



# *The Way Forward*

Collaboration • Perseverance • Inspiration

Tan Chong International Limited  
陳唱國際有限公司

Annual Report 2014

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





The Group achieved a revenue milestone of HK\$10.6 billion, a 16% increase from the previous year. Profit attributable to shareholders was HK\$988 million, with contribution from the increase in fair value of listed securities and gain on investment properties amounting to HK\$683 million.

## TABLE OF CONTENTS

03	Management Discussion and Analysis
04	Corporate Governance Report
09	Corporate Information
10	Directors and Senior Management Profile
14	Corporate Structure
16	Financial Highlights
17	Directors' Report
26	Independent Auditor's Report
27	Consolidated Income Statement
28	Consolidated Statement of Comprehensive Income
29	Consolidated Balance Sheet
31	Balance Sheet
32	Consolidated Statement of Changes in Equity
34	Consolidated Cash Flow Statement
36	Notes to the Financial Statements
98	Financial Summary
99	Group Properties

### Enclosures

Proposed General Mandates to Issue Shares and Buy Back Shares and Re-election of Directors **1**  
 Notice of Annual General Meeting **10**  
 Form of Proxy

Dividend payment will be maintained at HK\$211 million for 2014 with the final dividend of 8.0 cents per share (interim 2.5 cents per share).



# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

The Group achieved a revenue milestone of HK\$10.6 billion, a 16% increase from the previous year. Profit attributable to shareholders was HK\$988 million, with contribution from the increase in fair value of listed securities and gain on investment properties amounting to HK\$683 million. Distribution and administrative cost increased as the group continued to scale its regional presence and complete knock-down (“CKD”) operations. The consolidated Group financial performance includes the second half consolidation of the financial results of Zero Co., Ltd (“Zero”), which we acquired a 50.88% voting stake. This strengthens the transportation and logistics capabilities of the group, enhancing the establishment of the Group’s pan-Asian automobile value chain.



## FINANCE

Dividend payment will be maintained at HK\$211 million for 2014 with the final dividend of 8.0 cents per share (interim 2.5 cents per share). Consolidated NTA (net tangible assets) year-on-year rose from HK\$5.48 to HK\$6.09 per share.

## SINGAPORE

Our Nissan and Subaru brands performed strongly in the passenger vehicle market, increasing market share and recording a significant increase in unit sales and revenue. Our Nissan commercial vehicle division maintained its market leadership in the Light Goods Vehicle segment and also achieved strong growth in unit sales.

The property division experienced slightly lower occupancy as compared to 2013. The group launched Boulangerie Asanoya, a partnership with Asanoya, a historic bakery chain from Karuizawa, Japan.

## THAILAND

In Thailand, the economy and automobile industry were severely affected by the political uncertainty in the first half of 2014. Both our truck distribution and assembly divisions were impacted by the fall in consumer sentiment and infrastructure expenditure. The political uncertainty has since stabilized and a recovery is expected in 2015.

## MOTOR IMAGE GROUP

### China

Due to the structural change in the distribution model from Distributor to Dealer status in September 2013, the Group sales and profit declined as compared to the previous year. The current distribution model is expected to continue in 2015.

### Thailand, Malaysia and Indonesia CKD Operations

Thailand’s profitability was affected negatively in 2014 due to the political issues in the first half of 2014 and Indonesia recorded weaker results as compared to 2013. Malaysia achieved strong growth and all-time high sales as it continues to build the Subaru brand in the country. Given the early stage of operations in the CKD market, the three countries continue to invest and incur high distribution and start-up cost.

In July 2014, the Director General Customs and Excise in Indonesia issued a notice to a subsidiary of the Group claiming entitlement to additional import duties, related taxes and penalties for cars imported during 2012 and 2013. The Group does not agree with such claim and has been negotiating with the Indonesian Customs Department.

The Group has also applied to the Indonesian Courts to dispute the Indonesian Customs Department’s claim.

The directors have taken into account all available facts, including the opinion of an Indonesian tax consultant and legal advisor, and consider that the total amount payable on this matter should not be more than IDR20,432,499,000 (equivalent to HK\$12,709,000). Accordingly, a provision of the said amount has been made in the financial statements.

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

### Taiwan and Philippines

Although there was a slowdown in sales activity in the Philippines, Taiwan continues to experience strong profitability and high growth, with a

36% increase in revenue. By country, the Taiwan operations is now one of the largest contributors to group profitability.

### Japan

The Group diversified its geographical presence and risk profile with the acquisition of 50.88% voting rights of Zero Co., Ltd. This vehicle transportation and logistics company has an annual revenue of more than JPY67 billion and is ranked 1st and 2nd in market share for used and new vehicle transportation respectively. Revenue and profit were consolidated into the group financial results in the second half of 2014.

## PROSPECTS

Riding on the continued development in the integration of the Asean Economic Community (AEC), the Group is focusing on the Subaru CKD markets and commercial vehicles segment in the region. We will increase our manufacturing activities in Malaysia and vehicle assembly in Thailand by expanding and introducing new CKD model lineups.

In Thailand, the stabilization in the political climate gives us confidence in improving vehicle sales as consumer and business sentiment recovers and infrastructure capital expenditure resumes.

In China, the slowdown in economic growth has created a challenging environment for our vehicle sales. We will continue to face headwinds. Despite such, our auto part manufacturing operations saw new orders from Chang An Auto Company.

In Singapore and Taiwan, we are likely to continue to enjoy strong growth and sales.

Barring unforeseen circumstances, we expect to perform satisfactorily in 2015.

# CORPORATE GOVERNANCE REPORT

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



## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules on dealing in securities. This has been made known to all the directors of the Company and each director has confirmed in writing that he or she has observed the Model Code for year 2014. 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

During 2014, the Board comprised eight directors, consisting of five executive directors, and three independent non-executive directors. Following the resignation of Mr. Tan Ngiap Joo, an independent non-executive director of the Company on 30 March 2015, the Board currently has only two independent non-executive directors which falls below one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules. The Board has been in the process of seeking a suitable candidate to fill the vacancy and expects the vacancy to be filled within 3 months from 30 March 2015 in order to comply with the Listing Rules.

On 30 March 2015, the Board resolved to appoint Mr. Azman Bin Badrillah as a non-executive director of the Company with effect from 1 April 2015. 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 10.

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:

- approval of interim results announcement;
- approval of annual results and accounts;

- declaration of interim dividends and proposal of final dividends;
- convening of shareholders’ meeting;
- approval of corporate strategy;
- authorization of merger and acquisition transactions; and
- authorization of major transactions.

Each member of the Board participated in continuous professional development in the form of either directors’ training session which was arranged by the Company in May 2014, corporate governance conference, accounting standard seminar and/or reading relevant materials, to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their record of training received during the year ended 2014 which includes directors’ training, conference, seminar and/or reading materials relevant to the Company’s business or to the Directors’ duties and responsibilities.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence.

## MEETING

The Board meets at approximately quarterly intervals. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Participation by means of telephone or video conference at board meetings are allowed under the Company's Bye-laws. The number of board meetings held in 2014 as well as the attendance of each Board member at those meetings and meetings of the various Board committees are disclosed below:

	Board of Directors Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Audit Committee Meeting		Non-Executive Directors Meeting		Annual General Meeting
	Position	No. attended/held	Position	No. attended/held	Position	No. attended/held	Position	No. attended/held	Position	No. attended/held	No. attended/held
<b>Executive Director</b>											
Mr. Tan Eng Soon	C	4/4	-	-	-	-	-	-	C	1/1	1/1
Mr. Joseph Ong Yong Loke	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Tan Kheng Leong	M	4/4	-	-	-	-	-	-	-	-	1/1
Mdm. Sng Chiew Huat	M	4/4	-	-	-	-	-	-	-	-	1/1
Mr. Glenn Tan Chun Hong	M	4/4	-	-	-	-	-	-	-	-	1/1
<b>Independent Non-executive Director</b>											
Mr. Lee Han Yang	M	4/4	C	2/2	C	-	C	3/3	M	1/1	1/1
Mr. Tan Ngiap Joo	M	3/4	M	2/2	-	-	M	2/3	M	0/1	1/1
Mr. Ng Kim Tuck	M	4/4	-	-	-	-	M	3/3	M	1/1	1/1

Denotes:

C-Chairman, M-Member

No.attended/held-Number of meetings attended/held during the financial year from 1 January 2014 to 31 December 2014

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Tan Eng Soon 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 independent non-executive directors) and they have no fixed term of service but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-laws.

## REMUNERATION COMMITTEE ("RC")

During 2014, the RC comprised two independent non-executive directors, namely, Mr. Lee Han Yang (chairman of the RC) and Mr. Tan Ngiap Joo. Following the resignation of Mr. Tan Ngiap Joo on 30 March 2015, the RC currently comprises one member only. The Board will consider the replacement to fill the vacancy within 3 months from 30 March 2015. Details of members and their attendance records during 2014 are provided in the above table.

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

- to review and determine the employment terms and remuneration packages of the executive directors and senior management staff;
- to decide on annual incentives and bonuses to be paid to the said key executives in (a) in regard to the Group's performance and individual's contribution;
- 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.

During 2014, the RC has reviewed the remuneration packages of the

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

## NOMINATION COMMITTEE ("NC")

The NC currently comprises only one member, an independent non-executive director, namely, Mr. Lee Han Yang (chairman of the NC) following the passing away of the late Mr. Masatoshi Matsuo on 19 March 2014. The Board will consider the replacement to fill the vacancy of member of the NC held by the late Mr. Masatoshi Matsuo as soon as practicable. During 2014, the Board carried out the responsibilities of the NC under the following terms of reference:

- to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
- to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;



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

**CORPORATE GOVERNANCE FUNCTIONS**

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

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

**AUDIT COMMITTEE ("AC")**

During 2014, the AC comprised three board members, namely Mr. Lee Han Yang, Mr. Tan Ngiap Joo and Mr. Ng Kim Tuck, all of whom are independent non-executive directors.

Following the resignation of Mr. Tan Ngiap Joo on 30 March 2015 and appointment of Mr. Azman Bin Badrillah on 1 April 2015, the AC currently comprises three board members including two independent non-executive directors and one non-executive director.

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

The AC convened three meetings during 2014 for reviewing (1) the Company's annual results and annual report for the year ended 31 December 2013, (2) interim results and interim report for the six months ended 30 June 2014 and (3) external auditors' plans. The AC met up with the external auditors, without the presence of the Company's management, at least twice a year. Details of members and their attendance records are provided in the above table.

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

- f. to review the cost effectiveness and the independence and objectivity of the external auditors;
- g. to recommend to the Board the compensation of the external auditors, and review the scope and results of the audit; and
- h. to review connected transactions in accordance with the requirements of the Listing Rules.

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

**EXTERNAL AUDITORS AND AUDITORS REMUNERATION**

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

The external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services and tax services for year 2014 is HK\$9,618,000 and HK\$1,696,000 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.

**INTERNAL CONTROLS**

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



The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group and that was in place throughout the financial year and up to the date of this report, provides reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, 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.

### 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 : tcil\_hk@tanchoong.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.





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman

Mr. Tan Eng Soon

#### Deputy Chairman and Managing Director

Mr. Joseph Ong Yong Loke

#### Executive Director

Mr. Tan Kheng Leong

#### Executive Director - Finance

Mdm. Sng Chiew Huat

#### Executive Director

Mr. Glenn Tan Chun Hong

#### Non-Executive Director

Mr. Azman Bin Badrillah \*

#### Independent Non-Executive Directors

Mr. Lee Han Yang \*+#

Mr. Ng Kim Tuck \*

\* Audit Committee Members

+ Nomination Committee Members

# Remuneration Committee Members

### HONORARY LIFE COUNSELLOR

Tan Sri Dato' Tan Kim Hor

### JOINT SECRETARIES

Ms. Teo Siok Ghee

Ms. Liew Daphnie Pingyen

### AUDITORS

#### KPMG

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

### REGISTERED OFFICE

Clarendon House 2 Church Street, Hamilton HM 11 Bermuda

### PRINCIPAL PLACES OF BUSINESS

#### HONG KONG

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

#### SINGAPORE

Tan Chong Motor Centre  
911 Bukit Timah Road  
Singapore 589622

### BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited

### PRINCIPAL BANKERS

Bank of America NA  
Oversea-Chinese Banking Corporation Limited  
United Overseas Bank Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE MUFG Fund Services (Bermuda) Limited

The Belvedere Building,  
69 Pitts Bay Road,  
Pembroke HM08, Bermuda

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE Computershare Hong Kong Investor Services Limited

Hopewell Centre, 46th Floor  
183 Queen's Road East, Wanchai, Hong Kong

### STOCK CODE

693

## DIRECTORS AND SENIOR MANAGEMENT PROFILE



### CHAIRMAN

#### Mr. Tan Eng Soon

Aged 66, is the Chairman of the Company and is a director of certain subsidiaries of the Group. He is also a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange. Mr. Tan was the director of Tan Chong Motor Holdings Berhad ("TCMH") and APM Automotive Holdings Berhad ("APM"), listed companies on Bursa Malaysia. He ceased to act as the director of TCMH and APM on 30 June 2012 and 22 May 2013 respectively. Mr. Tan joined TCMH after qualifying as an Engineer from the University of New South Wales, Australia, in 1971. He is the father of Mr. Glenn Tan Chun Hong, an executive Director of the Company.

### DEPUTY CHAIRMAN AND MANAGING DIRECTOR

#### Mr. Joseph Ong Yong Loke

Aged 66, is the Deputy Chairman and Managing Director of the Company. He joined the Group in 1981 and has served in a number of senior capacities in Singapore before his posting to Hong Kong in 1992.

Mr. Ong, a Chartered Surveyor, graduated with a BSc. (Building Economics) from the University of Reading in the United Kingdom in 1971. His previous work experience includes appointments with the Singapore Ministry of Defence and Straits Steamship Co Limited from 1976 to 1980.

### EXECUTIVE DIRECTORS

#### Mr. Tan Kheng Leong

Aged 72, is the Deputy Managing Director of the Nissan motor operations in Singapore and a director of several subsidiaries of the Group. Mr. Tan joined TCMH soon after completing his education in 1962. Over the past 50 years, Mr. Tan has worked in all areas of the Group's motor and industrial business.

#### Mdm. Sng Chiew Huat

Aged 67, is the Finance Director of the Company. Mdm. Sng, who joined the Group in 1977, completed her degree in Accountancy from the University of Singapore in 1970. She commenced her working career in the same year with Chartered

Industries Pte Ltd where she rose to the position of Deputy Chief Accountant before leaving to become the Chief Accountant of Singapore Ceramics Limited in 1974. Mdm. Sng obtained a Master of Business Administration degree from the Oklahoma City University in 1993. She is a Fellow of the Institute of Singapore Chartered Accountants as well as CPA Australia, and a member of the Association of Chartered Certified Accountants (ACCA).

#### Mr. Glenn Tan Chun Hong

Aged 37, is the Executive Director of the Company, and is currently in charge of the Group vehicle distribution business in the region and is a director of certain subsidiaries of the Group. He joined the Group in September 2001. He is a director of ZERO Company Limited, a listed company on the Tokyo Stock Exchange effective from 26 September 2014. Mr. Glenn Tan graduated from Santa Clara University, USA with a Bachelor of Science in Commerce, Management, in 1998. He is the son of Mr. Tan Eng Soon, the Chairman of the Group.



