

# ANNUAL REPORT 2025

TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

*(Incorporated in Bermuda with limited liability)*

Stock code: 693



# COMPANY OVERVIEW

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



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# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

2025 was marked by sustained macroeconomic and geopolitical uncertainty, intensifying competition across Asian automotive markets, and constrained availability of key models. Against this backdrop, the Group maintained operational discipline, strengthened its balance sheet and overall financial health, and accumulated a strong order backlog - laying the groundwork for a recovery in sales registrations as supply constraints ease through 2026.

The Group reported revenue of HK\$12 billion for the year, a 5% decrease from the HK\$12.7 billion recorded in 2024. Profit after tax was HK\$318.1 million for the year, a 48% decrease compared to HK\$609.5 million in 2024. EBITDA decreased by 18% to HK\$1.5 billion from HK\$1.8 billion. Profit from operations decreased by 32% to HK\$741.8 million, compared to HK\$1.1 billion in 2024, with the operating profit margin decreasing to 6.2% from 8.6%.

These decreases were attributable to lower sales volumes resulting from supply constraints on the new Subaru Forester. However, demand has been very strong, with order intake significantly exceeding available allocation across most markets, and this forward momentum has continued to build into Q1 2026. Reported sales do not yet reflect this underlying demand, as Subaru manages global supply constraints given the model's positive worldwide reception. The Group expects allocation to ramp up after Q2 2026, enabling progressive conversion of a growing order backlog into registered sales.

Notwithstanding the near-term pressure on reported earnings, the Group's overall financial performance reflected continued underlying strength. Total comprehensive income rose 920% year-on-year to HK\$1.06 billion, comprising profit after tax of HK\$318 million, net investment gains of HK\$327 million from the equities disposal and appreciation of the Group's investment portfolio, and favourable foreign currency translation differences of HK\$388 million arising from the Group's operations across multiple Asian markets.

The Group's balance sheet has also strengthened materially, with net debt declining 8%, or HK\$495 million, to HK\$5,376.8 million as compared to HK\$5,872.1 million as of 31 December 2024. Net debt consists of borrowings of HK\$7,707.5 million and unsecured overdrafts of HK\$186.4 million, less cash and bank balances of HK\$2,517.1 million.

The Group's net gearing ratio, which is computed by dividing the net debt with the total equity, improved 14% from 48.3% in 2024 to 41.3% as at 31 December 2025.

Group inventories declined by HK\$679.8 million compared to the prior year, reflecting the Group's continued focus on working capital management across its businesses.

The improvement in the Group's financial position was supported by active cost management. Distribution and administrative overheads have declined consistently, decreasing by HK\$111 million in 2024 and a further HK\$175 million in 2025, reflecting the Group's sustained focus on operational efficiency across its key markets.

ROCE (Return on capital employed), which is computed by dividing earnings before interest and taxes (EBIT) with total equity plus non-current liabilities, decreased to 4.6% as compared to 6.7% in 2024, reflecting the lower earnings base in 2025.

Net Asset Per Share as of 31 December 2025 was HK\$6.46, an increase from the HK\$6.04 recorded at the end of December 2024.

As at end-2025, the Group's employee strength stood at 4,614, reflecting a strategic realignment of its workforce from 5,510 in 2023 and 4,912 in 2024 - a cumulative reduction of 896 over two years, as the Group continues to build a leaner, more agile operating structure.

The Group recognises that long-term business sustainability extends beyond financial performance. Across its key markets, it continues to monitor and implement climate-conscious measures, meeting local environmental and emissions standards while participating in regional initiatives that promote responsible business practices.

Taken together, the Group's strengthened balance sheet and overall financial health, growing order backlog, and disciplined cost management position it for an improved performance in 2026.

## SIGNIFICANT INVESTMENTS

As at 31 December 2025, the Group had investments in listed and unlisted equity securities amounting to HK\$1.7 billion designated at fair value through other comprehensive income. The majority of these investments are equity securities listed on the Tokyo Stock Exchange. These were accumulated over the years as strategic investments. Fair value gain of HK\$327 million was recognised in other comprehensive income during the year ended 31 December 2025. The gain was due to share price changes of its listed investments, which were marked to market amounting to HK\$280 million, as well as



additional fair value gain of HK\$47 million from 1 January 2025 to the respective dates of disposal of ordinary shares of Subaru Corporation through open market and through the exercise of call options as announced by the Company on 19 September 2025, 25 September 2025 and 9 December 2025. Such fair value gain on its investments was not reclassified to the Group's consolidated statement of profit or loss.

## FINANCE

For the year 2025, total dividend payment will amount to HK\$161.065 million as compared to HK\$150.998 million paid for financial year 2024. With a proposed final dividend of HK\$0.06 per share, and a paid interim dividend of HK\$0.02 per share, the total dividend per share for financial year 2025 will be HK\$0.08, an increase from HK\$0.075 in 2024.

The consolidated net asset value per share increased year-on-year to HK\$6.46 from HK\$6.04 in 2024.

## SINGAPORE

In Singapore, Total Industry Volume (TIV) expanded by 21% year-on-year in 2025, driven by a recovery in the supply of Certificates of Entitlement (COE). TIV for passenger cars grew by 22%, while commercial vehicles expanded by 15%.

### Nissan

Nissan recorded a 30% year-on-year decline in total sales, with contractions in both passenger and commercial vehicle segments, primarily due to an ageing model line-up. Despite this decline, Nissan successfully maintained its position among the top 10 selling car brands in both segments in Singapore, demonstrating sustained brand equity and market presence.

In 2025, Nissan aftersales operations, comprising workshop services and parts distribution, recorded a 15% increase in revenue and a 11% rise in profit before tax. This performance underscores strong loyalty and the resilience of the Group's recurring income streams, which provided a vital defensive buffer during the current product cycle transition.

TIV is expected to continue expanding in 2026 as COE supply increases. Nissan anticipates the release of new models in the second half of 2026 to refresh its product range and recapture market share.

While the Group is cautiously optimistic that Nissan sales will benefit from the anticipated TIV expansion and product refreshment, it remains mindful of intensifying competition from the continued entry of new brands into the Singapore market. The Group will continue to focus on operational efficiency and aftersales retention to navigate these competitive headwinds.

### Subaru

The Group's Subaru operations in Singapore achieved an impressive 68% growth over 2024, outperforming the rise in TIV for passenger cars. The market debut of the All-New Subaru Forester 2.5 Strong Hybrid in Q3 2025 was met with strong demand, driven by the Enhanced EyeSight 4.0 Driver Assist Technology and its class-leading fuel efficiency of over 1,000 km on a single tank. The Group remains positive about future growth in Singapore, bolstered by scheduled launches of the Subaru Solterra XT and e-Outback in 2026.

### ETHOZ Group

ETHOZ Group registered revenue growth of 2.2% in 2025, with net profit increasing 57%, primarily driven by a 23% reduction in finance costs compared to the prior year.

ETHOZ Group remains resilient amid ongoing macroeconomic volatility, maintaining stable and consistent growth underpinned by the strength of its core businesses.

ETHOZ Group remains confident in the long-term potential of its core businesses and regional markets. Following the incorporation of its Thailand subsidiary in September 2025, ETHOZ Group continues to pursue sustainable growth in Singapore and across the region while positioning itself to capitalise on emerging opportunities.



## GREATER CHINA

Hong Kong saw an exceptional response to the All-New Subaru Forester 2.5 Strong Hybrid in the second half of 2025, amassing over 80 bookings during the initial launch phase. While high booking volumes demonstrated strong market demand, fulfilment was constrained by supply limitations, leading to a 17% decrease in annual sales volume despite a 6% rise in TIV. Hong Kong was severely supply-constrained, with unfulfilled orders at 117% of available allocation by end-2025, underscoring that reported registrations materially understated underlying demand for the new Forester. The Group maintains a cautiously optimistic outlook for 2026, focusing on fulfilling existing demand while expanding the EV portfolio with the scheduled introduction of the Subaru Solterra XT and e-Outback.

Operations in mainland China faced a challenging environment in 2025 as the industry continued to contend with strong headwinds from excess inventory levels and heightened price competition. Consequently, the Group experienced a 48% decline in Subaru sales compared to 2024. In response, the strategic focus remains on enhancing operational efficiency, brand preservation, and maintaining high service standards rather than participating in margin-dilutive pricing competition, ensuring that China operations remain well-positioned for future market stabilisation.

## TAIWAN AND PHILIPPINES

Taiwan was adversely impacted by shifts in US tariffs, which contributed to a contraction in the Group's sales volume and TIV by 30% and 11% respectively in 2025 compared to the previous year. To counteract these macroeconomic challenges and regain momentum, the Group will strengthen its product line-up in 2026. This strategy centres on a revitalised EV line-up, featuring the launch of the Subaru Solterra XT in Q2 2026 and e-Outback in Q4 2026, alongside strategic initiatives to drive sales of the All-New Subaru Forester.

In the Philippines, the Group launched the All-New Subaru Forester 2.5 Strong Hybrid at the end of Q3 2025 to robust market reception. However, with total demand outpacing available supply by 82%, operations recorded a 56% year-on-year decrease in sales volume due to allocation constraints. The Group remains optimistic regarding 2026 prospects as inventory supply for the Forester recovers, supported by the introduction of the Subaru Crosstrek e-BOXER Hybrid in late Q2 2026.

## MALAYSIA, THAILAND, VIETNAM AND CAMBODIA

Across other ASEAN territories, the Group is executing a strategic shift by transitioning from Completely Knocked-Down (CKD) to Completely Built-Up (CBU) operations. This shift is designed to further elevate the Subaru brand into a premium positioning through a more diverse and high-specification product line-up.

In Malaysia, TIV remained stagnant compared to the previous year despite the introduction of multiple new brands. Subaru operations posted a 32% drop in sales volume amid these challenging conditions. Moving into 2026, the Group expects a breakthrough with an expanded CBU product line-up, targeting discerning consumers who prioritise Japanese-made technology, reliability, and safety.

In Thailand, where market share has shifted heavily towards hybrid and electric vehicles, Subaru operations recorded a 48% increase in sales volume against a 10% increase in TIV. Following the launch of the All-New Subaru Forester 2.5 in 2025, the Group has established a clear roadmap to further capture the hybrid vehicle market share through the launch of the Forester 2.5 Strong Hybrid in Q4 2026, supported by targeted marketing efforts to capitalise on evolving powertrain preferences.

In Vietnam, the market saw an influx of new brands in 2025, intensifying competition and driving a 20% increase in TIV year-on-year. While the Group's operations saw a 28% decline in sales volume amid these aggressive market conditions, the successful launch of the All-New Subaru Forester 2.5 has created strong momentum. Total demand outpaced available supply by 469%, a trajectory the Group intends to capitalise on with the introduction of the Forester 2.5 Strong Hybrid in Q4 2026 to meet evolving consumer preferences.

Cambodia experienced a surge in TIV in 2025, which nearly doubled year-on-year due to the entry of new brands and preferential tax support for US-made vehicles. The Group recorded an 11% year-on-year decrease in sales volume amid intensifying market competition. In 2026, the strategic focus will shift toward transitioning to a CBU business model and elevating the brand into a premium market position.

## JAPAN

ZERO Group, the Group's vehicle transportation and logistics division listed on the Standard Market of the Tokyo Stock Exchange, recorded revenue of HK\$7.5 billion in 2025, a 1.2% increase from 2024, reflecting favourable JPY to HKD currency movements during the year. Net profit similarly increased 1.7% year-on-year.

In JPY, ZERO Group's reporting currency, revenue was largely flat year-on-year, with softer performance in the second half moderating growth achieved in the first half. Net profit increased by 0.5% in JPY terms, supported by one-time compensation received for losses arising from the fire at the Kawasaki Integrated Logistics Centre, notwithstanding lower revenue in its automotive transportation business. ZERO Group continued to pursue cost reductions during the year, while navigating higher labour and vehicle maintenance costs alongside increased investment in digitalisation.

Looking ahead, ZERO Group will focus on reinforcing its vehicle transportation business through operational restructuring, gross profit-driven sales initiatives, and continued cost reduction. These efforts are aimed at sustaining profitability against anticipated headwinds including salary adjustments to address driver shortages, rising vehicle and maintenance costs, and ongoing investment in digital systems.

## HIRE PURCHASE AND FINANCING BUSINESS

The Group provides commercial loans and acts as lessor, under hire purchase contracts and finance lease.

### a. Hire purchase and finance lease

Hire purchase contracts and finance leases primarily relate to equipment financing across Singapore, China and Malaysia, reflecting the Group's core focus on asset-backed lending within these key markets.



As of 31 December 2025, net receivables from hire purchase and finance lease amounted to HK\$3.001 billion, representing 55% of total loans and advances, with 8%, 90% and 2% attributable to Singapore, China and Malaysia respectively, and accounted for by 8,716 customers. These customers comprise 97%, 2.5% and 0.5% of small and medium enterprises (“SMEs”), sole proprietors/limited partnerships and non-profit or statutory-related organisations respectively.

The ageing analysis of hire purchase and finance lease receivables is as follows: (i) balance with maturity of less than one year is HK\$1.299 billion; (ii) balance with maturity between one and five years is HK\$1.695 billion; and (iii) balance with maturity between five and seven years is HK\$7 million.

**b. Commercial loans**

Commercial loans, which are extended only to customers in Singapore, make up 45% of total loans and advances, with total net receivables amounting to HK\$2.496 billion as of 31 December 2025. Of the 482 customers, 63%, 36% and 1% are SMEs, accredited investors and non-profit or statutory-related organisations respectively.

The three main types of commercial loans, namely secured commercial loans, ESG loans under the Enterprise Financing Scheme granted by Enterprise Singapore (“ESG”), and unsecured loans, make up 96%, 2% and 2% of the total portfolio respectively.

The ageing analysis of commercial loan receivables is as follows: (i) balance with maturity of less than one year is HK\$1.726 billion; and (ii) balance with maturity between one and three years is HK\$0.77 billion.

**Major terms of loans granted**

For the financial year ended 31 December 2025, the hire purchase and lease period under the hire purchase and finance lease business ranges from one to eight years, with interest rates charged ranging from 2.5% p.a. to 16% p.a.

Commercial loans are offered over a tenure of one to three years, with interest rates ranging from 6% p.a. to 12% p.a.

**Risk management policies**

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

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

The Group is exposed to credit risks if any of the following occurs:

- a. Change of business model during the loan tenure;
- b. Sudden headwinds specific to the industry, such as a lack of supply of materials and labour during the COVID-19 pandemic for construction firms;
- c. Poor management of cash flow during a difficult and uncertain business climate;
- d. Aggressive expansion plans leading to financial instability; and
- e. Failure in a greenfield investment.

The main components of its credit risk framework include: (A) Credit Approval and (B) Credit Monitoring (Existing Live Contracts).

#### (A) Credit Approval

Prior to onboarding a new customer, the Group performs screening checks such as Know Your Client, Anti-Money Laundering and Countering the Financing of Terrorism, before a credit proposal is submitted to the Credit Risk department for review.

The credit approval team, which is based at the Group's headquarters in Singapore, adopts a holistic approach to assessing the credit risk of each loan.

It considers a combination of quantitative and qualitative factors as set out below. These factors are benchmarked against industry norms and reviewed by a competent team with over two decades of industry experience.

Quantitative Factors	Qualitative Factors
<ul style="list-style-type: none"> <li>Balance sheet evaluation</li> <li>Profit &amp; loss evaluation</li> <li>Financial ratios evaluation</li> <li>Cash conversion cycle evaluation</li> <li>Bank statement evaluation</li> <li>New and existing projects cash flow</li> <li>Loan-to-value of collateral</li> </ul>	<ul style="list-style-type: none"> <li>Business Model/modus operandi</li> <li>Management team/owners profile and risk appetite</li> <li>Track records based on operating history</li> <li>Market positioning of borrower</li> <li>Major customers and suppliers</li> <li>Industry or sector outlook</li> </ul>

For its commercial loans business in particular, the Group obtains credit enhancements in the form of corporate guarantees, personal guarantees, vendor buyback guarantees and/or property securities.

The Credit Risk Policy formalises limits for single obligor/group obligor exposure and for each industry, which are reviewed monthly.

#### (B) Credit Monitoring (Existing Live Contracts)

The Group reviews its portfolio on a regular basis to ensure that it is serviced promptly, with no deterioration in asset quality.

The Credit Control Department is responsible for the following:

- Daily: each Credit Control officer makes at least 55 calls, which are logged into the system and reviewed by the supervisor in charge.
- Daily review of Direct Debit Authorisation rejections, following which the Credit Control officer contacts the customer to arrange the next deduction.
- Monthly review of collection ratio reports and ageing meetings with senior management.
- Site visits where appropriate.
- Issuance of reminders, late payment interest letters and demand letters where required, including to repossess properties where applicable.

### Loan impairment policies and impairment assessments

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

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

- Significant financial difficulty of the borrower;
- A breach of contract, such as a default after credit terms are exceeded or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider; and
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off 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 write-off.

Amounts outstanding from loans and advances are assessed for impairment regularly by reviewing non-performing amounts. Non-performing customers are identified, discussed and followed up during the monthly ageing meetings. Management includes these non-performing amounts as part of the IFRS 9 provision requirements.

As at 31 December 2025, an impairment loss allowance of HK\$60.1 million (31 December 2024: HK\$47.6 million) has been made for loans and advances and finance leases. Bad debts written off were less than 0.3% for FY2025.

### PROSPECTS

The global operating environment remains highly uncertain. Escalating geopolitical tensions, including recent developments in the Middle East, risk broad disruption to international trade, energy markets, and consumer confidence across the Group's key markets.

Against this backdrop, the Group enters 2026 with tangible momentum, supported by a strong order backlog, expected allocation increases post-Q2 2026, and a pipeline of new model launches across key markets. A strengthened balance sheet and two consecutive years of overhead reduction further underpin its ability to navigate near-term headwinds.

The Group's decades of experience and disciplined approach to capital and risk management offer stability and a competitive advantage in volatile environments. Recognising the importance of staying the course through periods of uncertainty, the Group remains focused on preserving its financial health, sustaining operational momentum, and building long-term resilience across its businesses.

# 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 principles and code provisions of the Corporate Governance Code set out in part 2 of the Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) that form part of the disclosure requirements under the Listing Rules. Throughout the year under review, the Company has complied with most of the code provisions set out in the Corporate Governance Code. Where applicable various self-regulatory and monitoring measures were adopted for effective corporate governance practice.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix C3 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 2025. 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 six executive directors and five independent non-executive directors. As the independent non-executive directors made up at least one-third of the Board, the current Board size is considered appropriate with regard to nature and scope of the Group’s operations. The Board members bring with them a wealth of knowledge, expertise and experience to contribute valuable direction and insight to the Group. The relationships among the members of the Board are disclosed under Directors Profile on page 26.

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 namely Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong, Mdm. Sng Chiew Huat, Ms. Gillian Tan Tsui Lyn, Mr. Lee Chow Yoke, Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim, Mr. Teo Ek Kee and Mr. Charles Tseng Chia Chun, participated in continuous professional development through a directors’ training session and webinars covering topics such as climate-related disclosures under Environmental, Social and Governance (“ESG”), corporate governance, updates on business, regulatory and accounting matters and/or reading relevant materials, to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their records of training received during year 2025 which include webinars and/or reading materials relevant to the Company’s business or to the directors’ duties and responsibilities.

## BOARD INDEPENDENCE EVALUATION AND INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has established a Board Independence Evaluation Mechanism in 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard the interests of shareholders of the Company.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year 2025, the Board discussed and reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

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 is allowed under the Company’s Bye-laws. The Company held 4 Board meetings, 1 remuneration committee meeting, 1 nomination committee, 3 audit committee meetings and 1 annual general meeting during the year 2025. The Chairman has also met with the independent non-executive Directors without the presence of other Directors during the year 2025. The details of the attendance of each Board member at those meetings and meetings of the various Board committees are disclosed below:

	Board of Directors Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Audit Committee Meeting		Independent Non-Executive Directors Meeting		Annual General Meeting
	Position	No. attended/Entitled to attend	Position	No. attended/Entitled to attend	Position	No. attended/Entitled to attend	Position	No. attended/Entitled to attend	Position	No. attended/Entitled to attend	No. attended/Entitled to attend
<b>Executive Director</b>											
Mr. Tan Eng Soon <sup>1</sup>	C	4/4	-	-	M	1/1	-	-	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
Ms. Gillian Tan Tsui Lyn <sup>2</sup>	M	4/4	-	-	M	0/0	-	-	-	-	1/1
Mr. Lee Chow Yoke <sup>3</sup>	M	2/2	-	-	-	-	-	-	-	-	0/0
<b>Non-executive Director</b>											
Mr. Joseph Ong Yong Loke <sup>4</sup>	M	2/2	-	-	-	-	-	-	-	-	1/1
<b>Independent Non-executive Director</b>											
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	1/1	1/1
Mr. Prechaya Ebrahim	M	4/4	-	-	M	1/1	-	-	M	1/1	1/1
Mr. Teo Ek Kee	M	4/4	C	1/1	-	-	M	3/3	M	1/1	1/1
Mr. Charles Tseng Chia Chun	M	4/4	-	-	C	1/1	M	3/3	M	1/1	1/1

Denotes:

C-Chairman, M-Member

No. attended/Entitled to attend-Number of meetings attended/Entitled to attend during the financial year from 1 January 2025 to 31 December 2025.

<sup>1</sup> Mr. Tan Eng Soon ceased as a member of the nomination committee of the Company with effect from 2 April 2025.

<sup>2</sup> Ms. Gillian Tan Tsui Lyn was appointed as a member of the nomination committee of the Company with effect from 2 April 2025.

<sup>3</sup> Mr. Lee Chow Yoke was appointed as an executive Director with effect from 5 June 2025.

<sup>4</sup> Mr. Joseph Ong Yong Loke ceased as a non-executive Director with effect from 27 May 2025 following his retirement by rotation at the annual general meeting of the Company held on the same date.

## 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.

Mr. Lee Chow Yoke, being appointed as an executive Director with effect from 5 June 2025, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 27 May 2025, and confirmed he understood his obligations as a director of the Company.

## 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:

- to review and make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and determine the employment terms and remuneration packages of the executive directors and senior management staff;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to decide on annual incentives and bonuses to be paid to the said key executives in paragraph (b) in regard to the Group's performance and individual's contribution;
- to approve employment contracts and other related contracts entered into with key executives; and
- to determine the terms of any compensation package for early termination of the contract of key executives.

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

## NOMINATION COMMITTEE ("NC")

The NC currently comprises two independent non-executive directors and an executive director of the Company. Mr. Charles Tseng Chia Chun, an independent non-executive director is the chairman of NC. The other members are Mr. Prechaya Ebrahim, an independent non-executive director of the Company and Ms. Gillian Tan Tsui Lyn, an executive director of the Company, who was appointed with effect from 2 April 2025. Mr. Tan Eng Soon, the Chairman of the Board, ceased to be a member of the NC with effect from 2 April 2025.

The NC carried out its duties under the following terms of reference:

- a. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, assist the Board in maintaining a board skill matrix, and make recommendations on the proposed changes to the Board to complement the Company's corporate strategy;
- b. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- c. to assess the independence of independent non-executive directors;
- d. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive;
- e. to support the Company's regular evaluation of the Board's performance, establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board; and
- f. to review the Board Diversity Policy adopted by the Board on a regular basis, make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Its Board Diversity Policy provides that the NC is responsible for monitoring the implementation of the policy, reviewing it 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.

The Board has set a measurable objective for women to comprise at least 15% - 20% of the Board. As at the date of this report, women representation on the Board is 18%. The NC and the Board are of the view that the current composition of the Board meets the objectives set out in the Board Diversity Policy.

The NC will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness.

## GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management:

	Female	Male
Board (as at the date of this report)	18% (2)	82% (9)
As at 31 December 2025:		
Senior Management	50% (1)	50% (1)
Other employees	24% (1,096)	76% (3,516)
Overall workforce	24% (1,097)	76% (3,517)

The women representations on the Board and the Group's workforce are 18% and 24% respectively. The Board considers the current gender diversity of the Group is satisfactory.

## 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. Teo Ek Kee and Mr. Charles Tseng Chia Chun, all of whom are independent non-executive directors.

The members of the AC have years of experience in business management, accounting, and finance 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 2025 for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2024, (2) interim results and interim report for the six months ended 30 June 2025 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 2025, the AC carried out its functions under the following terms of reference:

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



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

## EXTERNAL AUDITORS AND AUDITORS REMUNERATION

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

The external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services and non-audit services for year 2025 is HK\$12,481,000 and HK\$863,000 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, protect its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure 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.

## SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

## 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.

## DIVIDEND POLICY

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THIS REPORT

### 1.1 About Our Business

This Environmental, Social and Governance (“ESG”) Report provides an overview of the sustainability-related governance, initiatives and performance of Tan Chong International Limited (“TCIL” or the “Company”) and its subsidiaries (collectively, the “Group”) during the period from 1 January 2025 to 31 December 2025 (the “Reporting Period”).

The Group is principally engaged in the distribution and retail of automotive brands in Singapore and selected regional markets, as well as vehicle logistics and transportation services in Japan. Its operations encompass sales, after-sales services, and logistics activities that support the mobility value chain across its markets of operation.

The Group maintains a presence across Asia with operations headquartered in Singapore and spanning Japan, Southeast Asia and Greater China through a combination of operating subsidiaries and investments. The scope and scale of activities in each market vary depending on the nature of the business and the Reporting Period.

### 1.2 Scope of This Report

This report sets out the Group’s ESG approach, policies and performance for the Reporting Period. The ESG report is published together with the Group’s Annual Report for the year ended 31 December 2025.

The scope of this report covers the Group’s principal operations during the Reporting Period, taking into account their relevance and materiality to ESG impacts. The report focuses on the Group’s motor vehicle distribution and retail operations in Singapore, vehicle logistics and transportation operations in Japan, and other ongoing regional business activities, as applicable. The scope reflects the nature and scale of operations during the Reporting Period and may evolve over time in accordance with business developments and materiality considerations.

The Group’s primary business operations, regional headquarters and automotive distribution control centre are based in Singapore. In Japan, the Group’s listed subsidiary, ZERO Co., Ltd. (“ZERO”), provides nationwide vehicle logistics services, including the transportation of new vehicles from Japanese automakers and used vehicles sourced from local auction platforms and dealers. ZERO also offers a range of vehicle-related services such as vehicle transfer, storage and yard management, supported by an extensive nationwide network and trailer fleet.

### Climate-Related Disclosure Scope and Compliance

Climate-related disclosures in this report are prepared in accordance with Part D of the ESG Reporting Code (“ESG Code”) under Appendix C2 to the Listing Rules, on a “comply or explain” basis.

The disclosures reflect the Group’s principal operations within the reporting scope during the Reporting Period and are aligned, where appropriate and practicable, with the principles of IFRS S2 – Climate-related Disclosures.

In light of the Group’s current business profile and data maturity, certain climate-related disclosures are presented on a progressive basis. The Group will continue to enhance the depth and quantification of climate-related disclosures over time as data availability, assessment methodologies and internal capabilities further develop.

### 1.3 Reporting Reference

This report has been prepared in accordance with the mandatory disclosure requirements and the “comply or explain” provisions set out in the ESG Code.

