.

Operating profit margin improved to 6.2% from 6.0% recorded in 2017.

Profit of HK$630.62 million for the year was almost flat compared to year 2017.

Profit attributable to shareholders was HK$600.89 million, a 19.7% increase over the previous year of 2017.

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 7.4% as compared to 7.1% in year 2017.

The Group's net gearing ratio, computed by dividing the net debt by total equity, was 1.4% as compared to 4.5% recorded in year 2017. (The net debt of HK$169.600 million in year 2018 comprised of borrowings of HK$3.163billion plus unsecured overdrafts of HK$97.60 million, less cash and bank balances of HK$3.091billion)

The Group continues to push forward with the ongoing cost reduction and productivity initiatives to achieve a leaner and competitive organization that will serve it well in uncertain times. This has resulted in the strengthening of the Group's financial stability, building towards a more cost-efficient platform for long-term sustainable growth.

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

The Group recognizes its human resources as valuable assets and its people as stewards of its business. It maintains its commitment to training, developing and retaining talented employees. The number of employees at the end of year 2018 was 5,815, an increase of 1.45%, as compared to 5,732 in year 2017.

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group had investments in listed and unlisted equity securities amounting to HK$1.95 billion designated as at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange and were accumulated over the years as strategic long-term investments. Fair value loss of HK$931 million was recognized in other comprehensive income during the year ended 31 December 2018. The loss was primarily due to share price changes of its listed investments, which were marked to market and therefore unrealized. Such unrealized fair value loss on its investments is not expected to be reclassified to the Group's consolidated statement of profit or loss.

FINANCE

Dividend payment will amount to HK$242 million for year 2018. Final dividend will be HK9.5 cent per share (interim HK2.50 cents per share), totaling HK12.0 cents for financial year 2018. This represents 9.09% increase over the HK11.00 cents dividend for financial year 2017. Consolidated net assets year-on-year decrease to HK$6.03 per share from HK$6.32 per share recorded in year 2017, after factoring in the changes in fair value of the listed equity securities.

SINGAPORE

The Group experienced a 15% slowdown in revenue in year 2018 compared to year 2017. This is driven primarily by a contraction in vehicle sales volume. In year 2018, the reduced COE quota and stricter emission standards had impacted both the Nissan and Subaru businesses in Singapore. Despite these, the Group profitability from our vehicle operation was satisfactory. With the introduction of new 2018 Vehicle Emission Scheme (VES), the Group envisages the Singapore motor vehicle market will experience further volatility in the years ahead.

The property division continued to enjoy good occupancy, and profited from sale of investment properties in year 2018.

CHINA / HONG KONG

On the back of escalation of emission regulations and competitive dynamics in the motor vehicle market, the Group's China business recorded a decline in Subaru sales, even as Hong Kong experienced sales increase in year 2018. However, the Group will continue with its restructuring and sales initiatives to further enhance the Subaru brand presence and to build viable long-term operations in China. The Group's automotive seat manufacturing operations in Nanjing and Xiamen were similarly affected by the challenging domestic automotive environment and had begun to focus its efforts on expanding its existing customer base while adapting to the evolving policy trends to drive future growth as China is too huge a market to ignore.

CKD MARKETS OF THAILAND AND MALAYSIA

The Group's joint venture with Subaru Corporation that begun in February 2017 to produce Subaru vehicles in Thailand for export to the ASEAN markets, has officially commenced production in Thailand on 26th February 2019. The Group will distribute the vehicles produced by the joint venture through its Subaru retail and dealer networks across ASEAN.

In Malaysia, the Group achieved an increase in sales and expanded its market share, reflecting positively the traction and efforts in establishing the Subaru brand presence within the country. Thailand also recorded increased sales volume. The Group has started the sale of its Thailand-built Subaru Forester at relatively more competitive pricing for the "CKD" vehicles markets of Malaysia, Thailand and Vietnam. The Group's investment in its sales and service infrastructure across the CKD retail and dealer networks is beginning to bear fruit, as evidenced by the benefits derived from the augmented sales and distribution infrastructure.

In Thailand, our industrial and truck related operations continue with its strategic restructuring initiatives. Reviews are constantly made to assess the continuing viability of that market in the medium term. Meanwhile, the Group has refocused on new business opportunities and adapted vehicle model line-ups for maximum competitive advantage, while minimizing operating overheads. Proactive management has resulted in further headcount reduction of 17.6% in year 2018 over that of year 2017 which has in turn, recorded a reduction of 25.0 % over that of year 2016.

The Group continues to hold a positive long-term view of the business opportunities within the CKD territories of Thailand, Malaysia and Vietnam markets.

TAIWAN AND PHILIPPINES

Taiwan performed well in year 2018 with another consecutive year of revenue growth. Its sales volume increase outpaced the broader automotive industry, and consequently expanded its market share. The Group also experienced growth in profit margins as it has commenced operations at its new vehicle distribution center, integrate its operations vertically, and build its sales and marketing infrastructure that paves the way for higher future growth. Philippines exhibited decline in sales performance for year 2018. Sales were affected by new tax reform laws that were implemented at the beginning of year 2018. The broader impact on the Philippine automotive market and domestic consumption poses uncertainty for year 2019.

JAPAN

Zero, the Group's vehicle transportation and logistics division that is listed on the Second Section of Tokyo Stock Exchange, recorded another year of revenue increase amounting to HK$6.08 billion in year 2018. It recorded a 10% increase in revenue compared to year 2017. However, the profit recorded a decline of 69%, due to the following main factors.

a. Increase in personnel cost following a generally tight labour market, and government-mandated reduction in overtime work.
b. Higher fuel cost.
c. Increased compliance cost for transportation and vehicle restriction laws in Japan.

The vehicle transportation business has proven to be a reliable contributor to recurring revenue of the Group. It accounts for approximately one third of the Group's consolidated revenue. In year 2018 Japan transportation and logistics business were impacted by the weaknesses in vehicle export and issues that were related to checks on vehicle safety and recalls. In line with continuous improvements in workplace, Zero undertook steps to optimize their nationwide distribution network operations and promotion of work style reform. The Group expects Zero's performance for year 2019 to be satisfactory.

PROSPECTS

The Group believes the global economic growth will slow down or decline in 2019. We are at the tail end of one of the longest growth cycles, where the US has recorded one of its longest expansions (120 months). The Japanese economy too has recorded its longest postwar economic expansion (74 months). The slowdown in China's growth appears to be accelerating. Topping this is geopolitical uncertainties that poses the biggest risk in this interconnected world. Of significant risks to the Group's business are trade tensions between major powers, political uncertainties in Europe and UK and upcoming elections in many of the Asia Pacific countries where the Group's businesses are located. Thus, the operating environment in the Group's markets will remain volatile. With irregular interest rate vacillations, changing automotive safety and vehicle emission policies in various operating countries and the macro uncertainties described earlier, the Group shall not only be prudent, but vigilant and conservative in all its endeavours going forward in year 2019.

We will continue to stay focused on value-added activities and opportunities that create sustainable and long-term profitability. It will continue to invest in the development of its motor and commercial vehicle business as it scales up its dealer and retail networks, supply chain logistics infrastructure and brand presence, with a focus on building the groundwork to capture emerging opportunities in our CKD markets of Malaysia, Thailand and Vietnam.

The Group's Subaru Plant in Thailand officially started production for delivery to the CKD markets on 26th February 2019. The first 99 vehicles will be delivered to customers on 29th March 2019. The new production facility in Thailand demonstrates the Group's commitment and confidence in the future of the Asian market.

Subsequent to the launch of the Subaru Global Platform in year 2017, Eyesight, Subaru's latest safety and driver assist technology, was introduced in January 2018 to boost and further enhance the Subaru brand value. The Group will push on with programs and initiatives to further streamline its operations and eliminate unnecessary costs with a view towards building a more stable business foundation, while being responsive and resilient in meeting the constantly evolving business environment.

Barring unforeseen circumstances, the Group expects to perform satisfactorily in year 2019.

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 2018. The Group has its own in-house mechanism to guide its directors and relevant employees regarding dealing in the Company's securities including reminders on the law regarding insider trading.

BOARD OF DIRECTORS

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

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

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

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

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

Each member of the Board participated in continuous professional development in the form of either directors' training sessions, corporate governance conference, accounting standard seminar and/or reading relevant materials, to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their records of training received during the year ended 2018 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.

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 2018 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. Glenn Tan Chun Hong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Tan Kheng Leong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mdm. Sng Chiew Huat	M	4/4	-	-	-	-	-	-	-	-	1/1
Non-executive Director											
Mr. Joseph Ong Yong Loke	M	2/4	-	-	-	-	-	-	M	1/1	1/1
Independent Non-executive Director											
Mr. Ng Kim Tuck	M	4/4	-	-	-	-	C	3/3	M	1/1	1/1
Mr. Azman Bin Badrillah	M	4/4	M	1/1	-	-	M	3/3	M	1/1	1/1
Mr. Prechaya Ebrahim	M	4/4	-	-	-	-	-	-	M	1/1	1/1
Mr. Teo Ek Kee	M	4/4	C	1/1	-	-	M	3/3	M	1/1	1/1

Denotes:
C-Chairman, M-Member
No.attended/held-Number of meetings attended/held during the financial year from 1 January 2018 to 31 December 2018

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

REMUNERATION COMMITTEE ("RC")

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

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

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

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

NOMINATION COMMITTEE ("NC")

The Board is currently carrying out the responsibilities of the NC until it appoints additional suitable member(s) to the NC. During 2018, the Board carried out the responsibilities of the NC under the following terms of reference:

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. A Board Diversity Policy was adopted by the Company on 30 August 2013, pursuant to which the NC is responsible for monitoring the implementation of the Board Diversity Policy, reviewing the Board Diversity Policy and making recommendations for revision to the Board for consideration and approval when necessary. Selection of candidates will be based on a range of diversity criteria, including but not limited to expertise, skills, knowledge, experience, cultural and educational background, independence, age and gender. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE FUNCTIONS

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

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

AUDIT COMMITTEE ("AC")

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

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

The AC convened three meetings during 2018 for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2017, (2) interim results and interim report for the six months ended 30 June 2018 and (3) external auditors' plans. The AC met up with the external auditors at least twice a year. Details of members and their attendance records are provided in the above table.

During 2018, the AC carried out its functions under the following terms of reference:

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

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

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

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

The external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services and tax services for year 2018 is HK$9,122,000 and HK$523,000 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

1. ABOUT THIS REPORT

About our Business

During the year ended 31 December 2018, 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.

Scope of This Report

This report primarily covers our motor vehicle business operations in Singapore and Thailand as well as our transportation business in Japan during the reporting period. Singapore is a principal place of business and our core automotive distribution business location. In Japan, the Group provides vehicle logistics services to vehicle manufactures.

In Thailand, the Group operates a motor vehicle distribution business and has vehicle assembly operations. The Group has been constructing a new motor vehicle assembly plant in Thailand, which will be scheduled for completion in early 2019. Though this new plant is not part of the scope of this year's Environmental, Social and Governance ("ESG") report, we will provide some highlights on how environmental considerations have been incorporated in the design and construction stage of the new plant in this report.

Reporting Reference

This is the third ESG report published by the Group. This report was prepared in accordance with the general disclosure requirements of ESG Reporting Guide (the "ESG Guide") Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited ("SEHK") and to the 'comply or explain' provisions of the ESG Reporting Guide.

Reporting Period

The report covers the ESG approach and performance of the Group for the period from 1 January 2018 to 31 December 2018. The ESG report is published annually.

ESG Governance

Since 2016, the Group has established relevant ESG policies as well as enhanced existing policies and guidelines with the appropriate ESG elements. Accordingly, the Group has formed an ESG Committee that reports to the Deputy Chairman and Managing Director.

2. STAKEHOLDER ENGAGEMENT

The ESG committee has primarily engaged with relevant members of our management team to establish and plan the Group's ESG approach. In addition, the Group has diverse stakeholders, including customers, suppliers, dealers, local communities, media and government, thereby providing the Group with a better understanding of stakeholders' expectations. This helps the Group to evaluate and develop its initiatives on environmental and social aspects.

3. MATERIALITY ASSESSMENT

Based on our stakeholder engagement results, the Group has identified the following as material ESG issues to the Group.

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

4. ENVIRONMENT

The Group aims to reduce its environmental footprint by adopting an environmentally friendly approach in its business operations, from efficient use of resources to emissions control. The Group endeavours to use its best efforts to comply with all applicable environmental laws and regulations where the Group conducts its businesses.

In order to move towards a more sustainable future, the Group aims to provide greener alternatives for our customers. The Group is in constant communication with its manufacturers on the possibility of adding greener vehicles to the Group's product lineup which includes hybrid technology. During the design and construction stage of our new car assembly plant in Thailand, an environmental management system ("EMS") has been set up to identify the sources of environmental concerns, establish control measures and regular monitoring procedures. An environmental policy has been established, implemented and maintained by the building contractor. The EMS includes: -

- Noise Pollution Control
- Water Pollution Control
- Construction Control
- Air Pollution Control
- Vector Control

Use of Resources

The Group endeavors to use resources efficiently by encouraging reuse and recycle of materials within its operations. The Group has been monitoring the monthly consumption of electricity and fuel use of its showrooms and transportation operations.

Although there are various other environmental aspects for use of resources such as water and materials use or consumption, the Group has identified that the use of electricity has the most significant impact on its business operations.

At our new plant in Thailand, the building has been incorporated with the following environmentally friendly and sustainable building materials and products: -

- Two-way remote control lighting control system
- Air compressor – inverter type

- Variable refrigerant volume (VRV) air conditioning system
- Motion senor control for lightings and ceiling fans in toilets and locker rooms
- Microfiber heat insulation layer on roof
- Skylight on roof to provide natural daylight
- Soft-scaping works (trees, shrubs & turf) to create a green environment
- Precast concrete hollow core slabs (waste minimization)
- Solar panel street lightings
- LED light fittings
- Self-shutting water taps
- Dual flush water closets

Use of Energy

Electricity

Electricity use for equipment, air-conditioning and lighting etc., is essential to enable the operation of the Group's businesses from showrooms and workshops to transportation operations.

The amount of electricity consumption in 2018 is shown in Table 1.

Table 1 : Consumption of Electricity

	Unit of Measure	2018
Consumption of electricity	kWh	12,431,427
Intensity of electricity use	kWh/ m2	31.45

Notes: Consumption of electricity data excludes the new motor vehicle assembly plant in Thailand, which is still pre-operational.

In 2017, the Group had introduced energy-saving technologies to improve the efficiency of resource utilization and reduce consumption in Singapore. The Group has permanently implemented the technology to enhance the energy efficiency and to minimize the use of electricity in the showrooms. The Group uses variable refrigerant volume (VRV) systems for air-conditioning units, installed motion sensors to control lighting for the offices, staircases, workshop, driveway and storage areas, engaged an energy consulting company and implemented an energy monitoring system.

Mobile Fuel Use

In Japan, the Group's transportation business consistently promotes eco-driving as part of the ongoing driver and crew training program while making efforts to monitor the effectiveness of the eco-driving implementation.

The amount of mobile fuel use for the Group's transportation business in Japan in 2018 is shown in Table 2.