### NON-EXECUTIVE DIRECTOR

#### Mr. Azman Bin Badrillah

Aged 67, was appointed as a Non-Executive Director of the Company on 1 April 2015. 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 also a director of APM since its listing in 1999. He resigned as a director of APM on 1 June 2013.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Mr. Lee Han Yang

Aged 83, B.A (Singapore) of Lincoln's Inn, Barrister-at-law. He was

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

#### Mr. Tan Ngiap Joo

Aged 69, was appointed as an Independent Non-Executive Director of the Company in July 2010. Mr. Tan is the Chairman of United Engineers Limited, a listed company in Singapore. He is a director of three other listed companies in Singapore, namely China Fishery Group Limited, Mapletree Logistics Trust Management Ltd and Overseas-Chinese Banking Corporation Limited ("OCBC"). He was a director of Kian Ann Engineering Ltd, a listed company in Singapore which was privatized on 14 February 2013. He

was previously the Deputy President of OCBC and was a director of British and Malayan Trustees Limited, a listed company in Singapore. Mr. Tan NJ holds a Bachelor of Arts degree from University of Western Australia. Mr. Tan NJ resigned as an Independent Non-Executive Director of the Company on 30 March 2015, due to his other engagements which requires more of his time and dedication.

#### Mr. Ng Kim Tuck

Aged 60, was appointed as a Non-Executive Director of the Company in June 2011 and re-designated as an Independent Non-Executive Director of the Company in July 2012. Mr. Ng is currently the Senior Audit Advisor to BDO Malaysia. He is a Council Member of the Malaysian Institute of Certified Public Accountants ("MICPA") and was previously a Council Member of the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Taxation. Mr. Ng also serves on various committees and working groups of the MICPA. He joined KPMG Malaysia in 1974 and was admitted as a partner of the firm in 1985. He had been the partner-in-charge of KPMG Malaysia's Audit Division, Finance as well as Risk Management and Ethics and Independence. He was also formerly the Chairman of KPMG Malaysia's Audit and Accounting Committee and retired from the firm in December 2010.



## SENIOR MANAGEMENT

### Mr. Yeong Yue Sun

Aged 61, is the President of Fuso Truck (Thailand) Co., Ltd, a subsidiary of the Company. Mr. Yeong is a trained Automotive Engineer and a member of the Institute of Motor Industry in the United Kingdom. He also holds a Bachelor of Business Administration degree from the Royal Melbourne Institute of Technology in Australia.

### Ms. Teo Siok Ghee

Aged 62, is the General Manager responsible for operations in P.R.China. Ms. Teo was also appointed

as a Joint Company Secretary of the Company in August 2011. She joined the Group in 1981. Ms. Teo holds a Bachelor of Commerce (major in Accountancy) from Nanyang University and a non-practicing member of the Institute of Singapore Chartered Accountants.

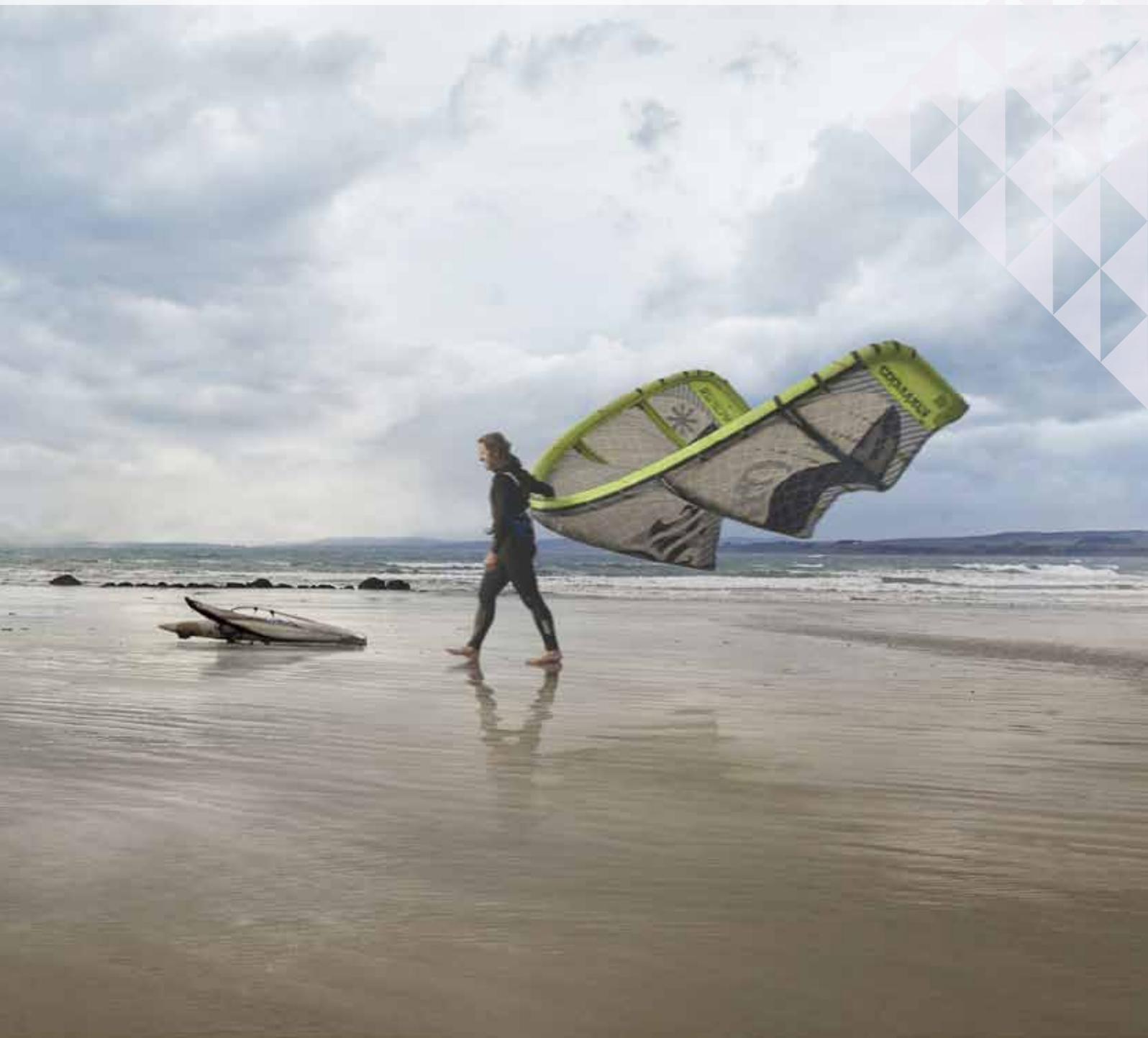
### Mr. Goh Leng Kwang

Aged 64, is the General Manager, Human Resource and Corporate Affairs of the Group operations in Singapore. He joined the Group in 1982 and is a director of several subsidiary companies within the Group. He graduated in 1976 from

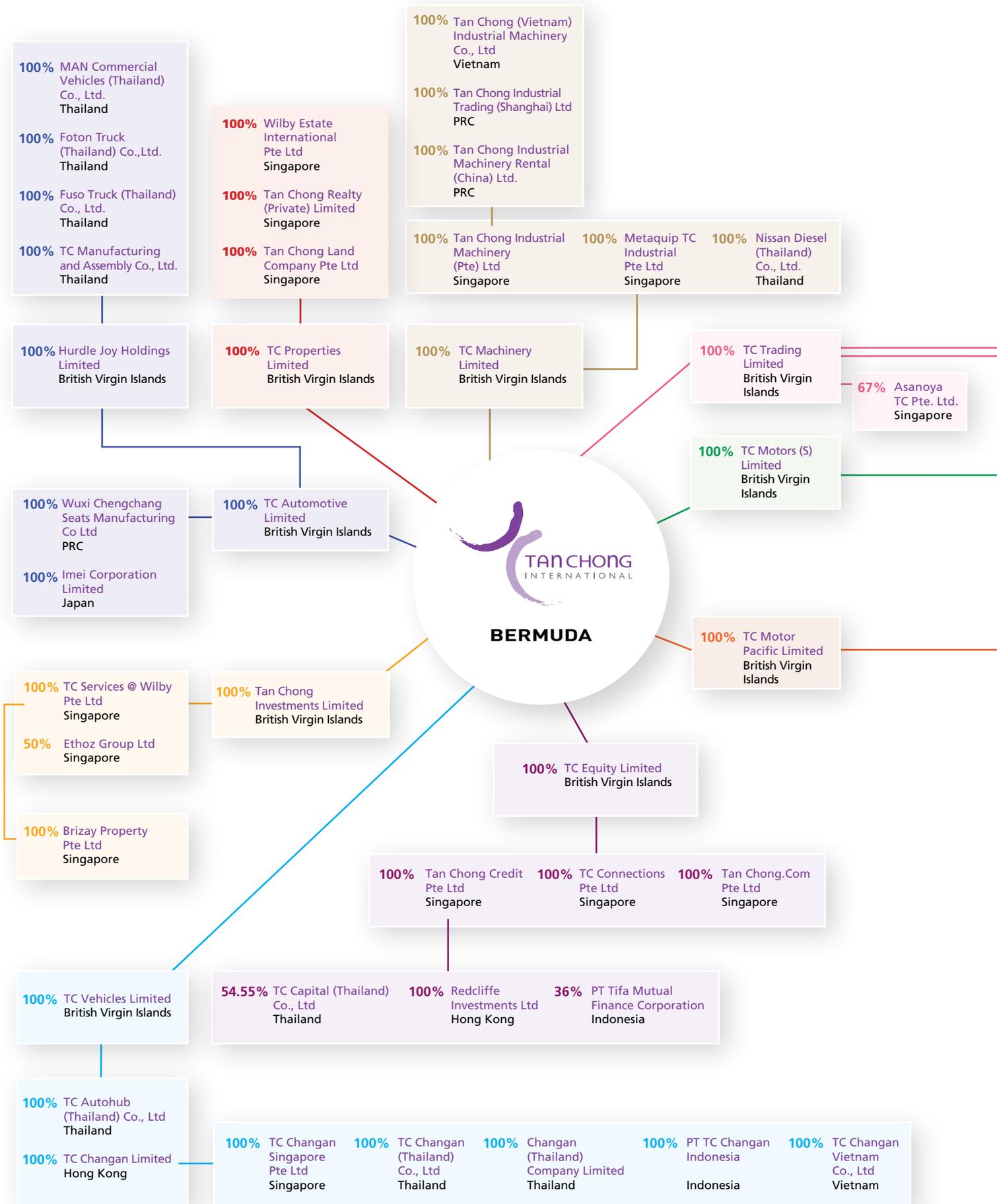
Singapore University with a degree in Bachelor of Accountancy.

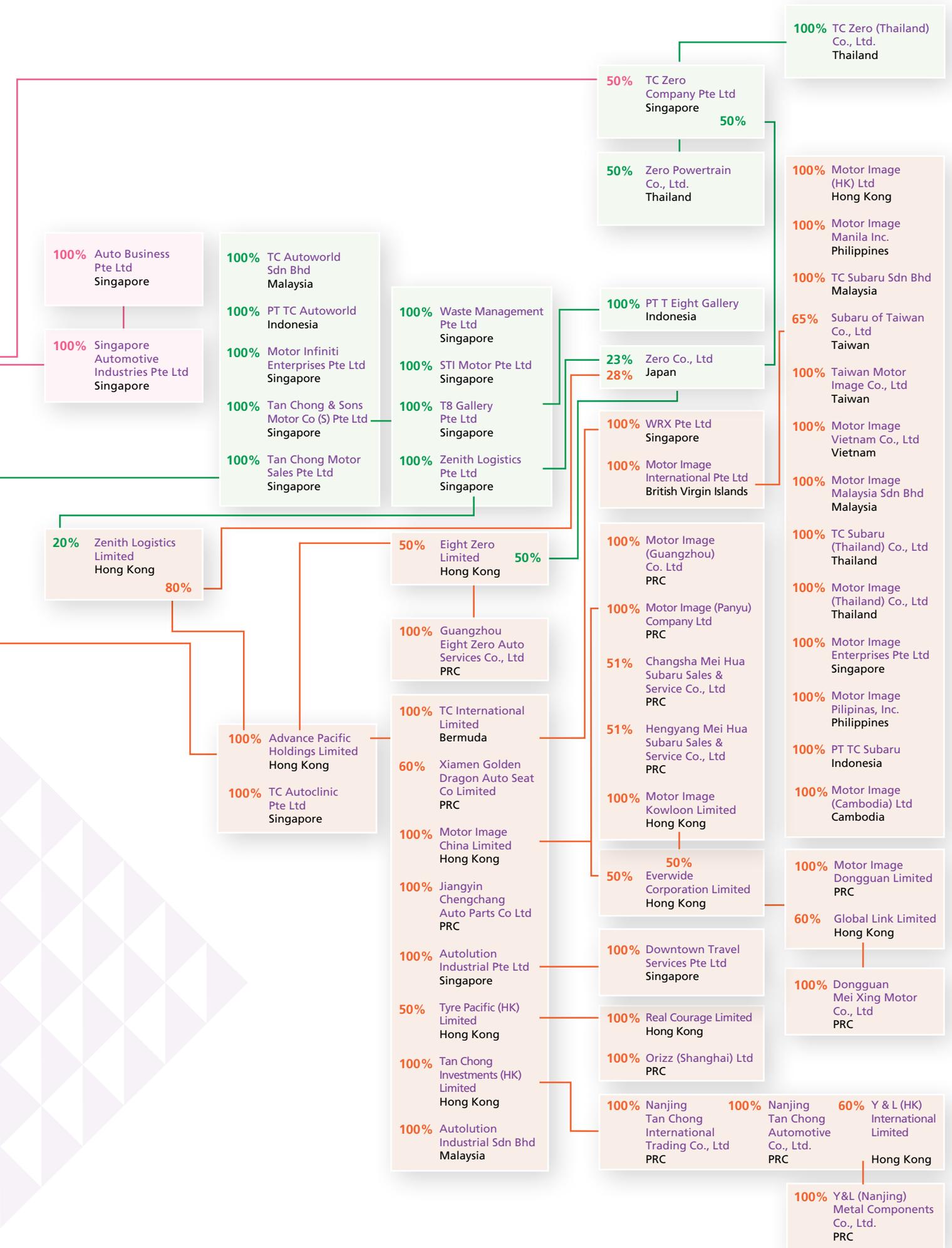
### Mr. Lee Chow Yoke Samuel

Aged 49, is a director of the property division of the Group. Mr. Samuel Lee joined the Group in 1997. He holds a Bachelor of Civil & Structural Engineering (Hons) degree from the University of Sheffield, England.