In addition, the Group has considered the enhanced climate-related disclosure requirements under the ESG Code and has prepared the relevant disclosures with reference to the principles of IFRS S2 – Climate-related Disclosures, where appropriate. Climate-related disclosures in this report focus on governance, strategy, risk management, and metrics and targets, taking into account the nature, scale and materiality of the Group’s operations during the Reporting Period.

The following principles have been adopted in the preparation of this report:

<b>Materiality</b>	Material environmental, social and climate-related issues were reviewed, identified and prioritised periodically with inputs from stakeholders and management, having regard to their relevance and potential impact on the Group’s business and operations. The material issues identified are disclosed in this ESG report.
<b>Quantitative</b>	The data and information disclosed in this report are derived from internal records and documentation. Quantitative indicators are disclosed where relevant and practicable, together with the applicable standards, methodologies, assumptions and conversion factors, where appropriate.
<b>Balance</b>	The report presents ESG and climate-related information in an objective manner, providing a balanced view of the Group’s performance, progress and challenges during the Reporting Period.
<b>Consistency</b>	The Group applies consistent measurement methodologies and reporting approaches to enable meaningful comparison of ESG and climate-related data over time, where feasible, taking into account changes in business scope and reporting requirements.

## 2. ESG GOVERNANCE

The Board of Directors of the Company (the “Board”) has overall responsibility for overseeing the Group’s ESG strategy, performance and disclosures. This includes oversight of material ESG-related matters and, where relevant, climate-related risks and opportunities that may affect the Group’s operations, resilience and long-term sustainability.

An ESG Committee working group has been established to support the Board in identifying, evaluating, prioritising and managing material ESG issues. The working group assists the Board by formulating the Group’s ESG approach and policies, monitoring the implementation of ESG initiatives, and reviewing progress against ESG-related objectives from time to time. Key ESG issues, progress updates and recommendations arising from these processes are reported to the Board for review and strategic guidance at least annually.

The ESG Committee working group comprises members of senior management and is supported at the operational level across the Group. It is responsible for developing and coordinating ESG-related initiatives and for establishing processes to identify, assess and manage ESG and climate-related risks in alignment with the Group's overall risk management framework.

The working group engages with internal and external stakeholders, including employees, customers, suppliers, dealers, local communities and relevant authorities, to understand their perspectives and expectations on sustainability-related matters. It also oversees the introduction, enhancement and ongoing review of ESG-related policies, procedures and guidelines to support consistent implementation across the Group.

### 3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In accordance with the ESG Code, the ESG Committee working group maintained ongoing engagement with internal departments and external stakeholders during the Reporting Period to identify environmental, social, governance and climate-related issues that are relevant and significant to the Group's business and operations. Key stakeholder groups engaged include employees, customers, suppliers, dealers, local communities and relevant authorities.

In conducting the materiality assessment, the ESG Committee working group reviewed the material ESG issues identified in previous reporting years and considered them alongside insights obtained through management discussions, stakeholder communications and internal assessments. Climate-related considerations were also taken into account where relevant, having regard to the nature, scale and operational footprint of the Group.

Based on this review, a prioritised list of ESG focus areas was developed and reviewed by the ESG Committee working group. The identified material ESG topics reflect those matters that are considered to have the most significant impact on the Group's operations and stakeholders during the Reporting Period and form the basis of the disclosures set out in this ESG report.

<b>Environmental</b>	<ol style="list-style-type: none"> <li>1. Climate Change</li> <li>2. Use of Resources</li> <li>3. Emissions</li> <li>4. Environmental Compliance</li> </ol>
<b>Social</b>	<ol style="list-style-type: none"> <li>1. Employment and Labour Standard</li> <li>2. Development and Training</li> <li>3. Occupational Health and Safety</li> <li>4. Operating Practices</li> <li>5. Anti-Corruption</li> <li>6. Community Investment</li> </ol>

## 4. CLIMATE RELATED DISCLOSURES

### Addressing Climate Change

TCIL remains committed to enhancing transparency and strengthening resilience in a rapidly evolving global sustainability landscape. Recognising the growing importance of climate considerations to long-term value creation, the Group continues to integrate climate-related insights into the strategic planning and risk management processes.

#### 4.1 Governance

The Group has established a governance structure that supports effective oversight of climate-related matters. The Board holds overall responsibility for monitoring climate-related risks

and opportunities that may influence the Group's strategy, operations and long-term resilience. Climate considerations form part of the Board's regular risk oversight, supported by periodic updates from management on emerging trends and regulatory developments.

To ensure that the Board maintains an appropriate level of knowledge and understanding to effectively discharge its climate-related oversight responsibilities, members of the Board received climate-related training during the Reporting Period.

During the Reporting Period, the Group engaged an independent third-party consultant to conduct a climate-related risks and opportunities assessment, including scenario analysis aligned with international methodologies. Management coordinated this assessment and evaluated the potential timing and impact of climate-related risks, contributing insights to the Board as part of the Group's enterprise risk management framework.

### 4.2 Strategy

#### 4.2.1 Climate Context & Relevance

Climate change, driven by global warming, manifests through increasing hot weather, changing rainfall patterns, rising sea levels, typhoons, and other extreme weather events. These changes pose significant risks and opportunities for businesses globally.

Aligning with IFRS S2 recommendations, TCIL developed structured climate risks and opportunities assessment methodology using selected climate scenarios. This assessment aims to:

- Identify potential financial and operational impacts of climate change
- Lay a foundation for adaptation and mitigation strategies for the Group

#### 4.2.2 Scenario Selection & Methodology

<b>Assessment Boundary</b>		
The Group		
<b>Applied Scenario</b>		
Physical Risks	Intergovernmental Panel on Climate Change ("IPCC") "Sixth Assessment Report" Shared Socioeconomic Pathways (SSPs)	SSP1-2.6 Scenario
		SSP5-8.5 Scenario
Transition Risk	The Network for Greening the Financial System (NGFS) long-term climate scenarios	Net Zero 2050
		Fragmented World
Reasons	<ul style="list-style-type: none"> <li>• Developed scenarios referred to IPCC (Physical Risk) and NGFS (Transition Risk);</li> <li>• The time horizon of the chosen data sources align with the time horizon of the Group's strategic planning, in accordance with "Paris Agreement";</li> <li>• Chosen scenario include low temperature rise (temperature rise within 2°C) and high temperature rise (temperature rise above 2°C) scenarios, revealing the key impact differences under different paths, helping the Group to identify different impacts of climate change on finance and operations.</li> </ul>	
<b>Time Horizon</b>		
Short-term	• 2025-2030	
Medium-term	• 2030-2050	
Long-term	• Beyond 2050	

Reasons	<ul style="list-style-type: none"> <li>For the purpose of climate-related risk and opportunity assessment, the Group has applied three time horizons, defined as short term (2025–2030), medium term (2030–2050) and long term (beyond 2050). These time horizons reflect the Group's operational and investment planning cycles as well as longer-term strategic considerations. In developing its climate-related scenario analysis, the Group references publicly available policy pathways and climate transition frameworks, including those relevant to Singapore and Japan, solely as contextual inputs to inform scenario assumptions.</li> </ul>
<b>Assessment Methodology</b>	
The management evaluated the earliest possible occurrence of climate-related risks under different climate scenarios and the impact of climate-related risks on the Group from the two dimensions: Impact level and Time horizon.	



### 4.2.3 Identified Climate-related Risks

Physical Risks	Related Assumption:	SSP1-2.6 Scenario (IPCC AR6)			SSP5-8.5 Scenario (IPCC AR6)		
		2025 – 2030	2030 – 2050	Beyond 2050	2025 – 2030	2030 – 2050	Beyond 2050
Acute Risk	We assess how climate change could impact where our assets are located and the potential risks of our asset value.	●	●	●	●	●	●
Chronic Risk		●	●	●	●	●	●

● Low Risk ● Medium Risk ● High Risk

Transition Risk	Related Assumption:	Net Zero 2050 (NGFS)			Fragmented World (NGFS)		
		2025 – 2030	2030 – 2050	Beyond 2050	2025 – 2030	2030 – 2050	Beyond 2050
Policy and Legal Risk	We expect that tightening climate-related policies and laws could lead to additional carbon taxes and compliance costs.	●	●	●	●	●	●
Technology Risk	We anticipate that rapid transition to electric vehicles (EVs) and the adoption of low-carbon technologies may involve significant upfront investment and technological risks.	●	●	●	●	●	●
Market Risk	We assess how our customer environmental requirements and market structural changes could affect costs.	●	●	●	●	●	●
Reputation Risk	We expect the negative reputation impacts to result in a continued reduction in business volume and revenue.	●	●	●	●	●	●

● Low Risk ● Medium Risk ● High Risk

### 4.2.4 Identified Climate-related Opportunities

Opportunity	Related Assumption	Expected Materialise Time		
		2025 – 2030	2030 – 2050	Beyond 2050
Low-Emission Products & Services	We assessed the timeline of materialising climate-related opportunities for the Group as they transition to net zero.	●		
Resource Efficiency			●	
Reputation & Market Leadership			●	
Access to Green Finance				●

● High probability of opportunity being materialised

### 4.2.5 Potential Financial Impact

Risk Type	Climate-related Risks	Effects on Business Model	Effects on Value Chain	Potential Financial Effect
<b>Climate-related Physical Risks</b>				
Acute Risk	Extreme Weather Event	<ul style="list-style-type: none"> <li>Damaging vehicle inventory</li> <li>Impacting warehouse infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Disrupting logistics operations</li> <li>Reducing logistics efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Potential costs related to repair or replacement</li> <li>Potential changes in insurance premiums</li> <li>Potential increase in energy and operational management costs</li> </ul>
Chronic Risk	Sea Level Rise			
	Temperature Rise			

Risk Type	Climate-related Risks	Effects on Business Model	Effects on Value Chain	Potential Financial Effect
<b>Climate-related Transition Risks</b>				
Policy and Legal Risk	Tightened Emissions Regulations	<ul style="list-style-type: none"> <li>Increased compliance costs</li> <li>Possible inventory adjustments for vehicles not aligned with evolving regulations</li> </ul>	<ul style="list-style-type: none"> <li>Phasing out internal combustion engine (ICE) vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Potential impacts on vehicle sales mix</li> <li>Higher operating costs</li> </ul>
Technology Risk	Low-carbon Technology Transition	<ul style="list-style-type: none"> <li>Ongoing transition toward electric vehicles (EVs) and other low-emission technologies</li> </ul>	<ul style="list-style-type: none"> <li>Investing in new vehicle models, EV servicing capabilities, and staff training</li> </ul>	<ul style="list-style-type: none"> <li>Capital expenditure requirements associated with technology transition</li> <li>Potential inventory adjustments as product offerings evolve</li> </ul>
Market Risk	Change of customer preferences	<ul style="list-style-type: none"> <li>Growing consumer and commercial demand for low-emission vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Reducing interest in traditional ICE offerings</li> </ul>	<ul style="list-style-type: none"> <li>Impacting revenue streams</li> <li>Possible changes in market share</li> <li>Potential effects on residual values of leased or unsold vehicles</li> </ul>
Reputation Risk	Rising sustainable expectations of stakeholders	<ul style="list-style-type: none"> <li>Placing greater emphasis on climate transparency and ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain adjustment</li> <li>Reducing demand for high emission good/service</li> </ul>	<ul style="list-style-type: none"> <li>Reputational damage</li> <li>Potential influence on investor sentiment</li> <li>Diminished brand value</li> </ul>

Opportunity Type	Climate-related Opportunity	Effects on Business Model	Effects on Value Chain	Potential Financial Effect
Products & Services	Low-Emission Products & Services	<ul style="list-style-type: none"> <li>Tapping into the growing demand for EVs, green mobility solutions, and sustainable logistics</li> </ul>	<ul style="list-style-type: none"> <li>Expanding green product and service offerings.</li> </ul>	<ul style="list-style-type: none"> <li>New revenue streams</li> <li>Increasing customer loyalty</li> </ul>
Resource Efficiency	Resource Efficiency	<ul style="list-style-type: none"> <li>Gradual electrification of vehicle fleets</li> <li>Reducing energy use</li> </ul>	<ul style="list-style-type: none"> <li>Improving logistics efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Potential reduction in operating costs over time</li> <li>Reducing exposure to future carbon pricing mechanisms and fuel-related volatility</li> </ul>
Market	Reputation & Market Leadership	<ul style="list-style-type: none"> <li>Proactive climate strategy</li> <li>Transparent ESG reporting</li> </ul>	<ul style="list-style-type: none"> <li>Improved engagement with ESG-focused investors and business partners</li> </ul>	<ul style="list-style-type: none"> <li>Increasing revenue due to enhanced reputation</li> <li>Providing a competitive advantage in bids and partnerships</li> </ul>
	Access to Green Finance	<ul style="list-style-type: none"> <li>Aligning with sustainability goals and setting credible climate targets</li> </ul>	<ul style="list-style-type: none"> <li>Eligibility for green bonds or sustainability-linked financing instruments</li> </ul>	<ul style="list-style-type: none"> <li>Potential reduction in financing costs</li> <li>Improving financing flexibility</li> </ul>

### 4.3 Risk Management

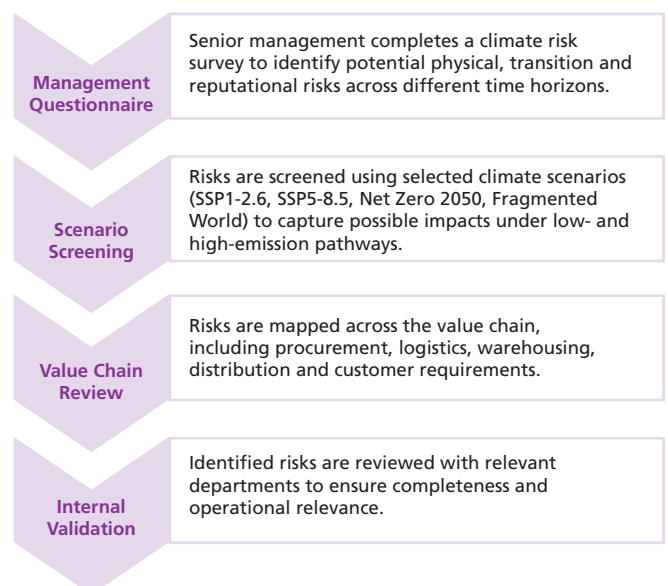
The Group recognises that climate change presents both transition and physical risks which could affect operations, supply chain, and long-term competitiveness. To address these risks, the Group has integrated climate considerations into its enterprise risk management framework. The Group's approach focuses on two key strategies:

**Risk Adaptation**  
Adjusting business operations, infrastructure, and strategies to withstand climate-related impacts.

**Risk Mitigation**  
Taking proactive measures to reduce or prevent the adverse impacts of identified risks.

#### 4.3.1 Risk Identification Process

The Group identifies climate-related risks through a structured process that aligns with its enterprise risk management framework. Key steps include:



### 4.3.2 Mitigation Measures

The Group has developed mitigation measures to address the material climate-related risks identified through the assessment. The following table outlines the key actions in place to strengthen operational resilience and support the Group's transition response.

Climate-related Physical Risks	Initiatives
Extreme Weather Event	<ul style="list-style-type: none"> <li>Conducting climate scenario analysis to identify climate-related risks and opportunities</li> <li>Establishing business continuity plans and emergency response training across operations.</li> </ul>
Sea Level Rise	
Temperature Rise	
Climate-related Transition Risks	Initiatives
Tightened Emissions Regulations	<ul style="list-style-type: none"> <li>Engaging external expertise on regulatory trends through training.</li> <li>Enhancing compliance system and internal reporting process to align with evolving regulations.</li> </ul>
Low-carbon Technology Transition	<ul style="list-style-type: none"> <li>Improving vehicle fuel efficiency and accelerating the adoption of alternate fuel solutions and EV trucks.</li> </ul>
Change of customer preferences	<ul style="list-style-type: none"> <li>Expanding product portfolio to include low-emission and environmentally friendly solutions.</li> </ul>
Rising sustainable expectations of stakeholders	<ul style="list-style-type: none"> <li>Embedding sustainability commitments into corporate strategy and brand positioning.</li> </ul>

### 4.4 Metrics and Targets

The Group adopts relevant metrics to monitor and manage climate-related risks and opportunities, having regard to the nature of its operations and business activities. These metrics are used to assess climate-related performance and to track progress towards the Group's climate-related objectives.

Detailed information on the Group's energy performance and greenhouse gas emissions, together with related management measures and targets, is disclosed in the sections "Environment – Use of Resources" and "Environment – Emissions."

## 5. ENVIRONMENT

The Group's operations focus on the sale, distribution and transportation of motor vehicles. While it does not engage in energy-intensive manufacturing, the Group integrates environmentally responsible practices, resource efficiency and greenhouse gas ("GHG") monitoring into its operations and risk management processes, and complies with applicable environmental laws and regulations.

In Singapore, electrified passenger vehicles have accounted for 100% of Nissan passenger vehicle sales since 2023, positioning Nissan ahead of the Government's 2030 target for cleaner-energy new passenger vehicles. Subaru continues to expand its hybrid and electric vehicle offerings in response to evolving market demand and regulatory developments across the region. In 2026, Subaru plans to introduce additional electrified and hybrid models across selected regional markets, further supporting the Group's transition towards lower-emission mobility solutions.

The Group's environmental performance and reporting approach are aligned with its current operational profile and transition strategy, as outlined below.

## 5.1 Reporting Boundary and Environmental Management Approach

During the Reporting Period, the Group reviewed its operational footprint and reporting scope to ensure alignment with its current business activities and material environmental aspects. Following changes in certain overseas assembly operations, related logistics activities — including packaging materials previously associated with Completely Knocked-Down ("CKD") shipments — were significantly reduced and assessed to be immaterial to the Group's overall environmental impact.

Accordingly, packaging material consumption is no longer presented as a separate quantitative disclosure in this report. The reporting boundary has been updated to reflect the Group's current operational structure. This change does not affect the comparability of other environmental performance data disclosed herein.

The Group continues to focus on key environmental aspects relevant to its present operations, including energy use, water consumption, waste management and emissions. Environmental performance is monitored periodically, and operational measures are implemented to improve efficiency while minimising environmental impact.

### 5.1.1 Energy

The Group's principal energy consumption arises from fuel used in vehicle logistics and transportation operations conducted by ZERO in Japan. As a major participant in Japan's vehicle transportation network, ZERO handles substantial volumes of vehicles annually, making fuel usage a key component of the Group's overall energy profile.

To improve energy efficiency and reduce GHG emissions, ZERO implements measures such as optimising fleet composition, promoting fuel-efficient driving practices and evaluating emerging technologies and alternative fuel solutions, where practicable. These include consideration of alternative fuels, such as electrofuels ("e-Fuel"), and the gradual introduction of electrified and automated vehicles, subject to operational feasibility.

These efforts support the Group's objective of managing energy use and emissions in line with the scale and nature of its logistics operations.

Table 1. Energy Consumption

The energy conversion factors applied in Table 1 are sourced from the U.S. Energy Information Administration ("EIA"), as follows: (a) 1 litre of gasoline is equivalent to 9.5 kWh; (b) 1 litre of light diesel oil is equivalent to 0.264172 gallon; and (c) 1 gallon of diesel oil is equivalent to 40.7 kWh.

Energy consumption	Unit	2024	2025	(Equivalent in kWh'000)	
				2024	2025
Total Energy consumption	kWh			270,410	265,978
– Electricity	kWh	20,445,280	14,991,704	20,445	14,992
– Light Diesel Oil	Litre	22,589,548	22,735,569	242,878	244,448
– Gasoline	Litre	745,975	688,158	7,087	6,538
Energy intensity	kWh / m <sup>2</sup>	572.76	563.37		

\*The Group has established internal initiatives aimed at improving energy efficiency over time, using 2021 as a reference baseline. Variations in energy consumption may occur from year to year due to changes in operational scale, activity levels and external factors. During the Reporting Period, total energy consumption increased by 0.69% compared with 2021, primarily reflecting operational requirements.

\*\*Energy consumption during the Reporting Period may fluctuate due to operational and external factors. Changes in operational activities during the Reporting Period contributed to decreased electricity usage in certain locations.

\*\*\*Gasoline is primarily used for company vehicles. Measures such as optimising fleet size, reducing non-essential travel and encouraging more efficient vehicle usage contributed to a reduction in gasoline consumption compared to the previous period.

### 5.1.2 Water

The Group’s water needs are met by local water authorities, with no material supply or quality disruptions during the Reporting Period.

Recognising the importance of responsible water management, the Group promotes efficient water use through operational guidelines tailored to its activities and local conditions. Water consumption is periodically reviewed, and improvements such as water-efficient processes and recycling or reuse practices are implemented where feasible.

Employee awareness of responsible water use is also encouraged through internal communication and training, supporting the Group’s broader objective of enhancing resource efficiency while minimising environmental impact.

Table 2. Water consumption

Water consumption	Unit	2024	2025
Total water consumption	M <sup>3</sup>	88,787	70,567
Water intensity	M <sup>3</sup> / m <sup>2</sup>	0.19	0.15

\*The Group monitors water usage against a 2021 baseline and aims to reduce water use by 8% by 2030 as part of its resource efficiency review. Variations in water consumption may occur due to changes in operational scale and business activities. During the Reporting Period, total water consumption decreased by 37.46% compared with the baseline year, primarily reflecting changes in the Group’s operational profile compared with the earlier baseline year, including the absence of production-related activities in earlier period, as well as the implementation of targeted water management measures.

### 5.1.3 Packaging Material

Packaging material data disclosed in the 2024 ESG report related primarily to CKD logistics activities. Following changes in the Group’s overseas assembly operations during the Reporting Period, packaging material usage became minimal and was assessed to be immaterial. Accordingly, quantitative disclosure is no longer presented separately in this report.

## 5.2 Emissions

Transportation and logistics activities are the Group’s principal source of emissions. The Group seeks to minimise its environmental footprint through practical and operationally appropriate measures.

Initiatives to improve fuel efficiency and manage emissions include optimising fleet composition, promoting fuel-efficient driving practices, and using digital tools to enhance transportation efficiency and loading rates. The Group also evaluates newer equipment and technologies, including electrified and automated vehicles and electric trucks, where feasible.

As emissions may vary with fleet size and transportation volumes, the Group focuses on improving operational efficiency and managing emissions intensity in line with the scale and nature of its business, rather than absolute emissions levels.

### 5.2.1 Waste Management

Waste management covers the collection, handling and disposal of waste generated from the Group’s operations, in compliance with applicable local laws and regulations.

Business unit heads (“BUH”) oversee implementation of established procedures, including waste classification, appropriate disposal methods and engagement of licensed service providers where required.

Where practicable, the Group promotes waste reduction, recycling and reuse initiatives, taking into account operational needs and local conditions to minimise environmental impact.

#### 5.2.1.1 Hazardous Waste

Hazardous waste generated from the Group’s operations includes used batteries, tyres, waste oils and lubricants, as well as paints, sealants and solvents. Such waste is managed in accordance with applicable laws, with emphasis on safe handling, storage and disposal.

Procedures are in place to ensure proper identification, classification and storage in designated areas, with appropriate containment measures to minimise leakage or contamination. Standard operating procedures are communicated to relevant personnel to support safe practices.



Disposal is conducted through licensed and authorised waste management service providers in compliance with regulatory requirements.

**Table 3. Hazardous waste disposal**

Hazardous waste disposal	Unit	2024	2025
Liquid hazardous waste	Litre	243,564	167,958
Solid hazardous waste	Kg	213,654	240,555

\*The Group continues to review and refine its hazardous waste management and measurement practices to ensure that waste arising from ongoing operations is appropriately monitored and managed. Variations between reporting period may reflect changes in operational activity levels and business composition.

### 5.2.1.2 Non-Hazardous Waste

Non-hazardous waste refers to materials generated from the Group's business activities that do not pose risks to human health or the environment. These include cardboard, paper products, confidential documents, mixed and shredded paper, and general office or operational waste.

Such waste is managed in compliance with applicable local laws and regulations. BUH oversee handling arrangements and engage licensed service providers for appropriate collection, recycling or disposal. Where practicable, waste reduction and recycling measures are encouraged in day-to-day operations.

**Table 4. Non-hazardous waste disposal**

Non-hazardous waste disposal	Unit	2024	2025
Non-hazardous waste	Tonnes	1,264	11

\*The Group monitors non-hazardous waste generation against a 2021 baseline as part of its ongoing review of waste management practices. Variations in volumes may result from changes in operations and business scope. During the Reporting Period, total non-hazardous waste disposal significantly decreased by 99.25% compared with the baseline year, primarily reflecting changes in the Group's operational profile compared with the earlier baseline year, including the absence of production-related activities in earlier period.

### 5.2.1.3 Wastewater Management

The Group manages wastewater in accordance with applicable environmental laws, with measures in place to control and treat discharge to minimise environmental impact.

In workshops, oil interceptors capture contaminants from vehicle washing and maintenance activities. Where required, wastewater treatment facilities are used prior to discharge, and sludge is disposed of through licensed service providers in compliance with regulations.

Treatment systems are maintained and appropriate cleaning practices applied to support regulatory compliance and responsible wastewater management.

### 5.2.1.4 Air Emission

The Group's operations focus on vehicle sales, distribution and logistics and do not involve energy-intensive manufacturing. Accordingly, air emissions are limited compared with heavy industrial activities.

Operational measures, including regular vehicle maintenance and efficient operating practices, are applied to manage emissions and noise where relevant. Based on the Group's materiality assessment during the Reporting Period, air emissions were not considered a material ESG issue and no specific air emission data is disclosed in this report.

### 5.2.1.5 Greenhouse Gas ("GHG") Emissions

The Group's GHG emissions primarily arise from fuel consumption and purchased electricity used in its operations, which are monitored as part of its energy and emissions management practices.

To improve efficiency and manage emissions, the Group optimises transportation operations through digital tools, enhances vehicle loading efficiency and evaluates alternative technologies and fuels where appropriate. Lower-emission vehicles and equipment are considered, subject to operational feasibility.

These measures support emissions management in line with the nature and scale of the Group's business.

**Table 5. GHG emissions**

Emission factors in Table 5 are based on U.S. Energy Information Administration (EIA) CO<sub>2</sub> coefficients on an energy content basis, converted to per-unit outputs using standard fuel densities and energy content. EIA emission factors are updated periodically and may vary over time; the factors applied are consistent with commonly accepted conversion methodologies for fuel combustion and electricity consumption. Quantitative assumptions and conversion methods are documented in the Group's internal emissions calculation basis.

GHG emissions	Unit	2024	2025
Total GHG emissions	Tonnes CO <sub>2</sub> e	64,358	62,279
Scope 1 Direct emissions	Tonnes CO <sub>2</sub> e	60,254	60,254
Scope 2 Indirect emissions	Tonnes CO <sub>2</sub> e	4,104	2,025
GHG emission intensity	Tonnes CO <sub>2</sub> e / m <sup>2</sup>	0.13	0.13

\*The Group monitors GHG emissions with reference to a 2021 baseline as part of its ongoing emissions management and reporting practices. During the Reporting Period, total GHG emissions were lower compared with the baseline year, reflecting changes in operational activities and efficiency measures implemented during that period.

\*\*Scope 1 emissions are calculated annually based on actual fuel consumption data and applicable emission factors. Although fuel mix and operational activity levels varied between the two years, the resulting aggregated emissions were identical following independent year-end calculations.