Table 2 : Consumption of Mobile Fuel

Fuel Type	Unit of Measure	2018
Light diesel oil	Litre	22,047,239
Gasoline	Litre	841,216

Use of Water

In the Group's operations, water is mainly used for carwash and cleaning facilities, the Group carries out conservation practices such as regular checks for leaks and water wastage, and the use of pressure jets for car washing to ensure efficient use of water resources. Specifically, in Singapore, our water faucets are fitted with either auto-mechanical or sensor operated types to reduce clean water wastage.

In Singapore, the Group is currently in collaboration with a local educational institution which major in Environmental and Water Technology on the process of a pilot project in "Recycling Car Wash Waste Water" to study the effectiveness. The waste water recycling is expected to commence in early 2019.

Emissions

Waste Management

Hazardous Waste

For hazardous waste such as used batteries, used oils, paints, waste lubricants, etc. generated from the workshops, the Group ensures proper hazardous waste management on their storage and handling. The Group emphasizes safety in treating hazardous waste, as well as complying with local regulatory requirements on hazardous waste management by following the practices:

- Hazardous waste is properly classified and stored in designated sections within the storage zone
- Hazardous waste is properly kept in solid containers that are acid/solvent resistant to prevent leakage or corrosion
- Clear work instructions and standard operating procedures (SOP) are in place for staff to handle hazardous waste disposal
- Hazardous waste is disposed of by government-certified hazardous waste disposal companies

The amount of hazardous waste disposed in 2018 is shown in Table 3.

Table 3 : Quantity of Hazardous Waste Disposed

Waste Type	Unit of Measure	2018
Liquid hazardous waste	Litre	306,525
Solid hazardous waste	Kg	322,325
Oil interceptor waste	m^3	278

Notes: Hazardous waste disposal data does not include the new motor vehicle assembly plant in Thailand which is currently preoperational.

Non-Hazardous Waste

The Group implemented measures to promote recycling in order to reduce wastage. In the offices, the Group promotes positive measures for our staff to reduce waste and utilize reusable materials, such as encouraging double-sided printing and reusing unwanted papers.

Specifically, in Singapore, the Group cooperates with government certified suppliers to ensure compliance with relevant laws and regulations relating to waste management. In addition, the Group also returns used tires to the supplier.

Waste Water Management

The waste water is mainly generated by car washing, which is conducted in the workshops. The Group has equipped workshops with oil interceptors to properly process the waste water and has engaged qualified suppliers to handle the disposal of the waste water in compliance with the relevant laws and regulations.

Air Emission

Air emissions such as nitrogen oxides (NOx), Sulphur oxides (SOx) and particulate matter (PM) are key pollutants in mobile fossil fuel consumption. As a vehicle distributor and retailer, the Group does not have direct control over the end-users' fuel consumption, and thus their air emissions. Nonetheless, authorities enact environmental laws and regulations to mitigate air emissions.

Further, as an active member of Singapore's Motor Trade Association (MTA), the Group contributes actively in MTA meetings on air emission issues and in which MTA invites the relevant authorities to participate. In 2018, MTA held various meetings to discuss Worldwide harmonized Light vehicles Test Procedure ("WLTP") and the next phase of Early Turnover Scheme ("ETS") implementation with the relevant government bodies.

Green House Gas (GHG) Emissions

The Group's source of GHG or carbon emissions are mainly from the use of electricity and fuel for mobile use. The Group has implemented relevant measures to enhance energy efficiency for both electricity consumption and mobile fuel use.

The Group consistently upgrades the facilities and equipment such as air conditioning and lighting systems of its showrooms for better energy efficiency. Further details on such conservation measures are in the above section on "Use of Resources".

The Environment and Natural Resources

The significant environmental issues relevant to the Group's business in relation to the use of resources are disclosed in the preceding sections.

Environment Compliance

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

For this reporting period, the use of water, non-hazardous waste, waste water, air emissions and GHG Emissions were not identified as material in the Group's business operations. Therefore, the data for the aforementioned subjects were not disclosed in this report.

5. SOCIAL

Employees and Labour Standard

The Group promotes equal opportunities, fairness and respect in our employment policies. Our recruitment, training, career development, promotion, termination and other employment related policies do not discriminate on the grounds of gender, age, marital status, religion, race, nationality, disability or any status protected by law.

In accordance with local laws, employees are entitled to paid holidays, including statutory holidays, annual leave, maternity leave, paternity leave, compassionate leave and sick leave.

Development and Training

The Group encourages our employees to develop their career skills. The Group enrolls selected employees to attend external professional courses based on their training sponsorship applications and ensures that development opportunities are available to employees at all levels. The Group also promotes continuous learning initiatives by offering a range of in-house and external training.

Health and Safety

The Group strives to provide a healthy and safe work environment to all employees. In Singapore, the Group has established a Workplace Safety and Health (WSH) committee to comply with Singapore's laws and regulations set by the Singapore Civil Defense Force (SCDF) and Ministry of Manpower (MOM). The Group also strives to maintain a high level of indoor air quality in the showrooms to ensure that a safe and healthy environment is provided.

For our assembly plant in Thailand, the Group has established safety committees at three levels: the management level, the supervision level and the professional level. These committees take charge of safety in production management and ensure that our safety and environmental practices are compliant with local regulations and laws.

Employment and Labour Standard and Health Safety Compliance

To the best of the Group's knowledge during the reporting period, no reported incidents of non-compliance with any unfair employment practices, child labour, forced labour, discrimination, harassment or health and safety regulations were noted.

Operating Practice

Product Responsibility

The Group assigns high importance to product safety. The Group is in constant communication with its manufacturers, dealers and respective suppliers and has processes in place concerning any technical issues or recalls that might affect the performance or safety of the vehicles.

Recall Practice

When the Group receives a recall announcement from one of its manufacturers, each business units' respective departments will work together and take appropriate measures in accordance to our internal recall process and the manufacturer's standard guidelines and reports all vehicle recalls to relevant authorities.

Based on the scope of this report, Table 4 below shows the vehicle recalls conducted in 2018 by the Group in Singapore (SG) and Thailand (TH).

Mr. Glenn Tan, Deputy Chairman & Managing Director of the Group presented a Nissan NV350 Microbus to Ms. Tan Sze Wee, Executive Director for Rainbow Centre Singapore and Mr. Joshua Lai, Vice Principal of Campus.

Table 4 : Vehicle Recalls Conducted in 2018

Recall Period	Reason for Recall	Countermeasure	Affected Vehicles
February 2018	Secondary air injection pump	Replacement of counter-measured relay	SG: 151 TH: 45
June 2018	Pump harness connector terminal	Replacement of counter-measured Fuel Pump Wiring Harness	SG: 341 TH: 197
June 2018	Front LED direction indicator (DI)	Software reprogram	SG: 1752
June 2018	Wheel Wrench	Inspection and replacement of correct size	SG: 183
June 2018	Vacuum Pump Return Hose	Replacement of oil vacuum pump hose	SG: 1947
September 2018	Capacitor and/or the magnetring	Replacement of counter-measured Electronic parking brake actuator	SG: 341 TH: 17
November 2018	Valve Spring	Replacement of counter-measured valve spring	SG: 70 TH: 1532
November 2018	Oil indicator	Reprogramming the combination meter software	SG: 29 TH: 40
December 2018	Ignition Switch	Replacement of ignition switch	SG: 2382

Supply Chain Management

The Group seeks to reinforce sustainability, including compliance, throughout the supply chain. The Group has a supplier selection and evaluation system in place to ensure that the contracting processes are fair and also tries to influence suppliers to reduce any negative social and environmental impacts caused by their business.

Anti-Corruption

The Group operates in countries that vary in their respective laws – including Anti-Corruption Laws. The Group has set up a new department – Loss Avoidance Unit ('LAU') to investigate misconduct and sensitive issues and also to monitor anti-corruption practices in accordance with the laws in each respective jurisdiction. This department consists of employees who have many years of experience in investigative work.

To the best of the Group's knowledge during the reporting period, no reported incidents of non-compliance with anti-corruption regulations were noted.

6. COMMUNITY INVESTMENT

The Group has sought to contribute to the community and encourages employees and its customers to participate in community service activities. The Group's Corporate Social Responsibility (CSR) strategy is to help the needy, in particular children. The Group's two key focus areas for community investment include orphans from traffic accident and children with special needs.

In an effort to raise more awareness about children with special needs, the Group continues its support to Rainbow Centre. In 2018, the Group carried out a fund-raising activity – 'Christmas comes early for Rainbow Centre'. In this fund raising activity, for every test drive at any of our authorized showrooms, the Group would donate money to purchase a Microbus for Rainbow Centre Singapore.

In Thailand, the Group had organized an interactive event "Love & Share Together" for students living in Ban Bong Tee Lang Border Patrol Police School. In order to raise awareness, the Group had also encouraged its customers to participate in this event alongside the Group's volunteers. Participants in this event spent time with the students by playing numerous games in groups and also distributed basic necessities to these students.

In Japan, the Group has been donating money to the Association for Support of Orphans of Traffic Accidents since 2014 and encourages its staff to volunteer and help out in annual events such as "Summer Bus Hiking Tour" and "Charity Bazaar". This association offers financial and emotional support to children that have been orphaned by traffic accidents. The Group volunteers and engages with the orphans of traffic accidents, this may lead to the safety awareness amongst the volunteers to increase due to their strong recognition of the consequences of traffic accidents towards children.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Mr. Tan Eng Soon

DEPUTY CHAIRMAN AND MANAGING DIRECTOR
Mr. Glenn Tan Chun Hong

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

EXECUTIVE DIRECTOR
Mr. Tan Kheng Leong

EXECUTIVE DIRECTOR - FINANCE
Mdm. Sng Chiew Huat

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

* Audit Committee Members
# Remuneration Committee Members

JOINT SECRETARIES
Ms. Teo Siok Ghee
Ms. Liew Daphnie Pingyen

AUDITORS
KPMG
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
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DIRECTORS AND SENIOR MANAGEMENT PROFILE

CHAIRMAN

Mr. Tan Eng Soon

Aged 70, is the Chairman of the Company and is a director of certain subsidiaries of the Group. He is also a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange. Mr. Tan was the director of Tan Chong Motor Holdings Berhad ("TCMH") and APM Automotive Holdings Berhad ("APM"), listed companies on Bursa Malaysia. He ceased to act as the director of TCMH and APM on 30 June 2012 and 22 May 2013 respectively. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971. He is the father of Mr. Glenn Tan Chun Hong, an executive Director of the Company.

DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Mr. Glenn Tan Chun Hong

Aged 41, is the Deputy Chairman and Managing Director of the Company, and is a director of certain subsidiaries of the Group. He joined the Group in September 2001. He is a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange effective from 26 September 2014. Mr. Glenn Tan graduated from Santa Clara University, USA with a Bachelor of Science in Commerce, Management, in 1998. He is the son of Mr. Tan Eng Soon, the Chairman of the Group.

DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Joseph Ong Yong Loke

Aged 70, 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.


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EXECUTIVE DIRECTORS

Mr. Tan Kheng Leong (Tan Hoy Shoi)

Aged 76, 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 71, is the Finance Director of the Company. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993. She is a Lifetime Member of the Institute of Singapore Chartered Accountants, a Fellow of CPA Australia (FCPA), and a Fellow of the Association of Chartered Certified Accountants (FCCA).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Kim Tuck

Aged 64, 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. Prechaya Ebrahim

Aged 57, was appointed as an Independent Non-executive Director of the Company on 12 June 2015. Mr. Prechaya is currently a partner in LS Horizon Limited, a law firm in Thailand. His areas of expertise include commercial litigation, dispute resolution, labor and employment law and employment benefits. Prior to joining LS Horizon Limited, Mr. Prechaya worked for Boonchoo International & Associates starting in 1983 and became partner of the firm in 1987. He joined Baker & McKenzie in 1991 and became a local partner in 1997. Mr. Prechaya has represented multi-national and local corporate clients in large-scale commercial litigation and in various areas including labor construction, banking and finance, intellectual property, and involving international transactions. In addition, he has been very active in the area of employment litigation and in arbitration matters. Mr. Prechaya has advised various foreign and local banks as well as large manufacturing companies in Thailand with respect to labor and employment matters. Mr. Prechaya was conferred a Bachelor of Laws (Honors) degree from Chulalongkorn University in 1983.

Mr. Teo Ek Kee

Aged 66, was appointed as an Independent Non-executive Director of the Company on 1 June 2016. Mr. Teo is currently an associate director of equity sales at Lim & Tan Securities Private Limited, a brokerage firm in Singapore. Mr. Teo has more than 20 years experience in the financial services industry and has been involved mainly in equity sales to both corporate and individual clients. Mr. Teo also has vast experience and expertise in human resource management. Prior to joining Lim & Tan Securities Private Limited in 1993, Mr. Teo was at DBS Bank Limited in its consumer banking department since 1977. His last appointment held with DBS Bank Limited was an Assistant Vice President in the human resource department. Mr. Teo joined the Government of Singapore Investment Corporation in 1987 as a director of its administration and personnel department. He was then responsible for all the administration and human resource functions of this company. Mr. Teo was conferred a Bachelor of Business Administration (Second Class Upper Honours) degree from University of Singapore in 1977.

Mr. Azman Bin Badrillah

Aged 71, 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.

SENIOR MANAGEMENT

Ms. Teo Siok Ghee

Aged 66, 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.