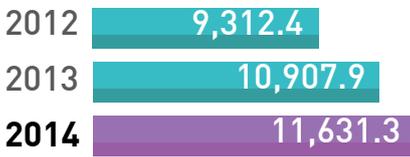
# CORPORATE STRUCTURE





# FINANCIAL HIGHLIGHTS

## SHAREHOLDERS' FUND (HK\$ Millions)



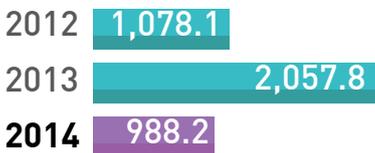
## EARNINGS PER SHARE (HK\$)



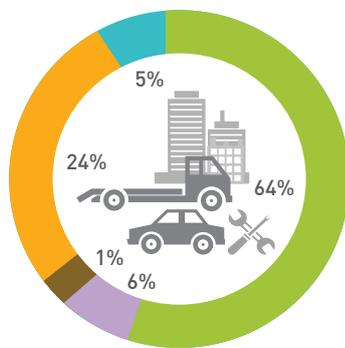
## NET ASSET VALUE PER SHARE (HK\$)



## PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK\$ Millions)

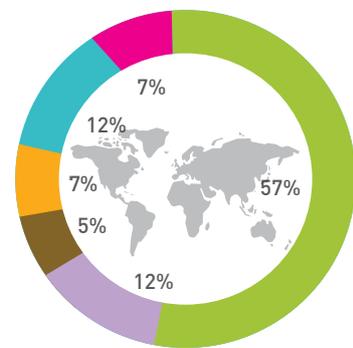


## REVENUE BY BUSINESS TYPE



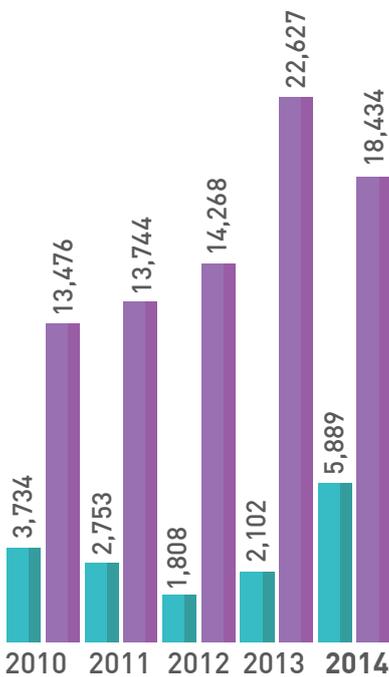
- Motor Vehicle Distribution
- Heavy Coml. Vehicle & Indl. Eqpt. Distrib.
- Property
- Transportation
- Others

## SPECIFIED NON-CURRENT ASSETS BY LOCATION



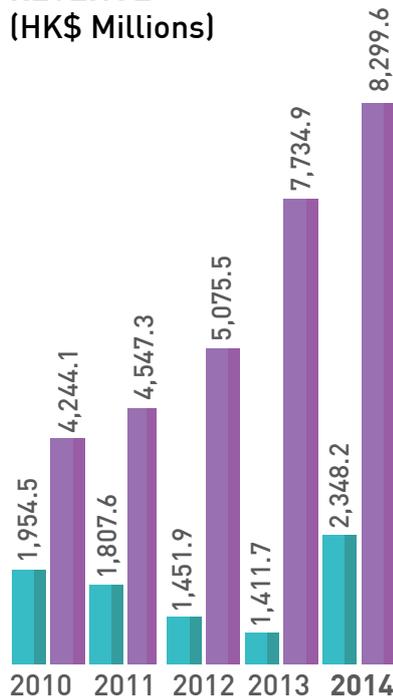
- Singapore
- Hong Kong
- PRC
- Thailand
- Japan
- Others

## UNITS SOLD



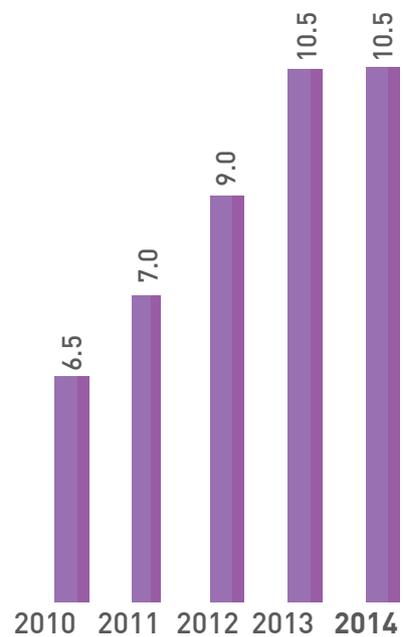
- Singapore
- Other Countries

## REVENUE (HK\$ Millions)



- Singapore
- Other Countries

## DIVIDENDS (HK Cents)



# REPORT OF THE DIRECTORS

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 2014.

## Principal activities

The principal activity of Tan Chong International Limited (the "Company") is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 17 to the financial statements.

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

## Financial statements

The profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 27 to 97.

## Transfer to reserves

Profits attributable to shareholders, before dividends, of HK\$988,244,000 (2013: HK\$2,057,786,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity and in note 33 to the financial statements.

An interim dividend of HK2.5 cents (2013: HK2.5 cents) per share was paid on 25 September 2014. The directors now recommend the payment of a final dividend of HK8.0 cents (2013: HK8.0 cents) per share in respect of the year ended 31 December 2014.

## Major customers and suppliers

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

	Percentage of the Group's total Sales	Percentage of the Group's total Purchases
The largest customer	5%	
Five largest customers in aggregate	10%	
The largest supplier		15%
Five largest suppliers in aggregate		43%

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

## Property, plant and equipment

Movements in property, plant and equipment during the year are set out in notes 12 and 13 to the financial statements.

## Share capital

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

## REPORT OF THE DIRECTORS (continued)

### Directors

The directors during the financial year and up to date of approval of the financial statements were:

#### Executive directors

Tan Eng Soon (Chairman)  
Joseph Ong Yong Loke (Deputy Chairman and Managing Director)  
Tan Kheng Leong  
Sng Chiew Huat  
Glenn Tan Chun Hong

#### Non-executive director

Azman Bin Badrillah (Appointed with effect from 1 April 2015)

#### Independent non-executive directors

Lee Han Yang  
Tan Ngiap Joo (Resigned on 30 March 2015)  
Ng Kim Tuck (Re-designated from Non-executive Director to Independent Non-executive Director on 10 July 2012)  
Masatoshi Matsuo (Deceased on 19 March 2014)

In accordance with Bye-law 87(1), Mr. Lee Han Yang, Mr. Joseph Ong Yong Loke and Mr. Ng Kim Tuck will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 86(2), Mr. Azman Bin Badrillah will hold office until the forthcoming annual general meeting, and being eligible, offers himself for re-election.

### Directors' service contracts

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

### Connected transactions

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

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

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

- (a) Assembly Agreement

TC Subaru Sdn. Bhd. ("TC Subaru"), a wholly-owned subsidiary of the Company, and TCMA entered into an assembly agreement on 30 December 2013 (the "Assembly Agreement") in relation to the appointment of TCMA as TC Subaru's assembler to assemble vehicles for a term from 1 January 2014 to 31 December 2015.

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

For the year ended 31 December 2014, the aggregate annual transaction amount under the Assembly Agreement amounted to HK\$74,380,000.

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

## REPORT OF THE DIRECTORS (continued)

### Connected transactions (continued)

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

- (b) Technical Support Agreement

TC Subaru and TCMA entered into a technical support agreement on 30 December 2013 (as amended by a supplemental technical support agreement dated 30 December 2014) (collectively, the "Technical Support Agreement") in relation to the provision of services, training, support, consultation and advice to be provided by TCMA to TC Subaru using the technical information or technical know-how which TCMA legally possesses as at 30 December 2013 (the "TCMA Services") for a term from 1 January 2014 to 31 December 2015. The service fee payable by TC Subaru to TCMA for the TCMA Services is Ringgit Malaysia 10,000 (equivalent to approximately HK\$22,200) per month from 1 January 2014 to 31 December 2014 and Ringgit Malaysia 39,500 (equivalent to approximately HK\$87,690) per month from 1 January 2015 to 31 December 2015.

For the year ended 31 December 2014, the aggregate annual transaction amount under the Technical Support Agreement amounted to HK\$284,000.

Details of the Technical Support Agreement were disclosed in the announcements of the Company dated 30 December 2013 and 31 December 2014.

- (ii) Parts Purchase Agreements

TC Subaru and the five subsidiaries of APM Automotive Holdings Berhad ("APM"), being Auto Parts Manufacturers Co. Sdn. Bhd., APM Climate Control Sdn. Bhd., APM Auto Electrics Sdn. Bhd., APM Coil Springs Sdn. Bhd. and APM Automotive Modules Sdn. Bhd. (collectively, the "Five APM Subsidiaries") entered into the five parts purchase agreements on 30 December 2013 (the "Parts Purchase Agreements") pursuant to which the Five APM Subsidiaries agree to sell to TC Subaru certain parts including components and various kinds of materials for Subaru motor vehicles designed, manufactured and/or assembled by Fuji Heavy Industries Limited ("Fuji") or licensees of Fuji (the "Parts") for a term from 1 January 2014 to 31 December 2014.

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

With the Group's launch of the 2015 model of certain Subaru motor vehicle in the last quarter of 2014, the Group needed to purchase more Parts under the Parts Purchase Agreements. Accordingly, on 8 December 2014, the annual cap for the continuing connected transactions as a whole for the year ended 31 December 2014 was revised upward from HK\$270,561,000 to HK\$284,561,000.

Each of the Five 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 Five APM Subsidiaries is a connected person of the Company and the transactions contemplated under the Parts Purchase Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For the year ended 31 December 2014, the aggregate annual transaction amount under the Parts Purchase Agreements amounted to HK\$152,821,000.

Details of the Parts Purchase Agreements were disclosed in the announcements of the Company dated 30 December 2013 and 8 December 2014.

## REPORT OF THE DIRECTORS (continued)

### Connected transactions (continued)

#### (iii) TCMH Agreements

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

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

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

For the year ended 31 December 2014, the aggregate annual transaction amount under the TCMH Agreements amounted to HK\$26,562,000.

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

#### (iv) TCIM Agreement

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

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

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

## REPORT OF THE DIRECTORS (continued)

### Connected transactions (continued)

(iv) TCIM Agreement (continued)

For the year ended 31 December 2014, the aggregate annual transaction amount under the TCIM Agreement amounted to HK\$6,000.

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

(v) APM Service Agreement and APMS Purchase Agreement entered into with APM Engineering & Research Sdn. Bhd. ("APMER") and APM Seatings Sdn. Bhd. ("APMS")

Each of APMER and APMS 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 APMER and APMS is a connected person of the Company and the transactions contemplated under each of the APM Service Agreement and the APMS Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(a) APM Service Agreement

Nanjing Tan Chong Automotive Co., Ltd. (南京陳唱交通器材有限公司) ("NJTC"), a wholly-owned subsidiary of the Company, and APMER entered into a technical service agreement on 30 May 2014 (the "APM Service Agreement") pursuant to which APMER will provide technical consultancy services to NJTC, such as project planning, product design (including concept development) and engineering design, and technical and quality system consultancy services, in relation to the setting up of plant's facilities and product development in Nanjing, the PRC, for the manufacture of automotive seating systems by NJTC for a term from 30 May 2014 to 30 December 2015. The service fees shall be calculated in accordance with the estimated number of hours spent by the respective levels of personnel of APMER in providing the technical consultancy services. Pursuant to the APM Service Agreement, the daily rates of the technical experts range from US\$28.125 to US\$112.5 per hour.

For the year ended 31 December 2014, the aggregate annual transaction amount under the APM Service Agreement amounted to HK\$1,065,000 which was within the annual cap of HK\$7,041,000.

Details of the APM Service Agreement were disclosed in the announcements of the Company dated 30 May 2014 and 11 June 2014.

(b) APMS Purchase Agreement

NJTC and APMS entered into a seat parts purchase agreement on 30 May 2014 (the "APMS Purchase Agreement") in relation to the purchase(s) of certain parts including components and various kinds of materials for automotive seats manufactured and/or assembled by APMS ("Seat Parts") for a term from 30 May 2014 to 30 December 2015.

The price of the transactions under the APMS Purchase Agreement shall be negotiated and agreed between NJTC and APMS on normal commercial terms and on an arm's length basis after taking into account special circumstances such as volume discounts and prices, the value and volume of estimated orders to be placed by NJTC with APMS and the price of parts similar to the Seat Parts available from independent third parties in the market.

For the year ended 31 December 2014, the aggregate annual transaction amount under the APMS Purchase Agreement amounted to HK\$6,032,000 which was within the annual cap of HK\$7,520,000.

Details of the APMS Purchase Agreement were disclosed in the announcements of the Company dated 30 May 2014 and 11 June 2014.

## REPORT OF THE DIRECTORS (continued)

### Listing Rules Implications

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

The aggregated annual cap for the Transactions for the year ended 31 December 2014 was set at HK\$284,561,000.

For the year ended 31 December 2014, the aggregate annual transaction amount under the Transactions amounted to HK\$261,150,000 which was within the annual cap of HK\$284,561,000.

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 Engagement 3000 "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 findings and conclusions in respect of the abovementioned continuing connected transactions as disclosed by the Group in the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Save as disclosed above, there was no connected transaction or contract of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2014 or at any time during the year ended 31 December 2014.

A summary of the significant related party transactions undertaken by the Group during the year is set out in note 36 of the financial statements.

## REPORT OF THE DIRECTORS (continued)

### Directors' interests and short positions in shares

The directors who held office at 31 December 2014 had the following interests in the issued share capital of the Company at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the Securities and Futures Ordinance ("SFO"):

Ordinary shares of HK\$0.50 each					
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)	Total number of shares held	Percentage of total issued shares
<b>Executive Directors:</b>					
Tan Eng Soon	111,999,972	-	431,376,000	543,375,972	26.99%
Joseph Ong Yong Loke	684,000	795,000	940,536	2,419,536	0.12%
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%

Notes:

- (1) These shares are beneficially owned by the spouses of Joseph Ong Yong Loke and Tan Kheng Leong, respectively, and hence they are deemed interested in these shares.
- (2) These shares are beneficially owned by corporations controlled by Tan Eng Soon and Joseph Ong Yong Loke, respectively.

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 2014, 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 fellow subsidiaries a party to any arrangement to enable the directors of the Company 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.

## REPORT OF THE DIRECTORS (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 at 31 December 2014 amounting to 5% (2013: 5%) or more of the ordinary shares in issue:

Name	Long/short positions	Note	Ordinary shares held	Percentage of total issued shares
Tan Chong Consolidated Sdn. Bhd.	Long	(1)	705,819,720	35.05%
Promenade Group Limited	Long	(2)	302,067,000	15.00%

Notes:

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

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

### Emolument policy

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

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

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

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

### Sufficiency of public float

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

### Directors' interests in contracts

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

### Pre-emptive rights

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

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

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

## REPORT OF THE DIRECTORS (continued)

### Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in notes 26 and 27 to the financial statements.

### Financial summary

A summary of the results of the Group and of the Group's assets and liabilities for the last five financial years is set out on page 98 of the annual report.

### Properties

Particulars of the Group's properties are shown on pages 99 to 102 of the annual report.