\*\*\*Scope 2 emissions refer to indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling consumed by the Group.

## 5.3 Environment Compliance

To the best of the Group's knowledge, there were no material instances of non-compliance with applicable environmental laws and regulations across the Group's operations during the Reporting Period.



## 6. SOCIAL

### 6.1 Employment and Labour Standard

The Group is committed to fair, inclusive and respectful employment practices across its operations. Recruitment, training, career development, compensation, promotion and termination are conducted in accordance with applicable local laws and without discrimination on any legally protected grounds.

Employees receive statutory benefits and leave in line with local regulations. The Group maintains policies and measures to support workplace safety, employee well-being and compliance with employment requirements.

The Group respects internationally recognised human rights and does not tolerate child labour or forced labour. Recruitment procedures include age verification, and any suspected non-compliance is addressed in accordance with internal procedures. To the best of the Group's knowledge, there were no material instances of non-compliance with employment or labour laws during the Reporting Period.

Table 6. Employee Statistics

Employee figures by categories	Number of employees as of 31 Dec 2024	Number of employees as of 31 Dec 2025	Turnover rate in 2024	Turnover rate in 2025	
Total employee	9,817	9,721	21.6%	17.4%	
By gender	- Male	8,427	8,364	20.6%	16.7%
	- Female	1,390	1,357	27.7%	21.8%
By employment type	- Full time	3,788	3,651	24.2%	17.1%
	- Part time	6,029	6,070	19.9%	17.6%
By age group	- Under 30	596	532	51.9%	35.2%
	- 30 - 50	2,298	2,235	28.6%	18.6%
	- Over 50	6,923	6,954	16.4%	15.6%
By geographical region	- Singapore	897	805	28.2%	25.8%
	- Thailand	287	187	88.5%	48.9%
	- Japan	8,633	8,729	17.3%	15.8%

\*Part-time employees are primarily engaged as dispatched workers supporting the Group's transportation and logistics operations. Thailand observed higher turnover rate due to production-related adjustment.

### 6.2 Development and Training

The Group supports employee development to enhance professional, technical and managerial capabilities relevant to its business needs. Training is provided through internal and external programmes, covering technical and other relevant competencies.

Employees may also attend external courses or professional programmes, subject to operational requirements. The Group promotes continuous learning to support effective performance and evolving business needs.

Table 7. Employee training statistics

Employee training	Percentage of staff who received training in 2024	Percentage of staff who received training in 2025	Average training hours completed per employee 2024	Average training hours completed per employee 2025	
By gender	- Male	30%	32%	8.00	7.11
	- Female	27%	26%	4.04	4.90
By employment category	- Management	38%	58%	2.95	4.18
	- Non-management	29%	28%	7.97	7.11

\*In 2025, there is increased emphasis on Management training to enable Management staff to acquire technical and managerial skills relevant to the Group's business needs.

### 6.3 Occupational Health and Safety

The Group is committed to providing a safe and healthy working environment and managing occupational health and safety risks in accordance with applicable laws and regulations.

Established policies, procedures and operational controls are in place to identify and manage workplace risks. These include safety guidance, training, inspections and incident reporting mechanisms to support safe work practices and regulatory compliance.

The Group continues to promote workplace safety awareness across its operations. To the best of the Group's knowledge, there were no material instances of non-compliance with occupational health and safety laws and regulations during the Reporting Period.

Table 8. Occupational health and safety statistics

Occupational health and safety	Unit	2024	2025
Number of work-related fatalities	Number	0	1
Fatality rate	%	0%	0.01%
Number of lost days due to work injuries	Days	497	1,106

\*There were no work-related fatalities recorded in 2023.

\*\* In 2025, it may seem there is an increase in work injuries by 122.5% as compared to the previous year. In 2025, the total number of lost days due to work injuries was 1,106, while the Group's headcount comprised 9,721 employees. This translates to an average of approximately 0.113 lost days per employee.

\*\*\* The Group remains committed to continuously improving its occupational health and safety measures to prevent and minimise the occurrence(s) of workplace accidents.

\*\*\*\* In 2025, there was a work-related fatality. The Group will review and strengthen safety protocols to prevent recurrence.

### 6.4 Operating Practices

#### 6.4.1 Supply Chain Management

The Group's operations do not involve the procurement of raw materials. The Group's suppliers primarily provide post-manufacturing and support services in connection with vehicle distribution and transportation activities.

Supply chain management ("SCM") practices are designed to support operational efficiency and compliance with contractual and regulatory requirements. Controls and record-keeping processes are in place to monitor supplier engagements and to ensure that suppliers perform in accordance with agreed contractual terms. BUH maintain regular communication with suppliers to facilitate effective information flow and to support day-to-day operational coordination.

The Group seeks to conduct procurement and supplier engagements in a fair and transparent manner. Where relevant, suppliers are encouraged to comply with applicable laws and regulations relating to their operations. These practices support the maintenance of stable and long-term supplier relationships.

ESG risks within the supply chain are monitored through established operational controls.

Table 9. Number of suppliers by geographical region

Geographical region	Unit	2024	2025
Singapore	Number	322	279
Thailand	Number	474	201
Japan	Number	234	234

\*The reduction in the number of suppliers in Thailand during the Reporting Period reflects changes in the Group's operational profile and the rationalisation of production-related supplier engagements.

## 6.4.2 Product Responsibility

The Group seeks to deliver products and services that meet applicable quality and safety standards and conducts its business responsibly. Customer feedback is managed through established communication channels with manufacturers, dealers and service partners.

Processes are in place to address product-related matters, including technical issues and manufacturer-led recalls, in accordance with applicable guidelines. In Japan, ZERO's vehicle logistics operations maintain recognised service and safety standards, with certain centres holding the "G-Mark" certification from the Japan Truck Association.

Manufacturing-related certifications from historical activities are reviewed periodically for relevance. Advertising and labelling were not considered material to the Group's operations during the Reporting Period.

### 6.4.2.1 Service-Related Complaints

The Group maintains procedures for handling customer feedback and complaints in accordance with established policies, overseen by relevant customer service teams.

Complaints are reviewed and addressed through appropriate internal processes, with escalation mechanisms available where necessary. The Customer Relations function coordinates with relevant departments to manage service-related matters in line with applicable policies and manufacturer guidance.

During the Reporting Period, service-related complaints were not material and were handled in accordance with established procedures.

Table 10. Number and percentage of products and service-related complaints received

	Unit	Number of vehicles transported/ Product sold/ Services rendered		Number of complaints received		% of complaints received	
		2024	2025	2024	2025	2024	2025
Singapore	Number	14,971	14,435	51	67	0.341%	0.464%
Thailand	Number	41,112	28,817	80	66	0.195%	0.229%
Japan	Number	3,730,122	3,817,254	3,228	2,195	0.087%	0.058%

\*For ZERO, improved resolution efficiency and heightened urgency in addressing customer feedback have led to reduction in the number of complaints received in Japan.

### 6.4.2.2 Personal Data

The Group manages personal data in accordance with applicable data protection laws and regulations in the jurisdictions where it operates.

In Singapore, data protection is overseen by a designated Data Protection Officer supported by a Data Protection Committee. In Japan, oversight of information security is assigned to a responsible corporate officer in line with local requirements.

Data protection practices are implemented across the Group's operations. To the best of the Group's knowledge, there were no material instances of non-compliance with applicable data protection laws and regulations during the Reporting Period.

### 6.4.2.3 Intellectual Property Rights Management

The Group manages and protects its intellectual property in accordance with applicable laws and regulatory requirements. Intellectual property matters, including trademarks and related rights, are overseen with the support of external legal advisers where appropriate.

Specialist legal professionals assist the Group in monitoring relevant intellectual property developments, managing trademark registrations and renewals, and providing guidance on measures to safeguard the Group's intellectual property assets. These arrangements support the orderly administration of the Group's intellectual property portfolio and compliance with applicable legal requirements.

### 6.4.2.4 Product Recall Practice

When a product recall notification is issued by a manufacturer, the relevant business units follow established internal procedures in accordance with the manufacturer's prescribed guidelines. Recall actions are coordinated to support the timely communication and implementation of necessary measures.

Safety-related vehicle recalls are handled in compliance with applicable regulatory requirements, including notification to the relevant local authorities where required.

Table 11. Product recalls in 2025 due to safety and/or health reasons

Recall Period	Reason for Recall	Countermeasure	No. of Affected Vehicles	Number of Total Product Sold or Shipped	% of Affected Vehicles
Nov-25	Fuel pipe defect	Inspect/install fuel line and hoses	SG (1,216)	58,785	2.07%
Mar-25	Lithium-ion Battery Controller (LBC) software error	Reprogramming of Lithium-ion battery controller	SG (164)	58,785	0.28%

\*To the best of the Group's knowledge, no incidents of non-compliance with laws and regulations related to product responsibility were reported during the Reporting Period.

## 6.5 Anti-Corruption and Internal Control Systems

The Group has established an Anti-Corruption Policy, approved by the Board, which sets out the Group's approach to preventing and managing fraud, bribery and corrupt practices. The Policy reflects the Group's commitment to conducting business with integrity, honesty, fairness and transparency, and is subject to periodic review to ensure its continued relevance and effectiveness.

The Anti-Corruption Policy applies to all directors, officers and employees of the Company and its wholly owned subsidiaries. It provides guidance on standards of conduct, including the acceptance of advantages and the management of conflicts of interest in the course of business activities. The Group also communicates its expectations on ethical conduct to its business partners, including suppliers, contractors and clients, where appropriate.

Employees are required to comply with applicable local laws and regulations in the jurisdictions in which the Group operates, as well as with relevant laws and regulations in other jurisdictions when conducting cross-border business activities. Any breach of the Anti-Corruption Policy or applicable laws may result in disciplinary action in accordance with internal procedures and, where relevant, referral to the appropriate authorities.

During the Reporting Period, the Group continued to emphasise the importance of ethical conduct and compliance awareness across its operations. The Group recognises the relevance of anti-corruption training in reinforcing ethical standards and regulatory compliance and intends to organise appropriate training and awareness initiatives for directors and employees from time to time, having regard to operational needs and regulatory developments.

The Group maintains a Whistleblowing Policy that provides reporting channels for employees to raise concerns regarding actual or suspected misconduct, including potential breaches of anti-corruption requirements. Reports are handled in accordance with established procedures to facilitate appropriate review and follow-up.



**Table 12. Anti-corruption**

	2024	2025
Convicted cases of corruption reported to the ESG Committee working group (cases)	0	0

The Group seeks to handle whistleblowing reports in a confidential manner and to protect individuals who raise concerns in good faith from retaliation, in accordance with applicable policies and procedures.

The Group's Code of Conduct sets out expected standards of behaviour and ethical practices applicable to employees across the Group. It serves as a key element of the Group's internal control framework by promoting integrity, supporting compliance with applicable laws and regulations, and facilitating the early identification and resolution of potential breaches through reporting and consultation mechanisms.

**Table 13. Code of Conduct**

	2024	2025
Breaches of the Code of Conduct reported to the ESG Committee working group (cases)	0	0

To the best of the Group's knowledge, no legal cases related to corrupt practices were reported against the Group or its employees during the Reporting Period.

## 6.6 Community

During the Reporting Period, the Group supported community initiatives in markets where it operates. In Japan, ZERO participated in neighbourhood clean-up and environmental conservation activities. In Singapore, employees volunteered with community partners including TOUCH Community Services. These initiatives reflect the Group's commitment to responsible corporate citizenship.

With respect to resources contributed, the Group supports community engagement activities mainly through employee participation and organizational support. As employee involvement is voluntary and activities are organized in a decentralized manner, consolidated quantitative data on time or monetary contributions are not currently available. The Group will review its data collection practices to enhance related disclosures over time.

These activities provided opportunities for employees to engage with the community while promoting kindness and social awareness.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### CHAIRMAN

Mr. Tan Eng Soon

### DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Mr. Glenn Tan Chun Hong

### DEPUTY CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Charles Tseng Chia Chun

## EXECUTIVE DIRECTORS

Mr. Tan Kheng Leong

Ms. Gillian Tan Tsui Lyn<sup>@</sup>

Mr. Lee Chow Yoke

## EXECUTIVE DIRECTOR - FINANCE

Mdm. Sng Chiew Huat

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Kim Tuck<sup>\*</sup>

Mr. Azman Bin Badrillah<sup>#</sup>

Mr. Prechaya Ebrahim<sup>@</sup>

Mr. Teo Ek Kee<sup>\*#</sup>

Mr. Charles Tseng Chia Chun<sup>\*@</sup>

<sup>\*</sup> Audit Committee Members

<sup>#</sup> Remuneration Committee Members

<sup>@</sup> Nomination Committee Members



## **JOINT SECRETARIES**

Ms. Teo Siok Ghee  
Ms. Liew Daphnie Pingyen

## **AUDITORS**

KPMG

*Certified Public Accountants*

Public Interest Entity Auditor

registered in accordance with the  
Financial Reporting Council Ordinance  
8/F, Prince's Building 10 Chater Road  
Central, Hong Kong

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street,  
Hamilton HM 11, Bermuda

## **PRINCIPAL PLACES OF BUSINESS**

### **HONG KONG**

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Shui On Centre,  
6-8 Harbour Road, Wanchai Hong Kong

### **SINGAPORE**

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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**

Conyers Corporate Services (Bermuda) Limited  
Clarendon House, 2 Church Street,  
Hamilton HM11, Bermuda

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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Shops 1712-1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

## **STOCK CODE**

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# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## CHAIRMAN

### Mr. Tan Eng Soon

Aged 77, is the Chairman of the Company and a director of certain subsidiaries of the Group. He is also a director of ZERO Company Limited, a subsidiary of the Group which is listed 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 and Ms. Gillian Tan Tsui Lyn, both executive Directors, and the cousin of Mr. Tan Kheng Leong, an executive Director of the Company.

## DEPUTY CHAIRMAN AND MANAGING DIRECTOR

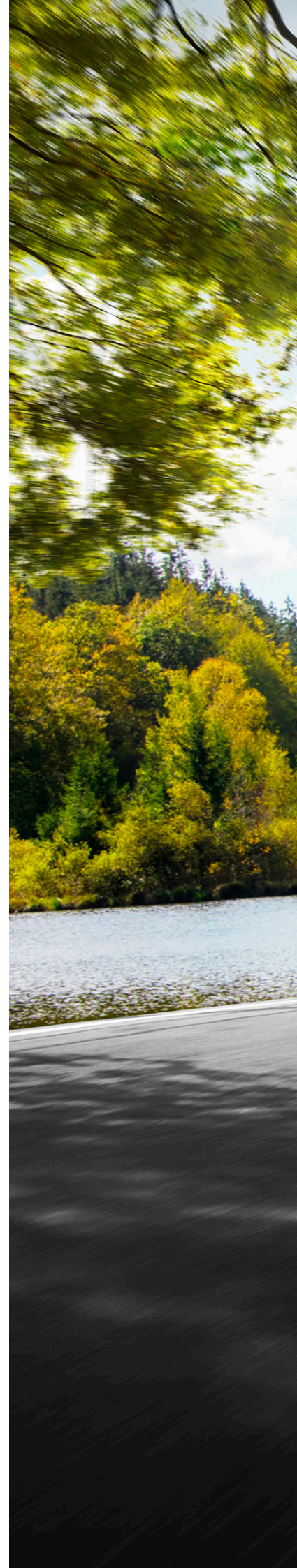
### Mr. Glenn Tan Chun Hong

Aged 48, is the Deputy Chairman and Managing Director of the Company. He joined the Group in September 2001. He was a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange, until 26 September 2025. 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, the brother of Ms. Gillian Tan Tsui Lyn, an executive Director, and the nephew of Mr. Tan Kheng Leong, an executive Director of the Company.

## DEPUTY CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

### Mr. Charles Tseng Chia Chun

Aged 74, was appointed as an Independent Non-executive Director of the Company on 10 January 2022. Mr. Tseng currently serves as the Deputy Chairman, the Chairman of the Nomination Committee, and a member of the Audit Committee of the Company. Mr. Tseng is the chairman of Qra Sdn. Bhd., an omnichannel grocery business in Malaysia. Mr. Tseng was formerly chairman of Asia Pacific for Korn Ferry International, the global organisational consultancy. He joined Korn Ferry in 2000 as President of Asia Pacific and was later appointed as the chairman of Asia Pacific in 2018 until his retirement in November 2020. Prior to joining Korn Ferry in 2000, Mr. Tseng was Managing Partner, East Asia for Egon Zehnder, a global search firm. Before that, Mr. Tseng was Group General Manager of Cold Storage in Malaysia, a leading food and retail company in Southeast Asia. Mr. Tseng began his career with Ford Motor Company as a manufacturing engineer in Australia and subsequently held other manufacturing and marketing positions with Ford in Asia. Mr. Tseng was an independent non-executive director of AEON Co. (M) Berhad (“AEON”), a public company incorporated in Malaysia and listed on Bursa Malaysia, from 2013 until June 2020. He also served as the chairman of nomination committee and a member of audit committee of AEON. Mr. Tseng has served on the China Advisory Boards of Eli Lilly (a pharmaceutical company) and Faurecia (a global automotive parts manufacturer) and was chairman of the Wharton Asia Executive Board. Mr. Tseng has an M.B.A from The Wharton School, University of Pennsylvania, U.S.A., and a first-class honors’ degree in engineering from the University of Melbourne in Australia.





## EXECUTIVE DIRECTORS

### Mr. Tan Kheng Leong (Tan Hoy Shoi)

Aged 83, 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. He is the cousin of Mr. Tan Eng Soon, the Chairman and executive Director and the uncle of Mr. Glenn Tan Chun Hong and Ms. Gillian Tan Tsui Lyn, executive Directors of the Company.

### Mdm. Sng Chiew Huat

Aged 78, 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 Life Member of the Institute of Singapore Chartered Accountants and a Fellow of CPA Australia (FCPA).

### Ms. Gillian Tan Tsui Lyn

Aged 46, was appointed as a Non-executive Director of the Company in February 2023 and was re-designated as an executive Director of the Company in April 2024. She is a member of the Nomination Committee of the Company and also serves as a director of certain subsidiaries of the Group. Ms. Gillian Tan leads the Group's Corporate Affairs Department, where she is responsible for cultivating stakeholder relationships, supervising and directing corporate communications and media relations. She has been a director of ZERO Company Limited, a subsidiary of the Group which is listed on the Tokyo Stock Exchange, since 26 September 2025. Ms. Gillian Tan is the Founder-Director of television production company, Munkysuperstar Pictures Pte Ltd and online television channel Clicknetwork in Singapore and has over 20 years of experience in spanning broadcast television, online video and advertising.

Ms. Gillian Tan began her career in San Francisco in 2000, working for global advertising agency TBWA Worldwide and the US Federal Reserve. Ms. Gillian Tan graduated with honors from Santa Clara University, U.S.A. with Bachelor of Arts in Communication in 2000. She is the daughter of Mr. Tan Eng Soon, the Chairman and executive Director, the sister of Mr. Glenn Tan Chun Hong, the Deputy Chairman and the Managing Director and the niece of Mr. Tan Kheng Leong, an executive Director.

### Mr. Lee Chow Yoke

Aged 60, was appointed as an Executive Director of the Company in June 2025. He is currently Head of the Property Development and Seat Manufacturing division of the Group and a director of several subsidiaries of the Company. He joined the Group in 1997 and has since played a pivotal role in developing numerous automotive retail, service, and parts storage facilities across Singapore, Malaysia, Thailand, Vietnam, Philippines, Taiwan, China, and Indonesia. Mr. Lee also oversaw the development of the Group's car assembly plant in Thailand, and seat manufacturing plant in China. Additionally, he oversees the management of Wilby Residences, which comprises two locations in Singapore totalling 400 units of apartments for lease. He began his career at Ove Arup & Partners Singapore from 1991 to 1997, contributing to the design and construction of prominent developments including UOB Plaza 1 & 2. He also served as Resident Engineer overseeing the development of Wilby Residences in Bukit Timah. Mr. Lee graduated with honours from the University of Sheffield, U.K. with a Bachelor of Engineering in Civil and Structural Engineering in 1991.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Ng Kim Tuck

Aged 71, 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. He currently serves as the Chairman of the Audit Committee of the Company. Mr. Ng 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. He also serves on various committees and working groups of the MICPA. Mr. Ng 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. After his retirement from KPMG Malaysia, Mr. Ng serves as the Senior Audit Advisor to BDO Malaysia until his retirement in April 2023.

### Mr. Azman Bin Badrillah

Aged 78, 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 currently serves as a member of the Remuneration Committee of the Company. He graduated from the University of Malaya in 1970 with a Bachelor of Economics degree. He joined Bank of America ("BOA") in Malaysia in 1971. In 1974, he was assigned to BOA's Asia Division and underwent training at its World Banking Division in San Francisco, USA. Upon his return to Malaysia in 1975, he worked at the BOA's Credit Department for another 3 years before relocation to its South & East Asia Division, Area Credit Administration, Hong Kong. In 1981, he returned back to Malaysia to take up position at BOA in Kuala Lumpur. His last position with



BOA was the officer responsible for its Marketing & Strategic Planning Department. He resigned from BOA in 1982. Mr. Azman joined TCMH group in 1983 as an executive director of its auto parts industry division. He was responsible for the overall performance of one of its key product groups. In April 1994, he was appointed as a director to the board of directors of TCMH. He resigned as a director of TCMH in July 2010. He was a director of APM since its listing in 1999. He resigned as a director of APM on 1 June 2013.

### Mr. Prechaya Ebrahim

Aged 64, was appointed as an Independent Non-executive Director of the Company on 12 June 2015 and currently serves as a member of the Nomination Committee of the Company. Mr. Prechaya is currently a consultant at LS Horizon Limited, a law firm in Thailand. Prior this, he was a partner of the firm until June 2020. 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 73, was appointed as an Independent Non-executive Director of the Company on 1 June 2016. Mr. Teo currently serves as the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He

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

## SENIOR MANAGEMENT

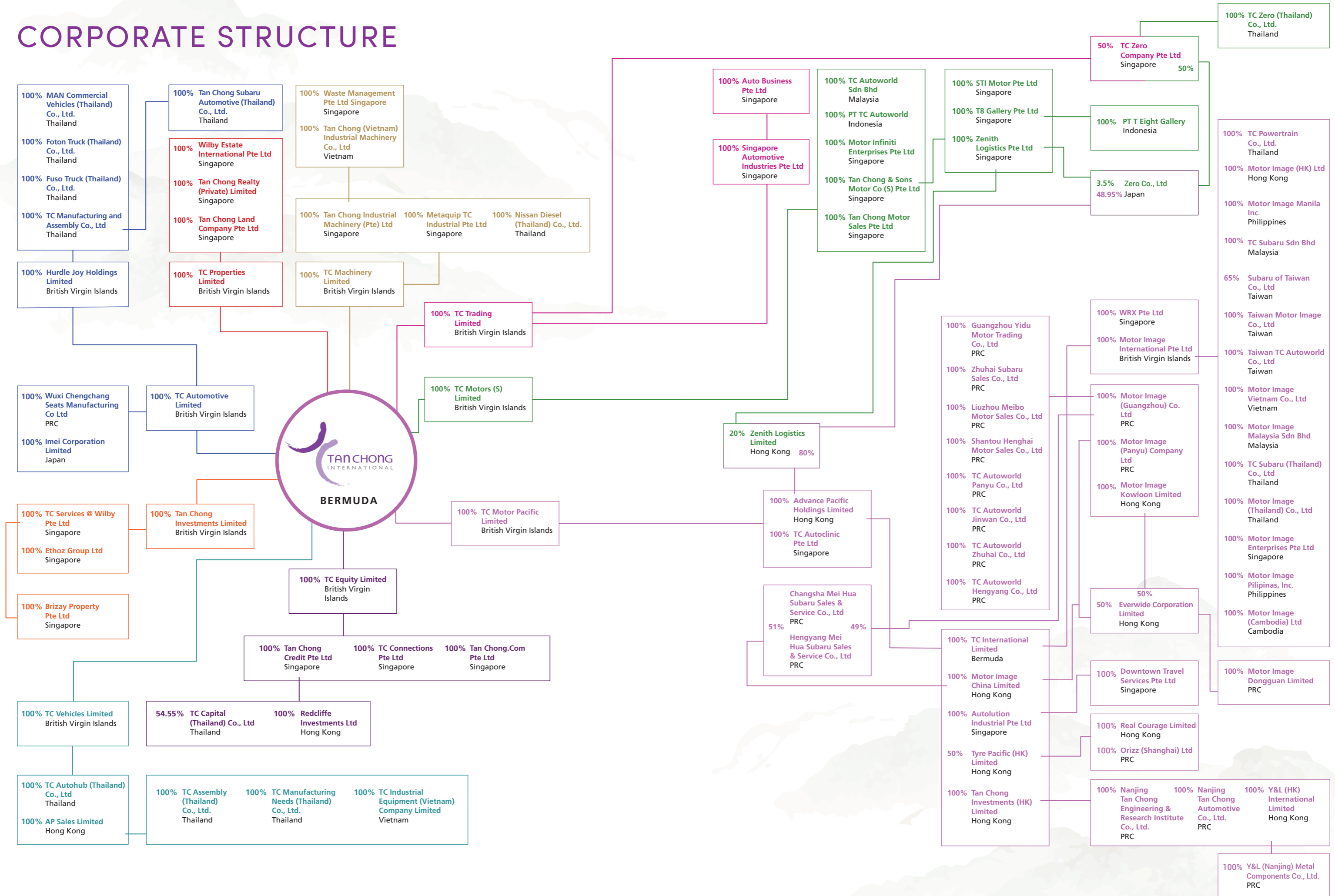
### Ms. Teo Siok Ghee

Aged 73, is the Head of Management Affairs of the Group. Ms. Teo was also appointed as a Joint Company Secretary of the Company in August 2011. She joined the Group in 1981 and is a director of several subsidiary companies within the Group. Ms. Teo holds a Bachelor of Commerce (major in Accountancy) from Nanyang University and a Life Member of the Institute of Singapore Chartered Accountants.

### Mr. Goh Leng Kwang

Aged 75, 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.