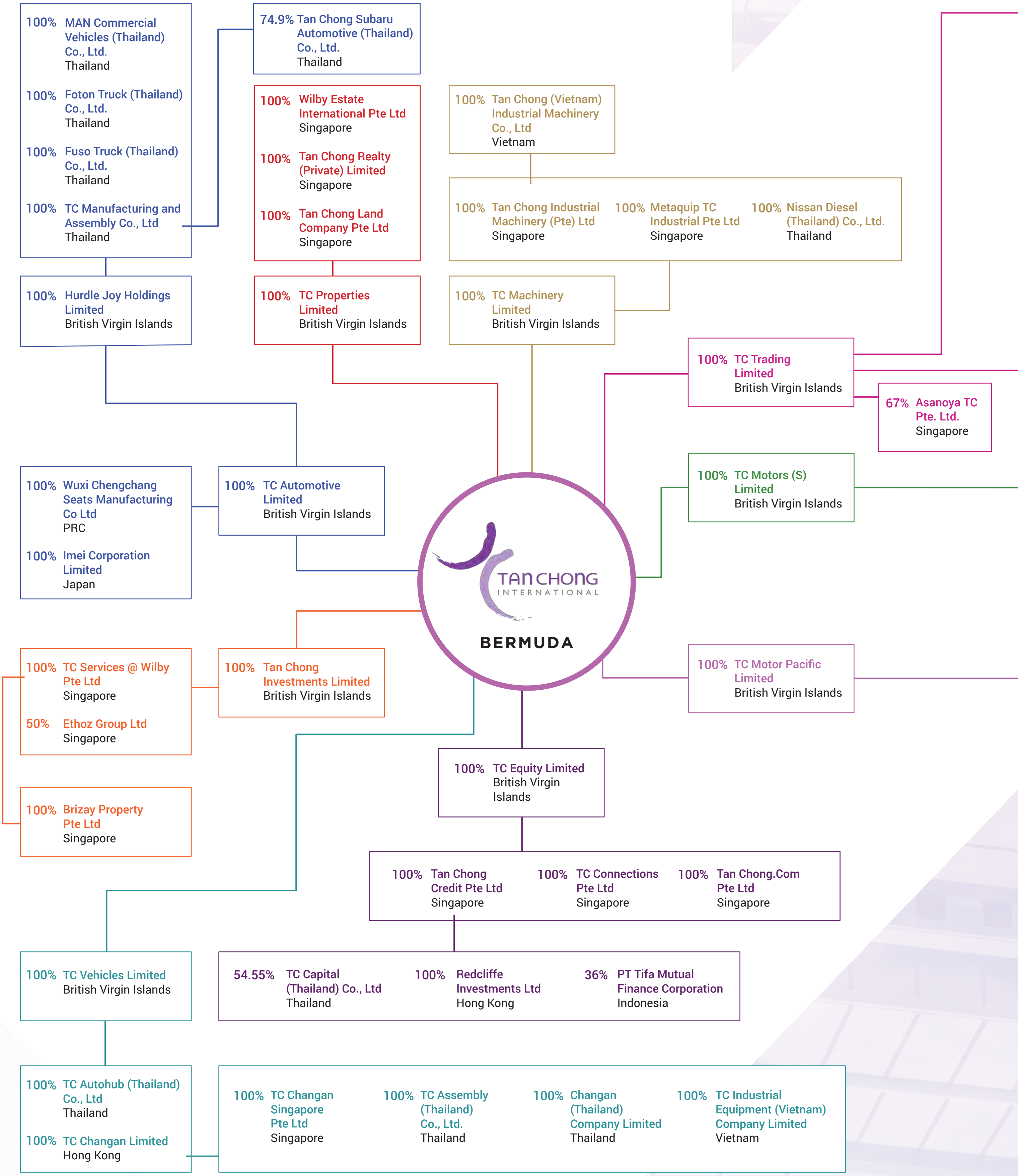
Mr. Goh Leng Kwang

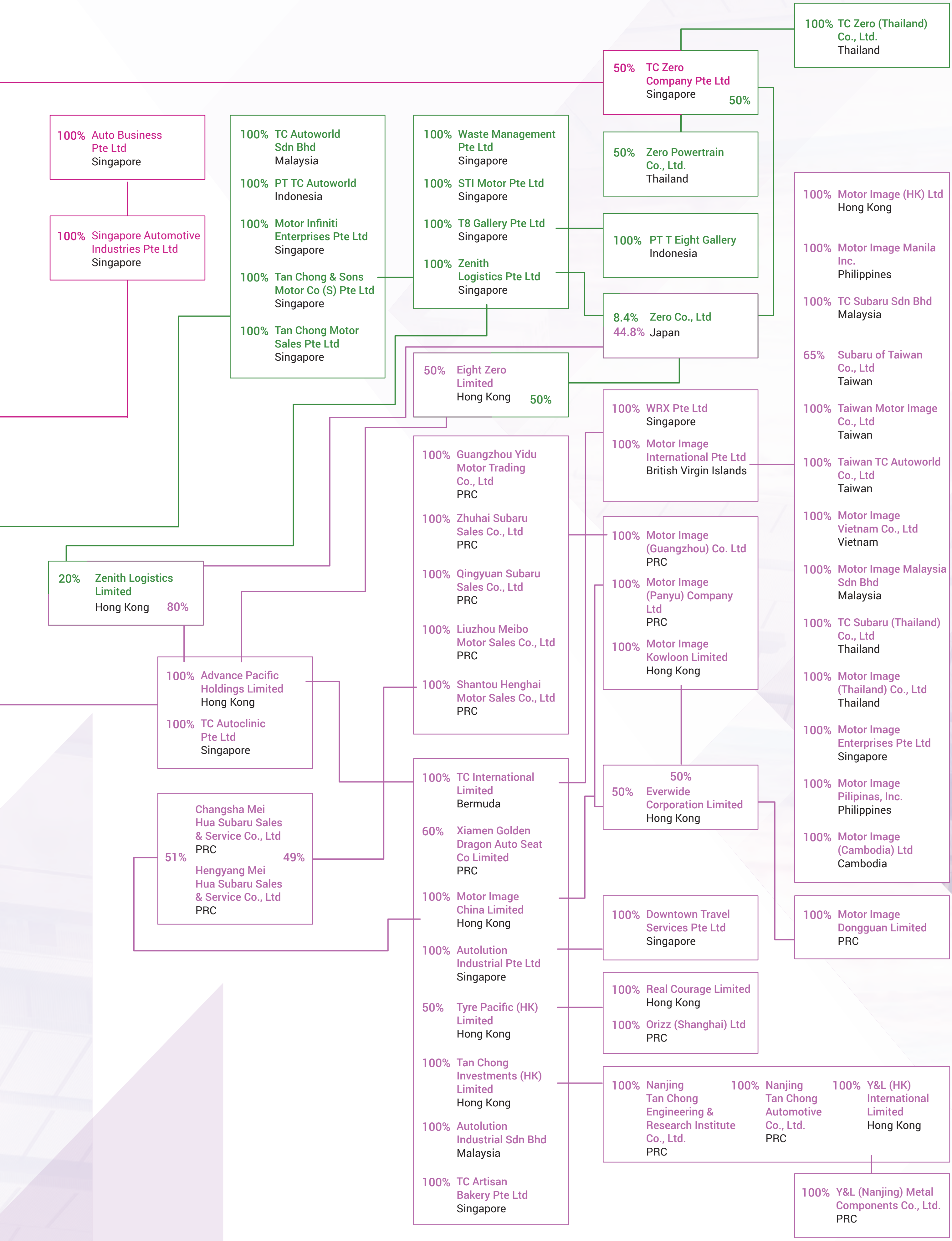
Aged 68, is the Head of Corporate Affairs of the Group operations. He joined the Group in 1982 and is a director of several subsidiary companies within the Group. He graduated in 1976 from Singapore University with a degree in Bachelor of Accountancy.

Mr. Lee Chow Yoke Samuel

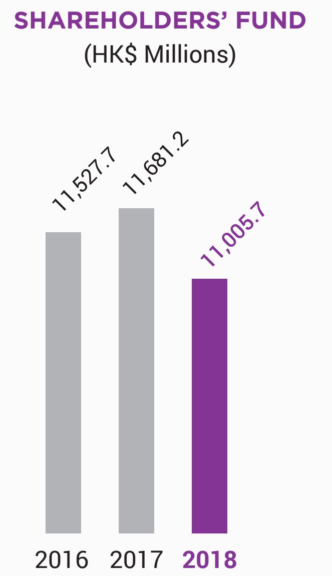
Aged 53, is the Head of the Property Development and Seat Manufacturing division of the Group. Mr. Samuel Lee joined the Group in 1997. He holds a Bachelor of Civil & Structural Engineering (Hons) degree from the University of Sheffield, England.

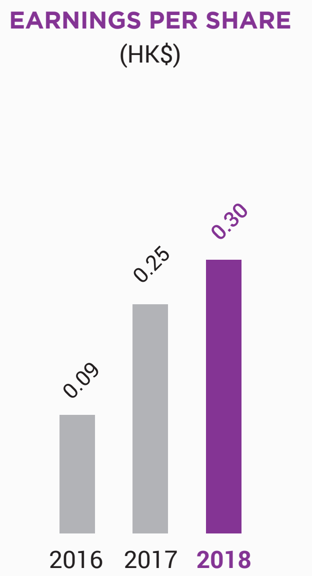
CORPORATE STRUCTURE

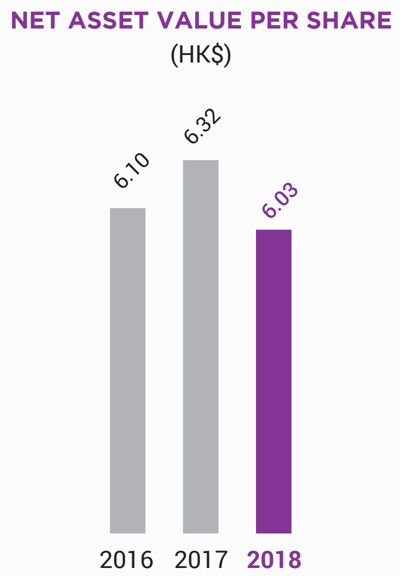


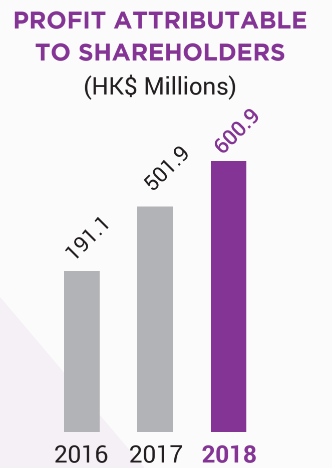

100% TC Zero (Thailand) Co., Ltd. Thailand
50% TC Zero Company Pte Ltd Singapore 50%
50% Zero Powertrain Co., Ltd. Thailand
100% PT T Eight Gallery Indonesia
8.4% Zero Co., Ltd
44.8% Japan
100% Auto Business Pte Ltd Singapore
100% Singapore Automotive Industries Pte Ltd Singapore
100% TC Autoworld Sdn 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% Eight Zero Limited Hong Kong 50%
100% WRX Pte Ltd Singapore
100% Motor Image International Pte Ltd British Virgin Islands
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% Guangzhou Yidu Motor Trading Co., Ltd PRC
100% Zhuhai Subaru Sales Co., Ltd PRC
100% Qingyuan Subaru Sales Co., Ltd PRC
100% Liuzhou Meibo Motor Sales Co., Ltd PRC
100% Shantou Henghai Motor Sales Co., Ltd PRC
20% Zenith Logistics Limited Hong Kong 80%
100% Advance Pacific Holdings Limited Hong Kong
100% TC Autoclinic Pte Ltd Singapore
100% Motor Image (Guangzhou) Co. Ltd PRC
100% Motor Image (Panyu) Company Ltd PRC
100% Motor Image Kowloon Limited Hong Kong
50%
50% Everwide Corporation Limited Hong Kong
100% 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
Changsha Mei Hua Subaru Sales & Service Co., Ltd PRC
51% 49%
Hengyang Mei Hua Subaru Sales & Service Co., Ltd PRC
100% Downtown Travel Services Pte Ltd Singapore
100% Motor Image Dongguan Limited PRC
100% Real Courage Limited Hong Kong
100% Orizz (Shanghai) Ltd PRC
100% Nanjing Tan Chong Engineering & Research Institute Co., Ltd. PRC
100% Nanjing Tan Chong Automotive Co., Ltd. PRC
100% Y&L (HK) International Limited Hong Kong
100% Y&L (Nanjing) Metal Components Co., Ltd. PRC

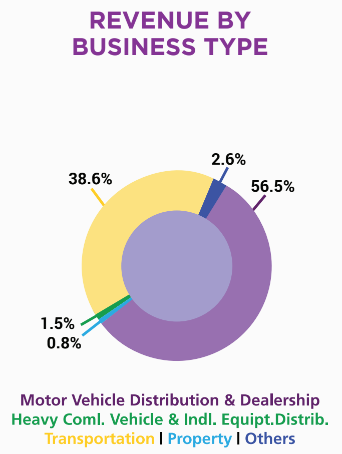
FINANCIAL HIGHLIGHTS

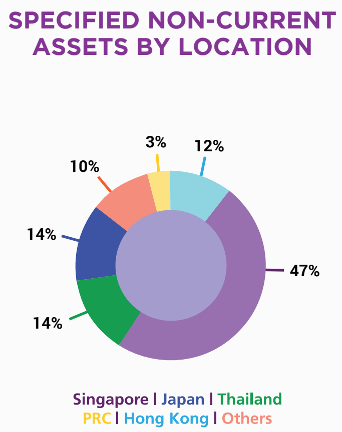


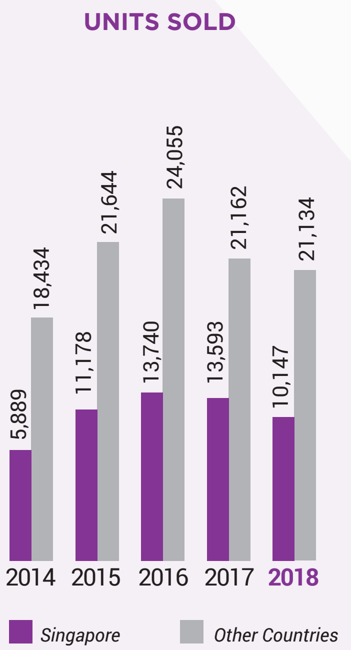


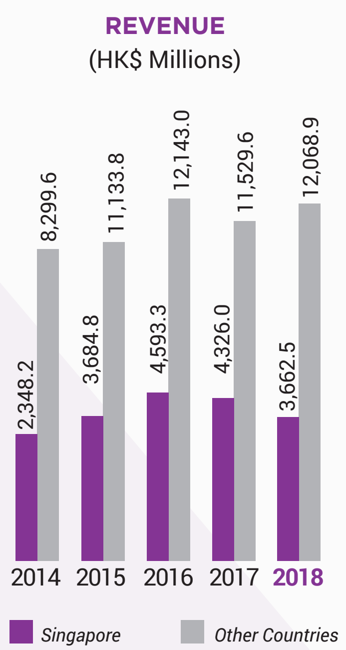


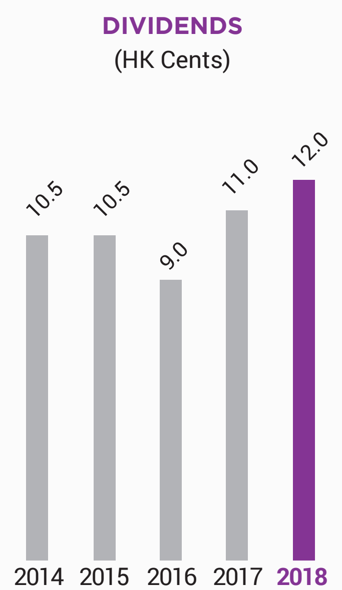












DIRECTORS' REPORT

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 2018.

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 2 to 3 of this Annual Report. This discussion forms part of this directors' report.

The analysis of the types of businesses and geographical areas of the operations of the Company and its subsidiaries 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 2018 and the financial position of the Company and of the Group as at that date are set out in the financial statements on pages 37 to 132.

Major customers and suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	7%	
Five largest customers in aggregate	12%	
The largest supplier		17%
Five largest suppliers in aggregate		29%

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

Recommended dividend

An interim dividend of HK2.5 cents (2017: HK2.5 cents) per share was paid on 28 September 2018. The directors now recommend the payment of a final dividend of HK9.5 cents (2017: HK8.5 cents) per share in respect of the year ended 31 December 2018.

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

Non-executive director

Joseph Ong Yong Loke	(Deputy Chairman)

Independent non-executive directors

Ng Kim Tuck
Azman Bin Badrillah
Prechaya Ebrahim
Teo Ek Kee

In accordance with Bye-law 87(1), Mr. Glenn Tan Chun Hong, Madam Sng Chiew Huat and Mr. Prechaya Ebrahim will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' service contracts

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

Connected transactions

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

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

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

a. Assembly Agreement

TC Subaru Sdn. Bhd. ("TC Subaru"), a wholly-owned subsidiary of the Company, and TCMA entered into an assembly agreement on 30 November 2017 (the "Assembly Agreement") in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles during the one year period from 1 January 2018 to 31 December 2018.

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 2018, the aggregate annual transaction amount under the Assembly Agreement amounted to HK$52,490,000 which was within the annual cap of HK$87,947,000.

b. Technical Assistance Agreement

Tan Chong Subaru Automotive (Thailand) Company Limited ("TCSAT"), a subsidiary of the Company and TCMA entered into a technical assistance agreement on 30 November 2017 (the "Technical Assistance Agreement") in relation to the provision of technical assistance services by TCMA to TCSAT during one year period from 1 January 2018 to 31 December 2018.