### Retirement schemes

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

### Confirmation of independence

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

For and on behalf of the Board

**Tan Eng Soon**  
Chairman  
Hong Kong  
30 March 2015

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Tan Chong International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 27 to 97, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## KPMG

Certified Public Accountants

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

30 March 2015

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Revenue	3	10,647,779	9,146,542
Cost of sales		(8,512,829)	(7,389,526)
<b>Gross profit</b>		2,134,950	1,757,016
Other net operating income	4	836,884	1,783,222
Distribution costs		(809,286)	(644,789)
Administrative expenses		(858,515)	(672,927)
Other operating expenses	5	(29,183)	(24,205)
<b>Profit from operations</b>		1,274,850	2,198,317
Financing costs	6	(63,333)	(31,640)
Share of profits less losses of associates		76,047	82,416
<b>Profit before taxation</b>	7	1,287,564	2,249,093
Income tax expense	10(a)	(221,683)	(166,212)
<b>Profit for the year</b>		1,065,881	2,082,881
<b>Attributable to:</b>			
Equity shareholders of the Company		988,244	2,057,786
Non-controlling interests		77,637	25,095
<b>Profit for the year</b>		1,065,881	2,082,881
<b>Earnings per share</b>	11		
Basic and diluted		\$0.49	\$1.02

The notes on pages 36 to 97 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	2014 \$'000	2013 \$'000
<b>Profit for the year</b>	1,065,881	2,082,881
<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 liability	7,294	-
Surplus on revaluation of land and buildings upon transfer to investment properties	331,167	-
	338,461	-
<b>Items that may be reclassified to profit or loss:</b>		
Exchange differences on translation of financial statements of:		
– subsidiaries outside Hong Kong	(462,294)	(196,052)
– associates outside Hong Kong	(9,521)	(74,611)
	(471,815)	(270,663)
Available-for-sale securities:		
– changes in fair value recognised during the year	1,987	(4,936)
	(469,828)	(275,599)
<b>Other comprehensive income for the year</b>	(131,367)	(275,599)
<b>Total comprehensive income for the year</b>	934,514	1,807,282
<b>Attributable to:</b>		
Equity shareholders of the Company	934,848	1,786,751
Non-controlling interests	(334)	20,531
<b>Total comprehensive income for the year</b>	934,514	1,807,282

# CONSOLIDATED BALANCE SHEET

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
<b>Non-current assets</b>			
Investment properties	12	3,399,251	2,654,853
Other property, plant and equipment	13(a)	3,250,284	2,451,794
Interest in leasehold land	14	97,622	261,897
Intangible assets	15	104,034	-
Goodwill	16	6,214	-
Interest in associates	18	744,089	914,435
Other financial assets	19	118,848	97,114
Hire purchase debtors and instalments receivable	24	236,664	198,528
Non-current prepayments		112,476	23,053
Deferred tax assets	10(c)	43,040	37,431
		8,112,522	6,639,105
<b>Current assets</b>			
Investments designated as at fair value through profit or loss	20	3,215,815	2,576,625
Inventories	21	2,765,886	1,959,204
Properties held for sale	22	58,619	61,256
Trade debtors	23	1,130,143	905,522
Hire purchase debtors and instalments receivable	24	107,411	91,795
Other debtors, deposits and prepayments		527,772	337,594
Amounts due from related companies	31	6,842	3,641
Cash and cash equivalents	25	2,912,541	2,228,857
		10,725,029	8,164,494

The notes on pages 36 to 97 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
<b>Current liabilities</b>			
Unsecured bank overdrafts	27	73,211	370
Bank loans	27	1,946,985	2,098,553
Trade creditors	30	1,041,616	767,551
Other creditors and accruals		946,373	581,916
Amounts due to related companies	31	15,126	14,046
Obligations under finance leases	28	22,991	-
Current taxation		130,979	114,778
Provisions	32	45,611	28,271
		4,222,892	3,605,485
<b>Net current assets</b>			
		6,502,137	4,559,009
<b>Total assets less current liabilities</b>			
		14,614,659	11,198,114
<b>Non-current liabilities</b>			
Bank loans	27	1,316,040	103,947
Unsecured medium term note	26	692,695	-
Obligations under finance leases	28	94,164	-
Net defined benefit retirement obligations	29	145,265	-
Deferred tax liabilities	10(c)	67,566	23,966
Provisions	32	37,016	46,796
		2,352,746	174,709
<b>NET ASSETS</b>			
		12,261,913	11,023,405
<b>Capital and reserves</b>			
Share capital	33(d)	1,006,655	1,006,655
Reserves		10,624,683	9,901,232
<b>Total equity attributable to equity shareholders of the Company</b>			
		11,631,338	10,907,887
<b>Non-controlling interests</b>			
		630,575	115,518
<b>TOTAL EQUITY</b>			
		12,261,913	11,023,405

Approved and authorised for issue by the board of directors on 30 March 2015.

Tan Eng Soon  
ChairmanSng Chiew Huat  
Finance Director

The notes on pages 36 to 97 form part of these financial statements.

# BALANCE SHEET

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	13(b)	29	44
Interest in subsidiaries	17	2,342,961	2,342,961
Non-current prepayment		1,528	-
		2,344,518	2,343,005
<b>Current assets</b>			
Amounts due from subsidiaries	17	1,074,092	39,397
Other debtors, deposits and prepayments		1,547	671
Cash and cash equivalents	25	8,512	7,086
		1,084,151	47,154
<b>Current liabilities</b>			
Other creditors and accruals		20,508	11,417
Amounts due to subsidiaries	17	61,560	59,049
		82,068	70,466
<b>Net current assets/(liabilities)</b>			
		1,002,083	(23,312)
<b>Total assets less current liabilities</b>			
		3,346,601	2,319,693
<b>Non-current liabilities</b>			
Bank loans	27	291,663	-
Unsecured medium term note	26	692,695	-
		984,358	-
<b>NET ASSETS</b>			
		2,362,243	2,319,693
<b>Capital and reserves</b>			
Share capital	33(b)	1,006,655	1,006,655
Reserves		1,355,588	1,313,038
<b>TOTAL EQUITY</b>			
		2,362,243	2,319,693

Approved and authorised for issue by the board of directors on 30 March 2015.

Tan Eng Soon  
Chairman

Sng Chiew Huat  
Finance Director

The notes on pages 36 to 97 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company			
	Share capital	Share premium	Capital reserve	Translation reserve
	\$'000	(note 33(a)(i)) \$'000	(note 33(a)(ii)) \$'000	(note 33(a)(iii)) \$'000
<b>Balance at 1 January 2013</b>	1,006,655	550,547	9,549	1,397,047
<b>Changes in equity for 2013:</b>				
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	(266,099)
Total comprehensive income for the year	-	-	-	(266,099)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-
Dividends declared and approved during the year (Note 33(c))	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-
<b>Balance at 31 December 2013 and 1 January 2014</b>	1,006,655	550,547	9,549	1,130,948
<b>Changes in equity for 2014:</b>				
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	(389,974)
Total comprehensive income for the year	-	-	-	(389,974)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-
Dividends declared and approved during the year (Note 33(c))	-	-	-	-
Dividends paid by non-wholly owned subsidiaries to non-controlling interests	-	-	-	-
<b>Balance at 31 December 2014</b>	1,006,655	550,547	9,549	740,974

Attributable to equity shareholders of the Company								
Contributed surplus (note 33(b)(ii)) \$'000	Fair value reserve (note 33(a)(iv)) \$'000	Property revaluation reserve (note 33(a)(v)) \$'000	Retained profits \$'000	Total \$'000		Non-controlling interests \$'000	Total equity \$'000	
377,690	10,082	-	5,960,830	9,312,400		71,115	9,383,515	
-	-	-	2,057,786	2,057,786		25,095	2,082,881	
-	(4,936)	-	-	(271,035)		(4,564)	(275,599)	
-	(4,936)	-	2,057,786	1,786,751		20,531	1,807,282	
-	-	-	-	-		26,935	26,935	
-	-	-	(191,264)	(191,264)		-	(191,264)	
-	-	-	-	-		(3,063)	(3,063)	
377,690	5,146	-	7,827,352	10,907,887		115,518	11,023,405	
-	-	-	988,244	988,244		77,637	1,065,881	
-	1,700	331,167	3,711	(53,396)		(77,971)	(131,367)	
-	1,700	331,167	991,955	934,848		(334)	934,514	
-	-	-	-	-		10,968	10,968	
-	-	-	-	-		532,120	532,120	
-	-	-	(211,397)	(211,397)		-	(211,397)	
-	-	-	-	-		(27,697)	(27,697)	
377,690	6,846	331,167	8,607,910	11,631,338		630,575	12,261,913	

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
<b>Operating activities</b>			
Profit from operations		1,274,850	2,198,317
Adjustments for:			
Depreciation	7	269,045	176,258
Amortisation charge for intangible assets	7	8,959	-
Amortisation of interest in leasehold land	7	15,172	8,618
Gain on disposal of other property, plant and equipment	4	(17,793)	(44,251)
Net valuation gains on investment properties	4	(42,719)	-
Increase in fair value of listed investments designated as at fair value through profit or loss	4	(640,393)	(1,431,781)
Gain on bargain purchase arising from acquisition of subsidiaries	4	(17,833)	-
Loss on deemed disposal of an associate	4	22,525	-
Interest income	4	(22,999)	(24,247)
Dividend income	4	(45,539)	(25,000)
Net foreign exchange (gain)/loss		(158,564)	2,823
<b>Operating profit before changes in working capital</b>		644,711	860,737
Decrease in properties held for sale		-	16,085
(Increase)/decrease in inventories		(823,172)	116,839
Decrease/(increase) in trade debtors		239,529	(212,269)
Increase in hire purchase debtors and instalments receivable		(63,125)	(7,536)
(Increase)/decrease in other debtors, deposits and prepayments		(133,773)	34,556
Increase in amounts due from related companies		(3,345)	(2,810)
Increase in trade creditors		75,542	135,058
Increase in other creditors and accruals		51,299	117,132
Increase in amounts due to related companies		1,946	7,235
Increase in provisions		9,348	27,368
Decrease in net defined benefit obligations		(10,849)	-
<b>Cash (used in)/generated from operations</b>		(11,889)	1,092,395
Interest paid		(62,183)	(31,640)
Taxes paid		(224,357)	(144,676)
<b>Net cash (used in)/generated from operating activities</b>		(298,429)	916,079

The notes on pages 36 to 97 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2014  
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from investing activities</b>			
Payment for the purchase of other property, plant and equipment		(713,829)	(669,099)
Payment for additions to intangible assets		(1,900)	-
Payment for additions to interest in leasehold land		(29,141)	(27,211)
Payment for additions to investment properties		(556)	-
Increase in non-current prepayments		(14,072)	(11,455)
(Increase)/decrease in pledged bank deposits		(6,618)	43,699
Proceeds from disposal of other property, plant and equipment		79,119	142,578
Payment for investments in associates		-	(6,931)
Net cash inflow from acquisition of subsidiaries		45,765	-
Proceeds from disposal of other non-current financial assets		4,582	65,022
Dividends received from associates		27,460	24,995
Dividends received from listed investments		44,901	24,404
Dividends received from unlisted investments		638	596
Interest received		22,999	24,247
<b>Net cash used in investing activities</b>		<b>(540,652)</b>	<b>(389,155)</b>
<b>Cash flows from financing activities</b>			
Repayment of bank loans		(3,449,640)	(3,506,125)
Proceeds from new bank loans		4,497,786	4,094,407
Proceeds from unsecured medium term note		733,146	-
Dividends paid to shareholders		(211,397)	(191,264)
Dividends paid to non-controlling shareholders of subsidiaries		(27,697)	(3,063)
Interest element of finance lease obligations paid		(1,150)	-
Capital element of finance lease obligations paid		(11,472)	-
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		10,968	26,935
<b>Net cash generated from financing activities</b>		<b>1,540,544</b>	<b>420,890</b>
<b>Net increase in cash and cash equivalents</b>		<b>701,463</b>	<b>947,814</b>
<b>Cash and cash equivalents at 1 January</b>	25	<b>2,228,487</b>	<b>1,305,585</b>
<b>Effect of foreign exchange rate changes</b>		<b>(97,238)</b>	<b>(24,912)</b>
<b>Cash and cash equivalents at 31 December</b>	25	<b>2,832,712</b>	<b>2,228,487</b>

The notes on pages 36 to 97 form part of these financial statements.

# NOTES TO THE 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 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The consolidated financial statements were authorised for issue by the Directors on 30 March 2015.

## 1 Significant accounting policies

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Although not required under the Bye-laws of the Company, the financial statements of the Company and the Group comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622) "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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. A summary of the significant accounting policies adopted by the Group is set out below.

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (c) Changes in accounting policies

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

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

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

The impacts of the adoption of these new or amended IFRSs are discussed below:

#### **Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities***

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as Tan Chong International Limited does not qualify to be an investment entity.

#### **Amendments to IAS 32, *Offsetting financial assets and financial liabilities***

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

#### **Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets***

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments have no impact on these financial statements as the Group has no impaired non-financial assets.

### (d) Basis of consolidation

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

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and are presented in the consolidated balance sheet 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 income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 1(x)).

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant 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). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(x)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, 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 comprehensive income.

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

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

#### (iii) Transactions eliminated on consolidation

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

### (e) Goodwill

Goodwill represents the excess of

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant 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. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. 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. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

### (g) Investment properties

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

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

### (h) Completed property held for sale

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (i) Property, plant and equipment

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

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

Freehold land is not amortised.

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

– Buildings situated on freehold land	2% - 4%
– Interest in leasehold land is depreciated over the unexpired term of the lease.	
– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 50 years after the date of completion.	
– Plant, machinery and equipment	
– engine, construction equipment and forklifts for hire	20% on cost less residual value
– others	6 <sup>2</sup> / <sub>3</sub> % - 50%
– Furniture, fixtures, fittings and office equipment	5% - 50%
– Motor vehicles	10% - 50%

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

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

### Construction in progress

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

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 FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant 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 balance sheet at cost less accumulated amortisation and impairment losses (see note 1(x)). The useful life and method of amortisation of an intangible asset are reviewed annually.