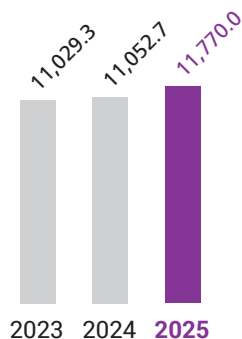
# CORPORATE STRUCTURE



# FINANCIAL HIGHLIGHTS

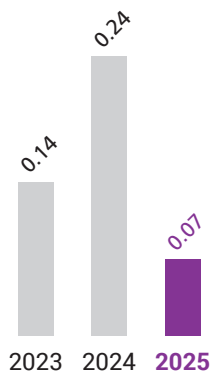
## SHAREHOLDERS' FUND

(HK\$ Millions)



## EARNINGS PER SHARE

(HK\$)



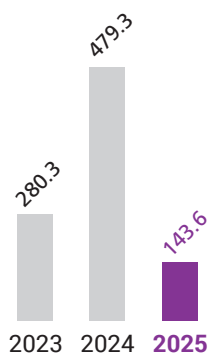
## NET ASSET VALUE PER SHARE

(HK\$)

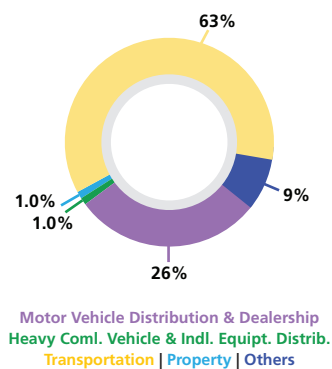


## PROFIT ATTRIBUTABLE TO SHAREHOLDERS

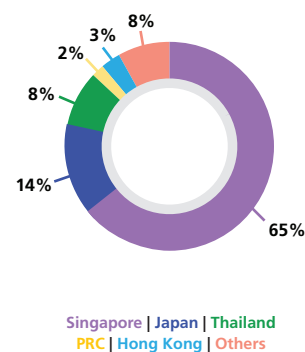
(HK\$ Millions)



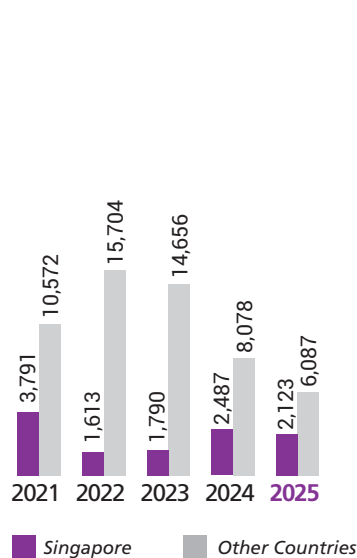
## REVENUE BY BUSINESS TYPE



## SPECIFIED NON-CURRENT ASSETS BY LOCATION

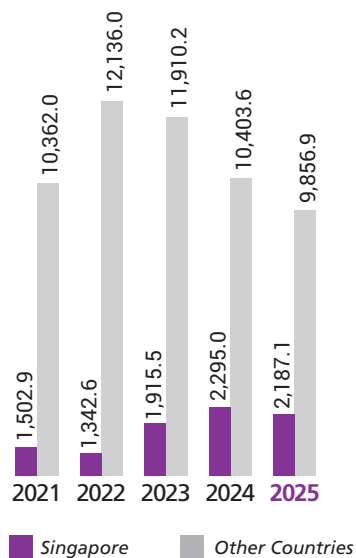


## UNITS SOLD



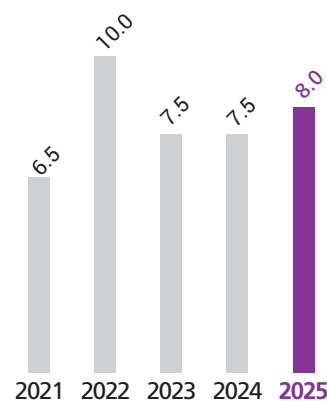
## REVENUE

(HK\$ Millions)



## DIVIDENDS

(HK Cents)



The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2025.

## Principal activities and business review

The principal activity of Tan Chong International Limited (the "Company") is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 16 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on pages 2 to 7 of this Annual Report. That discussion forms part of this directors' report.

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

## Financial statements

The profit of the Group for the year ended 31 December 2025 and the financial position of the Company and of the Group as at that date are set out in the financial statements on pages 48 to 142.

## Major customers and suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	5%	
Five largest customers in aggregate	16%	
The largest supplier		6%
Five largest suppliers in aggregate		22%

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 number of issued shares of the Company) had any interest in these major customers and suppliers.

## Recommended dividend

An interim dividend of HK\$2.0 cents (2024: HK\$2.0 cents) per share was paid on 24 September 2025. The directors now recommend the payment of a final dividend of HK\$6.0 cents (2024: HK\$5.5 cents) per share in respect of the year ended 31 December 2025.

## Share capital

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

# DIRECTORS' REPORT (continued)

## Directors

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

### Executive directors

Tan Eng Soon	(Chairman)
Glenn Tan Chun Hong	(Deputy Chairman and Managing Director)
Tan Kheng Leong	
Sng Chiew Huat	(Finance Director)
Gillian Tan Tsui Lyn	
Lee Chow Yoke	(Appointed as an executive director with effect from 5 June 2025)

### Non-executive director

Joseph Ong Yong Loke	(Retired on 27 May 2025)
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### Independent non-executive directors

Ng Kim Tuck	
Azman Bin Badrillah	
Prechaya Ebrahim	
Teo Ek Kee	
Charles Tseng Chia Chun	(Deputy Chairman)

In accordance with Bye-law 84(1) of the Company's Bye-laws, Mr. Tan Eng Soon, Ms. Gillian Tan Tsui Lyn, Mr. Azman Bin Badrillah and Mr. Teo Ek Kee will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, Mr. Tan Eng Soon and Ms. Gillian Tan Tsui Lyn offer themselves for re-election. Mr. Azman Bin Badrillah and Mr. Teo Ek Kee will not offer themselves for re-election.

In accordance with Bye-law 83(2) of the Company's Bye-laws, Mr. Lee Chow Yoke will hold office until the forthcoming annual general meeting, and being eligible offers himself for re-election.

### Directors' service contracts

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

### Connected transactions

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

#### (i) Transactions between the Group and the TCMH Group in relation to the Existing TCMH Agreements

The Group and Tan Chong Motor Holdings Berhad ("TCMH") and its subsidiaries (the "TCMH Group") entered into three agreements on 8 December 2022 (the "Existing TCMH Agreements") in relation to the sale and purchase of motor parts and accessories between the Group and the TCMH Group during the three-year period from 1 January 2023 to 31 December 2025.

The prices and terms of the transactions under the Existing 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 were 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 Company estimated that the proposed annual cap for the transactions under the Existing TCMH Agreements for each of the three years ending 31 December 2023, 2024 and 2025 would not exceed HK\$40,060,000 annually.

## Connected transactions (continued)

### (i) *Transactions between the Group and the TCMH Group in relation to the Existing TCMH Agreements (continued)*

As the Existing TCMH Agreements expired on 31 December 2025 and the Group would continue to engage in certain sale and purchase of motor parts and accessories with the TCMH Group, three agreements (the "TCMH Agreements") were entered into between the Group and the TCMH Group on 11 December 2025 in relation to the sale and purchase of motor parts and accessories between the Group and the TCMH Group during the three-year period from 1 January 2026 to 31 December 2028.

The Company estimated that the proposed annual cap for the transactions under the TCMH Agreements for each of the three years ending 31 December 2026, 2027 and 2028 would not exceed HK\$38,240,000 annually.

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, each member of the TCMH Group is a connected person of the Company and the transactions contemplated under the Existing TCMH Agreements and the TCMH Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2025, the aggregate annual transaction amount under the Existing TCMH Agreements amounted to HK\$17,312,000 which was within the annual cap of HK\$40,060,000.

Details of the Existing TCMH Agreements and the TCMH Agreements were disclosed in the announcements of the Company dated 8 December 2022 and 11 December 2025 respectively.

### (ii) *Transactions between TC Subaru and the APM Subsidiaries in relation to the Existing APM Agreements*

TC Subaru Sdn. Bhd. ("TC Subaru"), a wholly-owned subsidiary of the Company, and the five subsidiaries of APM Automotive Holdings Berhad ("APM"), being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Spring Sdn. Bhd., APM Automotive Modules Sdn. Bhd. and Auto Parts Manufacturers Co. Sdn. Bhd. (collectively, the "APM Subsidiaries") entered into five agreements (the "Existing APM Agreements") respectively on 8 December 2022 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the three-year period from 1 January 2023 to 31 December 2025.

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

Based on (i) projections in anticipation of spare part replacement orders by TC Subaru's dealers and (ii) the terms of the Existing APM Agreements, the Company estimated that the annual cap for the transactions under the Existing APM Agreements for each of the three years ending 31 December 2023, 2024 and 2025 will not exceed HK\$690,000, HK\$860,000 and HK\$820,000 respectively.

As the Existing APM Agreements expired on 31 December 2025 and TC Subaru would continue to purchase certain spare parts from the APM Subsidiaries, five agreements (the "APM Agreements") were entered into between TC Subaru and each of the APM Subsidiaries respectively on 11 December 2025 for the purchase of certain spare parts from the APM Subsidiaries by TC Subaru during the three-year period from 1 January 2026 to 31 December 2028.

The Company estimated that the annual cap for the transactions under the APM Agreements for each of the three years ending 31 December 2026, 2027 and 2028 would not exceed HK\$940,000 annually.

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 Existing APM Agreements and the APM Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2025, the aggregate annual transaction amount under the Existing APM Agreements amounted to HK\$333,000 which was within the annual cap of HK\$820,000.

Details of the Existing APM Agreements and the APM Agreements were disclosed in the announcements of the Company dated 8 December 2022 and 11 December 2025 respectively.

# DIRECTORS' REPORT (continued)

## Connected transactions (continued)

### (iii) Transactions between the Group and the APM Group in relation to the Existing APM2 Agreements

The Group and APM and its subsidiaries (the "APM Group") entered into two agreements on 8 December 2022 (the "Existing APM2 Agreements") in relation to the sale and rental of vehicles, material handling equipment, and forklift by the Group to the APM Group during the three year period from 1 January 2023 to 31 December 2025.

The prices and terms of the transactions under the Existing APM2 Agreements were agreed between the Group and the APM Group by way of sales or rental contracts and were 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.

Based on (i) projections in anticipation of sales or rental orders to be received under the Existing APM2 Agreements and (ii) the terms of the Existing APM2 Agreements, the Company estimated that the annual cap for the transactions under the Existing APM2 Agreements for each of the three years ending 31 December 2023, 2024 and 2025 will not exceed HK\$150,000 annually.

As the Existing APM2 Agreements expired on 31 December 2025 and the Group would continue to engage in sale and rental of vehicles, material handling equipment and forklift with the APM Group, two agreements (the "APM2 Agreements") were entered into between the Group and the APM Group on 11 December 2025 in relation to the sale and rental of vehicles, material handling equipment and forklift by the Group to APM Group during the three-year period from 1 January 2026 to 31 December 2028.

The Company estimated that the proposed annual cap for the transactions under the APM2 Agreements for each of the three years ending 31 December 2026, 2027 and 2028 would not exceed HK\$310,000 annually.

TCC is interested in more than 30% of the equity interests in APM. As TCC is a controlling shareholder (as defined in the Listing Rules) of the Company, each member of the APM Group is a connected person of the Company and the transactions under the Existing APM2 Agreements and APM2 Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2025, the aggregate annual transaction amount under the Existing APM2 Agreements amounted to HK\$60,000 which was within the annual cap of HK\$150,000.

Details of the Existing APM2 Agreements and APM2 Agreements were disclosed in the announcements of the Company dated 8 December 2022 and 11 December 2025 respectively.

### (iv) Transactions between NJTC and TCIMSB in relation to the Existing TCIMSB Agreement

Nanjing Tan Chong Automotive Co., Ltd ("NJTC"), a wholly owned subsidiary of the Company, and TCIM Sdn. Bhd. ("TCIMSB") entered into an agreement on 8 December 2022 (the "Existing TCIMSB Agreement") in relation to sale of motor parts and accessories by NJTC to TCIMSB during the three-year period from 1 January 2023 to 31 December 2025.

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

Based on (i) projections in anticipation of purchase orders to be received by NJTC under the Existing TCIMSB Agreement and (ii) the terms of the Existing TCIMSB Agreement, the Company estimated that the annual cap for the transactions under the Existing TCIMSB Agreement for each of the three years ending 31 December 2023, 2024 and 2025 will not exceed HK\$1,310,000 annually.

As the Existing TCIMSB Agreement expired on 31 December 2025 and NJTC would continue to engage in sale of motor parts and accessories with TCIMSB, an agreement (the "TCIMSB Agreement") was entered into between NJTC and TCIMSB on 11 December 2025 in relation to sale of motor parts and accessories by NJTC to TCIMSB during the three-year period from 1 January 2026 to 31 December 2028.

The Company estimated that the proposed annual cap for the transactions under the TCIMSB Agreement for each of the three years ending 31 December 2026, 2027 and 2028 would not exceed HK\$860,000, HK\$1,290,000 and HK\$1,290,000 respectively.

## Connected transactions (continued)

### (iv) Transactions between NJTC and TCIMSB in relation to the Existing TCIMSB Agreement (continued)

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

For the year ended 31 December 2025, the aggregate annual transaction amount under the Existing TCIMSB Agreement amounted to HK\$662,000 which was within the annual cap of HK\$1,310,000.

Details of the Existing TCIMSB Agreement and the TCIMSB Agreement were disclosed in the announcements of the Company dated 8 December 2022 and 11 December 2025 respectively.

### (v) Transactions between TCIMVN and TCIMSB in relation to the Existing TCIMSB2 Agreement

Tan Chong Vietnam Industrial Machinery Co., Ltd., ("TCIMVN"), a wholly-owned subsidiary of the Company and TCIMSB entered into an agreement on 11 April 2025 (the "Existing TCIMSB2 Agreement") for the purchase of new and used material handling equipment, forklifts and mobile elevated work platform ("MEWP") equipment by TCIMVN from TCIMSB during the period from 11 April 2025 to 31 December 2025.

The prices and terms of the transactions under the Existing TCIMSB2 Agreement were agreed between TCIMVN and TCIMSB by way of purchase orders or contracts and were based on arm's length terms taking into account the value and volume of orders and similar products charged to independent third parties in the market.

Based on (i) projections in anticipation of orders due to market demand for new and used material handling equipment, forklifts and MEWP equipment in the Vietnamese market and (ii) the terms of the Existing TCIMSB2 Agreement, the Company estimated that the annual cap for the transaction under the Existing TCIMSB2 Agreement for year ending 31 December 2025 would not exceed HK\$2,500,000.

As the Existing TCIMSB2 Agreement expired on 31 December 2025 and TCIMVN would continue to purchase new and used material handling equipment, forklifts and MEWP equipment from TCIMSB, an agreement (the "TCIMSB2 Agreement") was entered into between TCIMVN and TCIMSB on 11 December 2025 for the purchase of new and used material handling equipment, forklifts and MEWP equipment by TCIMVN from TCIMSB during the three-year period from 1 January 2026 to 31 December 2028.

The Company estimated that the proposed annual cap for the transactions under the TCIMSB2 Agreement for each of the three years ending 31 December 2026, 2027 and 2028 would not exceed HK\$3,000,000 annually.

For the year ended 31 December 2025, the aggregate annual transaction amount under the Existing TCIMSB2 Agreement amounted to HK\$497,000 which was within the annual cap of HK\$2,500,000.

Details of the Existing TCIMSB2 Agreement and the TCIMSB2 Agreement were disclosed in the announcements of the Company dated 11 April 2025 and 11 December 2025 respectively.

## Listing Rules Implications

Given that the transactions under each of the Existing TCMH Agreements, the Existing APM Agreements, the Existing APM2 Agreements, the Existing TCIMSB Agreement and the Existing TCIMSB2 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.

The aggregate amount of the annual cap for the Transactions for the year ended 31 December 2025 was set at HK\$44,840,000 (the "Aggregated Annual Cap").

As the highest percentage ratios defined under Rule 14.07 of the Listing Rules calculated with reference to the Aggregated Annual Cap on an annual basis is more than 0.1% but less than 5%, the Transactions were 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.

# DIRECTORS' REPORT (continued)

## Listing Rules Implications (continued)

For the year ended 31 December 2025, the aggregate annual transaction amount under the Transactions amounted to HK\$18,864,000 which was within the annual cap of HK\$44,840,000.

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

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

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

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 2025 or at any time during the year ended 31 December 2025.

A summary of the material related party transactions undertaken by the Group during the year is set out in note 36 of the financial statements. Save as disclosed above, the related party transactions set out in note 36 of the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

## 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 "2015 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 2015 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 initial period of the 2015 Program covered five-year period ended 30 June 2020. The subsidiary made an initial contribution of Japanese Yen ("JPY") 499,940,000 (equivalent to HK\$32,040,000) to acquire 357,100 points which were expected to be awarded to employees for the initial period.

For each subsequent five-year period following the expiry of the initial period, the subsidiary will, in principle, make additional contributions to the trust to fund the acquisition of points reasonably expected to be required under the program. Such contributions are made in advance, after taking into consideration the number of points remaining in the trust. Further contribution to the trust fund is subject to approval by the board of the subsidiary.

In 2025, the subsidiary made a further contribution of JPY50,700,000 (equivalent to HK\$2,641,000) to acquire 15,000 points expected to be awarded for the five-year period ending 30 June 2030.

3,000 (2024: 3,000) points were awarded to the employees of the Group during the year ended 31 December 2025.

During the year ended 31 December 2025, the Group recognised a total expense of HK\$315,000 (2024: HK\$214,000) as the equity-settled share-based payments in relation to the points awarded under the 2015 Program.

### Stock compensation program (continued)

On 1 October 2022, a new stock compensation program (the "2022 Program") was introduced under the same trustee. Under the 2022 Program, the shares are distributed by the trustee in accordance with the Rules on Distributions of Board Benefits of the subsidiary, based on points granted to each of the entitled employees in view of their positions. For certain directors of the subsidiary, 75% of the points granted can be converted into shares (one point per one share) and 25% of the points can be converted into cash based on prevailing market price of the shares. For employees other than certain directors of the subsidiary, each point granted can be converted into one share of the subsidiary at distribution. For equity portion, shares are granted at a fixed time each year and are subject to transfer restrictions until the eligible recipients are retired. The cash portion is settled based on the prevailing market price of the shares when the employees leave their positions.

The initial period of the 2022 Program covered the three-year period ended 30 June 2025. The subsidiary made an initial contribution of JPY292,824,000 (equivalent to HK\$17,506,000) to acquire 252,000 points, which were expected to be awarded to employees for the initial period.

For each subsequent five-year period following the expiry of the initial period, the subsidiary will, in principle, make additional contributions to the trust to fund the acquisition of shares reasonably expected to be required under the program. Such contributions are made in advance, after taking into consideration the number of shares remaining in the trust. Further contribution to the trust fund is subject to approval by the board of the subsidiary.

In 2025, subsidiary made a further contribution of JPY947,752,000 (equivalent to HK\$49,364,000) to acquire 280,400 points expected to be awarded for the five-year period ending 30 June 2030.

35,000 (2024: 34,000) points for equity-settled portion and 8,000 (2024: 8,000) points for cash-settled portion were granted to the employees of the Group during the year ended 31 December 2025.

During the year ended 31 December 2025, the Group recognised a net expense of HK\$3,652,000 (2024: HK\$2,680,000) for the equity settled share based payment and HK\$2,228,000 (2024: HK\$1,657,000) was recorded for the cash settled share based payments in relation to the 2022 Program.

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

### Indemnity of directors

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

## DIRECTORS' REPORT (continued)

### Directors' interests and short positions in shares

The directors who held office at 31 December 2025 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					Total number of shares held	Percentage of total issued shares
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Joint interests (Note 3)	Joint interests (Note 4)		
<b>Executive Directors:</b>							
Tan Eng Soon	183,903,000	-	348,544,700	54,489,972	-	586,937,672	29.15%
Tan Kheng Leong	2,205,000	210,000	-	-	-	2,415,000	0.12%
Sng Chiew Huat	900,000	-	-	-	-	900,000	0.04%
Glenn Tan Chun Hong	99,000	-	-	-	-	99,000	0.0049%
Gillian Tan Tsui Lyn	-	-	-	-	4,490,000	4,490,000	0.22%
Lee Chow Yoke	15,000	36,000	-	-	-	51,000	0.0025%
<b>Independent Non-Executive Director:</b>							
Teo Ek Kee	-	300,000	-	-	-	300,000	0.01%

Notes:

- (1) These shares are beneficially owned by the spouses of Tan Kheng Leong, Lee Chow Yoke and Teo Ek Kee, respectively, and hence they are deemed to be interested in these shares.
- (2) These shares are beneficially owned by corporations controlled by Tan Eng Soon.
- (3) These shares are owned by Tan Eng Soon jointly with another persons.
- (4) These shares are held by Tan Eng Soon jointly with Gillian Tan Tsui Lyn.

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 2025, 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.

At no time during the year was the Company, any of its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' REPORT (continued)

### 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 2025 amounting to 5% (2024: 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 Private Limited	Long	(2)	212,067,000	10.53%
Time Strategy Group Private Limited	Long	(3)	104,497,700	5.19%
Tan Heng Chew	Long	(4)	100,692,856	5.00%
Khor Swee Wah	Long	(4)	100,692,856	5.00%
Wang Shu Erh	Long	(4)	100,692,856	5.00%

Notes:

- (1) The share capital of Tan Chong Consolidated Sdn. Bhd. is held by Tan Eng Soon as to approximately 22.85% and Tan Kheng Leong as to approximately 15.38%. The remaining shareholding is held by certain members of the Tan family who are not directors of the Company.
- (2) Tan Eng Soon is the sole shareholder of Promenade Group Private Limited.
- (3) Tan Eng Soon is the controlling shareholder of Time Strategy Group Private Limited.
- (4) Based on the disclosure of interests filed, Tan Heng Chew has personal, corporate and family interests of 50,981,686 shares, 37,848,000 and 11,863,170 shares respectively, making a total interest of 100,692,856 shares. Khor Swee Wah and Wang Shu Erh, being spouses of Tan Heng Chew, are deemed to be interested in all the shares held by Tan Heng Chew.

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

### Emolument policy

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

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

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

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

### Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, during the year 2025 and up to 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' REPORT (continued)

## 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 or an entity connected with a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## Contracts with Controlling Shareholders

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 the controlling shareholder of the Company or any of the subsidiaries of the controlling shareholder of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## Directors' Interests in Competing Interests

During the year 2025, none of the directors had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

## 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.

## Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2025 are set out in note 26 to the financial statements.

## Financial summary

A summary of the results of the Group and of the Group's assets and liabilities for the last five financial years is set out on pages 143 of the annual report.

## Properties

Particulars of the Group's properties are shown on pages 145 to 148 of the annual report.

## Retirement schemes

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

## Confirmation of independence

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

For and on behalf of the Board

Tan Eng Soon  
Chairman  
Hong Kong,  
30 March 2026



## 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 48 to 142, which comprise the consolidated statement of financial position as at 31 December 2025, 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, comprising material accounting policy information and other explanatory information.

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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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 ("HKASAs") as 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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with 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.

# INDEPENDENT AUDITOR'S REPORT (continued)

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

## Key audit matters (continued)

<b>Assessing the net realisable value of inventories</b>	
<i>Refer to notes 2(b) and 19 to the consolidated financial statements and the accounting policies in note 1(p).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>At 31 December 2025, the Group held inventories which comprised several different motor car brands and models in 10 different geographical markets with an aggregate carrying amount of HK\$1,513 million.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the net realisable value of inventories included the following:</p> <ul style="list-style-type: none"><li>• understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of inventories;</li><li>• 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;</li><li>• 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;</li><li>• 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;</li><li>• 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</li><li>• comparing, on a sample basis, the carrying value of inventories with sales prices and costs to sell subsequent to the end of the reporting period.</li></ul>

# INDEPENDENT AUDITOR'S REPORT (continued)

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

## Key audit matters (continued)

<b>Assessing the expected credit loss allowance for trade debtors and loans and advances</b>	
<i>Refer to notes 2(a), 22, 23 and 34(b) to the consolidated financial statements and the accounting policies in notes 1(n) and 1(x)(i).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>At 31 December 2025, the Group's trade debtors and loans and advances (collectively, "Receivables") amounted to HK\$872 million and HK\$5,497 million, respectively, after making allowances for expected credit losses ("ECLs") of HK\$17 million and HK\$60 million respectively.</p> <p>The Group's ECL allowances for trade debtors are based on management's estimate of lifetime ECL, which is estimated by taking into account the credit loss experience, adjusted for both current and forecast general economic conditions where applicable at the reporting date, which involves a significant degree of management judgement.</p> <p>The Group's ECL allowances for loans and advances are based on 12-month or lifetime ECLs, depending on whether the credit risk of the loan and advance has increased significantly since initial recognition. The ECL allowances for loans and advances are estimated by taking into account the probability of default, loss given default, exposure at default and adjustments for forward-looking information where applicable, all of which involve a significant degree of management judgement.</p> <p>We identified assessing the ECL allowances for trade debtors as well as loans and advances as a key audit matter because of the significance of the balances to the consolidated financial statements and that the assessment of ECL allowances is inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess the ECL allowance for the Receivables included the following:</p> <ul style="list-style-type: none"> <li>• understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls over credit approval, monitoring of repayments and estimation of ECL allowances according to the Group's policy;</li> <li>• evaluating the Group's ECL policy with reference to the requirements of the applicable accounting standard;</li> <li>• assessing, on a sample basis, whether items in the ageing report of trade debtors were classified within the appropriate ageing brackets by comparing individual items in the report with underlying documentation, including sales invoices;</li> <li>• assessing the reasonableness of management's estimates of the ECL allowances for trade debtors by examining the information used by management to derive such estimates, including testing the accuracy of the historical credit loss data;</li> <li>• assessing the appropriateness of management's assessment of whether the credit risk of loans and advances has, or has not, increased significantly since initial recognition and whether any of the balance is credit-impaired by inspecting overdue information;</li> <li>• assessing, on a sample basis, the accuracy of input data used for management's estimate of the ECL allowances for loans and advances, including evaluating the probability of default with reference to the historical default rate; the loss given default by ascertaining the value of the collaterals; the exposure at default by inspecting the underlying agreements and other relevant documents; and</li> <li>• assessing the reasonableness of the credit risk related disclosures in the consolidated financial statements with reference to the requirements of the applicable accounting standards.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT (continued)

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

## 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 as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's 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 IFRS Accounting Standards as 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 HKSA's 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 HKSA's, 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.

# INDEPENDENT AUDITOR'S REPORT (continued)

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Wong, Kong Tat (practising certificate number: P07078).