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

For the year ended 31 December 2018, the aggregate annual transaction amount under the Technical Assistance Agreement amounted to HK$2,286,000 which was within the annual cap of HK$7,582,000.

Details of the Assembly Agreement and the Technical Assistance Agreement were disclosed in the announcement of the Company dated 30 November 2017.

Connected transactions (continued)

ii. Parts Purchase Agreements

TC Subaru and the four subsidiaries of APM Automotive Holdings Berhad ("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 "APM Subsidiaries") entered into four parts purchase agreements on 30 November 2017 (the "Parts Purchase Agreements") pursuant to which each of the APM Subsidiaries 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 Subaru Corporation or licensees of Subaru Corporation (the "Parts") from time to time during the one year period from 1 January 2018 to 31 December 2018.

The price of the Parts were 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 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 under the Parts Purchase Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2018, the aggregate annual transaction amount under the Parts Purchase Agreements amounted to HK$8,456,000 which was within the annual cap of HK$10,667,000.

Details of the Parts Purchase Agreements were disclosed in the announcement of the Company dated 30 November 2017.

iii. TCMH Agreements

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

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

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

For the year ended 31 December 2018, the aggregate annual transaction amount under the TCMH Agreements amounted to HK$7,725,000 which was within the annual cap of HK$12,331,000.

Details of the TCMH Agreements were disclosed in the announcement of the Company dated 30 December 2016.

Connected transactions (continued)

iv. APMVN Agreement

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

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

APMVN 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, APMVN is a connected person of the Company and the transactions under the APMVN Agreement constitute continuing connected transactions of the Company under the Listing Rules. The annual cap for the transactions under the APMVN Agreement should not exceed HK$71,000 for the year ended 31 December 2018.

For the year ended 31 December 2018, there was no transaction incurred under the APMVN Agreement.

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

Listing Rules Implications

Given that the transactions under the Assembly Agreement, the Technical Assistance Agreement, the Parts Purchase Agreements, the TCMH Agreements, and the APMVN 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 highest percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Transactions on an annual basis is more than 0.1% but less than 5%, the Transactions constitute continuing connected transactions of the Company subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The aggregated annual cap for the Transactions for the year ended 31 December 2018 was set at HK$118,598,000.

For the year ended 31 December 2018, the aggregate annual transaction amount under the Transactions amounted to HK$70,957,000 which was within the annual cap of HK$118,598,000.

Listing Rules Implications (continued)

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

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

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

Save as disclosed above, there was no connected transaction or contract of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2018 or at any time during the year ended 31 December 2018.

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.

63,000 (2017: 57,500) points were awarded to the employees of the Group during the year ended 31 December 2018.

Stock compensation program (continued)

During the year ended 31 December 2018, the Group recognised a total expense of HK$2,466,000 (2017: HK$3,214,000) 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 2018 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	-	400,544,700	64,527,972	565,532,672	28.09%
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.

Directors' interests and short positions in shares (continued)

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 2018, and there was no right granted to or exercised by any directors or chief executives of the Company, or any of their spouses or children under eighteen years of age, during the year to subscribe for shares, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial interests in the share capital of the Company

The Company has been notified of the following interests (other than a director of the Company) in the Company's issued shares as at 31 December 2018 amounting to 5% (2017: 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)	264,067,000	13.12%
Tan Kim Hor	Long	(3)	144,801,495	7.19%
Pang Siew Ha	Long		134,821,032	6.69%
Time Strategy Group Limited	Long	(4)	104,497,700	5.19%
Lee Lang	Long		103,930,622	5.16%

Notes:

1. The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.
2. Tan Eng Soon is the controlling shareholder of Promenade Group Limited.
3. Tan Kim Hor passed away on 21 March 2016. His interest includes his spouses' interests.
4. Tan Eng Soon is the controlling shareholder of Time Strategy Group Limited.

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

Emolument policy

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

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

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

	Number of individuals
HK$2,500,001 - HK$3,000,000	1
HK$3,000,001 - HK$3,500,000	1
HK$3,500,001 - HK$4,000,000	0
HK$4,000,001 - HK$4,500,000	0
HK$4,500,001 - HK$5,000,000	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 2018 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 133 of the annual report.

Properties

Particulars of the Group's properties are shown on pages 134 to 138 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. The Board considers all the independent non-executive directors to be independent.

For and on behalf of the Board

Tan Eng Soon

Chairman
Hong Kong, 27 March 2019

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 37 to 132, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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 62.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2018, 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$2,166 million. Changes in economic sentiment or consumer preferences and the introduction of newer models with the latest design and technologies by motor car manufacturers to these different markets could result in inventories on hand no longer being sought after or being sold at a discount below their cost. Estimating future demand and related selling prices of motor cars is inherently subjective and uncertain because it involves management estimating the extent of markdown of selling prices necessary to sell older or slow moving models in the period subsequent to the reporting date. We identified the assessment of the net realisable value of inventories as a key audit matter because of the significance of inventories to the consolidated financial statements and because of the significant judgements made by management in assessing net realisable value, which increases the risk of error or potential management bias, particularly given the number of motor car models involved and the diversity of geographical markets in which these motor cars are sold.	Our audit procedures to assess the net realisable value of inventories included the following: • assessing whether the inventory provision at the end of the reporting period was determined on a basis consistent with the Group's inventory provisioning policy by recalculating the inventory provisions based on expected selling prices; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing brackets by comparing individual items in the inventory ageing report with underlying documentation, including purchase invoices and goods received notes; • evaluating the Group's inventory provision balance for slow moving items as categorised in the inventory ageing report by comparison with management's sales forecasts with reference to historical sales and by considering recent changes in economic conditions, consumer preferences and available alternative motor car models sold by the Group and its competitors; • enquiring of management about any planned launch of new motor car models by the motor car manufacturers and plans for the Group to markdown the selling prices of older and slow moving motor car models; and • comparing, on a sample basis, the carrying value of inventories with sales prices subsequent to the end of the reporting period.

Key audit matters (continued)

Assessing the recoverability of trade debtors

Refer to notes 2(a) and 24 to the consolidated financial statements and the accounting policies on page 62.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2018, the Group's trade debtors amounted to HK$1,096 million, after making a loss allowance of HK$68 million. The Group's customers operate in a number of different geographical locations. These customers have different credit profiles and the timing of trade debtor settlements can also be influenced by geographical norms and the economic environment in which the customers operate. The Group's loss allowances are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date, all of which involve a significant degree of management judgement. The Group's loss allowances include a specific element based on individual debtors and a collective element based on historical experience adjusted for geographical norms. We identified assessing the recoverability of trade debtors as a key audit matter because of the significance of trade debtors to the consolidated financial statements and because the assessment of the recoverability of trade debtors and recognition of loss allowances are inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.	Our audit procedures to assess the recoverability of trade debtors included the following: • understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of trade debtors, which included credit control procedures and estimate of expected credit losses under the Group's policy; • assessing, on a sample basis, whether items in the trade debtor ageing report were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales invoices; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions in different geographical locations and forward-looking information; • assessing the Group's recorded loss allowances by comparing cash receipts after the end of the reporting period against the balances at the end of the reporting period, on a sample basis, taking into account credit terms extended to the relevant trade debtors; and • evaluating the assumptions and estimates made by management in calculating the loss allowances by examining the utilisation or release of previously recorded allowances during the current year and write-offs of trade debtors not previously provided for, on a sample basis.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Revenue	3	15,731,423	15,855,612
Cost of sales		(12,642,693)	(12,673,325)
Gross profit		3,088,730	3,182,287
Other net income	4	435,999	280,005
Distribution costs		(1,340,416)	(1,389,285)
Administrative expenses		(1,157,603)	(1,058,422)
Other operating expenses	5	(54,960)	(62,410)
Profit from operations		971,750	952,175
Financing costs	6	(92,426)	(87,538)
Share of profits less losses of associates		71,941	74,238
Profit before taxation	7	951,265	938,875
Income tax expense	10(a)	(320,647)	(308,116)
Profit for the year		630,618	630,759
Attributable to:			
Equity shareholders of the Company		600,899	501,924
Non-controlling interests		29,719	128,835
Profit for the year		630,618	630,759
Earnings per share	11		
Basic and diluted		$0.30	$0.25

The notes on pages 50 to 132 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 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Profit for the year		630,618	630,759
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	29(a)(v)	9,040	10,351
Investments designated as at fair value through other comprehensive income:			
– changes in fair value recognised during the year		(931,439)	(736,031)
		(922,399)	(725,680)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of:			
– subsidiaries outside Hong Kong		(94,568)	572,424
– associates outside Hong Kong		(37,444)	54,831
		(132,012)	627,255
Other comprehensive income for the year		(1,054,411)	(98,425)
Total comprehensive income for the year		(423,793)	532,334
Attributable to:			
Equity shareholders of the Company		(455,289)	343,042
Non-controlling interests		31,496	189,292
Total comprehensive income for the year		(423,793)	532,334

The notes on pages 50 to 132 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Non-current assets			
Investment properties	12	3,443,029	3,387,150
Other property, plant and equipment	13	4,325,588	4,078,353
Interest in leasehold land	14	61,554	73,005
Intangible assets	15	110,633	102,805
Goodwill	16	43,486	58,043
Interest in associates	18	862,729	856,331
Other financial assets	19	57,179	134,507
Hire purchase debtors and instalments receivable	25	246,190	288,661
Non-current prepayments		134,832	161,231
Deferred tax assets	10(c)	61,606	44,378
		9,346,826	9,184,464
Current assets			
Investments designated as at fair value through other comprehensive income	20	1,896,746	2,800,128
Inventories and other contract costs	21	2,166,126	2,523,345
Properties held for sale	22	16,644	24,568
Trade debtors	24	1,096,292	1,085,648
Hire purchase debtors and instalments receivable	25	116,497	143,293
Other debtors, deposits and prepayments		507,666	483,098
Amounts due from related companies	31	150	155
Cash and bank balances	26	3,090,532	3,436,956
		8,890,653	10,497,191

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Current liabilities			
Unsecured bank overdrafts	27	97,600	88,807
Bank loans	27	2,010,779	3,045,316
Trade creditors	30	844,576	936,895
Other creditors and accruals	23	1,319,188	1,318,453
Amounts due to related companies	31	32,292	7,291
Obligations under finance leases	28	48,281	40,100
Current taxation		160,100	172,599
Provisions	32	79,896	72,905
		4,592,712	5,682,366
Net current assets		4,297,941	4,814,825
Total assets less current liabilities		13,644,767	13,999,289
Non-current liabilities			
Bank loans	27	1,152,102	876,254
Obligations under finance leases	28	110,190	155,546
Net defined benefit retirement obligations	29	123,324	131,308
Deferred tax liabilities	10(c)	75,303	80,707
Provisions	32	35,413	31,946
		1,496,332	1,275,761
NET ASSETS		12,148,435	12,723,528

	Note	2018 $'000	2017 $'000
CAPITAL AND RESERVES			
Share capital	33(d)	1,006,655	1,006,655
Reserves		9,999,086	10,674,527
Total equity attributable to equity shareholders of the Company		11,005,741	11,681,182
Non-controlling interests		1,142,694	1,042,346
TOTAL EQUITY		12,148,435	12,723,528

Approved and authorised for issue by the board of directors on 27 March 2019.

Tan Eng Soon
Chairman

Sng Chiew Huat
Finance Director

The notes on pages 50 to 132 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Attributable to equity shareholders of the Company				
	Share capital	Share premium (Note 33 (a)(i))	Capital reserve (Note 33 (a)(ii))	Stock compensation reserve (Note 33 (a)(iii))	Translation reserve (Note 33 (a)(iv))
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	1,006,655	550,547	9,549	3,510	134,054
Changes in equity for 2017:					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	584,207
Total comprehensive income for the year	-	-	-	-	584,207
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-
Equity-settled share based transactions	-	-	-	1,710	-
Dividends declared and approved during the year (Note 33(c))	-	-	-	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-
Balance at 31 December 2017	1,006,655	550,547	9,549	5,220	718,261

Attributable to equity shareholders of the Company						
Contributed surplus (Note 33 (b)(ii))	Fair value reserve (non-recycling) (Note 33 (a)(v))	Property revaluation reserve (Note 33 (a)(vi))	Retained profits	Total	Non-controlling interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
377,690	3,120,599	331,167	5,993,924	11,527,695	761,005	12,288,700
-	-	-	501,924	501,924	128,835	630,759
-	(748,596)	-	5,507	(158,882)	60,457	(98,425)
-	(748,596)	-	507,431	343,042	189,292	532,334
-	-	-	-	-	171,932	171,932
-	-	-	-	1,710	1,504	3,214
-	-	-	(191,265)	(191,265)	-	(191,265)
-	-	-	-	-	(23,307)	(23,307)
-	-	-	-	-	(58,080)	(58,080)
377,690	2,372,003	331,167	6,310,090	11,681,182	1,042,346	12,723,528

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Attributable to equity shareholders of the Company				
	Share capital	Share premium (Note 33 (a)(i))	Capital reserve (Note 33 (a)(ii))	Stock compensation reserve (Note 33 (a)(iii))	Translation reserve (Note 33 (a)(iv))
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018	1,006,655	550,547	9,549	5,220	718,261
Changes in equity for 2018:					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	(137,683)
Total comprehensive income for the year	-	-	-	-	(137,683)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-
Equity-settled share based transactions	-	-	-	1,312	-
Dividends declared and approved during the year (Note 33(c))	-	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-
Disposal of interest in subsidiaries	-	-	-	-	-
Balance at 31 December 2018	1,006,655	550,547	9,549	6,532	580,578

The notes on pages 50 to 132 form part of these financial statements.