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

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

### (k) Leased assets

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

#### (i) Classification of leased assets

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

#### (ii) Assets held for rental

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

#### (iii) Assets acquired under finance lease

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

#### (iv) Operating lease charges

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (l) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities are designated as at fair value through profit or loss upon initial recognition when these financial instruments are managed, evaluated and reported internally on a fair value basis. Any attributable transaction costs are recognised in profit or loss as incurred. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(x)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities and are carried at fair value, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(w)(vi) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(w)(iii). When these investments are disposed of or impaired (see note 1(x)), the gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### (m) Borrowing costs

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

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

### (n) Hire purchase contracts

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (o) Income tax

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (p) Inventories

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

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

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

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

### (q) Trade and other debtors

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

### (r) Cash and cash equivalents

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

### (s) Trade and other creditors

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

### (t) Interest-bearing borrowings

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

### (u) Provisions and contingent liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (v) Warranties

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

### (w) Revenue recognition

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

- (i) Revenue arising from the sale of goods (excluding sale of properties (see note 1(w)(v)) is recognised when the customer has accepted the goods and the related risks and rewards of ownership.
- (ii) Service fees, agency commission and handling fees are recognised upon the conclusion of the related services provided.
- (iii) Interest and hire purchase financing income is recognised as it accrues using the effective interest method.
- (iv) Rental income from investment properties is recognised on a straight-line basis over the periods of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.
- (v) Revenue arising from the sale of properties held for sale is recognised upon the execution of the sale and purchase agreement by the buyer which is the time when the risks and rewards of ownership have been transferred. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under other creditors and accruals.
- (vi) Dividend income from unlisted investments is recognised when the Group's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

### (x) Impairment

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

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes but is not limited to the following events:

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (x) Impairment (continued)

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

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

- For interest in associates accounted for under the equity method in the consolidated financial statements (see note 1(d)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(x)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(x)(ii).
- For unquoted equity securities and current receivables carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed. The impairment loss for current receivables carried at cost is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.
- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

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

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (x) Impairment (continued)

#### (ii) Impairment of other assets

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

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

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

#### – Calculation of recoverable amount

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

#### – Recognition of impairment losses

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

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

#### – Reversals of impairment losses

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (y) Employee benefits

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

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

#### (ii) Defined benefit retirement plans

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

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

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

### (z) Segment reporting

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

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

### (aa) Dividends

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Significant accounting policies (continued)

### (ab) Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (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).

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

## 2 Significant accounting estimates and judgements

### (a) Impairment of hire purchase and trade debtors

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

### (b) Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. Determination of the amount of deferred tax assets to be recognised involves estimation of future taxable profits. Such estimates are reviewed at each balance sheet date and adjusted if necessary.

### (c) Warranty provisions

As explained in note 32, the Group makes provisions for the warranties it gives on sale of its motor vehicles taking into account the Group's historical claims experience which might not be indicative of future claims. Any increase or decrease in the provision would affect profit or loss in future years.

### (d) 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2 Significant accounting estimates and judgements (continued)

#### (e) 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.

#### (f) Impairment of fixed assets

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

### 3 Revenue

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

	2014 \$'000	2013 \$'000
Sale of goods	7,439,873	8,310,214
Rendering of services	2,981,188	586,340
Hire purchase financing income	40,044	43,130
Gross rentals from investment properties	123,233	131,861
Gross proceeds from properties sold	-	44,016
Management service fees	1,000	1,000
Agency commission and handling fees	54,420	27,175
Warranty reimbursements	8,021	2,806
	10,647,779	9,146,542

The Group's customer base is diversified and includes no customer (2013: Nil) with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed in note 37 to these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 Other net operating income

	2014 \$'000	2013 \$'000
Bank and other interest income	22,999	24,247
Dividend income		
– listed investments	44,901	24,404
– unlisted investments	638	596
Gain on disposal of other property, plant and equipment	17,793	44,251
Net valuation gains on investment properties	42,719	-
Increase in fair value of listed investments designated as at fair value through profit or loss	640,393	1,431,781
Cash compensation (note)	-	174,552
Incentive income	-	20,604
Reversal of impairment losses on trade receivables and hire purchase debtors and instalments receivable	657	571
Gain on bargain purchase arising from acquisition of subsidiaries (note 38)	17,833	-
Loss on deemed disposal of an associate	(22,525)	-
Others	71,476	62,216
	836,884	1,783,222

Note: During the year ended 2013, the Group received cash compensation of RMB140,000,000 (equivalent to \$174,552,000) in relation to a change in the distribution arrangement for motor vehicles in the PRC.

### 5 Other operating expenses

	2014 \$'000	2013 \$'000
Bank charges	14,612	10,682
Impairment losses on trade receivables and hire purchase debtors and instalments receivable	7,061	9,483
Others	7,510	4,040
	29,183	24,205

### 6 Financing costs

	2014 \$'000	2013 \$'000
Interest expense		
– on bank loans wholly repayable within five years	59,940	30,568
– on bank overdrafts	646	1,072
– on unsecured medium term note	1,597	-
– on finance leases	1,150	-
	63,333	31,640

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 7 Profit before taxation

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

	2014 \$'000	2013 \$'000
Cost of goods sold	5,360,000	6,863,176
Depreciation		
– assets held for use under operating leases	49,829	58,735
– other assets	219,216	117,523
Amortisation		
– interest in leasehold land	15,172	8,618
– intangible assets	8,959	-
Impairment losses on		
– trade debtors	4,487	8,902
– hire purchase debtors and instalments receivable	1,917	10
Auditors' remuneration		
– audit services	9,618	5,547
– tax services	1,696	1,444
– others	731	-
Provision for warranties made	19,218	46,499
Provision for custom duties made	12,709	-
Net foreign exchange (gains)/losses	(119,568)	32,945
Operating lease rental expenses in respect of properties	73,255	55,601
Rentals receivable from investment properties less direct outgoings of \$44,737,000 (2013: \$33,991,000)	(78,496)	(97,870)

### 8 Personnel expenses

	2014 \$'000	2013 \$'000
Wages and salaries	389,261	336,684
Retirement benefit costs	32,389	28,454
Others	47,744	15,733
	469,394	380,871

The number of employees at the end of 2014 was 5,951 (2013: 3,317).

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 9 Directors' and senior executives' remuneration

(a) *Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:*

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Total \$'000
<b>2014</b>					
<i>Executive directors</i>					
Tan Eng Soon	260	11,672	12,556	32	24,520
Joseph Ong Yong Loke	450	3,938	3,341	33	7,762
Tan Kheng Leong	140	3,094	758	32	4,024
Sng Chiew Huat	140	3,520	2,759	32	6,451
Glenn Tan Chun Hong	140	2,818	2,319	80	5,357
<i>Independent non-executive directors (Note)</i>					
Lee Han Yang	220	-	-	-	220
Tan Ngiap Joo	180	-	-	-	180
Ng Kim Tuck	120	-	-	-	120
	1,650	25,042	21,733	209	48,634

Note: Mr Masatoshi Matsuo, an independent non-executive director of the Group, passed away on 19 March 2014.

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Total \$'000
<b>2013</b>					
<i>Executive directors</i>					
Tan Eng Soon	180	11,082	10,243	36	21,541
Joseph Ong Yong Loke	410	3,739	2,889	36	7,074
Tan Kheng Leong	100	3,137	710	34	3,981
Sng Chiew Huat	100	3,404	2,372	34	5,910
Glenn Tan Chun Hong	100	2,299	1,655	83	4,137
<i>Independent non-executive directors</i>					
Lee Han Yang	180	-	-	-	180
Masatoshi Matsuo	100	-	-	-	100
Tan Ngiap Joo	140	-	-	-	140
Ng Kim Tuck	100	-	-	-	100
	1,410	23,661	17,869	223	43,163

(b) *Of the five individuals with the highest emoluments, all are directors whose emoluments are disclosed in note 9(a) above.*

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10 Taxation

**(a) Taxation in the consolidated income statement represents:**

	2014 \$'000	2013 \$'000
<b>Current tax expense</b>		
Provision for the year	203,418	182,590
Under/(over)-provision in respect of prior years	399	(940)
	203,817	181,650
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	17,866	(15,438)
<b>Total income tax expense in the consolidated income statement</b>	221,683	166,212

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

The statutory corporate income tax rate for the Group's operations in Singapore, Japan and the People's Republic of China ("PRC") is 17% (2013: 17%), 36% (2013: 38%) and 25% (2013: 25%) respectively. Taxation for other subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2014 \$'000	2013 \$'000
Profit before taxation	1,287,564	2,249,093
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	100,510	118,087
Adjustments resulting from:		
Tax effect of non-deductible expenses	37,681	17,656
Tax effect of non-taxable income	(18,545)	(44,858)
Tax effect of tax losses not recognised	80,888	84,242
Tax effect of previously unrecognised tax losses or deductible temporary differences utilised	(8,821)	(7,975)
Withholding tax on dividend income from subsidiaries (Note)	29,571	-
Under/(over)-provision in respect of prior years	399	(940)
Actual tax expense	221,683	166,212

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10 Taxation (continued)

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

Deferred tax assets and deferred tax liabilities of the Group at 31 December 2014 are attributable to the items detailed in the table below:

	2014			2013		
	Assets \$'000	Liabilities \$'000	Net \$'000	Assets \$'000	Liabilities \$'000	Net \$'000
Property, plant and equipment	4,892	(104,280)	(99,388)	6,629	(25,400)	(18,771)
Investment properties	-	(15,113)	(15,113)	-	(3,773)	(3,773)
Inventories	1,647	-	1,647	8,251	-	8,251
Trade debtors	11,408	-	11,408	11,306	-	11,306
Creditors and accruals	90,300	-	90,300	2,530	-	2,530
Provisions	6,101	-	6,101	13,621	-	13,621
Intangible assets	-	(25,448)	(25,448)	-	-	-
Tax losses carried-forward	5,967	-	5,967	301	-	301
Deferred tax (liabilities)/assets	120,315	(144,841)	(24,526)	42,638	(29,173)	13,465
Set-off within legal tax units and jurisdictions	(77,275)	77,275	-	(5,207)	5,207	-
Net deferred tax (liabilities)/assets	43,040	(67,566)	(24,526)	37,431	(23,966)	13,465

Potential deferred tax assets of approximately \$276,848,000 (2013: \$214,641,000) relating to the future benefits of tax losses and deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom before the ability to realise such potential benefits expires. The tax losses do not expire under the current tax legislation except for tax losses of certain subsidiaries amounting to \$577,120,000 (2013: \$416,762,000) which will expire within 5-10 years since the balance sheet date.

At 31 December 2014, temporary differences relating to the undistributed profits of subsidiaries amounted to \$1,400,468,000 (2013: \$710,829,000). Deferred tax liabilities of \$240,632,000 (2013: \$86,883,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is of the opinion of the directors that the profits will not be distributed in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10 Taxation (continued)

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

	Balance at 1 January 2013 \$'000	Exchange adjustment \$'000	Addition through acquisition of subsidiaries \$'000	Recognised in other comprehensive income \$'000	Recognised in profit or loss \$'000	Balance at 31 December 2013 \$'000
Property, plant and equipment	(24,302)	437	-	-	5,094	(18,771)
Investment properties	(2,682)	89	-	-	(1,180)	(3,773)
Inventories	7,592	(251)	-	-	910	8,251
Trade debtors	6,373	(6)	-	-	4,939	11,306
Creditors and accruals	1,222	(38)	-	-	1,346	2,530
Provisions	9,312	(45)	-	-	4,354	13,621
Tax losses carried-forward	336	(10)	-	-	(25)	301
	(2,149)	176	-	-	15,438	13,465

	Balance at 1 January 2014 \$'000	Exchange adjustment \$'000	Addition through acquisition of subsidiaries \$'000	Recognised in other comprehensive income \$'000	Recognised in profit or loss \$'000	Balance at 31 December 2014 \$'000
Property, plant and equipment	(18,771)	15,427	(96,562)	-	518	(99,388)
Investment properties	(3,773)	1,359	(7,836)	-	(4,863)	(15,113)
Inventories	8,251	(171)	459	-	(6,892)	1,647
Trade debtors	11,306	(606)	1,520	-	(812)	11,408
Creditors and accruals	2,530	(12,883)	110,015	(3,986)	(5,376)	90,300
Provisions	13,621	(279)	-	-	(7,241)	6,101
Intangible assets	-	4,765	(31,334)	-	1,121	(25,448)
Tax losses carried-forward	301	(13)	-	-	5,679	5,967
	13,465	7,599	(23,738)	(3,986)	(17,866)	(24,526)

### 11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$988,244,000 (2013: \$2,057,786,000) and the number of 2,013,309,000 ordinary shares (2013: 2,013,309,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2014 and 2013 is the same as basic earnings per share as there were no dilutive securities outstanding during the years presented.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 Investment properties

#### The Group

	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Total \$'000
At 1 January 2013	2,392,851	343,241	2,736,092
Exchange adjustments	(79,244)	(1,995)	(81,239)
At 31 December 2013	2,313,607	341,246	2,654,853
At 1 January 2014	2,313,607	341,246	2,654,853
Exchange adjustments	(152,413)	(29,095)	(181,508)
Acquisition of subsidiaries	350,661	-	350,661
Additions	556	-	556
Transfers (note)	-	531,970	531,970
Fair value adjustments	10,170	32,549	42,719
At 31 December 2014	2,522,581	876,670	3,399,251

Note: During the year ended 31 December 2014, a property previously occupied by the Group as owner-occupied property was transferred to investment properties and a revaluation surplus was credited to property revaluation reserve to account for the difference between the carrying amount and the fair value of the property at the date of change in use.

In addition, another property previously held as investment property was transferred to other property, plant and equipment during the year due to a change in use.

#### (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 balance sheet date 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 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 2014 \$'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurement</b>				
– Freehold land and buildings				
– Singapore	2,222,758	-	-	2,222,758
– Japan	299,823	-	-	299,823
	2,522,581	-	-	2,522,581
– Leasehold land and buildings				
– Hong Kong	224,041	-	-	224,041
– Macau	11,700	-	-	11,700
– Singapore	640,929	-	-	640,929
	876,670	-	-	876,670
	3,399,251	-	-	3,399,251
	Fair value at 31 December 2013 \$'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurement</b>				
– Freehold land and buildings				
– Singapore	2,313,607	-	-	2,313,607
– Leasehold land and buildings				
– Hong Kong	270,000	-	-	270,000
– Macau	13,000	-	-	13,000
– Singapore	58,246	-	-	58,246
	341,246	-	-	341,246
	2,654,853	-	-	2,654,853

During the year ended 31 December 2014, there were no transfers between levels. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

All of the Group's investment properties were revalued as at 31 December 2014. The valuations were carried out either by a director of the Company, who is a member of The Royal Institution of Chartered Surveyors, or independent firms of surveyors, Savills Valuation and Professional Services(s) Pte Ltd and Midzuki Real Estate Appraisal Firm Co., Ltd.

The director of the Company carried out valuations for certain investment properties in Hong Kong, Macau and Singapore by using the market comparison approach.

## NOTES TO THE 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)

Savills Valuation and Professional Services(s) Pte Ltd, which has among its staff members of the Singapore Institute of Surveyors and Valuers, carried out a valuation for an investment property (which was previously an owner-occupied property) in Singapore by using the residual approach.

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

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

	Valuation techniques	Unobservable input	Range
– Freehold land and buildings			
– Singapore	Market comparison approach	Discount/premium on quality of the buildings	-1.3% to 9% (2013: -16% to 4%)
– Japan	Discounted cash flow approach	Discount rate	6.2% to 6.3% (2013: N.A.)
– Leasehold land and buildings			
– Hong Kong	Market comparison approach	Discount/premium on quality of the buildings	0% to 10% (2013: -25% to 3%)
– Macau	Market comparison approach	Discount/premium on quality of the buildings	0% to 5% (2013: -10%)
– Singapore	Market comparison approach	Discount on quality of the buildings	-5% to 0% (2013: -20%)
	Residual approach	Estimated profit margin on redevelopment	15% (2013: N.A.)