**KPMG**  
Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
30 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2025  
(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Revenue</b>	3	12,044,085	12,698,567
Cost of sales		(9,612,907)	(10,181,403)
<b>Gross profit</b>		2,431,178	2,517,164
Other net income	4	251,548	721,265
Distribution costs		(883,055)	(1,015,604)
Administrative expenses		(987,292)	(1,029,476)
Other operating expenses	5	(70,587)	(103,047)
<b>Profit from operations</b>		741,792	1,090,302
Financing costs	6	(179,643)	(209,339)
Share of profit of an associate		5,414	5,767
<b>Profit before taxation</b>	7	567,563	886,730
Income tax expense	10(a)	(249,430)	(277,243)
<b>Profit for the year</b>		318,133	609,487
<b>Attributable to:</b>			
Equity shareholders of the Company		143,594	479,285
Non-controlling interests		174,539	130,202
<b>Profit for the year</b>		318,133	609,487
<b>Earnings per share</b>	11		
Basic and diluted (cents)		7.13	23.81

The notes on pages 56 to 142 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025  
(Expressed in Hong Kong dollars)

Note	2025 \$'000	2024 \$'000
<b>Profit for the year</b>	318,133	609,487
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurement of net defined benefit retirement obligations	16,563	18,823
Equity investments designated at fair value through other comprehensive income - net movement in fair value reserves (non-recycling) during the year	326,915	(29,290)
Surplus on revaluation of buildings upon transfer to investment properties	5,438	-
	348,916	(10,467)
<b>Items that may be or are reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of:		
- subsidiaries outside Hong Kong	388,870	(494,756)
- an associate outside Hong Kong	(388)	(1,067)
Reclassification of translation reserve upon disposal of subsidiaries	-	271
	388,482	(495,552)
<b>Other comprehensive income for the year</b>	737,398	(506,019)
<b>Total comprehensive income for the year</b>	1,055,531	103,468
<b>Attributable to:</b>		
Equity shareholders of the Company	866,230	67,625
Non-controlling interests	189,301	35,843
<b>Total comprehensive income for the year</b>	1,055,531	103,468

The notes on pages 56 to 142 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Non-current assets</b>			
Investment properties	12	4,935,162	4,505,162
Property, plant and equipment	13	5,448,000	5,509,974
Intangible assets	14	166,843	158,941
Goodwill	15	46,485	69,342
Interest in an associate	17	59,547	69,521
Investments designated as at fair value through other comprehensive income	18	1,668,935	1,648,105
Loans and advances	23	2,472,014	2,188,682
Receivables, deposits and prepayments		192,675	159,001
Deferred tax assets	10(c)	78,580	92,096
		15,068,241	14,400,824
<b>Current assets</b>			
Inventories	19(a)	1,512,885	2,192,689
Trade debtors	22	871,567	948,390
Loans and advances	23	3,024,926	3,132,532
Other debtors, deposits and prepayments		701,290	762,817
Amounts due from related companies	30	117	67
Cash and bank balances	24(a)	2,517,101	2,242,933
		8,627,886	9,279,428
Non-current assets held for sale	25	77,259	-
		8,705,145	9,279,428

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2025  
(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Current liabilities</b>			
Unsecured bank overdrafts	26	186,375	352,832
Borrowings	26	5,565,237	4,825,116
Trade creditors	29	758,015	844,416
Other creditors and accruals	21	1,032,797	1,378,307
Amounts due to related companies	30	1,177	91
Lease liabilities	27	197,916	197,056
Current taxation		110,869	108,078
Provisions	31	12,294	7,970
		7,864,680	7,713,866
<b>Net current assets</b>			
		840,465	1,565,562
<b>Total assets less current liabilities</b>			
		15,908,706	15,966,386
<b>Non-current liabilities</b>			
Borrowings	26	2,142,311	2,937,054
Lease liabilities	27	371,767	475,790
Defined benefit plan obligations	28	49,606	50,341
Deferred tax liabilities	10(c)	288,649	281,276
Provisions	31	42,071	53,221
		2,894,404	3,797,682
<b>NET ASSETS</b>			
		13,014,302	12,168,704
<b>CAPITAL AND RESERVES</b>			
Share capital	32(d)	1,006,655	1,006,655
Reserves		10,763,330	10,046,017
<b>Total equity attributable to equity shareholders of the Company</b>			
		11,769,985	11,052,672
<b>Non-controlling interests</b>			
		1,244,317	1,116,032
<b>TOTAL EQUITY</b>			
		13,014,302	12,168,704

Approved and authorised for issue by the board of directors on 30 March 2026.

Tan Eng Soon  
Chairman

Sng Chiew Huat  
Finance Director

The notes on pages 56 to 142 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025  
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				
	Share capital	Share premium	Capital reserve	Stock compensation reserve	Translation reserve
	(note 32(a)(i))	(note 32(a)(ii))	(note 32(a)(iii))	(note 32(a)(iv))	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2025</b>	1,006,655	550,547	9,549	14,964	51,122
<b>Changes in equity for 2025:</b>					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	385,586
Total comprehensive income for the year	-	-	-	-	385,586
Equity-settled share based transactions	-	-	-	2,081	-
Dividends declared and approved during the year (note 32(c))	-	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-
Realised gain on disposal of equity investments designated at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-
<b>Balance at 31 December 2025</b>	<b>1,006,655</b>	<b>550,547</b>	<b>9,549</b>	<b>17,045</b>	<b>436,708</b>
<b>Balance at 1 January 2024</b>	1,006,655	550,547	9,549	13,491	449,654
<b>Changes in equity for 2024:</b>					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	(391,789)
Total comprehensive income for the year	-	-	-	-	(391,789)
Equity-settled share based transactions	-	-	-	1,518	-
Dividends declared and approved during the year (note 32(c))	-	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-
Disposal of a non-wholly owned subsidiary	-	-	-	-	-
Amounts transferred from non-controlling interests to retained earnings due to step acquisitions	-	-	-	(45)	(6,743)
Realised gain on disposal of equity investments designated at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-
<b>Balance at 31 December 2024</b>	<b>1,006,655</b>	<b>550,547</b>	<b>9,549</b>	<b>14,964</b>	<b>51,122</b>

The notes on pages 56 to 142 form part of these financial statements.

	Attributable to equity shareholders of the Company						
	Contributed surplus	Fair value reserve (non-recycling)	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(note 32(b)(ii))	(note 32(a)(v))	(note 32(a)(vi))				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2025</b>	377,690	1,143,109	1,821	7,897,215	11,052,672	1,116,032	12,168,704
Profit for the year	-	-	-	143,594	143,594	174,539	318,133
Other comprehensive income	-	322,925	5,438	8,687	722,636	14,762	737,398
Total comprehensive income for the year	-	322,925	5,438	152,281	866,230	189,301	1,055,531
Equity-settled share based transactions	-	-	-	-	2,081	1,886	3,967
Dividends declared and approved during the year (note 32(c))	-	-	-	(150,998)	(150,998)	-	(150,998)
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-	(62,902)	(62,902)
Realised gain on disposal of equity investments designated at fair value through other comprehensive income ("FVOCI")	-	(235,591)	-	235,591	-	-	-
<b>Balance at 31 December 2025</b>	<b>377,690</b>	<b>1,230,443</b>	<b>7,259</b>	<b>8,134,089</b>	<b>11,769,985</b>	<b>1,244,317</b>	<b>13,014,302</b>
<b>Balance at 1 January 2024</b>	377,690	1,173,103	1,821	7,446,775	11,029,285	1,209,676	12,238,961
Profit for the year	-	-	-	479,285	479,285	130,202	609,487
Other comprehensive income	-	(29,743)	-	9,872	(411,660)	(94,359)	(506,019)
Total comprehensive income for the year	-	(29,743)	-	489,157	67,625	35,843	103,468
Equity-settled share based transactions	-	-	-	-	1,518	1,376	2,894
Dividends declared and approved during the year (note 32(c))	-	-	-	(130,865)	(130,865)	-	(130,865)
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-	-	(39,155)	(39,155)
Disposal of a non-wholly owned subsidiary	-	-	-	-	-	(6,599)	(6,599)
Amounts transferred from non-controlling interests to retained earnings due to step acquisitions	-	(205)	-	92,102	85,109	(85,109)	-
Realised gain on disposal of equity investments designated at fair value through other comprehensive income ("FVOCI")	-	(46)	-	46	-	-	-
<b>Balance at 31 December 2024</b>	<b>377,690</b>	<b>1,143,109</b>	<b>1,821</b>	<b>7,897,215</b>	<b>11,052,672</b>	<b>1,116,032</b>	<b>12,168,704</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2025  
(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Operating activities</b>			
Profit from operations		741,792	1,090,302
Adjustments for:			
Depreciation	7	706,778	692,127
Amortisation for intangible assets	7	23,944	17,478
Gain on disposal of property, plant and equipment	4	(18,628)	(13,775)
Valuation gain on investment properties, net	4	(108,917)	(629,521)
Bank and other interest income	4	(19,654)	(25,280)
Dividend income	4	(65,940)	(54,944)
Loss on disposal of a subsidiary	4	-	5,484
Provision of write-down of inventories (net)	19(b)	9,710	66,005
Provision/(reversal) of impairment losses on trade debtors	5	1,609	(4,262)
Provision of impairment loss on loans and advances	5	23,517	26,483
Impairment loss of the right-of-use assets	4	-	36,775
Loss on sale of equity securities listed outside Hong Kong		-	5
Fair value gain on financial assets measured at fair value through profit or loss		(382)	-
Share based payment expenses	8	6,195	4,551
Net foreign exchange (gain)/loss		(42,684)	10,609
Loss on disposal of intangible assets	4	2,291	2,496
Impairment loss of goodwill	15	27,188	-
<b>Operating profit before changes in working capital</b>		<b>1,286,819</b>	<b>1,224,533</b>
Decrease/(increase) in inventories		757,096	(85,123)
Decrease/(increase) in trade debtors		83,876	(6,071)
Decrease/(increase) in loan and advances		126,007	(95,834)
Decrease/(increase) in other debtors, deposits and prepayments		71,705	(1,391)
Increase in amounts due from related companies		(46)	(5)
Decrease in trade creditors		(121,455)	(35,695)
(Decrease)/increase in other creditors and accruals		(407,921)	253,954
Increase/(decrease) in amounts due to related companies		1,077	(11,123)
Increase in net defined benefit retirement obligations		15,822	18,232
<b>Cash generated from operations</b>		<b>1,812,980</b>	<b>1,261,477</b>
Interest paid		(165,843)	(194,716)
Taxes paid		(240,262)	(279,244)
<b>Net cash generated from operating activities</b>		<b>1,406,875</b>	<b>787,517</b>

# CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2025  
(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash flows from investing activities</b>			
Payment for the purchase of property, plant and equipment		(481,127)	(622,492)
Payment for the purchase of investment properties		(36,034)	(50,740)
Payment for purchase of unlisted equity securities		(56)	(5,956)
Payment for the additions to intangible assets		(32,216)	(37,752)
Increase in other debtors, deposits and prepayments		(32,155)	(33,300)
Decrease/(increase) in fixed deposits at banks with maturity over three months		2,551	(14,845)
Proceeds from disposal of property, plant and equipment		116,924	98,962
Proceeds from disposal of a subsidiary		-	4,685
Proceeds from sales of equity securities listed outside Hong Kong		309,819	4,191
Dividends received from an associate		15,000	11,000
Dividends received from equity securities listed outside Hong Kong		65,940	54,944
Net cash outflow from acquisition of subsidiaries under business combinations		(12,875)	-
Interest received		19,654	25,280
<b>Net cash used in investing activities</b>		<b>(64,575)</b>	<b>(566,023)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	24(b)	(4,342,042)	(4,436,033)
Proceeds from new borrowings	24(b)	3,831,581	5,071,067
Dividends paid to shareholders		(150,998)	(130,865)
Dividends paid to non-controlling shareholders of subsidiaries		(62,902)	(39,155)
Interest element of lease rentals paid	24(b)	(13,800)	(14,623)
Capital element of lease rentals paid	24(b)	(221,650)	(226,906)
<b>Net cash (used in)/generated from financing activities</b>		<b>(959,811)</b>	<b>223,485</b>
<b>Net increase in cash and cash equivalents</b>		<b>382,489</b>	<b>444,979</b>
<b>Cash and cash equivalents at 1 January</b>	24(a)	<b>1,854,338</b>	<b>1,432,835</b>
<b>Effect of foreign exchange rate changes</b>		<b>60,683</b>	<b>(23,476)</b>
<b>Cash and cash equivalents at 31 December</b>	24(a)	<b>2,297,510</b>	<b>1,854,338</b>

The notes on pages 56 to 142 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 2025 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate. The consolidated financial statements were authorised for issue by the directors on 30 March 2026.

## 1 Material accounting policies

### (a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards ("IFRSs"), 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. Material accounting policies adopted by the Group are disclosed below.

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

### (b) Basis of preparation of the financial statements

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

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

The preparation of financial statements in conformity with IFRS Accounting Standards 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 IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (c) Changes in accounting policies

#### New and amended IFRS Accounting Standards

The Group has applied amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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

### (d) Basis of consolidation

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

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

#### (ii) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of investment includes purchase 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(x)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

### (e) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (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 land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. Investment properties are stated 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 an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(w)(ii)(a).

### (h) Business combination

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (i) Property, plant and equipment

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

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

Freehold land is not amortised.

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

- Buildings situated on freehold land 2% - 4%
- Leasehold land where the Group is the registered owner of the property interest is depreciated over the unexpired term of the lease.
- The Group's interests in buildings situated on leasehold land where the Group is not the registered owner of the property interest are depreciated over the shorter of the unexpired term of the lease and the building's estimated useful lives, being no more than 50 years after the date of completion.
- Other property, plant and equipment leased for own use are depreciated over the unexpired term of the leases.
- Plant, machinery and equipment
  - engine, construction equipment and forklifts for hire 20% on cost less residual value
  - other plant, machinery and equipment 6% - 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 and adjusted if appropriate.

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

### Construction in progress

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

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

Intangible assets that are acquired by the Group with a finite estimated useful life are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (see note 1(x)(ii)).

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 – 16 years
- Computer software	5 years
- Others	5 years

Both the period and method of amortisation are reviewed annually.

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

### (k) Leased assets

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

#### (i) As a lessee

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (k) Leased assets (continued)

#### (i) As a lessee (continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets and measured at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

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

#### (ii) As a lessor

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

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

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(k)(i), then the Group classifies the sub-lease as an operating lease.

### (l) Other investments in equity securities

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (l) Other investments in equity securities (continued)

#### Equity investments

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

### (m) Borrowing costs

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

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

### (n) Trade and other receivables and loans and advances

#### (i) Recognition and initial measurement

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

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

#### (ii) Classification and subsequent measurement

On initial recognition, trade and other receivables and loans and advances are classified as measured at amortised cost.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (n) Trade and other receivables and loans and advances (continued)

#### (ii) Classification and subsequent measurement (continued)

##### *Business model assessment*

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

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

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

##### *Assessment whether contractual cash flows are solely payments of principal and interest*

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (n) Trade and other receivables and loans and advances (continued)

#### (ii) Classification and subsequent measurement (continued)

##### *Subsequent measurement and gains and losses*

Trade and other receivables and loans and advances are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see note 1(x)(i)). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### (iii) Derecognition

The Group derecognises a financial asset when:

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

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

### (o) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss, except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income, or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, an associate and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (o) *Income tax (continued)*

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

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

Where investment properties are carried at their fair value in accordance with 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 measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

### (p) *Inventories*

Inventories are carried 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(w)). 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(n)).

### (r) *Cash and cash equivalents*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (s) Trade and other creditors

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

### (t) 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)).

### (u) Provisions and contingent liabilities

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

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

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

### (v) Warranties

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

### (w) Revenue 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.

The Group is the principal for its revenue transactions and recognise revenue on a gross basis, including the sale of motor vehicles that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the vehicles before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the vehicles.

#### (i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customers at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (w) Revenue and other income (continued)

#### (i) Revenue from contracts with customers (continued)

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

##### (a) Sale of motor vehicles

Revenue is recognised when the customer takes possession of and accepts the motor vehicles, and the issuance of registration. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts with customers, but the Group generally provides credit terms to customers with seven days to six months from the date of billing.

The Group offers warranties for its motor vehicles and the related provision is recognised in accordance with the policy set out in note 1(v).

##### (b) Service fees and other income

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

#### (ii) Revenue from other sources and other income

##### (a) Rental income from operating leases

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

##### (b) Dividend

- 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.

##### (c) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. 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 (x)(i)).

##### (d) Government grants

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (x) Expected credit losses (“ECL”) and impairment

#### (i) ECLs from financial instruments

The Group recognises ECL allowances on financial assets measured at amortised cost (including cash and cash equivalents, trade and other debtors, loans and advances 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 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 including trade and other debtors, loans and advances excluding lease receivables and amounts due from related companies: effective interest rate determined at initial recognition;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

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

Loss allowances for trade debtors 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.

For loans and advances and 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.

Financial instruments for which 12-month ECL recognised are referred to “Stage 1 financial instruments”. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired on initial recognition.

Financial instruments for which lifetime ECLs are recognised but that are not credit-impaired are referred to as “Stage 2 financial instruments”. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (x) Expected credit losses ("ECL") and impairment (continued)

#### (i) ECLs from financial instruments (continued)

##### Measurement of ECLs (continued)

Financial instruments for which lifetime ECLs are recognised and that are credit-impaired are referred to as "Stage 3 financial instruments".

##### Significant increases in credit risk

At each reporting date, the Group assesses whether the credit risk of a financial instrument (other than trade debtors) has increased significantly since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group considers a significant increase in credit risk occurs when an asset is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor 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
- the financial asset is 90 days past due.

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 allowance is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

##### Basis of calculation of interest income

Interest income recognised in accordance with note 1(w)(ii)(c) 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.

##### Credit-impaired financial assets

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 being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (x) Expected credit losses ("ECL") and impairment (continued)

#### (i) ECLs from financial instruments (continued)

##### Write-off policy

The gross carrying amount of a financial asset and lease receivable 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

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

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

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

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

##### - Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

##### - 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (x) Expected credit losses ("ECL") and impairment (continued)

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

##### - Recognition of impairment losses (continued)

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

##### - Reversals of impairment losses

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

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

#### (iii) Interim financial reporting and impairment

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

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

### (y) Employee benefits

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

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

#### (ii) Defined benefit plan obligations

The Group has the following defined benefit plans:

- Long service payments under the Hong Kong Employment Ordinance
- Fukuoka Prefecture and Saga Prefecture Truck Employees' Pension Fund (kouseinennkin)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (y) Employee benefits (continued)

#### (ii) Defined benefit plan obligations (continued)

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

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

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

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

#### (iii) Share-based payments

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

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

### (z) Segment reporting

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Material accounting policies (continued)

### (aa) Dividends

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

### (ab) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

### (ac) Related parties

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 Material accounting estimates and judgements

### (a) *Impairment of trade debtors and loans and advances*

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

### (b) *Allowances for obsolescence of inventories*

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

### (c) *Valuation of investment properties*

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

### (d) *Impairment of property, plant and equipment*

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

### (e) *Business acquisitions*

For the business acquisitions undertaken by the Group, the Group allocates the costs of the acquisition to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable assets acquired. The determination of the fair value of the assets acquired involves certain judgement and estimates.

The fair values of the identifiable assets were determined by the Group with inputs from the independent valuers using the direct market comparison method and direct capitalisation method. These inputs involving judgements and estimation can include, but are not limited to, determining appropriate market rent and capitalisation rate.

A change in the amount allocated to identifiable assets would have an offsetting effect on the amount of goodwill recognised from the acquisition and would change the amount of amortisation expense recognised related to those identifiable assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 Revenue

Revenue represents the sales value of goods sold, services provided to customers, rental income, interest income on loans and advances, 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 service lines is as follows.

	2025 \$'000	2024 \$'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products or service lines		
- Sale of goods	3,029,462	3,776,124
- Rendering of services	7,960,797	7,907,065
- Management service fees	1,000	1,000
- Agency commission and handling fees	42,870	41,839
- Warranty income	2,920	2,525
<b>Revenue from other sources:</b>		
- Gross rental from investment properties that are fixed	138,753	135,159
- Interest income on loans and advances	494,288	446,293
- Rental income for motor vehicles held for leasing	373,995	388,562
	12,044,085	12,698,567

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

The Group's customer base is diversified and the Group does not have any customer in 2024 and 2025 with whom transactions have exceeded 10% of the Group's revenue.

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

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

As at 31 December 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is \$27,722,000 (2024: \$30,821,000). 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 service 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 Other net income

	2025 \$'000	2024 \$'000
Bank and other interest income on financial assets measured at amortised cost	19,654	25,280
Dividend income from equity securities listed outside Hong Kong	65,940	54,944
Gain on disposal of property, plant and equipment	18,628	13,775
Loss on disposal of intangible assets	(2,291)	(2,496)
Loss on disposal of a subsidiary	–	(5,484)
Valuation gain on investment properties, net	108,917	629,521
Impairment loss of the right-of-use assets	–	(36,775)
Proceeds from sales of scrap materials	1,674	1,158
Marketing subsidies	9,248	14,050
Government grants	1,584	2,219
Others	28,194	25,073
	<u>251,548</u>	<u>721,265</u>

## 5 Other operating expenses

	2025 \$'000	2024 \$'000
Bank charges	(10,075)	(10,143)
(Provision)/reversal of impairment losses on trade debtors (note 22)	(1,609)	4,262
Provision of impairment losses on loans and advances (note 23)	(23,517)	(26,483)
Impairment of goodwill (note 15)	(27,188)	–
Tooling and development compensation (Note (i))	–	(34,601)
Others	(8,198)	(36,082)
	<u>(70,587)</u>	<u>(103,047)</u>

Note (i) In 2024, the compensation was paid or payable to suppliers in relation to the phasing out of one of the Group's business lines.

## 6 Financing costs

	2025 \$'000	2024 \$'000
Interest expense		
- on borrowings and bank overdrafts	165,843	194,716
- on lease liabilities	13,800	14,623
	<u>179,643</u>	<u>209,339</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 7 Profit before taxation

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

	2025 \$'000	2024 \$'000
Cost of goods sold	2,332,519	2,909,260
Depreciation		
- owned property, plant and equipment	413,703	398,757
- right-of-use assets	293,075	293,370
Amortisation of intangible assets	23,944	17,478
Auditors' remuneration		
- audit services	12,481	12,293
- tax services	863	840
- others	-	85
Provision for warranties	33,404	20,897
Net foreign exchange loss	17,639	5,179
Rentals receivable from investment properties less direct outgoings of \$40,873,000 (2024: \$40,262,000)	(97,880)	(94,897)

## 8 Personnel expenses

	2025 \$'000	2024 \$'000
Wages and salaries	745,508	784,660
Retirement benefit costs	76,825	84,815
Share based payment expenses (note 33)	6,195	4,551
Others	88,799	90,774
	917,327	964,800

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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
<b>2025</b>					
<i>Executive directors</i>					
Tan Eng Soon	2,198	21,713	-	46	23,957
Glenn Tan Chun Hong	414	4,224	176	104	4,918
Tan Kheng Leong	311	3,549	-	46	3,906
Sng Chiew Huat	681	6,312	-	46	7,039
Gillian Tan Tsui Lyn	279	1,183	197	104	1,763
Lee Chow Yoke (note(i))	-	2,406	378	88	2,872
<i>Non-executive director</i>					
Joseph Ong Yong Loke (note(ii))	893	717	-	40	1,650
<i>Independent non-executive directors</i>					
Ng Kim Tuck	315	-	-	-	315
Azman Bin Badrillah	228	-	-	-	228
Prechaya Ebrahim	195	-	-	-	195
Teo Ek Kee	315	-	-	-	315
Charles Tseng Chia Chun	325	-	-	-	325
	6,154	40,104	751	474	47,483

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Total \$'000
<b>2024</b>					
<i>Executive directors</i>					
Tan Eng Soon	518	19,274	–	36	19,828
Glenn Tan Chun Hong	414	4,124	–	81	4,619
Tan Kheng Leong	311	3,465	–	36	3,812
Sng Chiew Huat	311	5,603	–	36	5,950
Gillian Tan Tsui Lyn	165	929	–	61	1,155
<i>Non-executive director</i>					
Joseph Ong Yong Loke	1,595	186	–	–	1,781
<i>Independent non-executive directors</i>					
Ng Kim Tuck	332	–	–	–	332
Azman Bin Badrillah	253	–	–	–	253
Prechaya Ebrahim	216	–	–	–	216
Teo Ek Kee	332	–	–	–	332
Charles Tseng Chia Chun	343	–	–	–	343
	4,790	33,581	–	250	38,621

Note (i) Lee Chow Yoke was appointed as executive director on 5 June 2025.

Note (ii) Joseph Ong Yong Loke was retired as non-executive director on 27 May 2025.

(b) *Of the five individuals with the highest emoluments, two (2024: two) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other three (2024: three) individuals are as follows:*

	2025 \$'000	2024 \$'000
Salaries and other emoluments	19,745	19,095

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(b) *Of the five individuals with the highest emoluments, two (2024: two) are directors whose emoluments are disclosed in note 9(a) above. The emoluments in respect of the other three (2024: three) individuals are as follows: (continued)*

The emoluments of the three (2024: three) individual with the highest emoluments is within the following band:

	2025 Number of individuals	2024 Number of individuals
\$5,000,001 - \$5,500,000	–	1
\$5,500,001 - \$6,000,000	2	–
\$6,000,001 - \$6,500,000	–	1
\$7,000,001 - \$7,500,000	–	1
\$8,000,001 - \$8,500,000	1	–

## 10 Taxation

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

	2025 \$'000	2024 \$'000
<b>Current tax expense</b>		
Provision for the year	244,606	286,833
Over-provision in respect of prior years	(10,544)	(6,079)
	234,062	280,754
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	15,368	(3,511)
<b>Total income tax expense in the consolidated statement of profit or loss</b>	249,430	277,243

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

The statutory corporate income tax rate for the Group's operations in Singapore, Japan and Taiwan is 17% (2024: 17%), 31% (2024: 31%) and 20% (2024: 20%) respectively.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Starting from 1 January 2024, the Group is liable to Pillar Two income taxes in relation to its operations in certain jurisdictions. (see note 10(d)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 Taxation (continued)

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

	2025 \$'000	2024 \$'000
Profit before taxation	567,563	886,730
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	152,016	196,995
Adjustments resulting from:		
Tax effect of non-deductible expenses	120,715	87,907
Tax effect of non-taxable income	(91,201)	(156,155)
Tax effect of tax losses not recognised	64,934	124,675
Tax effect of utilisation of previously unrecognised tax losses or deductible temporary differences	(12,959)	(14,313)
Withholding tax on dividend income from subsidiaries (note)	26,469	44,213
Over-provision in respect of prior years	(10,544)	(6,079)
Actual tax expense	249,430	277,243

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

### (c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2025 are attributable to the items detailed in the table below:

	2025			2024		
	Assets \$'000	Liabilities \$'000	Net \$'000	Assets \$'000	Liabilities \$'000	Net \$'000
Property, plant and equipment	338	(192,069)	(191,731)	97	(185,032)	(184,935)
Right-of-use assets	–	(98,664)	(98,664)	–	(19,535)	(19,535)
Investment properties	–	(29,567)	(29,567)	–	(28,005)	(28,005)
Investments designated as at fair value through other comprehensive income	–	(6,982)	(6,982)	–	(6,982)	(6,982)
Inventories	3,595	–	3,595	1,742	–	1,742
Trade debtors	334	–	334	4,198	–	4,198
Loans and advances	–	(11,426)	(11,426)	4,182	(21,126)	(16,944)
Creditors and accruals	44,380	(17,699)	26,681	54,789	(3,937)	50,852
Provisions	6,268	–	6,268	7,417	–	7,417
Intangible assets	–	(31,352)	(31,352)	–	(31,524)	(31,524)
Lease liabilities	98,820	–	98,820	18,431	–	18,431
Tax losses carried-forward	23,955	–	23,955	16,105	–	16,105
Deferred tax assets/(liabilities)	177,690	(387,759)	(210,069)	106,961	(296,141)	(189,180)
Set-off within legal tax units and jurisdictions	(99,110)	99,110	–	(14,865)	14,865	–
Net deferred tax assets/(liabilities)	78,580	(288,649)	(210,069)	92,096	(281,276)	(189,180)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 Taxation (continued)

### (c) *Deferred tax assets and liabilities (continued)*

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses and other deductible temporary differences of \$3,053,000,000 (2024: \$3,067,714,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Among these tax losses, \$1,900,152,000 (2024: \$2,175,991,000) will expire within 3 to 10 years after the end of the reporting period. The remaining tax losses do not expire under current tax legislations.