Attributable to equity shareholders of the Company						
Contributed surplus (Note 33 (b)(ii))	Fair value reserve (non-recycling) (Note 33 (a)(v))	Property revaluation reserve (Note 33 (a)(vi))	Retained profits	Total	Non-controlling interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
377,690	2,372,003	331,167	6,310,090	11,681,182	1,042,346	12,723,528
-	-	-	600,899	600,899	29,719	630,618
-	(923,314)	-	4,809	(1,056,188)	1,777	(1,054,411)
-	(923,314)	-	605,708	(455,289)	31,496	(423,793)
-	-	-	-	-	129,691	129,691
-	-	-	-	1,312	1,154	2,466
-	-	-	(221,464)	(221,464)	-	(221,464)
-	-	-	-	-	(51,911)	(51,911)
-	-	-	-	-	(10,082)	(10,082)
377,690	1,448,689	331,167	6,694,334	11,005,741	1,142,694	12,148,435

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Operating activities			
Profit from operations		971,750	952,175
Adjustments for :			
Depreciation	7	326,976	312,457
Amortisation charge for intangible assets	7	28,746	21,218
Amortisation of interest in leasehold land	7	7,696	7,460
(Gain)/loss on disposal of property, plant and equipment	4	(5,377)	5,192
Gain on disposal of investment properties	4	(15,204)	-
Valuation gains on investment properties, net	4	(184,091)	(39,150)
Decrease in fair value of listed investments designated as at fair value through profit or loss	4	1,052	1,172
Bank and other interest income	4	(38,490)	(30,874)
Dividend income	4	(104,736)	(151,573)
Equity-settled share based payment expenses	8	2,466	3,214
Net foreign exchange loss/(gain)		22,049	(32,109)
Gain on disposal of subsidiaries	4	(11,899)	-
Operating profit before changes in working capital		1,000,938	1,049,182

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	2018 $'000	2017 $'000
Decrease in inventories and other contract costs	302,429	698,953
(Increase)/decrease in trade debtors	(8,300)	285,271
Decrease/(increase) in hire purchase debtors and instalments receivable	62,212	(4,582)
(Increase)/decrease in other debtors, deposits and prepayments	(41,246)	74,133
Decrease in properties held for sale	7,434	34,352
Decrease in amounts due from related company	142	510
Decrease in trade creditors	(76,559)	(484,451)
Increase in other creditors and accruals	39,078	87,044
Increase/(decrease) in amounts due to related companies	25,137	(28,661)
Increase in provisions	8,720	10,331
Decrease in net defined benefit retirement obligations	(144)	(26,886)
Cash generated from operations	1,319,841	1,695,196
Interest paid	(89,791)	(84,332)
Taxes paid	(347,541)	(295,083)
Net cash generated from operating activities	882,509	1,315,781

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(677,450)	(629,668)
Payment for the additions to intangible assets		(16,853)	(15,856)
Payment for purchase of securities investments		(10,727)	(24,928)
Decrease in non-current prepayments		19,731	9,812
Withdrawal of fixed deposits at banks with maturity over three months		7,406	1,145
Proceeds from disposal of property, plant and equipment		78,725	115,559
Proceeds from disposal of investment property		100,000	-
Net cash outflow from acquisition of businesses and subsidiaries	39	-	(38,948)
Proceeds from disposal of securities investments		51,680	4,471
Dividends received from associates		28,098	24,941
Dividends received from listed investments		104,338	101,491
Dividends received from unlisted investments		398	50,082
Interest received		38,490	30,874
Net cash outflow from disposal of subsidiaries		(24,412)	-
Net cash used in investing activities		(300,576)	(371,025)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2018 $'000	2017 $'000
Cash flows from financing activities			
Repayment of borrowings	26(b)	(3,747,905)	(4,576,348)
Proceeds from new bank loans	26(b)	3,033,147	4,118,828
Dividends paid to shareholders		(221,464)	(191,265)
Dividends paid to non-controlling shareholders of subsidiaries		(51,911)	(58,080)
Payment for acquisition of additional interest in subsidiary		-	(23,307)
Interest element of finance lease obligations paid	26(b)	(2,635)	(3,206)
Capital element of finance lease obligations paid	26(b)	(40,100)	(37,207)
Capital contribution received by a non-wholly owned controlling subsidiary from non-controlling shareholder		129,691	171,932
Net cash used in financing activities		(901,177)	(598,653)
Net (decrease)/increase in cash and cash equivalents		(319,244)	346,103
Cash and cash equivalents at 1 January	26	3,339,881	2,806,120
Effect of foreign exchange rate changes		(28,567)	187,658
Cash and cash equivalents at 31 December	26	2,992,070	3,339,881

The notes on pages 50 to 132 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 2018 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 27 March 2019.

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

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

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

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

1. Significant accounting policies (continued)

c. *Changes in accounting policies*

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9 (2014), *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9 (2014).

i. IFRS 9 (2014), *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation*

The Group has early adopted IFRS 9 (2009) on 1 January 2015. IFRS 9 (2009) is the first part of a project to replace IAS 39, *Financial Instruments: Recognition and Measurement*; and it replaces the classification and measurement requirements in IAS 39 for debt and equity securities.

Before the early adoption of IFRS 9 (2009), debt and equity securities of the Group were classified as available-for-sale securities and investments designated as at fair value through profit or loss respectively. Since the early adoption of IFRS 9 (2009) on 1 January 2015, debt and equity securities were classified into investments designated as at fair value through profit or loss and investments designated as at fair value through other comprehensive income respectively.

IFRS 9 (2014) completely replaces IAS 39 as the second part of the project. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 (2014) retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There was no significant effect upon initial application of IFRS 9 (2014) on 1 January 2018.

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

a. Credit losses

IFRS 9 (2014) replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

1. Significant accounting policies (continued)

c. *Changes in accounting policies (continued)*

i. IFRS 9 (2014), *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)*

a. Credit losses *(continued)*

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade debtors, hire purchases debtors and instalments receivable and other debtors);

For further details on the Group's accounting policy for accounting for credit losses, see note 1(y)(i).

The closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 is not significantly different from the opening loss allowance determined in accordance with IFRS 9 (2014) as at 1 January 2018.

b. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except that if, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

ii. IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and there is no significant impact of initial application as an adjustment to the opening balance of equity at 1 January 2018. Comparative information continues to be reported under IASs 11 and 18, where applicable. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

1. Significant accounting policies (continued)

c. Changes in accounting policies (continued)

ii. IFRS 15, *Revenue from contracts with customers (continued)*

Timing of revenue recognition (continued)

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

The Group's property development activities are carried out in Singapore only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Singapore, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the signing of the sale and purchase agreement, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in IFRS 15, revenue from property sales is generally recognised on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

iii. IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

1. Significant accounting policies (continued)

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

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(y)).

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). The cost of investment includes purchases price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(y)). 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.

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

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 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.

1. Significant accounting policies (continued)

e. *Goodwill (continued)*

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

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

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

f. *Translation of foreign currencies*

i. Individual companies

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

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

ii. On consolidation

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

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

g. *Investment properties*

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

1. Significant accounting policies (continued)

g. *Investment properties (continued)*

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).

h. *Properties held for sale*

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

i. *Property, plant and equipment*

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

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

Freehold land is not amortised.

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

– Buildings situated on freehold land	2% - 4%
– 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	$6\frac{2}{3}$% - 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.

1. Significant accounting policies (continued)

i. Property, plant and equipment (continued)

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

Construction in progress

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

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

j. Intangible assets (other than goodwill)

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

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

– Customer relationships	10 years
– Others	5 years

Both the period and method of amortisation are reviewed annually.

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

k. Leased assets

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.

1. Significant accounting policies (continued)

k. Leased assets (continued)

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(y).

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 recognised as 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(y). 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.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell these financial assets. 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. For an explanation of how the Group determines fair value of financial instruments, see note 35(f). The Group subsequently measures financial assets at either fair value or amortised cost.

1. Significant accounting policies (continued)

l. Other investments in debt and equity securities (continued)

i. Financial assets other than equity investment 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(y)(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 other than equity investment measured at fair value through other comprehensive income ("FVOCI")

If the contractual cash flows of these financial assets comprise solely payments of principal and interest and these financial assets are held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

iii. Financial assets other than equity investment measured at fair value through profit or loss

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.

iv. Equity investment

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, such elections are made on an investment-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. 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 as other income in accordance with the policy set out in note 1(x)(iv) unless the dividends clearly represent a recovery of part of the cost of the investment.

m. Borrowing costs

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

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

1. Significant accounting policies (continued)

n. Hire purchase contracts

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

o. Income tax

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

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

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

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

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

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:

1. Significant accounting policies (continued)

o. *Income tax (continued)*

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

p. *Inventories*

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

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

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

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

q. *Contract liabilities*

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

r. *Trade debtors and other receivables*

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

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

s. *Cash and cash equivalents*

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

1. Significant accounting policies (continued)

t. Trade and other creditors

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

u. Interest-bearing borrowings

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

v. Provisions and contingent liabilities

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

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

w. Warranties

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

x. Revenue and other income

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

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

1. Significant accounting policies (continued)

x. Revenue and other income (continued)

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

i. Sale of motor vehicles

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

In the comparative period, revenue from sales of products was recognised when the customer had accepted the goods and the related risks and rewards of ownership. The change in accounting does not have significant impact on revenue recognition (see note 1(c)(ii)).

ii. Sale of properties

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

iii. Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iv. Dividends

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

v. Interest income

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

1. Significant accounting policies (continued)

x. *Revenue and other income (continued)*

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

vi. Other revenue and income

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

y. *Credit loss and impairment*

i. Credit losses from financial instrument

A. Policy applicable from 1 January 2018

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

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

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

1. Significant accounting policies (continued)

y. *Credit loss and impairment (continued)*

i. Credit losses from financial instrument (continued)

A. Policy applicable from 1 January 2018 (continued)

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

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

Significant increases in credit risk

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

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

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

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

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

1. Significant accounting policies (continued)

y. Credit loss and impairment (continued)

i. Credit losses from financial instrument (continued)

A. Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income

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

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

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

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

Write-off policy

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

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

B. Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on trade and other debtors, hire purchase debtors and instalment receivables and amounts due from related companies. Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;

1. Significant accounting policies (continued)

y. *Credit loss and impairment (continued)*

i. Credit losses from financial instrument (continued)

B. Policy applicable prior to 1 January 2018 (continued)

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

If any such evidence existed, an impairment loss was determined and recognised as follows:

- For trade and other debtors, hire purchase debtors and instalment receivables and amounts due from related companies carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade and other debtor, hire purchases debtors and instalment receivables and amounts due from related companies carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

ii. Impairment of other non-current assets

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

- other property, plant and equipment;
- 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.

1. Significant accounting policies (continued)

y. Credit loss and impairment (continued)

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

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

– Reversals of impairment losses

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

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

iii. Interim financial reporting and impairment

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

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

1. Significant accounting policies (continued)

z. Employee benefits

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

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

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)).

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.

1. Significant accounting policies (continued)

z. Employee benefits (continued)

iii. Share-based payments (continued)

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

aa. Segment reporting

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

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

ab. Dividends

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

ac. Related parties

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

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

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

   i. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
   vi. The entity is controlled or jointly controlled by a person identified in (1).

1. Significant accounting policies (continued)

ac. Related parties (continued)

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

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

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

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

2. Significant accounting estimates and judgements

a. Impairment of trade debtors

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

b. Allowances for obsolescence of inventories

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

c. Valuation of investment properties

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

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, income from sale of properties, management service fees, agency commission and handling fees and warranty income, net of goods and services taxes where applicable, is analysed as follows:

i. Disaggregation of revenue

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

	2018 $'000	2017 $'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or services lines		
– Sale of goods	8,905,012	9,582,526
– Rendering of services	6,526,370	5,885,516
– Gross proceeds from properties sold	18,536	73,154
– Management service fees	1,000	1,000
– Agency commission and handling fees	110,160	154,739
– Warranty income	14,944	15,087
Revenue from other sources:		
– Gross rentals from investment properties	105,335	91,055
– Hire purchase financing income	50,066	52,535
	15,731,423	15,855,612

3. Revenue (continued)

i. Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 38(b).

The Group's customer base is diversified and the Group does not have any customer in 2017 and 2018 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.

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

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

4. Other net income

	2018 $'000	2017 $'000
Bank and other interest income on financial assets measured at amortised cost	38,490	30,874
Dividend income		
– listed investments	104,338	101,491
– unlisted investments	398	50,082
Gain/(loss) on disposal of property, plant and equipment	5,377	(5,192)
Gain on disposal of investment properties	15,204	-
Valuation gain on investment properties, net	184,091	39,150
Decrease in fair value of listed debt securities designated as at fair value through profit or loss	(1,052)	(1,172)
(Provision)/reversal of impairment losses on hire purchase debtors and instalments receivable	(1,536)	910
Proceeds from sales of scrap materials	1,729	1,946
Marketing subsidies	36,994	27,063
Gain on disposal of interest in subsidiaries	11,899	-
Others	40,067	34,853
	435,999	280,005

5. Other operating expenses

	2018 $'000	2017 $'000
Bank charges	20,136	20,542
Impairment losses on trade debtors	9,949	12,100
Impairment losses/(reversal of impairment losses) of hire purchase debtors and instalment receivables	1,536	(910)
Others	23,339	30,678
	54,960	62,410

6. Financing costs

	2018 $'000	2017 $'000
Interest expense		
– on bank loans and bank overdrafts	89,791	83,870
– on unsecured medium-term note	-	462
– on finance leases	2,635	3,206
	92,426	87,538

7. Profit before taxation

	2018 $'000	2017 $'000
Profit before taxation is arrived at after charging/(crediting):		
Cost of goods sold	6,647,886	7,670,695
Cost of properties sold	8,405	36,344
Depreciation		
– assets held for use under operating leases	23,002	28,983
– other assets	303,974	283,474
Amortisation		
– interest in leasehold land	7,696	7,460
– intangible assets	28,746	21,218
Auditors' remuneration		
– audit services	9,122	8,562
– tax services	523	568
– others	180	180
Provision for warranties	31,425	27,766
Net foreign exchange losses/(gain)	14,846	(13,062)
Operating lease rental expenses in respect of properties	91,966	115,784
Rentals receivable from investment properties less direct outgoings of $40,364,000 (2017: $38,359,000)	(64,971)	(52,696)

8. Personnel expenses

	2018 $'000	2017 $'000
Wages and salaries	775,064	756,946
Retirement benefit costs	85,816	86,674
Equity-settled share based payment expenses (note 34)	2,466	3,214
Others	122,995	112,552
	986,341	959,386

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	Total $'000
2018					
Executive directors					
Tan Eng Soon	3,260	13,984	15,573	44	32,861
Glenn Tan Chun Hong	1,410	3,990	3,990	101	9,491
Tan Kheng Leong	250	3,186	1,047	44	4,527
Sng Chiew Huat	990	4,065	3,187	44	8,286
Non-executive director					
Joseph Ong Yong Loke	200	201	-	-	401
Independent non- executive directors					
Ng Kim Tuck	316	-	-	-	316
Azman Bin Badrillah	318	-	-	-	318
Prechaya Ebrahim	200	-	-	-	200
Teo Ek Kee	419	-	-	-	419
	7,363	25,426	23,797	233	56,819

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	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Gratuity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017						
Executive directors						
Tan Eng Soon	400	12,407	12,877	43	-	25,727
Glenn Tan Chun Hong	200	3,540	2,746	98	-	6,584
Tan Kheng Leong	200	3,049	752	43	-	4,044
Sng Chiew Huat	200	3,673	2,596	43	-	6,512
Non-executive director						
Joseph Ong Yong Loke	240	201	-	-	4,850	5,291
Independent non- executive directors						
Lee Han Yang (Note)	396	-	-	-	-	396
Ng Kim Tuck	254	-	-	-	-	254
Azman Bin Badrillah	254	-	-	-	-	254
Prechaya Ebrahim	170	-	-	-	-	170
Teo Ek Kee	148	-	-	-	-	148
	2,462	22,870	18,971	227	4,850	49,380

Note: Lee Han Yang retired as independent non-executive director of the Group on 26 May 2017.

b. Of the five individuals with the highest emoluments, four (2017: five) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other one individual is as follows:

	2018 $'000	2017 $'000
Salaries and other emoluments	4,517	-

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

	2018 Number of individuals	2017 Number of individuals
$4,500,001 - $5,000,000	1	-

10. Taxation

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

	2018 $'000	2017 $'000
Current tax expense		
Provision for the year	333,729	304,569
(Over)/under-provision in respect of prior years	(671)	1,584
	333,058	306,153
Deferred tax expense		
Origination and reversal of temporary differences	(12,411)	1,963
Total income tax expense in the consolidated statement of profit or loss	320,647	308,116

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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% (2017: 17%), 31% (2017: 31%) and 25% (2017: 25%) respectively. Taxation for other subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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

	2018 $'000	2017 $'000
Profit before taxation	951,265	938,875
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	214,873	198,715
Adjustments resulting from:		
Tax effect of non-deductible expenses	55,332	71,663
Tax effect of non-taxable income	(93,021)	(64,878)
Tax effect of tax losses not recognised	89,951	58,764
Tax effect of previously unrecognised tax losses or deductible temporary differences utilised	(9,392)	(1,918)
Withholding tax on dividend income from subsidiaries (note)	63,575	44,186
(Over)/under-provision in respect of prior years	(671)	1,584
Actual tax expense	320,647	308,116

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

10. Taxation (continued)

c. *Deferred tax assets and liabilities*

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2018 are attributable to the items detailed in the table below:

	2018			2017		
	Assets $'000	Liabilities $'000	Net $'000	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	981	(88,920)	(87,939)	1,073	(91,096)	(90,023)
Investment properties	-	(19,829)	(19,829)	-	(15,953)	(15,953)
Investments designated as at fair value through other comprehensive income	-	(5,709)	(5,709)	-	(15,235)	(15,235)
Inventories	240	-	240	1,278	-	1,278
Trade debtors	8,623	-	8,623	7,891	-	7,891
Creditors and accruals	76,356	(1,238)	75,118	69,704	(942)	68,762
Provisions	1,751	-	1,751	1,742	-	1,742
Intangible assets	-	(13,515)	(13,515)	-	(16,419)	(16,419)
Tax losses carried-forward	27,563	-	27,563	21,628	-	21,628
Deferred tax assets/(liabilities)	115,514	(129,211)	(13,697)	103,316	(139,645)	(36,329)
Set-off within legal tax units and jurisdictions	(53,908)	53,908	-	(58,938)	58,938	-
Net deferred tax assets/(liabilities)	61,606	(75,303)	(13,697)	44,378	(80,707)	(36,329)

Potential deferred tax assets of approximately $630,512,000 (2017: $559,946,000) relating to the future benefits of tax losses and deductible temporary differences that have not been recognised in the financial statements as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom before the ability to realise such potential benefits expires. Among these tax losses, $1,741,672,000 (2017: $1,318,059,000) will expire within 5 to 10 years after the end of the reporting period.