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

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

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

## NOTES TO THE 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 movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2014 \$'000	2013 \$'000
<b>Freehold land and buildings - Singapore</b>		
At 1 January	2,313,607	2,392,851
Exchange adjustments	(98,773)	(79,244)
Fair value adjustments	7,924	-
At 31 December	2,222,758	2,313,607
<b>Freehold land and buildings - Japan</b>		
At 1 January	-	-
Acquisition of subsidiaries	350,661	-
Exchange adjustments	(53,640)	-
Additions	556	-
Fair value adjustments	2,246	-
At 31 December	299,823	-
<b>Leasehold land and buildings - Hong Kong and Macau</b>		
At 1 January	283,000	283,000
Fair value adjustments	3,700	-
Transfer	(50,959)	-
31 December	235,741	283,000
<b>Leasehold land and buildings - Singapore</b>		
At 1 January	58,246	60,241
Exchange adjustments	(29,095)	(1,995)
Fair value adjustments	28,849	-
Transfer	582,929	-
At 31 December	640,929	58,246

No fair value adjustment of investment properties is recognised during the year ended 31 December 2013.

## NOTES TO THE 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
In Hong Kong				
– Medium term lease	-	-	224,041	270,000
Outside Hong Kong				
– Freehold	2,522,581	2,313,607	-	-
– Long lease	-	-	640,929	58,246
– Short term lease	-	-	11,700	13,000
	2,522,581	2,313,607	876,670	341,246

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Other property, plant and equipment

#### (a) The Group

	Freehold land \$'000	Buildings \$'000	Plant, machinery and equipment \$'000	Furniture fixtures, fittings and office equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost or valuation:</b>							
At 1 January 2014	521,475	1,337,194	346,251	245,459	426,247	390,463	3,267,089
Exchange adjustments	(72,254)	(118,145)	(16,016)	(12,428)	(53,910)	(6,255)	(279,008)
Acquisition of subsidiaries	378,693	265,542	24,923	40,336	218,761	1,771	930,026
Additions	92,564	118,754	57,078	57,579	130,514	257,340	713,829
Disposals	-	(12,664)	(38,240)	(28,563)	(81,629)	-	(161,096)
Surplus on revaluation	52,573	-	-	-	-	-	52,573
Transfer	(103,270)	428,067	31,767	25,511	-	(465,573)	(83,498)
At 31 December 2014	869,781	2,018,748	405,763	327,894	639,983	177,746	4,439,915
<b>Representing:</b>							
Cost	638,849	1,955,807	405,763	327,894	639,983	177,746	4,146,042
Valuation - 1984	230,932	62,941	-	-	-	-	293,873
	869,781	2,018,748	405,763	327,894	639,983	177,746	4,439,915
<b>Accumulated depreciation:</b>							
At 1 January 2014	-	355,139	160,950	161,764	137,442	-	815,295
Exchange adjustments	-	(36,512)	(8,465)	(11,398)	(23,414)	-	(79,789)
Acquisition of subsidiaries	-	141,622	20,649	31,750	90,829	-	284,850
Charge for the year	-	62,877	57,813	42,990	105,365	-	269,045
Written back on disposal	-	(5,832)	(30,430)	(21,084)	(42,424)	-	(99,770)
At 31 December 2014	-	517,294	200,517	204,022	267,798	-	1,189,631
<b>Net book value:</b>							
At 31 December 2014	869,781	1,501,454	205,246	123,872	372,185	177,746	3,250,284

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Other property, plant and equipment (continued)

#### (a) The Group (continued)

	Freehold land \$'000	Buildings \$'000	Plant, machinery and equipment \$'000	Furniture fixtures, fittings and office equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost or valuation:</b>							
At 1 January 2013	528,093	1,338,311	413,284	204,503	380,797	79,736	2,944,724
Exchange adjustments	(26,618)	(49,229)	(14,443)	(8,890)	(18,615)	(13,175)	(130,970)
Additions	20,000	36,103	67,803	38,439	150,740	356,014	669,099
Disposals	-	(2,387)	(120,602)	(6,100)	(86,675)	-	(215,764)
Transfer	-	14,396	209	17,507	-	(32,112)	-
At 31 December 2013	521,475	1,337,194	346,251	245,459	426,247	390,463	3,267,089
<b>Representing:</b>							
Cost	280,280	1,271,455	346,251	245,459	426,247	390,463	2,960,155
Valuation - 1984	241,195	65,739	-	-	-	-	306,934
	521,475	1,337,194	346,251	245,459	426,247	390,463	3,267,089
<b>Accumulated depreciation:</b>							
At 1 January 2013	-	329,376	202,722	146,297	110,907	-	789,302
Exchange adjustments	-	(12,288)	(8,758)	(5,990)	(5,792)	-	(32,828)
Charge for the year	-	40,414	47,102	24,480	64,262	-	176,258
Written back on disposal	-	(2,363)	(80,116)	(3,023)	(31,935)	-	(117,437)
At 31 December 2013	-	355,139	160,950	161,764	137,442	-	815,295
<b>Net book value:</b>							
At 31 December 2013	521,475	982,055	185,301	83,695	288,805	390,463	2,451,794

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

	Land		Buildings	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
In Hong Kong				
– Medium term lease	-	-	19,722	-
Outside Hong Kong				
– Freehold	869,781	521,475	379,072	209,672
– Medium term lease	-	-	1,073,264	766,537
– Short term lease	-	-	29,396	5,846
	869,781	521,475	1,501,454	982,055

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 Other property, plant and equipment (continued)

#### (a) The Group (continued)

- (ii) Certain land and buildings were revalued by the directors based on independent professional valuations in 1984. These properties are carried at the respective revalued amounts totalling \$293,873,000 (2013: \$306,934,000) as their deemed cost, as the amount of the adjustments relating to prior periods could not be reasonably determined when IFRSs were first adopted for the purpose of preparing financial statements prior to the initial public offering of the Company. The requirements of IAS 16, *Property, plant and equipment* with respect to assets carried at amounts other than cost less accumulated depreciation are therefore not applicable.
- (iii) The Group rents out certain motor vehicles, trucks and forklifts (included in plant, machinery and equipment). The rental period typically runs for an initial period of one to three years, with an option to renew upon expiry at which time all terms are renegotiated. None of the rental agreements includes contingent rentals.

The cost of motor vehicles and machineries of the Group held for rental amounted to a total of \$312,186,000 (2013: \$356,420,000) and the related accumulated depreciation charges amounted to a total of \$131,023,000 (2013: \$123,978,000).

- (iv) At 31 December 2014, the net book value of motor vehicles and plant, machinery and equipment held under finance leases of the Group was \$107,041,000 (2013: \$Nil) and \$4,803,000 (2013: \$Nil) respectively.

#### (b) The Company

	Office equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost:</b>				
At 1 January 2014 and 31 December 2014	249	497	380	1,126
<b>Accumulated depreciation:</b>				
At 1 January 2014	215	487	380	1,082
Charge for the year	7	8	-	15
At 31 December 2014	222	495	380	1,097
<b>Net book value:</b>				
At 31 December 2014	27	2	-	29
<b>Cost:</b>				
At 1 January 2013	230	497	380	1,107
Additions	19	-	-	19
At 31 December 2013	249	497	380	1,126
<b>Accumulated depreciation:</b>				
At 1 January 2013	207	463	348	1,018
Charge for the year	8	24	32	64
At 31 December 2013	215	487	380	1,082
<b>Net book value:</b>				
At 31 December 2013	34	10	-	44

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14 Interest in leasehold land

	The Group	
	2014 \$'000	2013 \$'000
At 1 January	261,897	254,997
Exchange adjustments	(8,366)	(11,693)
Additions	29,141	27,211
Disposal	(15,771)	-
Written back on disposal	15,771	-
Surplus on revaluation	278,594	-
Transfer to investment properties	(448,472)	-
Amortisation	(15,172)	(8,618)
At 31 December	97,622	261,897

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

	The Group	
	2014 \$'000	2013 \$'000
Outside Hong Kong		
– Long lease	-	170,958
– Medium term lease	97,622	90,939
	97,622	261,897

### 15 Intangible assets

	The Group			
	Customer relationships \$'000	Backlog \$'000	Others \$'000	Total \$'000
<b>Cost:</b>				
At 1 January 2013, 31 December 2013 and 1 January 2014	-	-	-	-
Acquisition of subsidiaries	74,908	13,759	61,207	149,874
Additions	-	-	1,900	1,900
Exchange adjustments	(11,390)	(2,092)	(9,522)	(23,004)
At 31 December 2014	63,518	11,667	53,585	128,770
<b>Accumulated amortisation:</b>				
At 1 January 2013, 31 December 2013 and 1 January 2014	-	-	-	-
Acquisition of subsidiaries	-	-	19,798	19,798
Charge for the year	3,580	-	5,379	8,959
Exchange adjustments	(404)	-	(3,617)	(4,021)
At 31 December 2014	3,176	-	21,560	24,736
<b>Net book value:</b>				
At 31 December 2014	60,342	11,667	32,025	104,034
At 31 December 2013	-	-	-	-

The amortisation charge for the year is included in "distribution costs" in the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15 Intangible assets (continued)

#### **Impairment tests for cash-generating units containing intangible asset with indefinite useful life**

The intangible asset with indefinite useful life is allocated to the Group's cash-generating units identified according to country of operation and operating segment as follows:

	2014 \$'000	2013 \$'000
Transportation – Japan	11,667	-

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rate used do not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The cash flows are discounted using a discount rate of 11.5%. The discount rate used is pre-tax and reflect specific risks relating to the segment.

### 16 Goodwill

	The Group \$'000
<b>Cost:</b>	
At 1 January 2013, 31 December 2013 and 1 January 2014	-
Acquisition of subsidiaries	6,214
At 31 December 2014	6,214
<b>Carrying amount:</b>	
At 31 December 2014	6,214
At 31 December 2013	-

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

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

	2014 \$'000	2013 \$'000
Transportation - Japan	6,214	-

### 17 Interest in subsidiaries

	The Company	
	2014 \$'000	2013 \$'000
Unlisted shares, at cost	2,295,961	2,295,961
Loan to a subsidiary	47,000	47,000
	2,342,961	2,342,961

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17 Interest in subsidiaries (continued)

The loan to a subsidiary is unsecured, interest-free and has no fixed repayment terms but the Company does not intend to demand repayment within 12 months of the balance sheet date.

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Loan to and amounts due from subsidiaries are neither past due nor impaired.

The following list contains only the particulars of subsidiaries as at 31 December 2014 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Tan Chong & Sons Motor Company (Singapore) Private Limited	Singapore	Ordinary shares of SGD150,000,000 Redeemable preference shares of SGD50,000,000	100%	Treasury management for group entities
Tan Chong Motor Sales Pte Ltd	Singapore	SGD10,000,000	100%	Distribution of motor vehicles
Singapore Automotive Industries Private Limited	Singapore	SGD2,000,000	100%	Distribution of auto spare parts
Tan Chong Industrial Machinery (Pte) Ltd	Singapore	Ordinary shares of SGD4,000,000 Redeemable preference shares of SGD25,000,000	100%	Distribution of heavy commercial vehicles and industrial equipment, rental of machinery and provision of workshop services
Motor Image Enterprises Pte Ltd	Singapore	SGD50,000	100%	Distribution of motor vehicles
Tan Chong Credit Private Ltd	Singapore	Ordinary shares of SGD46,600,000 Redeemable preference shares of SGD12,500,000	100%	Hire purchase financing and insurance agency
Tan Chong Realty (Private) Limited	Singapore	Ordinary shares of SGD57,900,000 Redeemable preference shares of SGD25,000,000	100%	Property investment
Brizay Property Pte Ltd	Singapore	SGD2	100%	Property investment
Tan Chong Land Company Pte Ltd	Singapore	SGD1,000,000	100%	Sales of properties and property development
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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17 Interest in subsidiaries (continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Percentage of equity indirectly held through subsidiaries	Principal activities
Nissan Diesel (Thailand) Company Limited	Thailand	Ordinary shares of Baht1,646,456,000 Redeemable preference shares of Baht250,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Motor Image (Guangzhou) Co. Ltd	The People's Republic of China	Registered and paid up capital of \$120,000,000	100%	Distribution of motor vehicles
Motor Image Pilipinas, Inc.	Republic of the Philippines	Peso137,625,000	100%	Distribution of motor vehicles
Taiwan Motor Image Co., Ltd.	Taiwan	NTD5,000,000	100%	Distribution of motor vehicles
Fuso Truck (Thailand) Co., Ltd.	Thailand	Baht100,000,000	100%	Distribution of heavy commercial vehicles and related products and provision of workshop services
Zero Co., Ltd.	Japan	JPY3,390,798,450	50.88%	Investment holding, used-car trading and provision of vehicle transportation and maintenance services
Zero Trans Co., Ltd	Japan	JPY15,000,000	50.88%	Provision of vehicle transportation services
Kyuso Co., Ltd.	Japan	JPY39,000,000	50.88%	Provision of cargo logistics services
Japan Relief Co., Ltd.	Japan	JPY83,124,775	50.88%	Provision of human resources services

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18 Interest in associates

	The Group	
	2014 \$'000	2013 \$'000
Share of net assets	744,089	914,435
Representing:		
Associates listed outside Hong Kong	66,141	292,703
Unlisted associates	677,948	621,732
	744,089	914,435
Market value of listed associates	66,318	225,440

Details of the associates are as follows:

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

During the year ended 31 December 2014, the Group increased its equity interest in Zero Co., Ltd. ("Zero"), then an associate, from 22.91% to 50.88%, and thus Zero became a subsidiary of the Group thereupon (note 38).

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

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

	2014 \$'000	2013 \$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	744,089	914,435
Aggregate amounts of the Group's share of those associates'		
– Profit from continuing operations	76,047	82,416
– Other comprehensive income	(9,521)	(74,611)
– Total comprehensive income	66,526	7,805

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 19 Other financial assets

	The Group	
	2014 \$'000	2013 \$'000
<b>Available-for-sale equity securities</b>		
Listed outside Hong Kong, at market value	14,123	-
Unlisted equity securities, at cost	35,461	21,555
	49,584	21,555
<b>Available-for-sale debt securities</b>		
Listed outside Hong Kong, at market value	69,264	75,559
	118,848	97,114

	The Group	
	2014 \$'000	2013 \$'000
<b>Market value of listed securities</b>	83,387	75,559

The unlisted available-for-sale equity securities are stated at cost less impairment losses because their fair values cannot be measured reliably.

### 20 Investments designated as at fair value through profit or loss

	The Group	
	2014 \$'000	2013 \$'000
<b>Equity securities</b>		
Listed outside Hong Kong, designated as at fair value through profit or loss	3,215,815	2,576,625

Included in the equity securities outside Hong Kong is an investment listed on the Tokyo Stock Exchange which accounted for 98.8% (2013: 98.5%) of the total investments designated as at fair value through profit or loss. There was no addition nor disposal for this equity security during the year ended 31 December 2014 (2013: Nil).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21 Inventories

(a) *Inventories in the consolidated balance sheet comprise:*

	The Group	
	2014 \$'000	2013 \$'000
Raw materials	90,098	147,688
Work-in-progress	142,165	218,580
Spare parts and others	157,463	142,759
Finished goods	2,200,304	1,284,849
Goods in transit	175,856	165,328
	2,765,886	1,959,204

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

	The Group	
	2014 \$'000	2013 \$'000
Carrying amount of inventories sold	5,349,848	6,861,637
Provision for write-down of inventories	10,152	1,539
	5,360,000	6,863,176

### 22 Properties held for sale

	The Group	
	2014 \$'000	2013 \$'000
Completed properties held for sale	58,619	61,256

The analysis of the amount of completed properties held for sale recognised as an expense is as follows:

	The Group	
	2014 \$'000	2013 \$'000
Carrying amount of completed properties sold	-	16,559

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23 Trade debtors

	The Group	
	2014 \$'000	2013 \$'000
Trade debtors	1,175,250	947,911
Less: Allowance for doubtful debts (note 23(b))	(45,107)	(42,389)
	1,130,143	905,522

#### (a) Ageing analysis

As of the balance sheet date, the ageing analysis of trade debtors (net of impairment losses), based on due date, is as follows:

	The Group	
	2014 \$'000	2013 \$'000
0 - 30 days	1,041,943	727,777
31 - 90 days	47,683	90,950
Over 90 days	40,517	86,795
	1,130,143	905,522

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).