At 31 December 2025, temporary differences relating to the undistributed profits of subsidiaries amounted to \$2,534,902,000 (2024: \$2,377,808,000). Deferred tax liabilities of \$388,978,000 (2024: \$363,701,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and the directors are of the opinion that profits will not be distributed in the foreseeable future.

### (d) *Pillar Two income taxes*

The Company is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development. Certain jurisdictions in which the Group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective from 1 January 2025 or 1 January 2024. However, the Group has assessed that there is no material top-up tax exposure for the years ended 31 December 2025 and 31 December 2024.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

### (e) *Movement in net deferred tax liabilities of the Group during the year:*

	Balance at 1 January 2024 \$'000	Additions through acquisition of So-ing (Note 20(a)) \$'000	Exchange adjustment \$'000	Recognised in other comprehensive income \$'000	Recognised in profit or loss \$'000	Balance at 31 December 2024 \$'000
Property, plant and equipment	(207,991)	-	11,429	-	11,627	(184,935)
Right-of-use assets	-	-	-	-	(19,535)	(19,535)
Investment properties	(24,277)	-	1,875	-	(5,603)	(28,005)
Investments designated as at fair value through other comprehensive income	(7,458)	-	-	(276)	752	(6,982)
Inventories	1,697	-	(66)	-	111	1,742
Trade debtors	24,460	-	(950)	-	(19,312)	4,198
Loans and advances	(30,266)	-	1,031	-	12,291	(16,944)
Creditors and accruals	38,615	-	(3,340)	175	15,402	50,852
Provisions	8,113	-	(525)	-	(171)	7,417
Intangible assets	(3,018)	(18,754)	44	-	(9,796)	(31,524)
Lease liabilities	-	-	-	-	18,431	18,431
Tax losses carried-forward	16,791	-	-	-	(686)	16,105
	(183,334)	(18,754)	9,498	(101)	3,511	(189,180)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 Taxation (continued)

### (e) Movement in net deferred tax liabilities of the Group during the year: (continued)

	Balance at 1 January 2025 \$'000	Additions through acquisition of So-ing (Note 20(a)) \$'000	Exchange adjustment \$'000	Recognised in other comprehensive income \$'000	Recognised in profit or loss \$'000	Balance at 31 December 2025 \$'000
Property, plant and equipment	(184,935)	-	(8,596)	-	1,800	(191,731)
Right-of-use assets	(19,535)	-	-	-	(79,129)	(98,664)
Investment properties	(28,005)	-	(451)	-	(1,111)	(29,567)
Investments designated as at fair value through other comprehensive income	(6,982)	-	-	2,403	(2,403)	(6,982)
Inventories	1,742	-	65	-	1,788	3,595
Trade debtors	4,198	-	234	-	(4,098)	334
Loans and advances	(16,944)	-	(1,042)	-	6,560	(11,426)
Creditors and accruals	50,852	-	1,361	177	(25,709)	26,681
Provisions	7,417	-	327	-	(1,476)	6,268
Intangible assets	(31,524)	-	-	-	172	(31,352)
Lease liabilities	18,431	-	-	-	80,389	98,820
Tax losses carried-forward	16,105	-	1	-	7,849	23,955
	(189,180)	-	(8,101)	2,580	(15,368)	(210,069)

## 11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$143,594,000 (2024: \$479,285,000) and the number of 2,013,309,000 ordinary shares (2024: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2025 and 2024 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Investment properties

	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Total \$'000
At 1 January 2024	3,654,019	346,018	4,000,037
Additions	50,740	–	50,740
Fair value adjustments	629,706	(185)	629,521
Exchange adjustments	(169,328)	(5,808)	(175,136)
At 31 December 2024	4,165,137	340,025	4,505,162
At 1 January 2025	4,165,137	340,025	4,505,162
Additions	36,034	–	36,034
Transfer from other property (note 13)	33,735	–	33,735
Fair value adjustments	126,842	(17,925)	108,917
Exchange adjustments	241,161	10,153	251,314
At 31 December 2025	4,602,909	332,253	4,935,162

### (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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Investment properties (continued)

### (a) Fair value measurement of properties (continued)

#### (i) Fair value hierarchy (continued)

	Fair value at 31 December 2025 \$'000	Fair value measurements as at 31 December 2025 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurement</b>				
- Freehold land and buildings				
- Singapore	4,261,921	-	-	4,261,921
- Japan	305,748	-	-	305,748
- Thailand	35,240	-	-	35,240
	4,602,909	-	-	4,602,909
- Leasehold land and buildings				
- Hong Kong	155,338	-	-	155,338
- Singapore	176,915	-	-	176,915
	332,253	-	-	332,253
	4,935,162	-	-	4,935,162

	Fair value at 31 December 2024 \$'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurement</b>				
- Freehold land and buildings				
- Singapore	3,872,717	-	-	3,872,717
- Japan	292,420	-	-	292,420
	4,165,137	-	-	4,165,137
- Leasehold land and buildings				
- Hong Kong	175,584	-	-	175,584
- Singapore	164,441	-	-	164,441
	340,025	-	-	340,025
	4,505,162	-	-	4,505,162

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(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 2025, there were no transfers between levels (2024: 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 2025. The valuations were carried out either by a director of the Company's subsidiary or independent firm of surveyors, Midzuki Real Estate Appraisal Firm Co., Ltd. and Knight Frank Chartered (Thailand) Company Limited.

The director of the Company's subsidiary who is a member of the Singapore Institute of Surveyors and Valuers, carried out valuations for investment properties in Hong Kong and Singapore by using the market comparison 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.

Knight Frank Chartered (Thailand) Company Limited, which has its valuation professionals certified by international accreditation bodies and Thailand registration authorities, carried out valuations for investment properties in Thailand by using the cost 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	-8% to 19% (2024: -24% to 22%)
- Japan	Discounted cash flow approach	Discount rate	4.2% (2024: 4.2%)
- Thailand	Depreciation replacement cost method	Depreciation adjustment to the replacement cost	12% to 45% (2024: Nil)
- Leasehold land and buildings			
- Hong Kong	Market comparison approach	Discount/premium on quality of the buildings	-17% to -3% (2024: -3% to 16%)
- Singapore	Market comparison approach	Discount/premium on quality of the buildings	-12% to 22% (2024: -17% to 20%)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Investment properties (continued)

### (a) Fair value measurement of properties (continued)

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

The fair values of investment properties located in Singapore and Hong Kong are determined by 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 movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2025 \$'000	2024 \$'000
<b>Freehold land and buildings - Singapore</b>		
At 1 January	3,872,717	3,360,403
Additions	22,021	50,475
Exchange adjustments	240,262	(138,716)
Fair value adjustments	126,921	600,555
At 31 December	4,261,921	3,872,717
<b>Freehold land and buildings - Japan</b>		
At 1 January	292,420	293,616
Additions	14,013	265
Exchange adjustments	(606)	(30,612)
Fair value adjustments	(79)	29,151
At 31 December	305,748	292,420
<b>Freehold land and buildings - Thailand</b>		
At 1 January	-	-
Transfer from other property (note 13)	33,735	-
Exchange adjustments	1,505	-
At 31 December	35,240	-
<b>Leasehold land and buildings - Hong Kong</b>		
At 1 January	175,584	207,903
Fair value adjustments	(20,246)	(32,319)
At 31 December	155,338	175,584
<b>Leasehold land and buildings - Singapore</b>		
At 1 January	164,441	138,115
Exchange adjustments	10,153	(5,808)
Fair value adjustments	2,321	32,134
At 31 December	176,915	164,441

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Investment properties (continued)

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

	Freehold land and buildings		Leasehold land and buildings	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
In Hong Kong with remaining lease term of:				
- Medium-term lease	-	-	155,338	175,584
Outside Hong Kong				
- Freehold	4,602,909	4,165,137	-	-
with remaining lease term of:				
- Long lease	-	-	176,915	164,441
	4,602,909	4,165,137	332,253	340,025

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

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

	2025 \$'000	2024 \$'000
Within 1 year	15,094	10,375
After 1 year but within 2 years	8,900	3,359
After 2 years but within 3 years	2,921	206
	26,915	13,940

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Property, plant and equipment

### (a) Reconciliation of carrying amount

	Freehold land	Interest in leasehold land	Buildings	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Motor vehicles	Construction in progress	Other properties leased for own use	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or valuation:</b>									
At 1 January 2025	1,046,208	177,554	2,812,063	722,055	553,499	2,265,743	59,260	1,350,982	8,987,364
Exchange adjustments	50,581	9,517	155,879	48,258	28,887	91,073	2,126	13,628	399,949
Additions	7,262	-	19,007	30,086	18,056	388,223	22,488	173,499	658,621
Disposals	(4,879)	-	(7,008)	(42,088)	(36,380)	(131,967)	(29,940)	(126,524)	(378,786)
Acquisition of a subsidiary	7,911	-	1,232	15	82	8	-	-	9,248
Surplus on revaluation	-	-	5,438	-	-	-	-	-	5,438
Transfer from/(to) construction in progress	-	-	5,203	1,594	129	16,431	(23,357)	-	-
Transfer to investment properties (note 12)	-	-	(49,881)	-	-	-	-	-	(49,881)
Transfer to non-current assets held for sale (note 25)	-	-	(44,899)	(2,202)	(131)	-	-	(34,908)	(82,140)
At 31 December 2025	1,107,083	187,071	2,897,034	757,718	564,142	2,629,511	30,577	1,376,677	9,549,813
<b>Representing:</b>									
Cost	868,737	187,071	2,832,073	757,718	564,142	2,629,511	30,577	1,376,677	9,246,506
Valuation - 1984	238,346	-	64,961	-	-	-	-	-	303,307
	1,107,083	187,071	2,897,034	757,718	564,142	2,629,511	30,577	1,376,677	9,549,813
<b>Accumulated amortisation and depreciation and impairment losses:</b>									
At 1 January 2025	-	128,478	1,155,870	317,220	451,150	691,757	-	732,915	3,477,390
Exchange adjustments	-	8,972	69,142	19,910	23,981	22,130	-	836	144,971
Charge for the year	-	855	110,155	40,788	27,514	319,234	-	208,232	706,778
Written back on disposals	-	-	(5,588)	(35,141)	(34,594)	(70,688)	-	(59,212)	(205,223)
Transfer to investment properties (note 12)	-	-	(16,146)	-	-	-	-	-	(16,146)
Transfer to non-current assets held for sale (note 25)	-	-	(4,711)	(707)	-	-	-	(539)	(5,957)
At 31 December 2025	-	138,305	1,308,722	342,070	468,051	962,433	-	882,232	4,101,813
<b>Net book value:</b>									
At 31 December 2025	1,107,083	48,766	1,588,312	415,648	96,091	1,667,078	30,577	494,445	5,448,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Property, plant and equipment (continued)

### (a) Reconciliation of carrying amount (continued)

	Freehold land \$'000	Interest in leasehold land \$'000	Buildings \$'000	Plant, machinery and equipment \$'000	Furniture, fixtures, fittings and office equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Other properties leased for own use \$'000	Total \$'000
<b>Cost or valuation:</b>									
At 1 January 2024	1,109,215	184,498	2,943,411	752,578	536,925	2,009,702	89,902	1,111,425	8,737,656
Exchange adjustments	(63,007)	(6,944)	(112,222)	(19,905)	(22,509)	(128,504)	(2,966)	(86,228)	(442,285)
Additions	1,029	-	25,181	25,216	38,587	481,147	51,526	403,442	1,026,128
Disposals	(1,029)	-	(52,614)	(27,866)	(14,334)	(129,913)	(1,100)	(61,655)	(288,511)
Disposal of a subsidiary	-	-	-	(27,028)	(1,564)	(1,030)	-	(16,002)	(45,624)
Transfer from/(to) construction in progress	-	-	8,307	19,060	16,394	34,341	(78,102)	-	-
At 31 December 2024	1,046,208	177,554	2,812,063	722,055	553,499	2,265,743	59,260	1,350,982	8,987,364
<b>Representing:</b>									
Cost	821,670	177,554	2,750,865	722,055	553,499	2,265,743	59,260	1,350,982	8,701,628
Valuation - 1984	224,538	-	61,198	-	-	-	-	-	285,736
	1,046,208	177,554	2,812,063	722,055	553,499	2,265,743	59,260	1,350,982	8,987,364
<b>Accumulated amortisation and depreciation and impairment losses:</b>									
At 1 January 2024	-	131,897	1,117,271	326,967	454,083	505,515	-	596,275	3,132,008
Exchange adjustments	-	(4,420)	(44,969)	(10,698)	(18,138)	(40,495)	-	(47,866)	(166,586)
Charge for the year	-	1,001	102,739	42,876	29,845	302,709	-	212,957	692,127
Impairment	-	-	-	-	-	-	-	36,775	36,775
Disposal of a subsidiary	-	-	-	(21,943)	(1,563)	(914)	-	(16,002)	(40,422)
Written back on disposals	-	-	(19,171)	(19,982)	(13,077)	(75,058)	-	(49,224)	(176,512)
At 31 December 2024	-	128,478	1,155,870	317,220	451,150	691,757	-	732,915	3,477,390
<b>Net book value:</b>									
At 31 December 2024	1,046,208	49,076	1,656,193	404,835	102,349	1,573,986	59,260	618,067	5,509,974

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Property, plant and equipment (continued)

### (a) Reconciliation of carrying amount (continued)

- (i) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts totalling Singapore Dollar ("SGD") 50,061,000 (equivalent to \$303,307,000 (2024: \$285,736,000)) as their deemed cost, as the amount of the adjustments relating to prior periods could not be reasonably determined when IFRS Accounting Standards were first adopted for the purpose of preparing financial statements prior to the initial public offering of the Company. The requirements of IAS 16, *Property, plant and equipment* with respect to assets carried at amounts other than cost less accumulated depreciation are therefore not applicable.
- (ii) The Group rents out certain motor vehicles, trucks and forklifts (included in plant, machinery and equipment). The rental period typically runs for an initial period within one year to five years, with an option to renew upon expiry at which time all terms are renegotiated. None of the rental agreements includes variable lease payments.

The cost of motor vehicles and machineries of the Group held for rental amounted to a total of \$1,702,439,000 (2024: \$1,378,771,000), the related accumulated depreciation and depreciation charges for the year amounted to a total of \$488,252,000 (2024: \$271,427,000) and \$214,785,000 (2024: \$193,267,000).

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

	2025 \$'000	2024 \$'000
Within 1 year	224,737	216,788
After 1 year but within 2 years	92,153	86,335
After 2 years but within 3 years	27,657	23,974
After 3 years but within 4 years	7,471	6,580
After 4 years but within 5 years	1,544	2,771
	<u>353,562</u>	<u>336,448</u>

Where practicable, the Group obtains residual value guarantees from the lessee to reduce the residual asset risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Property, plant and equipment (continued)

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

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

	Note	2025 \$'000	2024 \$'000
Leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:	(i)		
- Between 10 to 50 years		7,802	9,624
- Less than 10 years		373	1
Leasehold land and building held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of:	(i)		
- Between 10 to 50 years		1,041,900	1,092,382
- Less than 10 years		108,226	91,102
		1,158,301	1,193,109
Other properties leased for own use, carried at depreciated cost	(ii)	494,445	618,067
Motor vehicles, carried at depreciated cost	(iii)	9,141	15,992
		1,661,887	1,827,168

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

	2025 \$'000	2024 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land and buildings	77,044	70,163
Other properties leased for own use	208,232	212,957
Motor vehicles	7,799	10,250
	293,075	293,370
Interest on lease liabilities (note 6)	13,800	14,623
Expense relating to short-term leases	7,331	9,546
Impairment loss of the right-of-use assets	-	36,775

During the year, additions to right-of-use assets were \$182,392,000 (2024: \$416,206,000). This amount included additions of leasehold properties of \$4,898,000 (2024: \$12,569,000) and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 24(c) and 27, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Property, plant and equipment (continued)

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

#### (i) Leasehold land and buildings

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

#### (ii) Other properties leased for own use

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

#### (iii) Motor vehicles

The Group leases motor vehicles under leases expiring from one to three years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments. There are no lease of plant, machinery and equipment as of 31 December 2025.

## 14 Intangible assets

	Customer relationships \$'000	Backlog \$'000	Computer software \$'000	Others \$'000	Total \$'000
<b>Cost:</b>					
At 1 January 2025	144,313	8,945	102,082	49	255,389
Exchange adjustments	(71)	1	(740)	–	(810)
Additions	–	–	32,216	–	32,216
Acquisition of Zero Plus Maintenance Co.,Ltd (“ZPM”)	2,264	–	–	–	2,264
Disposals	–	–	(15,810)	–	(15,810)
At 31 December 2025	146,506	8,946	117,748	49	273,249
<b>Accumulated amortisation:</b>					
At 1 January 2025	60,360	–	36,060	28	96,448
Exchange adjustments	(421)	–	(45)	–	(466)
Charge for the year	9,341	–	14,600	3	23,944
Written back on disposals	–	–	(13,520)	–	(13,520)
At 31 December 2025	69,280	–	37,095	31	106,406
<b>Net book value:</b>					
At 31 December 2025	77,226	8,946	80,653	18	166,843

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 Intangible assets (continued)

	Customer relationships \$'000	Backlog \$'000	Computer software \$'000	Others \$'000	Total \$'000
<b>Cost:</b>					
At 1 January 2024	101,911	9,948	77,307	55	189,221
Exchange adjustments	(12,756)	(1,003)	(8,952)	(6)	(22,717)
Additions	-	-	37,752	-	37,752
Transfer from goodwill (note 20(a))	55,158	-	-	-	55,158
Disposals	-	-	(4,025)	-	(4,025)
At 31 December 2024	144,313	8,945	102,082	49	255,389
<b>Accumulated amortisation:</b>					
At 1 January 2024	56,178	-	33,930	27	90,135
Exchange adjustments	(6,014)	-	(3,620)	(2)	(9,636)
Charge for the year	10,196	-	7,279	3	17,478
Written back on disposals	-	-	(1,529)	-	(1,529)
At 31 December 2024	60,360	-	36,060	28	96,448
<b>Net book value:</b>					
At 31 December 2024	83,953	8,945	66,022	21	158,941

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 (2024: \$Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 Goodwill

	<b>Total \$'000</b>
<b>Cost:</b>	
At 1 January 2025	69,342
Addition through acquisition of ZPM	2,582
Exchange adjustments	505
At 31 December 2025	<u>72,429</u>
<b>Accumulated impairment losses:</b>	
At 1 January 2025	-
Impairment loss	27,188
Exchange adjustments	(1,244)
At 31 December 2025	<u>25,944</u>
<b>Carrying amount:</b>	
At 31 December 2025	<u>46,485</u>
<b>Cost:</b>	
At 1 January 2024	115,066
Transfer to intangible assets (note 20(a))	(36,404)
Exchange adjustments	(9,320)
At 31 December 2024	<u>69,342</u>
<b>Carrying amount:</b>	
At 31 December 2024	<u>69,342</u>

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

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and operating segment as follows:

	<b>2025 \$'000</b>	<b>2024 \$'000</b>
Transportation activities - Japan	36,156	59,612
Other unit without significant goodwill	10,329	9,730
	<u>46,485</u>	<u>69,342</u>

The recoverable amount of each CGU is determined based on value-in-use calculations. While the Group performs annual impairment tests for all CGUs containing goodwill, a specific performance gap was identified within the Japan transportation CGU. This relates to the acquisition of So-ing Co., Ltd by the Group's subsidiaries, Zero Co., Ltd., in 2023, where actual profitability during 2025 was lower than the projections in the original acquisition plan. As a result of the impairment assessment, the recoverable amount of this CGU was determined to be lower than its carrying amount. Accordingly, impairment assessment has been performed on the CGUs and impairment loss of JPY522,000,000 (equivalent to \$27,188,000) is considered necessary at 31 December 2025 (2024: \$Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 Interest in subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2025 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong & Sons Motor Company (Singapore) Private Limited	Singapore	Ordinary shares of SGD100,000,000 Redeemable preference shares of SGD100,000,000	100%	Treasury management for group entities
Tan Chong Motor Sales Pte Ltd.	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd.	Singapore	Ordinary shares of SGD4,000,000 Redeemable preference shares of SGD25,000,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd.	Singapore	SGD50,000	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd.	Singapore	Ordinary shares of SGD34,100,000 Redeemable preference shares of SGD25,000,000	100%	Hire purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	Ordinary shares of SGD32,900,000 Redeemable preference shares of SGD50,000,000	100%	Property investment
Brizay Property Pte Ltd.	Singapore	SGD2	100%	Property investment
Ethoz Group Ltd. ("Ethoz Group")	Singapore	SGD51,280,000	100%	Sale, leasing and financing of motor vehicles, leasing of equipment, commercial loans and provision of motor vehicles repair services
Ethoz Protect Pte Ltd	Singapore	SGD100,000	100%	Motor vehicles repair and maintenance services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Ethoz Capital Ltd	Singapore	SGD50,000,000	100%	Financing of commercial loans, leasing and financing of motor vehicles
Ethoz Auto Leasing Ltd	Singapore	SGD50,000,000	100%	Sale and leasing of motor vehicles
Ethoz Solar Ltd	Singapore	SGD1,000,000	100%	Generation and sales of electricity by other sources (e.g. solar power)
Advance Pacific Holdings Limited	Hong Kong	\$8,500,000	100%	Investment holding
Motor Image (HK) Limited	Hong Kong	\$8,000,000	100%	Distribution of motor vehicles
Motor Image (Guangzhou) Co., Ltd. #	PRC	Registered and paid-up capital of HKD120,000,000	100%	Distribution of motor vehicles
Ethoz Capital (China) Ltd #	PRC	RMB 500,000,000	100%	Financing leasing services
Motor Image Pilipinas, Inc.	Republic of the Philippines	Peso 137,625,000	100%	Distribution of motor vehicles
Taiwan Motor Image Co., Ltd.	Taiwan	NTD 5,000,000	100%	Distribution of motor vehicles
Subaru of Taiwan Co., Ltd.	Taiwan	NTD 53,000,000	65%	Distribution of motor vehicles and related products
Nissan Diesel (Thailand) Company Limited	Thailand	Ordinary shares of Baht 1,646,456,000 Redeemable preference shares of Baht 250,000,000	100%	Trading of spare parts and provision of workshop services
Fuso Truck (Thailand) Co., Ltd.	Thailand	Baht 100,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
TC Subaru (Thailand) Co., Ltd.	Thailand	Baht 103,755,000	100%	Distribution of motor vehicles

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/ registered and paid-up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong Subaru Automotive (Thailand) Co., Ltd.	Thailand	Baht 5,000,000,000	100%	Leasing of properties
TC Manufacturing and Assembly (Thailand) Co., Ltd.	Thailand	Baht 1,503,300,000	100%	Leasing of properties
Ethoz Solar (Thailand) Ltd	Thailand	Baht 125,000,000	100%	Generation and sales of electricity by other sources (e.g. solar power)
TC Subaru Sdn. Bhd.	Malaysia	MYR 3,000,000	100%	Distribution of motor vehicle and provision of workshop services
Ethoz Equip Capital Berhad	Malaysia	MYR 50,000,000	100%	Rental and leasing of equipment
Motor Image Vietnam Co., Ltd.	Vietnam	VND 8,901,000,000	100%	Distribution of motor vehicles
Zero Co., Ltd. ("Zero")	Japan	JPY 3,390,798,450	52.45%	Investment holding, used-car trading and provision of vehicle transportation and maintenance services
Zero Plus Kanto Co., Ltd.	Japan	JPY 15,000,000	52.45%	Provision of vehicle transportation services
Kyuso Co., Ltd.	Japan	JPY 60,000,000	52.45%	Provision of cargo logistics services
Japan Relief Co., Ltd.	Japan	JPY 83,124,775	52.45%	Provision of human resources services
World Windows Co., Ltd.	Japan	JPY 10,000,000	52.45%	Exports and sales of used cars
Zero Plus BHS Co., Ltd.	Japan	JPY 10,000,000	52.45%	Provision of vehicle transportation services
Zero Plus IKEDA Co., Ltd.	Japan	JPY 10,000,000	52.45%	Provision of vehicle transportation services
So-ing Co., Ltd ("So-ing")	Japan	JPY 25,000,000	52.45%	Provision of vehicle transportation service and auction site operation business

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 Interest in subsidiaries (continued)

The following table lists out the information relating to Zero, the only subsidiary of the Group which has a material NCI. The summarised consolidated financial information of Zero presented below represents the amounts before any inter-company elimination.

	2025 \$'000	2024 \$'000
NCI percentage	47.55%	47.55%
Current assets	1,909,669	1,846,265
Non-current assets	1,958,706	1,956,693
Current liabilities	1,141,030	1,270,740
Non-current liabilities	331,468	389,406
Net assets	2,395,877	2,142,812
Carrying amount of NCI	1,137,646	1,016,188
Revenue	7,538,205	7,477,592
Profit for the year	354,619	348,670
Total comprehensive income	369,806	160,892
Profit allocated to NCI	169,313	166,704
Dividend paid to NCI	(58,099)	(24,999)
Cash flows from operating activities	780,598	654,160
Cash flows from investing activities	(171,099)	(178,926)
Cash flows from financing activities	(454,598)	(282,412)

## 17 Interest in an associate

	2025 \$'000	2024 \$'000
Share of net assets	59,547	69,521

Details of the associate are as follows:

Name	Place of incorporation	Percentage of equity held by the Group	Principal activities
Tyre Pacific (HK) Limited	Hong Kong	50%	Distribution of tyres

The above associate is an unlisted corporate entity that quoted market price is not available and is accounted for using the equity method in the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 17 Interest in an associate (continued)

Summarised financial information of the associate is as follows:

	2025 \$'000	2024 \$'000
Aggregate carrying amount of the associate in the consolidated financial statements	59,547	69,521
Aggregate amounts of the Group's share of the associate's		
- Profit from existing operations	5,414	5,767
- Other comprehensive income	(388)	(1,067)
- Total comprehensive income	5,026	4,700
- Dividend received from the associate	(15,000)	(11,000)

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

	2025 \$'000	2024 \$'000
Listed equity securities outside Hong Kong	1,662,053	1,641,277
Unlisted equity securities	6,882	6,828
	1,668,935	1,648,105

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	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Investments in Subaru Corporation (note)	1,608,517	1,599,283	64,195	53,390
Others	60,418	48,822	1,745	1,554
	1,668,935	1,648,105	65,940	54,944

Note: Fair value gain of \$318,671,000 (2024: fair value loss of \$31,154,000) was recognised in other comprehensive income during the year ended 31 December 2025.

Subaru Corporation is mainly operating in two businesses, the Automotive business and the Aerospace business. In the area of Automotive, it is in the business of manufacture, repair and sales of passenger cars and their components. In the area of Aerospace, it is in the business of manufacture, repair and sales of airplanes, aerospace-related machinery and their components. The number of shares and percentage held of this investment are 9,533,000 shares and 1.3% of Subaru Corporation's issued shares respectively. The investment cost is JPY6.2 billion. This investment represents 7% of the Groups' total assets.