At 31 December 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to $2,220,472,000 (2017: $2,364,498,000). Deferred tax liabilities of $338,737,000 (2017: $370,977,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and the directors are of the opinion that profits will not be distributed in the foreseeable future.

10. Taxation (continued)

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

	Balance at 1 January 2017	Exchange adjustment	Recognised in other comprehensive income	Recognised in profit or loss	Balance at 31 December 2017
	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	(86,337)	(3,385)	-	(301)	(90,023)
Investment properties	(18,882)	(1,625)	-	4,554	(15,953)
Investments designated as at fair value through other comprehensive income	(3,597)	(847)	(10,791)	-	(15,235)
Inventories	1,159	9	-	110	1,278
Trade debtors	11,358	505	-	(3,972)	7,891
Creditors and accruals	72,970	20,820	(6,718)	(18,310)	68,762
Provisions	1,182	-	-	560	1,742
Intangible assets	(19,647)	-	-	3,228	(16,419)
Tax losses carried-forward	9,457	3	-	12,168	21,628
	(32,337)	15,480	(17,509)	(1,963)	(36,329)

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

11. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $600,899,000 (2017: $501,924,000) and the number of 2,013,309,000 ordinary shares (2017: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2018 and 2017 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	Leasehold land and buildings	Total
	$'000	$'000	$'000
At 1 January 2017	2,282,303	823,802	3,106,105
Fair value adjustments	5,394	33,756	39,150
Exchange adjustments	194,220	47,675	241,895
At 31 December 2017	2,481,917	905,233	3,387,150
At 1 January 2018	2,481,917	905,233	3,387,150
Fair value adjustments	269,981	(85,890)	184,091
Disposal	-	(84,796)	(84,796)
Exchange adjustments	(34,231)	(9,185)	(43,416)
At 31 December 2018	2,717,667	725,362	3,443,029

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

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
– Freehold land and buildings				
– Singapore	2,164,045	-	-	2,164,045
– Japan	317,872	-	-	317,872
	2,481,917	-	-	2,481,917
– Leasehold land and buildings				
– Hong Kong	330,997	-	-	330,997
– Singapore	574,236	-	-	574,236
	905,233	-	-	905,233
	3,387,150	-	-	3,387,150

(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 2018, there were no transfers between levels (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018. The valuations were carried out by one of the following independent firms of surveyors: (i) Midzuki Real Estate Appraisal Firm Co., Ltd., (ii) CBRE Pte. Ltd., and (iii) Landscope Surveyors Limited.

Landscope Surveyors Limited, which has among its staff members of the Hong Kong Institute of Surveyors, carried out valuation for the Group's investment properties in Hong Kong by using the market comparison approach.

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

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

ii. Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
– Freehold land and buildings			
– Singapore	Market comparison approach	Discount/premium on quality of the buildings	-34% to 27% (2017: -2.5% to 0%)
– Japan	Discounted cash flow approach	Discount rate	5.2% (2017: 5.3%)
– Leasehold land and buildings			
– Hong Kong	Market comparison approach	Premium on quality of the buildings	-6% to 26% (2017: -5% to 5%)
– Singapore	Market comparison approach	Discount on quality of the buildings	-34% to 16% (2017: -4% to 2%)
	Residual approach	Estimated profit margin on redevelopment	10% (2017: 10%)

12. Investment properties (continued)

a. *Fair value measurement of properties (continued)*

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

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

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

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

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

	2018 $'000	2017 $'000
Freehold land and buildings - Singapore		
At 1 January	2,164,045	1,979,630
Exchange adjustments	(41,719)	179,536
Fair value adjustments	264,008	4,879
At 31 December	2,386,334	2,164,045
Freehold land and buildings - Japan		
At 1 January	317,872	302,673
Exchange adjustments	7,488	14,684
Fair value adjustments	5,973	515
At 31 December	331,333	317,872

12. Investment properties (continued)

a. *Fair value measurement of properties (continued)*

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

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

	2018 $'000	2017 $'000
Leasehold land and buildings - Hong Kong		
At 1 January	330,997	297,703
Exchange adjustments	-	(13)
Fair value adjustments	(310)	33,307
Disposals	(84,796)	-
At 31 December	245,891	330,997
Leasehold land and buildings - Singapore		
At 1 January	574,236	526,099
Exchange adjustments	(9,185)	47,688
Fair value adjustments	(85,580)	449
At 31 December	479,471	574,236

b. *An analysis of the valuation of freehold and leasehold land and buildings is as follows:*

	Freehold land and buildings		Leasehold land and buildings	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
In Hong Kong				
– Medium-term lease	-	-	245,891	330,997
Outside Hong Kong				
– Freehold	2,717,667	2,481,917	-	-
– Long lease	-	-	479,471	574,236
	2,717,667	2,481,917	725,362	905,233

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	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:							
At 1 January 2018	1,166,479	2,492,279	449,609	460,510	883,812	310,354	5,763,043
Exchange adjustments	(4,103)	(43,917)	(11,387)	(8,314)	3,758	3,206	(60,757)
Additions	3,100	32,619	44,554	17,440	221,717	373,969	693,399
Disposals	-	(16,510)	(74,285)	(5,058)	(141,516)	(1,610)	(238,979)
Disposals of subsidiaries	-	-	(3,559)	(398)	(3,460)	-	(7,417)
Transfer from construction in progress	-	279,863	368,117	11,076	-	(659,056)	-
At 31 December 2018	1,165,476	2,744,334	773,049	475,256	964,311	26,863	6,149,289
Representing:							
Cost	939,583	2,682,766	773,049	475,256	964,311	26,863	5,861,828
Valuation – 1984	225,893	61,568	-	-	-	-	287,461
	1,165,476	2,744,334	773,049	475,256	964,311	26,863	6,149,289
Accumulated depreciation and impairment loss:							
At 1 January 2018	-	711,873	260,937	312,056	399,824	-	1,684,690
Exchange adjustments	-	(7,825)	(4,858)	(6,169)	455	-	(18,397)
Charge for the year	-	75,166	65,871	48,514	137,425	-	326,976
Written back on disposals	-	(6,760)	(65,252)	(4,139)	(89,526)	-	(165,677)
Disposals of subsidiaries	-	-	(3,427)	(126)	(338)	-	(3,891)
At 31 December 2018	-	772,454	253,271	350,136	447,840	-	1,823,701
Net book value:							
At 31 December 2018	1,165,476	1,971,880	519,778	125,120	516,471	26,863	4,325,588

13. Other property, plant and equipment (continued)

	Freehold land	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:							
At 1 January 2017	1,022,642	2,239,860	388,121	382,124	786,829	165,577	4,985,153
Exchange adjustments	83,597	172,695	39,349	31,425	52,254	17,584	396,904
Acquisition of businesses and subsidiaries	-	-	-	1,546	24,872	-	26,418
Additions	-	17,387	73,216	39,916	212,735	317,236	660,490
Disposals	-	(32,892)	(62,291)	(12,577)	(192,878)	(5,284)	(305,922)
Transfer from construction in progress	60,240	95,229	11,214	18,076	-	(184,759)	-
At 31 December 2017	1,166,479	2,492,279	449,609	460,510	883,812	310,354	5,763,043
Representing:							
Cost	936,495	2,429,596	449,609	460,510	883,812	310,354	5,470,376
Valuation – 1984	229,984	62,683	-	-	-	-	292,667
	1,166,479	2,492,279	449,609	460,510	883,812	310,354	5,763,043
Accumulated depreciation and impairment loss:							
At 1 January 2017	-	606,058	224,414	248,524	366,158	-	1,445,154
Exchange adjustments	-	43,200	24,214	20,351	23,051	-	110,816
Acquisition of businesses and subsidiaries	-	-	-	1,139	295	-	1,434
Charge for the year	-	69,553	60,765	49,617	132,522	-	312,457
Written back on disposals	-	(6,938)	(48,456)	(7,575)	(122,202)	-	(185,171)
At 31 December 2017	-	711,873	260,937	312,056	399,824	-	1,684,690
Net book value:							
At 31 December 2017	1,166,479	1,780,406	188,672	148,454	483,988	310,354	4,078,353

13. Other property, plant and equipment (continued)

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

	Land		Buildings	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
In Hong Kong				
– Short-term lease	-	-	18,811	18,545
Outside Hong Kong				
– Freehold	1,165,476	1,166,479	632,087	646,224
– Medium-term lease	-	-	1,301,884	1,092,940
– Short-term lease	-	-	19,098	22,697
	1,165,476	1,166,479	1,971,880	1,780,406

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 $287,461,000 (2017: $292,667,000)) 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 $179,721,000 (2017: $198,065,000) and the related accumulated depreciation charges amounted to a total of $101,308,000 (2017: $103,722,000).

iv. During the year, additions to motor vehicles financed by new finance leases were $15,949,000 (2017: $30,973,000). At 31 December 2018, the net book value of motor vehicles and plant, machinery and equipment held under finance leases of the Group were $157,464,000 (2017: $195,129,000) and $275,000 (2017: $517,000) respectively.

14. Interest in leasehold land

	2018 $'000	2017 $'000
At 1 January	73,005	76,428
Additions	-	151
Exchange adjustments	(3,755)	3,886
Amortisation	(7,696)	(7,460)
At 31 December	61,554	73,005

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

	2018 $'000	2017 $'000
Outside Hong Kong		
– Medium term lease	61,554	73,005

15. Intangible assets

	Customer relationships $'000	Backlog $'000	Others $'000	Total $'000
Cost:				
At 1 January 2018	65,789	12,084	88,795	166,668
Exchange adjustments	1,070	693	1,019	2,782
Additions	-	-	16,853	16,853
Transfer from goodwill (note 39)	-	-	18,009	18,009
Disposals	-	-	(10,434)	(10,434)
At 31 December 2018	66,859	12,777	114,242	193,878
Accumulated amortisation:				
At 1 January 2018	23,797	-	40,066	63,863
Exchange adjustments	539	-	531	1,070
Charge for the year	6,967	-	21,779	28,746
Written back on disposals	-	-	(10,434)	(10,434)
At 31 December 2018	31,303	-	51,942	83,245
Net book value:				
At 31 December 2018	35,556	12,777	62,300	110,633

15. Intangible assets (continued)

	Customer relationships $'000	Backlog $'000	Others $'000	Total $'000
Cost:				
At 1 January 2017	64,920	11,924	91,083	167,927
Exchange adjustments	869	160	1,060	2,089
Additions	-	-	15,856	15,856
Disposals	-	-	(19,204)	(19,204)
At 31 December 2017	65,789	12,084	88,795	166,668
Accumulated amortisation:				
At 1 January 2017	16,230	-	43,382	59,612
Exchange adjustments	744	-	1,493	2,237
Charge for the year	6,823	-	14,395	21,218
Written back on disposals	-	-	(19,204)	(19,204)
At 31 December 2017	23,797	-	40,066	63,863
Net book value:				
At 31 December 2017	41,992	12,084	48,729	102,805

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 (2017: $Nil).

16. Goodwill

	Total
	$'000
Cost:	
At 1 January 2018	58,043
Transfer to intangible assets (note 39)	(18,009)
Exchange adjustments	3,452
At 31 December 2018	43,486
Carrying amount:	
At 31 December 2018	43,486
Cost:	
At 1 January 2017	23,375
Acquisition of businesses and subsidiaries	29,199
Exchange adjustments	5,469
At 31 December 2017	58,043
Carrying amount:	
At 31 December 2017	58,043

Impairment tests for cash-generating units containing goodwill

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

The recoverable amount of the cash-generating units ("CGUs") is determined based on fair value less costs of disposal of Zero Co., Ltd. The fair value of Zero Co. Ltd. was determined by unadjusted quoted prices in active markets. No impairment loss was recognised during the year (2017: $Nil).

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. Interest in subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2018 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
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

(EXPRESSED IN HONG KONG DOLLARS UNLESS OTHERWISE INDICATED)

17. Interest in subsidiaries (continued)

The following list contains only the particulars of subsidiaries as at 31 December 2018 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. (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
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
Nissan Diesel (Thailand) Company Limited	Thailand	Ordinary shares of Baht1,646,456,000 Redeemable preference shares of Baht250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Fuso Truck (Thailand) Co., Ltd.	Thailand	Baht100,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Zero Co., Ltd.	Japan	JPY3,390,798,450	53.20%	Investment holding, used-car trading and provision of vehicle transportation and maintenance services
Zero Plus Kanto Co., Ltd.	Japan	JPY15,000,000	53.20%	Provision of vehicle transportation services
Kyuso Co., Ltd.	Japan	JPY39,000,000	53.20%	Provision of cargo logistics services
Japan Relief Co., Ltd.	Japan	JPY83,124,775	53.20%	Provision of human resources services
Zero Plus BHS Co., Ltd.	Japan	JPY10,000,000	53.20%	Provision of vehicle transportation services

18. Interest in associates

	2018 $'000	2017 $'000
Share of net assets	862,729	856,331
Representing:		
Associates listed outside Hong Kong	82,988	83,530
Unlisted associates	779,741	772,801
	862,729	856,331

Details of the associates are as follows:

Name	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
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

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

18. Interest in associates (continued)

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:

	2018 $'000	2017 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	862,729	856,331
Aggregate amounts of the Group's share of those associates'		
– Profit from continuing operations	71,941	74,238
– Other comprehensive income	(37,444)	54,831
– Total comprehensive income	34,497	129,069

19. Other financial assets

	2018 $'000	2017 $'000
Equity securities designated as at fair value through other comprehensive income (note 20)		
Listed outside Hong Kong	39,555	63,106
Unlisted equity securities	17,624	17,727
	57,179	80,833
Debt securities at fair value through profit or loss		
Listed outside Hong Kong, at market value	-	53,674
	57,179	134,507

20. Investments designated as at fair value through other comprehensive income

	2018 $'000	2017 $'000
Equity securities		
Listed outside Hong Kong, designated as at fair value through other comprehensive income	1,896,746	2,800,128

Financial assets at fair value through other comprehensive income

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

	Fair value at 31 December		Dividend income recognised	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Investments in Subaru Corporation (Note)	1,893,786	2,795,378	103,417	100,457
Others	60,139	85,583	1,319	51,116
	1,953,925	2,880,961	104,736	151,573

Note: Fair value loss of $912,760,000 (2017: $752,720,000) was recognised in other comprehensive income during the year ended 31 December 2018. There was no significant disposal for this equity security during the years ended 31 December 2018 and 2017.