#### (b) Impairment of trade debtors

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

As at 31 December 2014, allowance for doubtful debts has been made for trade debtors of \$45,107,000 (2013: \$42,389,000). The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014 \$'000	2013 \$'000
At 1 January	42,389	35,622
Exchange adjustments	(51)	(43)
Impairment loss recognised	4,487	8,902
Uncollectible amounts written off	(1,718)	(2,092)
At 31 December	45,107	42,389

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23 Trade debtors (continued)

#### (c) Trade debtors that are not impaired

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

	The Group	
	2014 \$'000	2013 \$'000
Neither past due nor impaired	801,332	612,481
1 - 30 days past due	240,611	115,296
31 to 90 days past due	47,683	90,950
Over 90 days past due	40,517	86,795
	328,811	293,041
	1,130,143	905,522

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

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

### 24 Hire purchase debtors and instalments receivable

	The Group	
	2014 \$'000	2013 \$'000
Balance due		
– within one year	138,753	118,247
– between one and five years	244,223	212,645
– after more than five years	29,632	19,580
Hire purchase debtors and instalments receivable	412,608	350,472
Unearned interest charges	(41,105)	(33,831)
	371,503	316,641
Less: Allowance for doubtful debts	(27,428)	(26,318)
	344,075	290,323
Balance due		
– within one year	107,411	91,795
– between one year and five years	210,160	181,242
– after more than five years	26,504	17,286
	236,664	198,528
	344,075	290,323

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 24 Hire purchase debtors and instalments receivable (continued)

#### **Impairment of hire purchase debtors and instalments receivable**

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

As at 31 December 2014, allowance for doubtful debts has been made for hire purchase debtors and instalments receivable of \$27,428,000 (2013: \$26,318,000). The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014 \$'000	2013 \$'000
At 1 January	26,318	32,477
Exchange adjustments	(807)	(1,523)
Impairment loss recognised	1,917	10
Uncollectible amounts written off	-	(4,646)
At 31 December	27,428	26,318

### 25 Cash and cash equivalents

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Bank deposits	1,007,795	518,855	-	-
Cash at bank	1,900,024	1,708,549	8,512	7,086
Cash in hand	4,722	1,453	-	-
Cash and cash equivalents in the balance sheets	2,912,541	2,228,857	8,512	7,086
Unsecured bank overdrafts (note 27)	(73,211)	(370)		
Less: pledged bank deposits	(6,618)	-		
Cash and cash equivalents in the consolidated cash flow statement	2,832,712	2,228,487		

The Group's effective interest rate for deposits ranged from 0.28% to 4.40% (2013: 0.40% to 7.25%) per annum.

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

Bank overdrafts bear interest at rates ranging from 0.53% to 5.25% (2013: 4.25% to 5.25%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 26 Non-current interest-bearing borrowings

(a) *The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:*

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Bank loans (note 27)				
– secured	1,983	-	-	-
– unsecured	1,314,057	103,947	291,663	-
	1,316,040	103,947	291,663	-
Unsecured medium term note 2.8% 2017 (note 26(b)(i))	692,695	-	692,695	-
	2,008,735	103,947	984,358	-

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

(b) *Significant terms and repayment schedule of non-bank borrowings*

(i) *Medium term note*

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

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

The note would become repayable on demand if there is a breach of any financial covenants.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27 Bank loans and overdrafts

At 31 December 2014, the bank loans and overdrafts were payable as follows:

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year				
– bank overdrafts (note 25)	73,211	370	-	-
– bank loans	1,946,985	2,098,553	-	-
	2,020,196	2,098,923	-	-
Bank loans:				
– After one year but within two years	602,962	60,450	-	-
– After two years but within five years	671,190	43,497	291,663	-
– Over five years	41,888	-	-	-
	1,316,040	103,947	291,663	-
	3,336,236	2,202,870	291,663	-

At 31 December 2014, the bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unsecured bank overdrafts	73,211	370	-	-
Bank loans				
– Secured	88,412	8,966	-	-
– Unsecured	3,174,613	2,193,534	291,663	-
	3,336,236	2,202,870	291,663	-

At 31 December 2014, certain property, plant and equipment and pledged bank deposits of the Group with carrying values of \$339,771,000 (2013: \$12,918,000) and \$6,618,000 (2013: \$Nil), respectively, have been pledged to banks to secure bank loans totalling \$88,412,000 (2013: \$8,966,000) granted to the Group.

At 31 December 2014, the bank loans bore interest at floating rates which ranged from 0.35% to 12.25% (2013: 0.79% to 7.80%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 28 Obligations under finance leases

At 31 December 2014, the Group had obligations under finance leases repayable as follows:

	The Group			
	2014		2013	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	22,991	23,390	-	-
After 1 year but within 2 years	22,876	23,677	-	-
After 2 year but within 5 years	69,786	74,414	-	-
After 5 years	1,502	1,676	-	-
	94,164	99,767	-	-
	117,155	123,157	-	-
Less: total future interest expenses		(6,002)		-
Present value of lease obligations		117,155		-

### 29 Employee retirement benefits

#### (a) Defined benefit retirement plans

The Group, through Zero which became a subsidiary of the Group in July 2014, makes contributions to defined benefit retirement plans registered in Japan, which cover 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 2014 and were prepared by qualified staff of Mizuho Trust & Banking Co., Ltd and Sumitomo Life Insurance Company. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans were 51% (2013: Nil) covered by the plan assets held by the trustees.

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

(i) The amounts recognised in the consolidated balance sheet are as follows:

	2014 \$'000	2013 \$'000
Present value of defined benefit obligations	(299,355)	-
Fair value of plan assets	154,090	-
	(145,265)	-

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 \$19,355,000 in contributions to defined benefit retirement plans in 2015.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29 Employee retirement benefits (continued)

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

(ii) Plan assets consist of the following:

	2014 \$'000	2013 \$'000
Equity securities	64,956	-
Government bonds	61,551	-
Others	27,583	-
	154,090	-

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

At each balance sheet date, 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 7 - 32% in equity securities across a range of industries, 28-52% 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

	2014 \$'000	2013 \$'000
At 1 January	-	-
Addition through acquisition of subsidiaries	351,890	-
Benefits paid by the plans	(11,656)	-
Current service cost	11,485	-
Interest cost	1,268	-
Exchange adjustments	(53,632)	-
At 31 December	299,355	-

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

(iv) Movements in plan assets

	2014 \$'000	2013 \$'000
At 1 January	-	-
Addition through acquisition of subsidiaries	165,343	-
Group's contributions paid to the plan	15,384	-
Benefits paid by the plans	(11,656)	-
Interest income	646	-
Return on plan assets, excluding interest income	11,280	-
Exchange adjustments	(26,907)	-
At 31 December	154,090	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29 Employee retirement benefits (continued)

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

(v) Amounts recognised in the consolidated income statement are as follows:

	2014 \$'000	2013 \$'000
Current service cost	11,485	-
Net interest on net defined benefit liability	622	-
Total amounts recognised in profit or loss	12,107	-
Return on plan assets, excluding interest income (after tax adjustment)	(7,294)	-
Total amounts recognised in other comprehensive income	(7,294)	-
Total defined benefit costs	4,813	-

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

	2014 \$'000	2013 \$'000
Cost of sales	8,482	-
Distribution costs	2,837	-
Administrative expenses	788	-
	12,107	-

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

	2014	2013
Discount rate	0.9%	-

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

	Increase by 0.5%		Decrease by 0.5%	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Discount rate	(14,887)	-	16,041	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29 Employee retirement benefits (continued)

#### (b) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of \$30,000 (\$25,000 prior to June 2014). Contributions to the plan vest immediately.

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

### 30 Trade creditors

Ageing analysis of trade creditors, based on the invoice date, is as follows:

	The Group	
	2014 \$'000	2013 \$'000
0 - 30 days	803,352	581,890
31 - 90 days	123,365	124,730
91 - 180 days	39,619	42,734
Over 180 days	75,280	18,197
	1,041,616	767,551

### 31 Amounts due from/to related companies

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

### 32 Provisions

	Note	The Group	
		2014 \$'000	2013 \$'000
Provisions for warranties	(a)	69,918	75,067
Provisions for custom duties	(b)	12,709	-
		82,627	75,067
Current		45,611	28,271
Non-current		37,016	46,796
		82,627	75,067
<b>(a) Provisions for warranties</b>			
At 1 January		75,067	47,675
Provisions made		19,218	46,499
Provisions utilised		(24,367)	(19,107)
At 31 December		69,918	75,067

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32 Provisions (continued)

#### (b) Provisions for custom duties

	The Group	
	2014 \$'000	2013 \$'000
At 1 January	-	-
Provisions made	12,709	-
At 31 December	12,709	-

In July 2014, the Director General Customs and Excise in Indonesia issued a notice to a subsidiary of the Group claiming entitlement to additional import duties, related taxes and penalties for cars imported during 2012 and 2013. The Group does not agree with such claim and has been negotiating with the Indonesian Customs Department.

The Group has also applied to the Indonesian Courts to dispute the Indonesian Customs Department's claim.

The directors have taken into account all available facts, including the opinion of an Indonesian tax consultant and legal advisor, and consider that the total amount payable on this matter should not be more than IDR20,432,499,000 (equivalent to \$12,709,000). Accordingly, a provision of the said amount has been made in the financial statements.

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

### 33 Capital, reserves and dividends

#### (a) The Group

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

##### (i) Share premium

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

##### (ii) Capital reserve

The capital reserve mainly comprises a revaluation surplus arising on revaluation of land and buildings, other than investment properties, in 1984.

##### (iii) Translation reserve

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

##### (iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in notes 1(l) and 1(x)(i).

##### (v) 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 Capital, reserves and dividends (continued)

#### (b) The Company

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

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2013</b>	1,006,655	550,547	623,313	144,525	2,325,040
<b>Changes in equity in 2013:</b>					
Total comprehensive income for the year	-	-	-	185,917	185,917
Dividends to equity shareholders	-	-	-	(191,264)	(191,264)
<b>Balance at 31 December 2013 and 1 January 2014</b>	1,006,655	550,547	623,313	139,178	2,319,693
<b>Changes in equity in 2014:</b>					
Total comprehensive income for the year	-	-	-	253,947	253,947
Dividends to equity shareholders	-	-	-	(211,397)	(211,397)
<b>Balance at 31 December 2014</b>	1,006,655	550,547	623,313	181,728	2,362,243

- (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 of Bermuda, the contributed surplus is available for distribution to shareholders, except if there are reasonable grounds for believing that:

- (a) the Company is, or would after the payment, be unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The Company's reserves available for distribution to equity shareholders at 31 December 2014 are as follows:

	2014 \$'000	2013 \$'000
Contributed surplus	623,313	623,313
Retained profits	181,728	139,178
	805,041	762,491

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 Capital, reserves and dividends (continued)

#### (b) The Company (continued)

- (iii) The consolidated profit attributable to equity shareholders of the Company includes the Company's profit of \$253,947,000 (2013: \$185,917,000) which has been dealt with in the financial statements of the Company.

Reconciliation of profit attributable to equity shareholders of the Company to the Company's profit for the year

	2014 \$'000	2013 \$'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	92,717	185,917
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	161,230	-
Company's profit for the year	253,947	185,917

#### (c) Dividends

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

	2014 \$'000	2013 \$'000
Interim dividend paid of 2.5 cents per ordinary share (2013: 2.5 cents per ordinary share)	50,332	50,332
Final dividend proposed after the balance sheet date of 8.0 cents per ordinary share (2013: 8.0 cents per ordinary share)	161,065	161,065
	211,397	211,397

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2014 \$'000	2013 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 8.0 cents per ordinary share (2013: 7.0 cents per ordinary share)	161,065	140,932

#### (d) Share capital

	2014 \$'000	2013 \$'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	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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 Capital, reserves and dividends (continued)

#### (e) Capital management

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

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

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total borrowings over its total assets, was 21% at 31 December 2014 (2013: 15%).

### 34 Financial risk management and fair values

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

#### (a) Interest rate risk

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

##### Sensitivity analysis

At 31 December 2014, 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 \$34,901,000 (2013: \$18,564,000) and decreased/increased the Group's fair value reserve by approximately \$9,166,000/\$11,367,000 (2013: \$9,233,000/\$11,660,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date. The analysis has been performed on the same basis for 2013.

#### (b) Credit risk

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Financial risk management and fair values (continued)

#### (c) Currency risk

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

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

#### The Group

##### Exposure to foreign currencies (expressed in Hong Kong dollars)

	2014				2013			
	SGD \$'000	JPY \$'000	USD \$'000	RMB \$'000	SGD \$'000	JPY \$'000	USD \$'000	RMB \$'000
Investments designated as at fair value through profit or loss	-	3,179,874	-	-	-	2,540,997	-	-
Trade debtors	-	3,006	1,155	-	-	9,213	473	-
Cash and cash equivalents	-	42,921	362,289	369,247	-	168,587	550,146	363,432
Trade creditors	-	-	(103,048)	-	-	-	-	-
Bank loans	-	(112,614)	(24,004)	-	-	(646,049)	(92,818)	-
Unsecured medium term note	(692,695)	-	-	-	-	-	-	-
	(692,695)	3,113,187	236,392	369,247	-	2,072,748	457,801	363,432

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 2014 (2013: Nil).

#### The Company

	2014 SGD \$'000	2013 SGD \$'000
Unsecured medium term note	(692,695)	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Financial risk management and fair values (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 balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits \$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits \$'000
JPY	10% (10)%	311,319 (311,319)	10% (10)%	207,275 (207,275)
USD	10% (10)%	23,639 (23,639)	10% (10)%	45,780 (45,780)
RMB	10% (10)%	36,925 (36,925)	10% (10)%	36,343 (36,343)
SGD	10% (10)%	(69,270) 69,270	10% (10)%	- -

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 balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of subsidiaries and associates outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2013.