During the year ended 31 December 2025, equity securities listed outside Hong Kong, with carrying amount of \$309,436,000, were disposed, and the respective fair value reserve of \$235,591,000 was released to retained profits accordingly. Considering the recent market prices of the shares of Subaru Corporation, management are of the view that the disposal allows the Group to realise a portion of its investment in Subaru Corporation and rebalance its investment portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 Inventories

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

	2025 \$'000	2024 \$'000
Raw materials	25,502	28,758
Work-in-progress	3,197	3,135
Spare parts and others	267,582	286,472
Finished goods	1,200,797	1,806,128
Goods in transit	15,807	68,196
	1,512,885	2,192,689

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

	2025 \$'000	2024 \$'000
Carrying amount of inventories sold	2,322,809	2,843,255
Provision of write-down of inventories, net	9,710	66,005
	2,332,519	2,909,260

## 20 Business combinations

**(a) Acquisition of So-ing**

On 1 November 2023, Zero, a subsidiary of the Company, entered into a sale and purchase agreement with a third party (the "So-ing Vendor"), pursuant to which Zero agreed to purchase and the So-ing Vendor agreed to sell, 100% equity interest in So-ing at a consideration of Japanese Yen ("JPY") 2,856 million (equivalent to \$148.6 million) settled in cash. The acquisition was completed on 1 November 2023. So-ing was incorporated in Japan and is principally engaged in provision of driven vehicle transportation services and auction site operation business.

Upon the completion of the acquisition, Zero holds 100% equity interests and obtains control of So-ing.

The acquisition was made as part of the Group's strategy to expand the driven vehicle delivery business of Zero.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 Business combinations (continued)

### (a) Acquisition of So-ing (continued)

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

	Note	1 November 2023 \$'000
Current assets		80,115
Property, plant and equipment	13	61,186
Investment properties	12	1,873
Intangible assets	14	55,168
Unlisted equity securities	18,34	104
Other non-current assets		2,506
Borrowings	24(b)	(25,769)
Current liabilities		(38,534)
Deferred tax liabilities	10	(18,754)
Fair value of net assets acquired		117,895
Goodwill on acquisition	15	30,718
Total consideration, satisfied in cash paid		148,613
Less: cash and cash equivalents acquired		(62,474)
Net cash outflow		86,139

The Group incurred transaction costs of approximately JPY89 million (equivalent to \$5.0 million) for this acquisition. These costs have been expensed and included in "Administrative expenses" in the consolidated statement of profit or loss.

At 31 December 2023, 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 2024. Intangible assets of \$55.2 million and related deferred tax liabilities of \$18.8 million have been identified and transferred out from the goodwill arising from the acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 Other creditors and accruals

At 31 December 2025, deferred revenue of performance in warranty services of \$27,722,000 (2024: \$30,821,000) is classified as contract liabilities. When the Group receives a consideration before the warranty services are completed, this will give rise to contract liabilities at the start of a contract, until the revenue is recognised on these warranty services when the performance obligation has been fulfilled.

### Movements in contract liabilities

	2025 \$'000	2024 \$'000
Balance at 1 January	30,821	36,624
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	(27,027)	(28,918)
Increase in contract liabilities as a result of receiving consideration during the year in respect of warranty services not completed as at 31 December	22,101	24,376
Exchange adjustments	1,827	(1,261)
Balance at 31 December	27,722	30,821

The amount of consideration received in advance of completion of warranty services expected to be recognised as income after more than one year is \$9,970,000 (2024: \$11,175,000).

## 22 Trade debtors

	2025 \$'000	2024 \$'000
Trade debtors	888,070	962,927
Less: Loss allowances	(16,503)	(14,537)
	871,567	948,390

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:

	2025 \$'000	2024 \$'000
0 - 30 days	718,263	741,504
31 - 90 days	129,701	189,297
Over 90 days	23,603	17,589
	871,567	948,390

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 22 Trade debtors (continued)

### Impairment of trade debtors

Impairment losses in respect of trade debtors are recognised with a corresponding adjustment to their carrying amount through a loss allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(x)(i)).

As at 31 December 2025, loss allowance has been made for trade debtors of \$16,503,000 (2024: \$14,537,000). The movements in the loss allowance during the year are as follows:

	2025 \$'000	2024 \$'000
At 1 January	14,537	52,271
Exchange adjustments	933	(1,218)
Disposal of a subsidiary	–	(1,179)
Impairment losses recognised/(reversed), net	1,609	(4,262)
Uncollectible amounts written off	(576)	(31,075)
At 31 December	16,503	14,537

## 23 Loans and advances

	2025			Total \$'000
	Loan receivables \$'000	Finance lease receivables \$'000	Hire purchase debtors and instalments receivable \$'000	
Balance due				
- within one year	1,734,772	1,291,571	44,535	3,070,878
- between one and five years	770,194	1,644,161	64,536	2,478,891
- after more than five years	–	2,633	4,600	7,233
	2,504,966	2,938,365	113,671	5,557,002
Less: Loss allowance	(9,221)	(48,457)	(2,384)	(60,062)
	2,495,745	2,889,908	111,287	5,496,940
Balance due				
- within one year	1,725,954	1,254,723	44,249	3,024,926
- between one year and five years	769,791	1,632,554	62,441	2,464,786
- after more than five years	–	2,631	4,597	7,228
	2,495,745	2,889,908	111,287	5,496,940

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 23 Loans and advances (continued)

	2024			Total \$'000
	Loan receivables \$'000	Finance lease receivables \$'000	Hire purchase debtors and instalments receivable \$'000	
Balance due				
- within one year	2,072,992	1,034,993	54,485	3,162,470
- between one and five years	896,289	1,235,274	63,729	2,195,292
- after more than five years	-	5,402	5,683	11,085
	2,969,281	2,275,669	123,897	5,368,847
Less: Loss allowance	(12,970)	(30,588)	(4,075)	(47,633)
	2,956,311	2,245,081	119,822	5,321,214
Balance due				
- within one year	2,056,832	1,021,649	54,051	3,132,532
- between one year and five years	899,479	1,218,112	60,089	2,177,680
- after more than five years	-	5,320	5,682	11,002
	2,956,311	2,245,081	119,822	5,321,214

### Impairment of loans and advances

Impairment losses in respect of loan receivables, finance lease receivables and hire purchase debtors and instalments receivable are recognised with a corresponding adjustment to their carrying amount through 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 loan receivables, finance lease receivables and hire purchase debtors directly (see note 1(x)(i)).

As at 31 December 2025, loss allowance has been made for loan receivables, finance lease receivables and hire purchase debtors and instalments receivable of \$60,062,000 (2024: \$47,633,000). The movements in the loss allowance during the year are as follows:

	2025			Total \$'000
	Loan receivables \$'000	Finance lease receivables \$'000	Hire purchase debtors and instalments receivable \$'000	
At 1 January	12,970	30,588	4,075	47,633
Exchange adjustments	734	1,795	277	2,806
Impairment losses (reversed)/recognised, net	(2,978)	28,223	(1,728)	23,517
Uncollectible amounts written off	(1,505)	(12,149)	(240)	(13,894)
At 31 December	9,221	48,457	2,384	60,062

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 23 Loans and advances (continued)

### Impairment of loans and advances (continued)

	2024			Total \$'000
	Loan receivables \$'000	Finance lease receivables \$'000	Hire purchase debtors and instalments receivable \$'000	
At 1 January	6,714	28,056	4,647	39,417
Exchange adjustments	(392)	(1,131)	(49)	(1,572)
Impairment losses recognised/(reversed), net	10,458	16,392	(367)	26,483
Uncollectible amounts written off	(3,810)	(12,729)	(156)	(16,695)
At 31 December	12,970	30,588	4,075	47,633

## 24 Cash and bank balances

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

	2025 \$'000	2024 \$'000
Bank deposits	725,339	683,462
Cash at bank	1,790,562	1,558,315
Cash in hand	1,200	1,156
Cash and bank balances in the consolidated statement of financial position	2,517,101	2,242,933
Less: Bank deposits with more than three months to maturity when placed	(33,216)	(35,763)
Unsecured bank overdrafts (note 26)	(186,375)	(352,832)
Cash and cash equivalents in the consolidated cash flow statement	2,297,510	1,854,338

The Group's effective interest rate for bank deposits ranged from 0.22% to 3.72% (2024: 1.75% to 4.62%) per annum. The terms of such deposits placed range from twenty two days to one year.

Bank overdrafts bear interest at rates ranging from 0.76% to 0.95% (2024: 0.53% to 0.56%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24 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.

	<b>Borrowings</b> \$'000 (note 26)	<b>Lease liabilities</b> \$'000 (note 27)	<b>Total</b> \$'000
<b>At 1 January 2025</b>	7,762,170	672,846	8,435,016
<b>Changes from financing cash flows:</b>			
Proceeds from new borrowings	3,831,581	–	3,831,581
Repayment of borrowings	(4,342,042)	–	(4,342,042)
Capital element of lease rentals paid	–	(221,650)	(221,650)
Interest element of lease rentals paid	–	(13,800)	(13,800)
Total changes from financing cash flows	(510,461)	(235,450)	(745,911)
<b>Exchange adjustments</b>	455,839	16,260	472,099
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the year	–	177,494	177,494
Interest expenses on lease liabilities (note 6)	–	13,800	13,800
Decrease in lease liabilities during the year	–	(75,267)	(75,267)
Total other changes	–	116,027	116,027
<b>At 31 December 2025</b>	<b>7,707,548</b>	<b>569,683</b>	<b>8,277,231</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24 Cash and bank balances (continued)

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

	<b>Borrowings</b> <b>\$'000</b>	<b>Lease</b> <b>liabilities</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
	<b>(note 26)</b>	<b>(note 27)</b>	
<b>At 1 January 2024</b>	7,401,771	559,340	7,961,111
<b>Changes from financing cash flows:</b>			
Proceeds from new borrowings	5,071,067	-	5,071,067
Repayment of borrowings	(4,436,033)	-	(4,436,033)
Capital element of lease rentals paid	-	(226,906)	(226,906)
Interest element of lease rentals paid	-	(14,623)	(14,623)
Total changes from financing cash flows	635,034	(241,529)	393,505
<b>Exchange adjustments</b>	(270,879)	(41,333)	(312,212)
<b>Other changes:</b>			
Disposal of subsidiaries	(3,756)	-	(3,756)
Increase in lease liabilities from entering into new leases during the year	-	408,557	408,557
Interest expenses on lease liabilities (note 6)	-	14,623	14,623
Decrease in lease liabilities during the year	-	(26,812)	(26,812)
Total other changes	(3,756)	396,368	392,612
<b>At 31 December 2024</b>	7,762,170	672,846	8,435,016

### (c) Total cash outflow for leases

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

	<b>2025</b> <b>\$'000</b>	<b>2024</b> <b>\$'000</b>
Within operating cash flows	7,331	9,546
Within investing cash flows	4,898	12,569
Within financing cash flows	235,450	241,529
	247,679	263,644

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24 Cash and bank balances (continued)

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

These amounts relate to the following:

	2025 \$'000	2024 \$'000
Lease rentals paid	242,781	251,075
Purchase of leasehold property	4,898	12,569
	<u>247,679</u>	<u>263,644</u>

## 25 Non-current assets held for sale

The movements of non-current assets held for sale were as follows:

	\$'000
At 1 January 2024, 31 December 2024 and 1 January 2025	–
Transfer from property, plant and equipment (note 13)	76,183
Exchange difference	1,076
At 31 December 2025	<u>77,259</u>

In 2025, one of the subsidiaries of the Group, Ethoz Group, has entered into a sales and purchase agreement with a third party to dispose its land and buildings, with a consideration of SGD13,750,000 (equivalent to \$83,612,000).

As at 31 December 2025, the disposal has not been completed, the transaction is currently progressing through the final legal and regulatory stages for the ownership transfer. Management considered the disposal is highly probable and expected to be completed within one year from 31 December 2025. The respective land and buildings of \$77,259,000 were reclassified from property, plant and equipment to non-current assets held for sale as at 31 December 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 26 Borrowings and bank overdrafts

At 31 December 2025, the borrowings and bank overdrafts were payable as follows:

	2025 \$'000	2024 \$'000
Within one year		
- bank overdrafts (note 24(a))	186,375	352,832
- bank loans	5,559,484	4,806,444
- amount due to Enterprise Singapore (note)	5,753	18,672
	5,565,237	4,825,116
	5,751,612	5,177,948
After one year but within two years		
- bank loans	1,516,381	2,099,999
- amount due to Enterprise Singapore (note)	3,361	5,080
	1,519,742	2,105,079
After two years but within five years		
- bank loans	622,569	828,459
- amount due to Enterprise Singapore (note)	-	3,516
	622,569	831,975
	2,142,311	2,937,054
	7,893,923	8,115,002

At 31 December 2025, the borrowings and overdrafts were secured as follows:

	2025 \$'000	2024 \$'000
Unsecured bank overdrafts	186,375	352,832
Unsecured Borrowings	7,698,434	7,734,902
Amount due to Enterprise Singapore (note)		
- Unsecured	9,114	27,268
	7,893,923	8,115,002

Note: Amount due to Enterprise Singapore represents unsecured advances under the Enterprise Finance Scheme ("EFS") and Local Enterprise Finance Scheme ("LEFS") to finance EFS and LEFS borrowers respectively. The interest rates and repayment periods vary in accordance with the type, purpose and security of the facilities granted under the scheme.

At 31 December 2025, the above borrowings bear interest at floating rates ranging from 0.76% to 8.15% (2024: 0.53% to 5.87%) per annum.

At 31 December 2025, the banking facilities of the Group were secured by mortgage over land and buildings with an aggregate carrying value of \$31,504,000 (2024: \$32,036,000). Such banking facilities amounted to \$31,504,000 (2024: \$22,363,000). As at 31 December 2025 and 2024, the facilities were not utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 26 Borrowings and bank overdrafts (continued)

At 31 December 2025, a subsidiary of the Group has bank borrowing amounting to THB928,200,000 (equivalent to \$228,617,000) (2024: THB1,753,800,000 (equivalent to \$397,573,000)) with the following financial covenants applied to the subsidiary:

- the tangible net worth of certain subsidiaries shall not at any time be less than SGD100,000,000 (equivalent to \$605,880,000) (2024: the tangible net worth of certain subsidiaries shall not at any time be less than SGD100,000,000 (equivalent to \$570,780,000)).

At 31 December 2025, other subsidiaries of the Group have bank borrowings amounting to SGD769,784,000 (equivalent to \$4,663,947,000) (2024: SGD830,840,000 (equivalent to \$4,742,237,000)) and are subject to the fulfilment of covenants relating to certain of the subsidiaries' financial position ratios, as are commonly found in lending arrangements with financial institutions.

If the relevant subsidiaries were to breach the covenants, the outstanding bank borrowings would become payable on demand. The Group did not identify any difficulties complying with the covenants. As at 31 December 2025, none of the covenants relating to drawn down facilities had been breached (2024: Nil).

## 27 Lease liabilities

At 31 December 2025, the lease liabilities were repayable as follows:

	2025 \$'000	2024 \$'000
Within 1 year	197,916	197,056
After 1 year but within 2 years	146,748	178,594
After 2 years but within 5 years	103,895	169,344
After 5 years	121,124	127,852
	371,767	475,790
	569,683	672,846

## 28 Post-employment benefits

### (a) Defined benefit retirement plans

The Group, through Zero makes contributions to defined benefit retirement plans registered in Japan, which cover 76% (2024: 78%) of Zero's employees. The plans are administered by trustees, the majority of which are independent, with their assets held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans.

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

The plans are funded by contributions from the Group in accordance with independent actuaries' recommendations based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 30 June 2025 and were prepared by qualified staff of Mizuho Trust & Banking Co., Ltd and Daiichi Life Insurance Company. The actuarial valuations indicated that the Group's obligations under these defined benefit retirement plans were 79% (2024: 79%) covered by the plan assets held by the trustees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 28 Post-employment benefits (continued)

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

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

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

	2025 \$'000	2024 \$'000
Present value of defined benefit obligations	(232,166)	(239,734)
Fair value of plan assets	182,560	189,393
	<u>(49,606)</u>	<u>(50,341)</u>

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 \$10,588,000 in contributions to defined benefit retirement plans in 2026.

(ii) Plan assets consist of the following:

	2025 \$'000	2024 \$'000
Equity securities	91,358	82,641
Government bonds	73,060	71,819
Others	18,142	34,933
	<u>182,560</u>	<u>189,393</u>

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% (2024: 5% - 65%) in equity securities across a range of industries, 5% - 70% (2024: 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

	2025 \$'000	2024 \$'000
At 1 January	239,734	285,634
Benefits paid by the plans	(22,011)	(26,703)
Current service cost	17,589	19,073
Interest cost	3,648	2,627
Remeasurement of present value	(7,185)	(12,706)
Exchange adjustments	391	(28,191)
At 31 December	<u>232,166</u>	<u>239,734</u>

The weighted average duration of the defined benefit obligation is 7.7 years (2024: 8.2 years).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 28 Post-employment benefits (continued)

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

#### (iv) Movements in plan assets

	2025 \$'000	2024 \$'000
At 1 January	189,393	228,992
Group's contributions paid to the plan	13,759	14,277
Benefits paid by the plans	(14,500)	(18,028)
Interest income	5,147	3,972
Return on plan assets, excluding interest income	15,107	14,513
Exchange adjustments	(26,346)	(54,333)
At 31 December	182,560	189,393

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

	2025 \$'000	2024 \$'000
Current service cost	17,589	19,073
Net interest on net defined benefit liability	(1,499)	(1,345)
Total amounts recognised in profit or loss	16,090	17,728
Return on plan assets, excluding interest income (after tax adjustment)	(10,257)	(9,965)
Remeasurement of present value of the defined benefit obligation (after tax adjustment)	(6,306)	(8,858)
Total amounts recognised in other comprehensive income	(16,563)	(18,823)
Total defined benefit costs	(473)	(1,095)

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:

	2025 \$'000	2024 \$'000
Cost of sales	6,373	7,136
Administrative expenses	9,717	10,592
	16,090	17,728

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

	2025	2024
Discount rate	1.59%	1.20%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 28 Post-employment benefits (continued)

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

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

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	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Discount rate	(8,977)	(10,183)	8,977	10,183

### (b) Defined contribution retirement plans

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

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

## 29 Trade creditors

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

	2025 \$'000	2024 \$'000
0 - 30 days	446,025	581,726
31 - 90 days	108,218	121,246
91 - 180 days	82,367	42,118
Over 180 days	121,405	99,326
	758,015	844,416

## 30 Amounts due from/to related companies

The amounts due from/to related companies are unsecured, interest-free and recoverable/repayable on demand. The related companies are the companies disclosed in note 36(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 31 Provisions

	2025 \$'000	2024 \$'000
Provisions for warranties	54,365	61,191
Current	12,294	7,970
Non-current	42,071	53,221
	54,365	61,191

### *Provisions for warranties*

	2025 \$'000	2024 \$'000
At 1 January	61,191	78,041
Provision made (note 7)	33,404	20,897
Provision utilised	(42,519)	(30,330)
Disposal of a subsidiary	–	(4,136)
Exchange adjustment	2,289	(3,281)
At 31 December	54,365	61,191

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.

## 32 Capital, reserves and dividends

### (a) *The Group*

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

#### (i) *Share premium*

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

#### (ii) *Capital reserve*

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

#### (iii) *Stock compensation reserve*

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

#### (iv) *Translation reserve*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 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)). During the year ended 31 December 2025, fair value reserve of \$235,591,000 was transferred to retained profits upon the disposal of equity investment designated at FVOCI.

#### (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.

During the year ended 31 December 2025, there were revaluation gain of \$5,438,000 recognised for the occupied property, plant and equipment transferred to investment property carried at fair value (2024: \$Nil).

### (b) The Company

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

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2024</b>	1,006,655	550,547	623,313	173,647	2,354,162
<b>Changes in equity in 2024:</b>					
Total comprehensive income for the year	-	-	-	134,617	134,617
Dividends to equity shareholders	-	-	-	(130,865)	(130,865)
<b>Balance at 31 December 2024 and 1 January 2025</b>	1,006,655	550,547	623,313	177,399	2,357,914
<b>Changes in equity in 2025:</b>					
Total comprehensive income for the year	-	-	-	155,980	155,980
Dividends to equity shareholders	-	-	-	(150,998)	(150,998)
<b>Balance at 31 December 2025</b>	1,006,655	550,547	623,313	182,381	2,362,896

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 Capital, reserves and dividends (continued)

### (b) The Company (continued)

#### (ii) Contributed surplus (continued)

The Company's reserves available for distribution to equity shareholders at 31 December 2025 are as follows:

	2025 \$'000	2024 \$'000
Contributed surplus	623,313	623,313
Retained profits	182,381	177,399
	<u>805,694</u>	<u>800,712</u>

### (c) Dividends

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

	2025 \$'000	2024 \$'000
Interim dividend paid of HK\$2 cents per ordinary share (2024: HK\$2 cents per ordinary share)	40,266	40,266
Final dividend proposed after the end of the reporting period of HK\$6 cents per ordinary share (2024: HK\$5.5 cents per ordinary share)	120,799	110,732
	<u>161,065</u>	<u>150,998</u>

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

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

	2025 \$'000	2024 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$5.5 cents per ordinary share (2024: HK\$4.5 cents per ordinary share)	110,732	90,599

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 Capital, reserves and dividends (continued)

### (d) Share capital

	2025 \$'000	2024 \$'000
<b>Authorised:</b>		
3,000,000,000 ordinary shares of \$0.50 each	1,500,000	1,500,000
<b>Issued and fully paid:</b>		
2,013,309,000 ordinary shares of \$0.50 each, at beginning and end of the year	1,006,655	1,006,655

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

### (e) Capital management

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

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

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total debt, which includes borrowings and lease liabilities, over its total equity, was 64% (2024: 69%) at 31 December 2025.

## 33 Share based transactions

### (a) Share based transactions – 2015 Program

The Group has a stock compensation program (the "2015 Program") which was adopted on 26 November 2015. The 2015 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 funds contributed 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 directors and executive officers of the subsidiaries in view of their positions, performance and length of services; and to each of the entitled corporate auditors in view of their length of services only. 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 first grant date is 26 November 2015, in the years after, point is granted to the eligible recipient annually on 1 July. However, if the eligible recipient retires during the fiscal year, the point will be granted on the date of retirement in proportion. The initial period of the 2015 Program covered five-year period ended 30 June 2020. The subsidiary made an initial contribution of JPY499,940,000 (equivalent to \$32,040,000) to acquire 357,100 points which were expected to be awarded to employees for the initial period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 33 Share based transactions (continued)

### (a) Share based transactions – 2015 Program (continued)

For each subsequent five-year period following the expiry of the initial period, the subsidiary will, in principle, make additional contributions to the trust to fund the acquisition of points reasonably expected to be required under the program. Such contributions are made in advance, after taking into consideration the number of points remaining in the trust. Further contribution to the trust fund is subject to approval by the board of the subsidiary.

In August 2025, the subsidiary made a further contribution of JPY50,700,000 (equivalent to \$2,641,000) to acquire 15,000 points, the maximum number of points to be awarded for the five-year period ending 30 June 2030.

A total of 3,000 (2024: 3,000) points were granted to selected participants during the year ended 31 December 2025.

#### (i) The terms and conditions of the grants are as follows:

	<u>Number of points</u>
<b>Points granted to employees:</b>	
On 26 November 2015	71,420
On 1 July 2016	60,000
On 1 July 2017	57,500
On 1 July 2018	63,000
On 1 July 2019	81,200
On 1 July 2020	81,200
On 1 July 2021	49,200
On 1 July 2022	6,000
On 1 July 2023	3,000
On 1 July 2024	3,000
On 1 July 2025	<u>3,000</u>

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

	<b>2025 Number of points</b>	<b>2024 Number of points</b>
Outstanding at the beginning of the year	185,000	277,000
Forfeited during the year	–	–
Exercised during the year	–	(95,000)
Granted during the year	3,000	3,000
Outstanding at the end of the year	<u>188,000</u>	<u>185,000</u>
Exercisable at the end of the year	<u>188,000</u>	<u>185,000</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 33 Share based transactions (continued)

### (a) Share based transactions – 2015 Program (continued)

#### (iii) 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 2025	1 July 2024
<b>Fair value of points and assumptions</b>		
Fair value at measurement date	JPY2,389	JPY1,636
Share price	JPY3,060	JPY1,854
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	32.3%	24.5%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	5.9 year	3.0 year
Expected dividends	4.2%	4.2%
Risk-free interest rate (based on the yield of Japanese government bonds)	1.04%	0.39%

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 2024 and 1 July 2025 were JPY1,854 (equivalent to \$92) and JPY3,060 (equivalent to \$152) per share respectively.

During the year ended 31 December 2025, the Group recognised a net expense of \$315,000 (2024: \$214,000) as equity settled share based payments in relation to the 2015 Program.

### (b) Share based transactions – 2022 Program

The Group has a stock compensation program which was adopted on 1 October 2022 (the "2022 Program"). The 2022 Program is operated through a trustee which is independent of the Group. This is a scheme whereby on 12 December 2022, shares of a listed subsidiary are acquired by the trustee using funds contributed 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 directors and executive officers of the subsidiaries in view of their positions, with restriction of transfer. For certain directors, 75% of the points granted can be converted into shares (one point per one share) and 25% of the points can be converted into cash based on prevailing market rate. For employees other than the certain directors, each point granted can be converted into one share of the subsidiary at distribution. For the equity portion, shares are granted at a fixed time each year and are subject to transfer restrictions until the eligible recipients are retired. The cash portion is settled based on the prevailing market price of the shares when the employees leave their positions.

The first grant date is 1 October 2022, in the years after, point is granted to the eligible recipient annually on 1 October. However, if the eligible recipient retires within 6 months of the benefit date, no share will be granted, in otherwise, the points will be granted on the date of retirement in proportion if they retire later than 6 months of the benefit date. The initial period of the 2022 Program covered the three-year period ended 30 June 2025. The subsidiary made an initial contribution of JPY292,824,000 (equivalent to \$17,506,000) to acquire 252,000 points, which were expected to be awarded to employees for the initial period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 33 Share based transactions (continued)

### (b) Share based transactions – 2022 Program (continued)

For each subsequent five-year period following the expiry of the initial period, the subsidiary will, in principle, make additional contributions to the trust to fund the acquisition of points reasonably expected to be required under the program. Such contributions are made in advance, after taking into consideration the number of points remaining in the trust. Further contribution to the trust fund is subject to approval by the board of the subsidiary.

In August 2025, the subsidiary made a further contribution of JPY947,752,000 (equivalent to \$49,364,000) to acquire 280,400 points, the maximum number of points to be awarded for the five-year period ending 30 June 2030.

A total of 35,000 (2024: 34,000) points for equity-settled portion and 8,000 (2024: 8,000) points for cash-settled portion were granted to selected participants during the year ended 31 December 2025.