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

21. Inventories and other contract costs

a. Inventories and other contract costs in the consolidated statement of financial position comprise:

	2018 $'000	2017 $'000
Raw materials	47,775	33,898
Work-in-progress	170,059	95,483
Spare parts and others	254,259	209,564
Finished goods	1,643,651	2,087,570
Goods in transit	50,382	96,830
	2,166,126	2,523,345

21. Inventories and other contract costs (continued)

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

	2018 $'000	2017 $'000
Carrying amount of inventories sold	6,647,214	7,629,306
Provision for write-down of inventories	672	41,389
	6,647,886	7,670,695

22. Properties held for sale

	2018 $'000	2017 $'000
Completed properties held for sale	16,644	24,568

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

	2018 $'000	2017 $'000
Completed properties held for sale	8,405	36,344

23. Other creditors and accruals

At 31 December 2018, deferred revenue of performance in warranty services of $42,674,000 (2017: $38,544,000) is classified as contract liabilities. When the Group receives a consideration before the warranty services are completed, this will give rise to contract liabilities at the start of a contract, until the revenue is recognised on these warranty services when the performance obligation has been fulfilled.

23. Other creditors and accruals (continued)

Movements in contract liabilities

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

The amount of consideration received in advance of completion of warranty services expected to be recognised as income after more than one year is $19,663,000 (2017: $19,859,000, which were included under "other creditors and accruals").

24. Trade debtors

	2018 $'000	2017 $'000
Trade debtors	1,164,084	1,146,144
Less: Loss allowances	(67,792)	(60,496)
	1,096,292	1,085,648

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

Ageing analysis

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

	2018 $'000	2017 $'000
0 - 30 days	771,678	814,766
31 - 90 days	277,336	195,030
Over 90 days	47,278	75,852
	1,096,292	1,085,648

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).

25. Hire purchase debtors and instalments receivable

	2018 $'000	2017 $'000
Balance due		
– within one year	136,853	159,462
– between one and five years	270,790	311,563
– after more than five years	15,738	28,200
Hire purchase debtors and instalments receivable	423,381	499,225
Unearned interest charges	(37,947)	(45,903)
	385,434	453,322
Less: Loss allowances	(22,747)	(21,368)
	362,687	431,954
Balance due		
– within one year	116,497	143,293
– between one and five years	231,354	262,120
– after more than five years	14,836	26,541
	246,190	288,661
	362,687	431,954

Impairment of hire purchase debtors and instalments receivable

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

As at 31 December 2018, loss allowance for doubtful debts has been made for hire purchase debtors and instalments receivable of $22,747,000 (2017: $21,368,000). The movements in the loss allowance during the year are as follows:

	2018 $'000	2017 $'000
At 1 January	21,368	20,282
Exchange adjustments	(157)	1,996
Provision/(reversal) of impairment loss	1,536	(910)
At 31 December	22,747	21,368

26. Cash and bank balances

a. Cash and bank balances comprise:

	2018 $'000	2017 $'000
Bank deposits	1,646,410	1,592,792
Cash at bank	1,440,716	1,841,785
Cash in hand	3,406	2,379
Cash and bank balances in the consolidated statement of financial position	3,090,532	3,436,956
Less: Bank deposits with more than three months to maturity when placed	(862)	(8,268)
Unsecured bank overdrafts (note 27)	(97,600)	(88,807)
Cash and cash equivalents in the consolidated cash flow statement	2,992,070	3,339,881

The Group's effective interest rate for bank deposits ranged from 1.05% to 5.00% (2017: 0.45% to 3.95%) per annum.

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

Bank overdrafts bear interest at rates ranging from 0.23% to 0.56% (2017: 0.33% to 1.50%) per annum.

26. Cash and bank balances (continued)

b. Reconciliation of liabilities arising from financing activities

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

	Bank loans	Obligations under finance leases	Total
	$'000	$'000	$'000
	(Note 27)	(Note 28)	
At 1 January 2018	3,921,570	195,646	4,117,216
Changes from financing cash flows:			
Proceeds from new bank loans	3,033,147	-	3,033,147
Repayment of borrowings	(3,747,905)	-	(3,747,905)
Capital element of finance lease obligations paid	-	(40,100)	(40,100)
Interest element of finance lease obligations paid	-	(2,635)	(2,635)
Total changes from financing cash flows	(714,758)	(42,735)	(757,493)
Exchange adjustments	(39,489)	(13,024)	(52,513)
Other changes:			
New finance leases (note 13(iv))	-	15,949	15,949
Finance charges on obligations under finance leases (note 6)	-	2,635	2,635
Disposal of subsidiaries	(4,442)	-	(4,442)
Total other changes	(4,442)	18,584	14,142
At 31 December 2018	3,162,881	158,471	3,321,352

26. Cash and bank balances (continued)

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

	Bank loans	Unsecured medium term note	Obligations under finance leases	Total
	$'000	$'000	$'000	$'000
	(Note 27)		(Note 28)	
At 1 January 2017	3,413,575	632,538	190,033	4,236,146
Changes from financing cash flows:				
Proceeds from new bank loans	4,118,828	-	-	4,118,828
Repayment of borrowings	(3,943,810)	(632,538)	-	(4,576,348)
Capital element of finance lease obligations paid	-	-	(37,207)	(37,207)
Interest element of finance lease obligations paid	-	-	(3,206)	(3,206)
Total changes from financing cash flows	175,018	(632,538)	(40,413)	(497,933)
Exchange adjustments	331,966	-	11,847	343,813
Other changes:				
Acquisition of businesses and subsidiaries (note 39)	1,011	-	-	1,011
New finance leases (note 13(iv))	-	-	30,973	30,973
Finance charges on obligations under finance leases (note 6)	-	-	3,206	3,206
Total other changes	1,011	-	34,179	35,190
At 31 December 2017	3,921,570	-	195,646	4,117,216

27. Bank loans and overdrafts

At 31 December 2018, the bank loans and overdrafts were payable as follows:

	2018 $'000	2017 $'000
Within one year		
– bank overdrafts (note 26)	97,600	88,807
– bank loans	2,010,779	3,045,316
	2,108,379	3,134,123
Bank loans:		
– After one year but within two years	857,399	8,989
– After two years but within five years	294,703	865,424
– Over five years	-	1,841
	1,152,102	876,254
	3,260,481	4,010,377

At 31 December 2018, the bank loans and overdrafts were secured as follows:

	2018 $'000	2017 $'000
Unsecured bank overdrafts	97,600	88,807
Bank loans		
– Secured	16,742	16,383
– Unsecured	3,146,139	3,905,187
	3,260,481	4,010,377

At 31 December 2018, the above bank loans bear interest at floating rates ranging from 0.35% to 6.10% (2017: 0.24% to 6.53%) per annum.

At 31 December 2018, certain property, plant and equipment of the Group with carrying values of $38,168,000 (2017: $38,780,000) have been pledged to banks to secure bank loans totalling $16,742,000 (2017: $16,383,000) granted to the Group.

27. Bank loans and overdrafts (continued)

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

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

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

If the relevant subsidiaries were to breach the covenants, the outstanding bank borrowings would become payable on demand. As at 31 December 2018, none of the covenants relating to those bank borrowings had been breached (2017: $Nil).

28. Obligations under finance leases

At 31 December 2018, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	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	48,281	48,990	40,100	40,699
After 1 year but within 2 years	43,459	44,742	47,516	48,945
After 2 years but within 5 years	63,261	66,510	80,174	84,495
After 5 years	3,470	3,844	27,856	30,447
	110,190	115,096	155,546	163,887
	158,471	164,086	195,646	204,586
Less: total future interest expenses		(5,615)		(8,940)
Present value of lease obligations		158,471		195,646

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 81% (2017: 84%) 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 2018 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 65% (2017: 62%) 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:

	2018 $'000	2017 $'000
Present value of defined benefit obligations	(346,610)	(343,568)
Fair value of plan assets	223,286	212,260
	(123,324)	(131,308)

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 $34,106,000 in contributions to defined benefit retirement plans in 2018.

29. Employee retirement benefits (continued)

a. *Defined benefit retirement plans (continued)*

ii. Plan assets consist of the following:

	2018 $'000	2017 $'000
Equity securities	70,478	72,128
Government bonds	60,260	39,701
Others	92,548	100,431
	223,286	212,260

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% (2017: 5% - 65%) in equity securities across a range of industries, 5% - 70% (2017: 5% - 70%) in government bonds and remaining in other investments. Interest rate risk is managed with the objective of reducing the risk by investing in government bonds.

iii. Movements in the present value of the defined benefit obligations

	2018 $'000	2017 $'000
At 1 January	343,568	331,495
Benefits paid by the plans	(26,354)	(21,139)
Current service cost	22,119	21,136
Interest cost	1,296	963
Remeasurement of present value	(2,306)	(5,422)
Exchange adjustments	8,287	16,535
At 31 December	346,610	343,568

The weighted average duration of the defined benefit obligation is 10.2 years (2017:10.3 years).

29. Employee retirement benefits (continued)

a. *Defined benefit retirement plans (continued)*

iv. Movements in plan assets

	2018 $'000	2017 $'000
At 1 January	212,260	179,571
Group's contributions paid to the plan	18,054	24,087
Benefits paid by the plans	(18,010)	(9,890)
Interest income	1,028	563
Return on plan assets, excluding interest income	8,012	9,515
Exchange adjustments	1,942	8,414
At 31 December	223,286	212,260

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

	2018 $'000	2017 $'000
Current service cost	22,119	21,136
Net interest on net defined benefit liability	268	401
Total amounts recognised in profit or loss	22,387	21,537
Return on plan assets, excluding interest income (after tax adjustment)	(7,485)	(6,594)
Remeasurement of present value of the defined benefit obligation (after tax adjustment)	(1,555)	(3,757)
Total amounts recognised in other comprehensive income	(9,040)	(10,351)
Total defined benefit costs	13,347	11,186

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:

	2018 $'000	2017 $'000
Cost of sales	8,262	9,371
Administrative expenses	14,125	12,166
	22,387	21,537

29. Employee retirement benefits (continued)

a. *Defined benefit retirement plans (continued)*

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

	2018 $'000	2017 $'000
Discount rate	0.32%	0.33%

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

	Increase by 0.5 percent point		Decrease by 0.5 percent point	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Discount rate	(16,710)	(16,330)	16,749	16,362

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:

	2018 $'000	2017 $'000
0 - 30 days	573,306	540,170
31 - 90 days	172,729	296,742
91 - 180 days	65,270	28,851
Over 180 days	33,271	71,132
	844,576	936,895

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	2018 $'000	2017 $'000
Provisions for warranties	(a)	104,279	93,025
Provisions for custom duties	(b)	11,030	11,826
		115,309	104,851
Current		79,896	72,905
Non-current		35,413	31,946
		115,309	104,851

a. *Provisions for warranties*

	2018 $'000	2017 $'000
At 1 January	93,025	77,201
Provisions made	31,425	27,766
Provisions utilised	(18,432)	(18,032)
Exchange adjustment	(1,739)	6,090
At 31 December	104,279	93,025

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*

	2018 $'000	2017 $'000
At 1 January	11,826	11,774
Exchange adjustment	(796)	52
At 31 December	11,030	11,826

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 claim. As at the end of the reporting period, negotiation between the Group and the relevant authorities were still in progress.

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

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

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.

33. Capital, reserves and dividends (continued)

a. *The Group (continued)*

v. Fair value reserve (non-recycling)

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

vi. Property revaluation reserve

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

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	Share premium	Contributed surplus	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	1,006,655	550,547	623,313	174,329	2,354,844
Changes in equity in 2017:					
Total comprehensive income for the year	-	-	-	187,554	187,554
Dividends to equity shareholders	-	-	-	(191,265)	(191,265)
Balance at 31 December 2017 and 1 January 2018	1,006,655	550,547	623,313	170,618	2,351,133
Changes in equity in 2018:					
Total comprehensive income for the year	-	-	-	223,277	223,277
Dividends to equity shareholders	-	-	-	(221,464)	(221,464)
Balance at 31 December 2018	1,006,655	550,547	623,313	172,431	2,352,946

33. Capital, reserves and dividends (continued)

b. The Company (continued)

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 2018 are as follows:

	2018 $'000	2017 $'000
Contributed surplus	623,313	623,313
Retained profits	172,431	170,618
	795,744	793,931

c. Dividends

i. Dividends payable to equity shareholders of the Company attributable to the year

	2018 $'000	2017 $'000
Interim dividend paid of HK2.5 cents per ordinary share (2017: HK2.5 cents per ordinary share)	50,333	50,333
Final dividend proposed after the end of the reporting period of HK9.5 cents per ordinary share (2017: HK8.5 cents per ordinary share)	191,264	171,131
	241,597	221,464

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.

33. Capital, reserves and dividends (continued)

c. *Dividends (continued)*

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

	2018 $'000	2017 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK8.5 cents per ordinary share (2017: HK7.0 cents per ordinary share)	171,131	140,932

d. *Share capital*

	2018 $'000	2017 $'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 26% at 31 December 2018 (2017: 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 63,000 (2017: 57,500) points were granted to selected participants during the year ended 31 December 2018.

a. The terms and conditions of the grants are as follows:

	Number of points
Points granted to employees:	
On 26 November 2015	71,420
On 1 July 2016	60,000
On 1 July 2017	57,500
On 1 July 2018	63,000

b. The movements of number of points granted are as follows:

	2018 Number of points	2017 Number of points
Outstanding at the beginning of the year	123,500	85,000
Forfeited during the year	(26,500)	(19,000)
Granted during the year	63,000	57,500
Outstanding at the end of the year	160,000	123,500
Exercisable at the end of the year	160,000	123,500

(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.

	1 July 2018	1 July 2017
Fair value of points and assumptions		
Fair value at measurement date	JPY954	JPY1,160
Share price	JPY1,201	JPY1,587
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	33.9%	39.3%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	6.8 years	8.2 years
Expected dividends	3.4%	3.8%
Risk-free interest rate (based on the yield of Japanese government bonds)	0.1%	0.0%

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

The closing prices of the subsidiary's shares immediately before the grant of the points on 1 July 2017 and 1 July 2018 were JPY1,587 (equivalent to $110) and JPY1,201 (equivalent to $85) per share respectively.

During the year ended 31 December 2018, the Group recognised a net expense of $2,466,000 (2017: $3,214,000) 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.

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

a. Interest rate risk

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

The Group's interest rate risk arises primarily from bank borrowings 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 2018, 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 $30,093,000/$22,140,000 (2017: $37,005,000/$28,187,000).

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

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

The Group's credit risk is primarily attributable to trade and other debtors, hire purchases debtors and instalments receivable.

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

Trade receivables

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

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

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

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

b. Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and hire purchase debtors and instalment receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	$'000	$'000
Current (not past due)	1.10	1,267,070	13,928
1 - 30 days past due	1.39	132,967	1,843
31 - 90 days past due	2.82	52,753	1,485
More than 90 days past due	75.76	96,728	73,283
		1,549,518	90,539

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1 (y)(i)(B) - policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of $60,496,000 were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017
	$'000
Neither past due nor impaired	750,949
1 - 30 days past due	189,019
31 - 90 days past due	74,496
Over 90 days past due	71,184
	1,085,648

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

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

b. Credit risk (continued)

Movement in the loss allowance account in respect of trade debtors during the year is as follows:

	2018 $'000	2017 $'000
Balance at 31 December 2017 under IAS 39	60,496	47,089
At 1 January	60,496	47,089
Exchange adjustments	(226)	1,334
Amounts written off during the year	(2,427)	(27)
Impairment losses recognised during the year	9,949	12,100
Balance at 31 December	67,792	60,496

There was no material impact on the trade debtors for the initial application of the new impairment requirements under IFRS 9 (2014) compared with under IAS 39.

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)

	2018				2017			
	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	-	1,895,692	-	-	-	2,798,245	-	-
Trade debtors	902	80,850	674	-	918	36,346	2,267	-
Cash and cash equivalents	5,128	176,697	128,173	346,175	1,736	134,872	579,637	351,564
Trade creditors	-	(54,670)	(266)	-	-	(66,168)	(29,451)	-
Other debtors	-	571	509	3	-	1,241	-	4
Other creditors	(6)	(150)	-	-	(6)	(960)	(821)	-
Bank loans	(88,562)	(8,313)	(100,879)	-	(181,777)	-	(159,723)	-
	(82,538)	2,090,677	28,211	346,178	(179,129)	2,903,576	391,909	351,568

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

c. *Currency risk (continued)*

The Group's operating subsidiaries regularly monitor their foreign exchange exposure and may hedge their position depending on the size of the exposure and the future outlook of the particular currency unit. There were no material forward exchange contracts outstanding as at 31 December 2018 (2017: Nil).

Sensitivity analysis

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

	2018		2017	
	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%	209,068	10%	290,358
	(10)%	(209,068)	(10)%	(290,358)
USD	10%	2,821	10%	39,191
	(10)%	(2,821)	(10)%	(39,191)
RMB	10%	34,618	10%	35,157
	(10)%	(34,618)	(10)%	(35,157)
SGD	10%	(8,254)	10%	(17,913)
	(10)%	8,254	(10)%	17,913

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 2017.

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:

2018

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

2017

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Over 5 years**	**Total**	**Carrying amount at 31 December**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Bank overdrafts	88,807	-	-	-	88,807	88,807
Bank loans	3,136,319	35,760	892,071	1,869	4,066,019	3,921,570
Trade creditors	936,895	-	-	-	936,895	936,895
Other creditors and accruals	1,318,453	-	-	-	1,318,453	1,318,453
Amounts due to related companies	7,291	-	-	-	7,291	7,291
Obligations under finance leases	40,699	48,945	84,495	30,447	204,586	195,646
	5,528,464	84,705	976,566	32,316	6,622,051	6,468,662

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 2018, it is estimated that an increase/(decrease) of 20% (2017: 10%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's fair value reserve as follows:

	2018		2017	
		Effect on fair value reserve $'000		Effect on fair value reserve $'000
Change in the relevant equity price risk variable:				
Increase	20%	387,260	10%	286,323
Decrease	(20)%	(387,260)	(10)%	(286,323)

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 2017.

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

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

	Fair value at 31 December 2018	*Fair value measurement as at 31 December 2018 categorised into*			*Fair value at 31 December 2017*	*Fair value measurement as at 31 December 2017 categorised into*		
		Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
The Group								
Recurring fair value measurements								
Assets								
Equity securities designated as at fair value through other comprehensive income								
– Listed outside Hong Kong	1,936,301	1,936,301	-	-	2,863,234	2,863,234	-	-
– Unlisted	17,624	-	-	17,624	17,727	-	-	17,727
Debt securities at fair value through profit or loss, listed outside Hong Kong	-	-	-	-	53,674	53,674	-	-
	1,953,925	1,936,301	-	17,624	2,934,635	2,916,908	-	17,727

During the years ended 31 December 2018 and 2017, 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 2018 and 2017.

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

f. Fair value (continued)

iii. Information about Level 3 fair value measurements

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

	2018 $'000	2017 $'000
Unlisted equity securities:		
At 1 January	17,727	27,281
Net unrealised losses recognised in other comprehensive income during the year	-	(11,361)
Exchange adjustments	(103)	1,807
At 31 December	17,624	17,727

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 2018 not provided for in the financial statements were as follows:

	2018 $'000	2017 $'000
Authorised and contracted for	87,148	160,591

b. Operating lease commitments

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

	2018 $'000	2017 $'000
Within one year	84,895	89,601
After one year but within five years	229,861	167,274
After five years	152,291	131,914
	467,047	388,789

36. Commitments (continued)

b. *Operating lease commitments (continued)*

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	2018 $'000	2017 $'000
Transactions with Tan Chong Motor Holdings Berhad ("TCMH") Group:	(i)		
– Sales of goods and services		6	43
– Receiving assembly services		52,490	36,088
– Receiving technical consultancy services		2,286	-
– Purchase of inventories		7,719	6,315
Transactions with APM Automotive Holdings Berhad ("APM") Group:	(ii)		
– Purchase of inventories		8,456	6,877

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 November 2017, 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 2018 to 31 December 2018. The principal business of TCMA is the assembly of motor vehicles and engines and trading of parts.

– Receiving technical assistance agreement

On 30 November 2017, a subsidiary of the Group entered into a technical assistance agreement in relation to the provision of technical assistance services by TCMA for a one-year period from 1 January 2018 to 31 December 2018.

ii. Transactions with APM Group

– Purchase of inventories

On 30 December 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 Subaru Corporation or licensees of Subaru Corporation for a term from 1 January 2017 to 31 December 2018.

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

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

37. Material related party transactions (continued)

c. *Transaction with an associate*

Management service fees received from an associate of the Group during the year ended 31 December 2018 amounted to $1,000,000 (2017: $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 sale or rental income. At present, the Group's activities in this segment are mainly carried out in Singapore and Hong Kong.

iv. Transportation

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

v. Other operations

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

38. Segment reporting (continued)

b. Segment results

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2018 is set out below.

38. Segment reporting (continued)

b. Segment results (continued)

	Motor vehicle distribution and dealership business		Heavy commercial vehicle, industrial equipment distribution and dealership business	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Disaggregated by timing of revenue recognition				
Point in time	8,487,256	8,943,229	137,414	194,252
Over time	399,799	383,415	94,061	69,943
Revenue from external customers:				
– Singapore	3,336,218	3,941,231	73,238	90,926
– PRC	583,238	755,331	-	-
– Thailand	530,324	399,607	128,918	150,184
– Japan	-	-	-	-
– Taiwan	2,339,879	2,209,640	-	-
– Others	2,097,396	2,020,835	29,319	23,085
	8,887,055	9,326,644	231,475	264,195
EBITDA:				
– Singapore	261,246	310,002	18,412	19,562
– PRC	(7,909)	3,710	-	-
– Thailand	(79,665)	(39,057)	(50,840)	(77,963)
– Japan	-	-	-	-
– Taiwan	450,484	430,809	-	-
– Others	14,870	(126,121)	8,930	8,725
	639,026	579,343	(23,498)	(49,676)
Share of profits less losses of associates:				
– Singapore	59,665	56,083	-	-
– Thailand	-	-	-	-
– Japan	-	-	-	-
– Taiwan	-	-	-	-
– Others	-	-	-	-
	59,665	56,083	-	-

Property rentals and development		Transportation		Other operations		Consolidated	
2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
18,536	73,154	-	-	280,342	447,958	8,923,548	9,658,593
101,113	88,706	6,078,989	5,531,370	133,913	123,585	6,807,875	6,197,019
114,036	154,170	-	-	138,983	139,648	3,662,475	4,325,975
-	-	-	-	264,661	424,320	847,899	1,179,651
-	-	-	-	9,611	6,542	668,853	556,333
-	-	6,078,989	5,531,370	-	-	6,078,989	5,531,370
-	-	-	-	-	-	2,339,879	2,209,640
5,613	7,690	-	-	1,000	1,033	2,133,328	2,052,643
119,649	161,860	6,078,989	5,531,370	414,255	571,543	15,731,423	15,855,612
217,661	53,451	-	-	90,344	78,469	587,663	461,484
-	-	-	-	(57,352)	(6,476)	(65,261)	(2,766)
-	-	-	-	(1,135)	545	(131,640)	(116,475)
-	-	322,732	450,130	177	679	322,909	450,809
-	-	-	-	-	-	450,484	430,809
118,700	140,291	-	-	(9,977)	15,680	132,523	38,575
336,361	193,742	322,732	450,130	22,057	88,897	1,296,678	1,262,436
-	-	-	-	-	-	59,665	56,083
-	-	(3,429)	(270)	-	-	(3,429)	(270)
-	-	1,637	(55)	-	-	1,637	(55)
-	-	-	-	-	-	-	-
-	-	-	-	14,068	18,480	14,068	18,480
-	-	(1,792)	(325)	14,068	18,480	71,941	74,238

38. Segment reporting (continued)

c. *Reconciliation of reportable segment profit or loss*

	2018 $'000	2017 $'000
Total segment EBITDA	1,296,678	1,262,436
Depreciation and amortisation	(363,418)	(341,135)
Interest income	38,490	30,874
Finance costs	(92,426)	(87,538)
Share of profits less losses of associates	71,941	74,238
Consolidated profit before taxation	951,265	938,875

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Specified non-current assets	4,043,288	3,990,790	1,061,173	1,139,528	289,604	328,374	1,187,843	860,326	1,222,808	1,122,377	888,184	953,444	8,692,900	8,394,839

39. Acquisition of businesses and subsidiaries

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

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

At 31 December 2017, the allocation of the cost of acquisition of the above businesses to identifiable assets and liabilities was pending the completion of appraisal of certain intangible assets acquired. The appraisal was completed during the year ended 31 December 2018 and $18,009,000 of goodwill was transferred to intangible assets (notes 15 and 16).

In addition to the acquisition above, the Group acquired two other subsidiaries in 2017 with net cash inflows totalling $9,130,000.

In aggregate, the Group had net cash outflows totalling $38,948,000 from acquisition of businesses and subsidiaries during the year ended 31 December 2017.

40. Company-level statement of financial position

	Note	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment		65	10
Interest in subsidiaries		2,342,961	2,342,961
		2,343,026	2,342,971
Current assets			
Amounts due from subsidiaries		378,889	362,496
Other debtors, deposits and prepayments		275	265
Cash and cash equivalents		12,915	31,506
		392,079	394,267
Current liabilities			
Other creditors and accruals		15,961	22,148
Amounts due to subsidiaries		366,198	363,957
		382,159	386,105
Net current assets		9,920	8,162
NET ASSETS		2,352,946	2,351,133
CAPITAL AND RESERVES	33(b)		
Share capital		1,006,655	1,006,655
Reserves		1,346,291	1,344,478
TOTAL EQUITY		2,352,946	2,351,133

Approved and authorised for issue by the board of directors on 27 March 2019.

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 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 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
IFRS 16, *Leases*	1 January 2019
IFRIC 23, U*ncertainty over income tax treatments*	1 January 2019
Annual improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the IFRS 16 which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 16, *Leases*

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. Under IFRS16, 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 2018, the Group's future minimum lease payments under non-cancellable operating lease amounted to $467,047,000. Most of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information.

FINANCIAL SUMMARY

(EXPRESSED IN HONG KONG DOLLARS)

	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000
Results					
Revenue	10,647,779	14,818,639	16,736,332	15,855,612	15,731,423
Profit from operations	635,833	775,259	689,567	952,175	971,750
Financing costs	(63,333)	(82,659)	(88,604)	(87,538)	(92,426)
Share of profits less losses of associates	76,047	76,179	68,197	74,238	71,941
Profit before taxation	648,547	768,779	669,160	938,875	951,265
Income tax expense	(221,683)	(319,138)	(335,074)	(308,116)	(320,647)
Profit for the year	426,864	449,641	334,086	630,759	630,618
Attributable to:					
Equity shareholders of the Company	349,227	308,215	191,073	501,924	600,899
Non-controlling interests	77,637	141,426	143,013	128,835	29,719
Profit for the year	426,864	449,641	334,086	630,759	630,618
Assets and liabilities					
Investment properties, other property, plant and equipment and interest in leasehold land	6,747,157	6,629,389	6,722,532	7,538,508	7,830,171
Intangible assets	104,034	100,093	108,315	102,805	110,633
Goodwill	6,214	5,498	23,375	58,043	43,486
Interest in associates	744,089	728,678	752,203	856,331	862,729
Other non-current assets	511,028	565,506	548,179	628,777	499,807
Net current assets	6,502,137	6,429,765	4,564,767	4,814,825	4,297,941
Total assets less current liabilities	14,614,659	14,458,929	12,719,371	13,999,289	13,644,767
Non-current liabilities	(2,352,746)	(2,036,937)	(430,671)	(1,275,761)	(1,496,332)
Total equity	12,261,913	12,421,992	12,288,700	12,723,528	12,148,435
Earnings per share					
– basic	$0.17	$0.15	$0.09	$0.25	$0.30
– diluted	$0.17	$0.15	$0.09	$0.25	$0.30

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
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622/3	Showroom, workshop and office (own use)	198,606	Freehold	-
14 Upper Aljunied Road Singapore 367843	Property held for sale	5,352	Freehold	-
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059
15 Queen Street Tan Chong Tower Singapore 188537	Office, restaurant and apartments for rental (investment)	22,193	Freehold	-
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (investment)	198,976	Leasehold	6 April 2078
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023

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	-

GROUP PROPERTIES (CONTINUED)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Jalan Sultan Iskandar Muda No 24 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041
Komplek Ruko Mahkota Raya Blok D No. 9-12A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032
Jalan Raden Patah Komplek Sumber Jaya B9 - B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2035
Lembar K-8-4 Kotak F-G/1 Teluk Tering Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028
Jalan Bypass Ngurah Rai No 643 Desa Pemogan Denpasar, Bali Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062
West of Xi Wai Huan Yangliu Town Lianhe Sub-district, Zhengxiang District Hengyang Hunan Province, China	Showroom and workshop (own use)	6,226	Leasehold	16 May 2052
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062

GROUP PROPERTIES (CONTINUED)

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	-

GROUP PROPERTIES (CONTINUED)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Miyako-gun, Fukuoka, Japan	Vehicle maintenance shop (own use)	142,336	Freehold	-
Kagoshima-shi, Kagoshima, Japan	Vehicle distribution center (own use)	79,074	Freehold	-
Tomakomai-shi, Hokkaido, Japan	Vehicle distribution center (own use)	142,279	Freehold	-
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	47,391	Freehold	-
Mooka-shi, Tochigi, Japan	Vehicle maintenance shop (own use)	54,167	Freehold	-