#### (i) The terms and conditions of the grants are as follows:

	Equity-settled portion Number of points	Cash-settled portion Number of points
On 1 October 2022	35,000	8,500
On 1 October 2023	36,200	8,800
On 1 October 2024	34,000	8,000
On 1 October 2025	35,000	8,000

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

	2025		2024	
	Equity-settled portion Number of points	Cash-settled portion Number of points	Equity-settled portion Number of points	Cash-settled portion Number of points
Outstanding at the beginning of the year	–	19,300	–	17,300
Exercised during the year	(35,000)	–	(34,000)	(6,000)
Granted during the year	35,000	8,000	34,000	8,000
Outstanding at the end of the year	–	27,300	–	19,300
Exercisable at the end of the year	–	27,300	–	19,300

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 33 Share based transactions (continued)

### (b) Share based transactions – 2022 Program (continued)

#### (iii) 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 October 2025	1 October 2024
<b>Fair value of points and assumptions</b>		
Fair value at measurement date	JPY2,387	JPY1,948
Share price	JPY3,110	JPY2,415
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	32.0%	27.4%
Expected option life (expressed as weighted average life used in the modelling under Black-Scholes model)	5.7 years	5.1 years
Expected dividends	4.7%	4.2%
Risk-free interest rate (based on the yield of Japanese government bonds)	1.29%	0.49%

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 October 2024 and 1 October 2025 were JPY2,415 (equivalent to \$120) and JPY3,110 (equivalent to \$150) per share respectively.

During the year ended 31 December 2025, the Group recognised a net expense of \$3,652,000 (2024: \$2,680,000) for the equity settled share based payment and \$2,228,000 (2024: \$1,657,000) was recorded for the cash settled share based payments in relation to the 2022 Program.

## 34 Financial risk management and fair values of financial instruments

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

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

### (a) Interest rate risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (a) Interest rate risk (continued)

#### *Sensitivity analysis*

At 31 December 2025, 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 \$47,730,000 (2024: \$66,950,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis as 2024.

### (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 debtors, loan receivables, finance lease receivables and hire purchase debtors and instalments receivable. The Group's exposure to credit risk arising from cash and bank balances is limited because the counterparties are banks and financial institutions with a high credit rating, for which the directors of the Company consider to have low credit risk.

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

#### *Credit risk management*

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

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

These policies are delegated to and disseminated under the guidance and control of the Chief Executive Officer. A delegated credit approval authority limit structure, approved by the Board of Directors, is as follows:

- The credit evaluation team, Chief Operating Officer and Chief Executive Officer assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board of Directors;
- The credit evaluation team independently assess the creditworthiness and risk profile of the obligors;
- Daily monitoring of accounts is handled by the credit evaluation team; and
- The internal audit function provides independent assurance to senior management concerning compliance with credit processes, policies and adequacy of internal controls.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (b) Credit risk (continued)

#### Trade debtors

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors as at 31 December 2025:

	2025			
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Current (not past due)	0.00%	799,634	-	799,634
1 - 30 days past due	0.46%	37,673	172	37,501
31 - 90 days past due	2.04%	17,388	355	17,033
More than 90 days past due	47.87%	33,375	15,976	17,399
		<u>888,070</u>	<u>16,503</u>	<u>871,567</u>
	2024			
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Current (not past due)	0.00%	859,400	-	859,400
1 - 30 days past due	0.57%	58,337	335	58,002
31 - 90 days past due	3.23%	20,238	653	19,585
More than 90 days past due	54.30%	24,952	13,549	11,403
		<u>962,927</u>	<u>14,537</u>	<u>948,390</u>

Expected loss rates are based on historical credit loss rates of the receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (b) Credit risk (continued)

#### Loans and advances

The Group classifies loans and advances into three stages, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether the asset is credit-impaired as at the reporting date. Explanation of the terms “Stage 1”, “Stage 2” and “Stage 3” is included in note 1(x)(i).

#### Parameters for measuring ECLs

Depending on whether there is a significant increase in credit risk and whether a financial asset is credit-impaired, the Group recognises an ECL allowance based on 12-month ECLs or lifetime ECLs. The relevant parameters of ECL measurement include probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”).

The parameters are defined as follows:

- 12-month PD and lifetime PD represent the expected point-in-time probability of a default over the next 12 months from the reporting date and the remaining lifetime of the financial instruments, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk. The PD is derived using historical default rates adjusted for forward-looking information, where applicable;
- LGD is the magnitude of the expected loss if there is a default. The Group estimates LGD parameters based on the availability and value of collateral or other credit support. LGD is expressed as a percentage of exposure the Group might lose in the event the borrower defaults; and
- EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty.

The following tables set out information about the exposure of loans and advances measured at amortised costs.

	31 December 2025			Total \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	
Loans and advances	4,764,593	392,869	399,540	5,557,002
Less: Loss allowance	(4,703)	(1,139)	(54,220)	(60,062)
	4,759,890	391,730	345,320	5,496,940

	31 December 2024			Total \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	
Loans and advances	4,617,134	254,772	496,941	5,368,847
Less: Loss allowance	(5,744)	(902)	(40,987)	(47,633)
	4,611,390	253,870	455,954	5,321,214

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (b) Credit risk (continued)

Loans and advances (continued)

*Analysed by movements in loss allowance*

The following tables show reconciliations from the opening to the closing balance of the loss allowance.

Loans and advances	2025			Total \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	
At 1 January	5,744	902	40,987	47,633
Transfer between stages	12,658	(676)	(11,982)	-
Remeasurement, net	(14,852)	1,194	45,940	32,282
Originated financial assets	1,085	43	1,530	2,658
Derecognised financial assets	(370)	(382)	(10,671)	(11,423)
Uncollectible amounts written off	-	-	(13,894)	(13,894)
Exchange adjustments	438	58	2,310	2,806
At 31 December	4,703	1,139	54,220	60,062

Loans and advances	2024			Total \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	
At 1 January	7,176	2,709	29,532	39,417
Transfer between stages	2,783	70	(2,853)	-
Remeasurement, net	(3,507)	(1,567)	29,232	24,158
Originated financial assets	3,885	70	3,090	7,045
Derecognised financial assets	(1,208)	(117)	(3,395)	(4,720)
Uncollectible amounts written off	(3,261)	(187)	(13,247)	(16,695)
Exchange adjustments	(124)	(76)	(1,372)	(1,572)
At 31 December	5,744	902	40,987	47,633

In 2025, the changes in gross carrying amounts of loans and advances that have a significant impact on the Group's loss allowance were mainly derived from

- i \$27,485,000 impairment charges for the year due mainly to the Group's portfolio expansion in the PRC; and
- ii \$11,566,000 write off concluded after court proceedings in the PRC.

The contractual amount outstanding on loans and advances that are written off during the year ended 31 December 2025 and that are still subject to enforcement activity is \$13,944,000 (2024: \$16,553,000).

#### *Collaterals*

The loans and advances are generally collateralised by property, equipment and/or guarantees provided by Enterprise Singapore, a statutory board under the Ministry of Trade and Industry of the Government of Singapore or buyback guarantees from suppliers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (b) Credit risk (continued)

Loans and advances (continued)

Collaterals (continued)

The Group holds collaterals against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of loans and advances.

	Percentage of exposure that is subject to collateral requirements 2025	Percentage of exposure that is subject to collateral requirements 2024	Principal type of collateral held
<b>Loans and advances</b>			
Loan receivables	98%	96%	Properties, Guarantee
Finance lease receivables	100%	100%	Properties, Equipment, Guarantee
Hire purchase debtors and instalments receivables	100%	100%	Equipment

The table below sets out the fair value of collateral and gross carrying amount of collateralised loans and advances balance covered by collateral.

	31 December 2025	
	Fair value of collateral \$'000	Gross carrying amount of collateralised loans and advances balance covered by collateral \$'000
<b>Loans and advances</b>		
Stage 1 and 2	4,901,994	5,038,690
Stage 3	480,039	399,540
	31 December 2024	
	Fair value of collateral \$'000	Gross carrying amount of collateralised loans and advances balance covered by collateral \$'000
<b>Loans and advances</b>		
Stage 1 and 2	4,827,914	4,696,224
Stage 3	673,281	496,941

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (b) Credit risk (continued)

Loans and advances (continued)

#### Concentrations of credit risk

The Group monitors concentrations of credit risk by scale of customers and by geographic location. An analysis of concentrations of credit risk from loans and advances is shown below.

	31 December 2025			31 December 2024		
	Loan receivables	Finance lease receivables	Hire purchase debtors and instalments receivables	Loan receivables	Finance lease receivables	Hire purchase debtors and instalments receivables
	% of total	% of total	% of total	% of total	% of total	% of total
Small medium enterprise	63%	98%	74%	69%	95%	70%
Sole proprietor/Limited partnership	36%	2%	26%	31%	2%	30%
Non-profit organization and statutory related	1%	0%	0%	0%	3%	0%
	100%	100%	100%	100%	100%	100%

	31 December 2025			31 December 2024		
	Loan receivables	Finance lease receivables	Hire purchase debtors and instalments receivables	Loan receivables	Finance lease receivables	Hire purchase debtors and instalments receivables
	% of total	% of total	% of total	% of total	% of total	% of total
Singapore	100%	6%	65%	100%	8%	76%
China	0%	93%	0%	0%	91%	0%
Malaysia	0%	1%	30%	0%	1%	16%
Thailand	0%	0%	5%	0%	0%	8%
	100%	100%	100%	100%	100%	100%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (c) Currency risk

The Group is exposed to currency risk primarily through investments, bank borrowings 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 SGD, 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 an associate outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)							
	2025				2024			
	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	-	1,608,517	-	-	-	1,599,283	-	-
Trade debtors	259	24,521	421	46,828	244	23,879	872	39,975
Cash and cash equivalents	666	350,658	88,395	469,488	381	62,153	14,459	456,123
Trade creditors	(666)	(3,938)	(972)	(38,915)	(627)	(23,131)	(8,724)	(36,820)
Other debtors	-	3,875	-	2,907	-	-	-	2,683
Other creditors	(5)	(112)	(7)	(8,787)	(59)	(112)	(36)	(9,494)
Borrowings	(234,476)	-	(54,482)	-	(220,892)	-	(69,858)	-
	(234,222)	1,983,521	33,355	471,521	(220,953)	1,662,072	(63,287)	452,467

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 2025 (2024: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (c) Currency risk (continued)

#### Sensitivity analysis

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

	2025		2024	
	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
SGD	10%	(23,428)	10%	(22,095)
	(10)%	23,428	(10)%	22,095
JPY	10%	165,459	10%	138,828
	(10)%	(165,459)	(10)%	(138,828)
USD	10%	3,146	10%	(4,738)
	(10)%	(3,146)	(10)%	4,738
RMB	10%	40,695	10%	42,842
	(10)%	(40,695)	(10)%	(42,842)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of subsidiaries and an associate outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2024.

### (d) Liquidity management

Individual operating entities within the group are responsible for their own cash management, including the short term investment of cash surpluses, and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (d) Liquidity management (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the group's non-derivative financial liabilities and derivative financial liabilities, 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 date the group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), the earliest date the group can be required to pay; and
- expected undiscounted cash flows provided to the Group's key management personnel and the date the group is expected to pay, shown as adjustments to the contractual undiscounted cash flows if the timing and/or amount to the cash flows are expected to be different from the contractual undiscounted cash flows.

### 2025

	Contractual undiscounted cash outflow					Carrying amount at 31 December \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Over 5 years \$'000	Total \$'000	
Bank overdrafts	186,375	-	-	-	186,375	186,375
Borrowings	5,790,615	1,586,236	641,707	-	8,018,558	7,707,548
Trade creditors	758,015	-	-	-	758,015	758,015
Other creditors and accruals	1,032,797	-	-	-	1,032,797	1,032,797
Amounts due to related companies	1,177	-	-	-	1,177	1,177
Lease liabilities	211,728	159,114	122,695	163,019	656,556	569,683
	7,980,707	1,745,350	764,402	163,019	10,653,478	10,255,595

### 2024

	Contractual undiscounted cash outflow					Carrying amount at 31 December \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	Over 5 years \$'000	Total \$'000	
Bank overdrafts	352,832	-	-	-	352,832	352,832
Borrowings	5,166,765	2,237,766	868,894	-	8,273,425	7,762,170
Trade creditors	844,416	-	-	-	844,416	844,416
Other creditors and accruals	1,378,307	-	-	-	1,378,307	1,378,307
Amounts due to related companies	91	-	-	-	91	91
Lease liabilities	211,158	191,928	191,788	165,700	760,574	672,846
	7,953,569	2,429,694	1,060,682	165,700	11,609,645	11,010,662

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (e) Equity price risk

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

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

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

At 31 December 2025, it is estimated that an increase/decrease of 20% (2024: 20%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's fair value reserve as follows:

	2025		2024	
		Effect on fair value reserve \$'000		Effect on fair value reserve \$'000
<b>Change in the relevant equity price risk variable:</b>				
Increase	20%	332,411	20%	328,255
Decrease	(20)%	(332,411)	(20)%	(328,255)

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 2024.

### (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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (f) Fair value (continued)

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

*Fair value hierarchy (continued)*

	Fair value measurement as at 31 December 2025 categorised into				Fair value measurement as at 31 December 2024 categorised into			
	Fair value at 31 December 2025	Level 1	Level 2	Level 3	Fair value at 31 December 2024	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>								
<b>Recurring fair value measurements</b>								
<b>Assets</b>								
Equity securities designated as at fair value through other comprehensive income								
- Listed outside Hong Kong	1,662,053	1,662,053	-	-	1,641,277	1,641,277	-	-
- Unlisted	6,882	-	-	6,882	6,828	-	-	6,828
	<b>1,668,935</b>	<b>1,662,053</b>	<b>-</b>	<b>6,882</b>	<b>1,648,105</b>	<b>1,641,277</b>	<b>-</b>	<b>6,828</b>

During the years ended 31 December 2025 and 2024, there were no transfers 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 2025 and 2024.

#### (iii) Information about Level 3 fair value measurements

The fair value of unlisted equity securities is determined by adjusted net asset value approach. The fair value measurement is positively correlated to the share of net assets of the unlisted equity securities. As at 31 December 2025, it is estimated that with all other variables held constant, an increase/decrease in share of net assets of the unlisted equity securities by 10% would have increased/decreased the Group's consolidated statement of profit or loss and other comprehensive income by \$688,000 (2024: \$683,000).

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

	2025	2024
	\$'000	\$'000
<b>Unlisted equity securities:</b>		
At 1 January	6,828	1,197
Additions during the year	56	5,956
Exchange adjustments	(2)	(325)
At 31 December	<b>6,882</b>	<b>6,828</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 35 Commitments

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

	2025 \$'000	2024 \$'000
Authorised and contracted for	7,885	28,543

## 36 Material related party transactions

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

### (a) Key management personnel remuneration

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

### (b) Transactions with related companies

	Note	2025 \$'000	2024 \$'000
Transactions with Tan Chong Motor Holdings Berhad ("TCMH") Group:	(i)		
- Sales of goods and services		19	30
- Purchase of inventories		17,293	12,102
Transactions with APM Automotive Holdings Berhad ("APM") Group:	(ii)		
- Purchase of inventories		333	523
- Sales of goods and services		31	62
- Rental income		29	40
Transactions with Warisan TC Holdings Berhad ("WTCH") Group:	(iii)		
- Sales of goods		662	528
- Purchase of goods		497	-

Notes:

#### (i) Transactions with TCMH Group

- Sales of goods and services and purchase of inventories

Tan Chong Consolidated Sdn. Bhd. ("TCC"), a substantial shareholder of the Company, is also a substantial shareholder of Tan Chong Motor Holdings Berhad ("TCMH") Group. Various subsidiaries of the Group have been conducting sales and purchases of motor parts and accessories with TCMH Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 36 Material related party transactions (continued)

### (b) Transactions with related companies (continued)

#### (ii) Transactions with APM Group

- Sales of goods and services, rental income and purchase of inventories

On 8 December 2022, a subsidiary of the Group entered into five parts purchase agreements with subsidiaries of APM, being APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Automotive Modules Sdn. Bhd., APM Coil Spring Sdn. Bhd. and Auto Parts Manufacturers Co. Sdn. Bhd. (collectively, the "Five APM Subsidiaries") for the purchase of certain spare parts from the Five APM Subsidiaries for the period from 1 January 2023 to 31 December 2025.

On 8 December 2022, a subsidiary of the Group entered into an agreement with APM Springs (Vietnam) Company Ltd, a subsidiary of APM in relation to the sales and rental of vehicles, material handling equipment, forklift, parts and accessories for the period from 1 January 2023 to 31 December 2025.

On 8 December 2022, a subsidiary of the Group entered into an agreement with APM Auto Components (Thailand) Co., Ltd., a subsidiary of APM in relation to the rental forklift for the period from 1 January 2023 to 31 December 2025.

#### (iii) Transactions with WTCH Group

- Sales of goods and services and purchase of goods

TCC is a substantial shareholder of Warisan TC Holdings Berhad ("WTCH"). On 8 December 2022, a subsidiary of the Group entered into an agreement with TCIM Sdn. Bhd. ("TCIMSB", being a subsidiary of WTCH) in relation to the sales and purchase of motor parts and accessories for the period from 1 January 2023 to 31 December 2025.

On 11 April 2025, a subsidiary of the Group entered into an agreement with TCIMSB for the purchase of new and used material handling equipment, forklifts and mobile elevated work platform ("MEWP") equipment for the period from 11 April 2025 to 31 December 2025.

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

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

### (c) Transaction with an associate

Management service fees received from an associate of the Group during the year ended 31 December 2025 amounted to \$1,000,000 (2024: \$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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 37 Segment reporting

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

### (a) Business lines

#### (i) Motor vehicle distribution and dealership business

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

#### (ii) Heavy commercial vehicle and industrial equipment distribution business

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

#### (iii) Property rentals and development

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

#### (iv) Transportation

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

#### (v) Other operations

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

### (b) Segment results

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

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

The measures used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including bank and other interest income. The share of profit from an associate is not included in the segment EBITDA.

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 2025 is set out below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 37 Segment reporting (continued)

#### (b) Segment results (continued)

	Motor vehicle distribution and dealership business		Heavy commercial vehicle, industrial equipment distribution and dealership business		Property rentals and development	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Disaggregated by timing of revenue recognition						
Point in time	2,870,683	3,477,891	48,044	59,785	-	-
Over time	287,285	322,250	72,632	63,700	120,728	128,337
Revenue from external customers:						
- Singapore	1,254,536	1,333,399	48,782	45,319	116,939	126,805
- PRC	78,115	134,780	-	-	-	-
- Thailand	298,589	253,378	39,326	48,756	-	-
- Japan	-	-	-	-	-	-
- Taiwan	663,829	840,429	-	-	-	-
- Others	862,899	1,238,155	32,568	29,410	3,789	1,532
	3,157,968	3,800,141	120,676	123,485	120,728	128,337
EBITDA:						
- Singapore	(39,790)	23,998	16,030	15,289	182,635	698,721
- PRC	1,393	(5,061)	-	-	-	-
- Thailand	(43,237)	(153,066)	(8,387)	(15,839)	-	-
- Japan	-	-	-	-	-	-
- Taiwan	135,965	131,471	-	-	-	-
- Others	(168,634)	(112,791)	9,818	8,904	65,222	10,827
	(114,303)	(115,449)	17,461	8,354	247,857	709,548
Share of profit of an associate:	-	-	-	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

	Transportation		Other operations		Consolidated	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
	-	-	153,605	280,287	3,072,332	3,817,963
	7,541,693	7,453,319	949,415	912,998	8,971,753	8,880,604
	-	-	766,879	789,500	2,187,136	2,295,023
	-	-	313,789	386,676	391,904	521,456
	-	-	5,996	7,345	343,911	309,479
	7,541,693	7,453,319	-	-	7,541,693	7,453,319
	-	-	-	-	663,829	840,429
	-	-	16,356	9,764	915,612	1,278,861
	7,541,693	7,453,319	1,103,020	1,193,285	12,044,085	12,698,567
	-	-	449,339	390,768	608,214	1,128,776
	-	-	57,362	50,280	58,755	45,219
	-	-	(2,228)	800	(53,852)	(168,105)
	786,592	755,324	111	(2,317)	786,703	753,007
	-	-	-	-	135,965	131,471
	-	-	10,669	(22,681)	(82,925)	(115,741)
	786,592	755,324	515,253	416,850	1,452,860	1,774,627
	-	-	5,414	5,767	5,414	5,767

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 37 Segment reporting (continued)

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

	2025 \$'000	2024 \$'000
Total segment EBITDA	1,452,860	1,774,627
Depreciation and amortisation	(730,722)	(709,605)
Interest income	19,654	25,280
Finance costs	(179,643)	(209,339)
Share of profit of an associate	5,414	5,767
Consolidated profit before taxation	567,563	886,730

### (d) Geographic information

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

	Singapore		Hong Kong		PRC		Thailand		Japan		Others		Consolidated	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Specified non-current assets	6,794,727	6,358,341	279,995	304,208	196,860	225,731	898,373	862,530	1,443,861	1,487,543	828,893	846,304	10,442,709	10,084,657

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 38 Company-level statement of financial position

	2025 \$'000	2024 \$'000
<b>Non-current assets</b>		
Investments in subsidiaries	2,342,961	2,342,961
<b>Current assets</b>		
Amounts due from subsidiaries	357,082	357,325
Other debtors, deposits and prepayments	375	129
Cash and cash equivalents	20,497	19,327
	377,954	376,781
<b>Current liabilities</b>		
Other creditors and accruals	25,420	24,715
Amounts due to subsidiaries	332,599	337,113
	358,019	361,828
<b>Net current assets</b>	19,935	14,953
<b>NET ASSETS</b>	2,362,896	2,357,914
<b>CAPITAL AND RESERVES</b>		
Share capital	1,006,655	1,006,655
Reserves	1,356,241	1,351,259
<b>TOTAL EQUITY</b>	2,362,896	2,357,914

Approved and authorised for issue by the board of directors on 30 March 2026.

Tan Eng Soon  
Chairman

Sng Chiew Huat  
Finance Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures</i> – <i>Contracts referencing nature- dependent electricity</i>	1 January 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures</i> – <i>Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

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

### **IFRS 18, *Presentation and disclosure in financial statements***

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.

# FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000
<b>Results</b>						
Revenue		11,864,957	13,478,667	13,825,660	12,698,567	12,044,085
Profit from operations		646,229	839,225	857,884	1,090,302	741,792
Financing costs		(58,036)	(105,424)	(217,472)	(209,339)	(179,643)
Share of profits of associates		69,896	42,014	5,436	5,767	5,414
Profit before taxation		658,089	775,815	645,848	886,730	567,563
Income tax expense		(204,213)	(265,151)	(265,268)	(277,243)	(249,430)
Profit for the year		453,876	510,664	380,580	609,487	318,133
<b>Attributable to:</b>						
Equity shareholders of the Company		378,098	418,073	280,330	479,285	143,594
Non-controlling interests		75,778	92,591	100,250	130,202	174,539
<b>Profit for the year</b>		453,876	510,664	380,580	609,487	318,133
<b>Assets and liabilities</b>						
Investment properties and other property plant and equipment		8,876,690	9,399,616	9,605,685	10,015,136	10,383,162
Intangible assets		53,469	39,250	99,086	158,941	166,843
Goodwill		31,769	79,498	115,066	69,342	46,485
Interests in associates		896,967	81,890	75,821	69,521	59,547
Other non-current assets		1,981,612	3,480,965	3,903,755	4,087,884	4,412,204
Net current assets		2,036,342	1,506,331	2,002,862	1,565,562	840,465
Total assets less current liabilities		13,876,849	14,587,550	15,802,275	15,966,386	15,908,706
Non-current liabilities		(1,793,003)	(2,700,970)	(3,563,314)	(3,797,682)	(2,894,404)
Total equity		12,083,846	11,886,580	12,238,961	12,168,704	13,014,302
Earnings per share	(i)					
- basic		\$0.19	\$0.208	\$0.139	\$0.238	\$0.071
- diluted		\$0.19	\$0.208	\$0.139	\$0.238	\$0.071

Note:

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

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## GROUP PROPERTIES

Location	Description	Land area (sq. feet)	Tenure	Expiry date
30/F Shui On Centre 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	-
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	-
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	-
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2053
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	58,349	Leasehold	1 October 2030
1 Sixth Lok Yang Road Singapore 628099	Workshop, warehouse and office (own use)	223,907	Leasehold	15 April 2036
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053
804, 806, 812, 814, 816 & 818 Upper Bukit Timah Road Singapore 678142/43/ 46/48/49/50	Shophouses (investment)	8,522	Leasehold	15 April 2874

## GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
30 Bukit Batok Crescent Singapore 658075	Workshop and office (own use)	37,059	Leasehold	12 March 2057
18 Pandan Road Singapore 609270	Workshop (own use)	88,187	Leasehold	30 June 2041
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 Khlung Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	-
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	-
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	-
122/1-2, Soi Chalongsak 31 Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Production plant (own use)	1,130,211	Freehold	-
17/1 Liab Klong Lum Kor Phai Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Vehicle yard (own use)	1,083,747	Freehold	-
Jalan Sultan Iskandar Muda No 24 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041
Jalan Raden Patah Komplek Sumber Jaya B9 - B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2035
Lembar K-8-4 Kotak F-G/1 Teluk Tereng Komplek Bangun Sukses Showroom Sei Panas, Kota Batam Indonesia	Showroom, workshop and office (own use)	24,262	Leasehold	1 April 2028

## GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Jalan Bypass Ngurah Rai No 643 Desa Pemogan Denpasar, Bali Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062
West of Xi Wai Huan Yangliu Town Lianhe Sub-district, Zhengxiang District Hengyang Hunan Province, China	Showroom and workshop (own use)	6,226	Leasehold	16 May 2052
No. 10, Jalan 51A/223 46100 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	-
No. 38-2, Dong Yuan Road, Zhongli District. Taoyuan City, Taiwan	Showroom, workshop, office and warehouse (own use)	143,622	Freehold	-
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	-
212 Vietnam-Singapore Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046
Kawasaki-shi, Kanagawa, Japan	Vehicle distribution center (own use)/ Delivery center (investment)	147,112	Freehold	-

## GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Fukuoka-shi, Fukuoka, Japan	Vehicle distribution center (own use)	89,079	Freehold	-
Kasuya-gun, Fukuoka, Japan	Auction venue (own use)/Vehicle yard (investment)	272,853	Freehold	-
Tagazyo-shi, Miyagi, Japan	Vehicle distribution center (own use)	139,055	Freehold	-
Miyako-gun, Fukuoka, Japan	Delivery center (investment)	92,982	Freehold	-
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	87,767	Freehold	-
Yokosuka-shi, Kanagawa, Japan	Vehicle maintenance shop (own use)	53,254	Freehold	-
Nagoya-shi, Aichi, Japan	Vehicle distribution center (own use)	244,023	Freehold	-
Miyako-gun, Fukuoka, Japan	Vehicle yard (own use & investment)	208,590	Freehold	-
Koza-gun, Kanagawa, Japan	Vehicle maintenance shop (own use)	35,595	Freehold	-
Miyako-gun, Fukuoka, Japan	Vehicle maintenance shop (own use)	142,336	Freehold	-
Kagoshima-shi, Kagoshima, Japan	Vehicle distribution center (own use)	79,074	Freehold	-
Tomakomai-shi, Hokkaido, Japan	Vehicle distribution center (own use)	142,279	Freehold	-
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	47,391	Freehold	-
Mooka-shi, Tochigi, Japan	Vehicle maintenance shop (own use)	54,167	Freehold	-
Oyama-shi, Tochigi, Japan	Vehicle distribution center (own use)	229,917	Freehold	-
Sendai-shi, Miyagi, Japan	Vehicle distribution center (own use)	39,416	Freehold	-
Mooka-shi, Tochigi, Japan	Vehicle maintenance shop (own use)	85,833	Freehold	-