#### (d) Liquidity management

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Financial risk management and fair values (continued)

#### (d) Liquidity management (continued)

##### The Group

2014

	Contractual undiscounted cash outflow					Balance sheet carrying amount \$'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	73,211	-	-	-	73,211	73,211
Bank loans	2,011,257	88,679	1,221,968	42,403	3,364,307	3,263,025
Trade creditors	1,041,616	-	-	-	1,041,616	1,041,616
Other creditors and accruals	946,373	-	-	-	946,373	946,373
Amounts due to related companies	15,126	-	-	-	15,126	15,126
Unsecured medium term note	19,395	19,395	693,067	-	731,857	692,695
Obligations under finance leases	23,390	23,677	74,414	1,676	123,157	117,155
	4,130,368	131,751	1,989,449	44,079	6,295,647	6,149,201

2013

	Contractual undiscounted cash outflow				Balance sheet carrying amount \$'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	Total \$'000	
Bank overdrafts	370	-	-	370	370
Bank loans	2,130,936	60,951	43,922	2,235,809	2,202,500
Trade creditors	767,551	-	-	767,551	767,551
Other creditors and accruals	581,916	-	-	581,916	581,916
Amounts due to related companies	14,046	-	-	14,046	14,046
	3,494,819	60,951	43,922	3,599,692	3,566,383

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Financial risk management and fair values (continued)

#### (d) Liquidity management (continued)

##### The Company

##### 2014

	Contractual undiscounted cash outflow					Balance sheet carrying amount \$'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	
Other creditors and accruals	20,508	-	-	-	20,508	20,508
Amounts due to subsidiaries	61,560	-	-	-	61,560	61,560
Bank loans	2,917	2,917	294,580	-	300,414	291,663
Unsecured medium term note	19,395	19,395	693,067	-	731,857	692,695
	104,380	22,312	987,647	-	1,114,339	1,066,426

##### 2013

	Contractual undiscounted cash outflow within 1 year or on demand \$'000	Balance sheet carrying amount \$'000
Other creditors and accruals	11,417	11,417
Amounts due to subsidiaries	59,049	59,049
	70,466	70,466

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Financial risk management and fair values (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 profit or loss (see note 20) and available-for-sale equity securities (see note 19).

Listed investments held as financial assets designated as at fair value through profit or loss and available-for-sale portfolios 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 long term 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 long term strategic plans.

At 31 December 2014, it is estimated that an increase/(decrease) of 10% in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's profit after taxation (and retained profits) and other components of consolidated equity as follows:

#### The Group

	2014			2013		
		Effect on profit after taxation and retained profits \$'000	Effect on other components of equity \$'000		Effect on profit after taxation and retained profits \$'000	Effect on other components of equity \$'000
<b>Change in the relevant equity price risk variable:</b>						
Increase	10%	321,582	1,412	10%	257,662	-
Decrease	(10)%	(321,582)	(1,412)	(10)%	(257,662)	-

The sensitivity analysis has been determined assuming that the changes in the stock prices had occurred at the balance sheet date 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 2013.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 34 Financial risk management and fair values (continued)

### (f) Fair value

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

##### Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value	Fair value measurement as at			Fair value	Fair value measurement as at		
	at 31	31 December 2014 categorised into			at 31	31 December 2013 categorised into		
	December	Level 1	Level 2	Level 3	December	Level 1	Level 2	Level 3
	2014	Level 1	Level 2	Level 3	2013	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>								
<b>Recurring fair value measurements</b>								
Assets								
Available-for-sale equity securities, listed outside Hong Kong	14,123	14,123	-	-	-	-	-	-
Available-for-sale debt securities, listed outside Hong Kong	69,264	69,264	-	-	75,559	75,559	-	-
Equity securities designated as at fair value through profit or loss, listed outside Hong Kong	3,215,815	3,215,815	-	-	2,576,625	2,576,625	-	-
	3,299,202	3,299,202	-	-	2,652,184	2,652,184	-	-

During the years ended 31 December 2014 and 2013, there was no transfer among Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 34 Financial risk management and fair values (continued)

#### (f) Fair value (continued)

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

Except for the unlisted equity securities, which are stated at cost less impairment losses as their fair values cannot be reliably measured (see note 19), 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 2014 and 2013.

#### (g) Estimation of fair value

Fair values of securities are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

### 35 Commitments

#### (a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	The Group	
	2014 \$'000	2013 \$'000
Authorised and contracted for	77,032	228,804

#### (b) Operating lease commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014 \$'000	2013 \$'000
Within one year	49,634	43,618
After one year but within five years	131,938	132,433
After five years	153,945	148,366
	335,517	324,417

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 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	2014 \$'000	2013 \$'000
Transactions with TCMH Group:	(i)		
– Sales of goods and services		2,809	5,663
– Receiving assembly services		74,380	64,564
– Receiving technical consultancy services		284	-
– Purchase of inventories		23,754	22,502
Transactions with APM Group:	(ii)		
– Receiving technical consultancy services		1,065	3,977
– Purchase of inventories		158,853	177,904
Purchase of inventories from TCIM Sdn. Bhd.	(iii)	6	50
Purchase of inventories from Focusone	(iv)	-	200
Receiving IT services from NSP	(v)	-	307

Notes:

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

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

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

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

On 30 December 2013, a subsidiary of the Group entered into parts purchase agreements with certain subsidiaries of APM. Pursuant to the agreements, the APM Group will supply motor parts to a subsidiary of the Group for the purpose of assembly of vehicles by TCMA for the period from 1 January 2014 to 31 December 2014.

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 36 Material related party transactions (continued)

### (b) Transactions with related companies (continued)

Notes: (continued)

- (iii) On 30 December 2013, a subsidiary of the Company entered into a written agreement with TCIM Sdn. Bhd. in relation to the sales and purchases of motor parts and accessories and vehicles for the period from 1 January 2014 to 31 December 2016. TCC is a substantial shareholder of TCIM Sdn. Bhd.
- (iv) Focusone Asia Pacific Pte Ltd (“Focusone”) imports and distributes motor parts and accessories, of which Mr. Bryan Chow, the son-in-law of Mr. Tan Eng Soon and the brother-in-law of Mr. Glenn Tan Chun Hong, is a major shareholder. On 22 December 2010, a subsidiary of the Group entered into a written agreement with Focusone in relation to the sales and purchases of motor parts and accessories for the period from 1 January 2011 to 31 December 2013.
- (v) Netrunner Systems Private Limited (“NSP”) provides IT services, of which Mr. Bryan Chow is a major shareholder. On 22 December 2010, a subsidiary of the Group entered into an agreement with NSP in relation to the provision of IT services for the period from 1 January 2011 to 31 December 2013.

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

Amounts due from/to related parties are recorded in the consolidated balance sheet and disclosed in note 31.

### (c) Transaction with an associate

Management service fees received from an associate of the Group amounted to \$1,000,000 (2013: \$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.

## 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 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 and dealership business

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

#### (iii) Property rentals and development

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

#### (iv) Transportation

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

#### (v) Other operations

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 37 Segment reporting (continued)

#### (b) Segment results

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

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

	Motor vehicle distribution and dealership business		Heavy commercial vehicle, industrial equipment distribution and dealership business	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue from external customers:				
– Singapore	1,949,097	931,509	144,640	149,207
– Hong Kong	96,553	72,617	-	-
– PRC	1,399,481	2,825,701	-	3,050
– Thailand	392,804	549,207	439,975	1,177,239
– Japan	-	-	-	-
– Others	2,934,969	2,727,614	12,381	12,117
	6,772,904	7,106,648	596,996	1,341,613
EBITDA:				
– Singapore	192,573	6,789	33,201	33,079
– Hong Kong	27,246	74,624	-	-
– PRC	34,499	399,906	(3,965)	(196)
– Thailand	(70,316)	13,752	25,864	157,652
– Japan	-	-	-	-
– Others	253,233	15,526	3,367	4,854
	437,235	510,597	58,467	195,389
Share of profits less losses of associates:				
– Singapore	55,720	43,175	-	-
– Hong Kong	-	-	-	-
– PRC	-	-	-	-
– Thailand	-	-	-	-
– Japan	-	-	-	-
– Others	-	-	-	-
	55,720	43,175	-	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 37 Segment reporting (continued)

#### (b) Segment results (continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2014 is set out below.

Property rentals and development		Transportation		Other operations		Consolidated	
2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
110,996	163,041	-	-	143,494	167,915	2,348,227	1,411,672
6,081	6,868	-	-	13,782	13,132	116,416	92,617
-	-	-	-	409,216	332,463	1,808,697	3,161,214
-	-	-	-	7,083	14,862	839,862	1,741,308
-	-	2,586,882	-	-	-	2,586,882	-
-	-	-	-	345	-	2,947,695	2,739,731
117,077	169,909	2,586,882	-	573,920	528,372	10,647,779	9,146,542
74,131	60,808	-	-	73,407	91,328	373,312	192,004
9,977	11,623	-	-	722,621	1,453,216	759,844	1,539,463
-	-	-	-	683	(20,507)	31,217	379,203
-	-	-	-	4,314	9,824	(40,138)	181,228
-	-	159,100	-	(1,365)	(932)	157,735	(932)
(27)	-	-	-	6,484	47,600	263,057	67,980
84,081	72,431	159,100	-	806,144	1,580,529	1,545,027	2,358,946
-	-	-	-	-	-	55,720	43,175
-	-	-	-	448	5,812	448	5,812
-	-	-	-	-	-	-	-
-	-	(111)	-	-	-	(111)	-
-	-	1,548	-	11,012	-	12,560	-
-	-	-	-	7,430	33,429	7,430	33,429
-	-	1,437	-	18,890	39,241	76,047	82,416

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

### 37 Segment reporting (continued)

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

	2014 \$'000	2013 \$'000
Total segment EBITDA	1,545,027	2,358,946
Depreciation and amortisation	(293,176)	(184,876)
Interest income	22,999	24,247
Finance costs	(63,333)	(31,640)
Share of profits less losses of associates	76,047	82,416
Consolidated profit before taxation	1,287,564	2,249,093

#### (d) Geographic information

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

	Singapore		Hong Kong		PRC		Thailand		Japan		Others		Consolidated	
	2014 \$'000	2013 \$'000												
Specified non-current assets	4,307,521	4,497,210	861,849	346,914	358,456	331,110	537,279	341,820	894,020	33	532,121	765,892	7,491,246	6,282,979

### 38 Acquisition of subsidiaries

On 19 June 2014, the Group acquired additional 4,781,302 shares of Zero, representing approximately 27.97% of the total issued shares of Zero. The purchase consideration of \$305,268,000 has been settled in cash.

After the acquisition, the Group holds in aggregate approximately 50.88% equity interest of Zero and it has become a subsidiary of the Group from 19 June 2014 onwards.

The fair value of net assets acquired and the gain on bargain purchase arising from the transaction are as follows:

	\$'000
Investment properties	350,661
Other property, plant and equipment	645,176
Intangible assets	130,076
Other financial assets	30,037
Inventories	36,443
Trade debtors	567,018
Other debtors, deposits and prepayment	164,556
Deferred tax assets	26,106
Interests in associates	49,887
Cash and cash equivalents	386,226
Bank overdraft and bank loans	(287,860)
Obligations under finance lease	(133,837)
Other creditors and accruals	(379,101)
Current taxation	(47,530)
Net defined benefit obligations	(186,547)
Trade creditors	(254,695)
Deferred tax liabilities	(49,844)
Total identifiable net assets at fair value	1,046,772
Non-controlling interests	(514,174)
Net assets acquired	532,598
Gain on bargain purchase	(17,833)
	514,765

# NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 38 Acquisition of subsidiaries (continued)

	\$'000
Satisfied by:	
Purchase consideration	
– Fair value of equity interests previously held	209,497
– Cash consideration	305,268
	<u>514,765</u>
Analysis of net cash inflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Cash consideration	(305,268)
Cash acquired, net with bank overdraft	341,128
	<u>35,860</u>

The Group incurred transaction costs of approximately \$7,000,000 for this acquisition. These costs have been expensed and included in "Administrative Expenses" in the consolidated income statement.

From the date of acquisition to 31 December 2014, Zero contributed revenue of \$2,586,882,000 and profit of \$68,401,000 to the Group's net profit for the year ended 31 December 2014. Had the acquisition taken place on 1 January 2014, the consolidated revenue and profit for the year of the Group would have been \$5,191,647,000 and \$119,548,000 respectively.

In addition to the acquisition of Zero, the Group acquired a subsidiary which is insignificant to the consolidated financial statements. The net cash flow totalling \$9,905,000 was generated from this acquisition.

In aggregate, the Group generated net cash inflow totalling \$45,765,000 from acquisition of subsidiaries during the year ended 31 December 2014.

## 39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
<i>Annual improvements to IFRSs 2010-2012 cycle</i>	1 July 2014
<i>Annual improvements to IFRSs 2011-2013 cycle</i>	1 July 2014
<i>Annual improvements to IFRSs 2012-2014 cycle</i>	1 January 2016
<i>Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
<i>IFRS 15, Revenue from contracts with customers</i>	1 January 2017
<i>IFRS 9, Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

# FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
<b>Results</b>					
Revenue	6,198,694	6,354,932	6,527,365	9,146,542	10,647,779
Profit from operations	669,460	661,467	1,039,137	2,198,317	1,274,850
Financing costs	(23,865)	(51,255)	(35,573)	(31,640)	(63,333)
Share of profits less losses of associates	73,606	93,403	167,712	82,416	76,047
Profit before taxation	719,201	703,615	1,171,276	2,249,093	1,287,564
Income tax expense	(72,394)	(97,638)	(86,850)	(166,212)	(221,683)
Profit for the year	646,807	605,977	1,084,426	2,082,881	1,065,881
<b>Attributable to:</b>					
Equity shareholders of the Company	639,265	599,473	1,078,101	2,057,786	988,244
Non-controlling interests	7,542	6,504	6,325	25,095	77,637
<b>Profit for the year</b>	<b>646,807</b>	<b>605,977</b>	<b>1,084,426</b>	<b>2,082,881</b>	<b>1,065,881</b>
<b>Assets and liabilities</b>					
Investment properties, property, plant and equipment and interest in leasehold land	4,065,777	4,467,057	5,146,511	5,368,544	6,747,157
Intangible assets	-	-	-	-	104,034
Goodwill	-	-	-	-	6,214
Interest in associates	767,922	894,349	924,694	914,435	744,089
Other non-current assets	339,735	391,880	412,211	356,126	511,028
Net current assets	2,593,003	2,371,203	3,407,625	4,559,009	6,502,137
Total assets less current liabilities	7,766,437	8,124,489	9,891,041	11,198,114	14,614,659
Non-current liabilities	(63,798)	(50,172)	(507,526)	(174,709)	(2,352,746)
Total equity	7,702,639	8,074,317	9,383,515	11,023,405	12,261,913
<b>Earnings per share</b>					
– basic (cents)	31.8	29.8	53.5	102.2	49.1
– diluted (cents)	31.8	29.8	53.5	102.2	49.1

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

## GROUP PROPERTIES

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Unit A on Ground Floor, Phase 1 Nan Fung Industrial Building 431-487 Avenida do Dr Francisco Vieira Machado and 354-408 Rua dos Pescadores Macau	Showroom and workshop (investment)	8,805	Leasehold	28 November 2022
30/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (own use and investment)	13,770	Leasehold	20 May 2060
12/F Unit B4, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Offices (investment)	4,250	Leasehold	20 May 2060
911 and 913 Bukit Timah Road Tan Chong Motor Centre Singapore 589622/3	Showroom, workshop and office (own use)	198,606	Freehold	-
14 Upper Aljunied Road Singapore 367843	Property held for sale	18,004	Freehold	-
700 Woodlands Road Singapore 738664	Workshop and office (own use)	233,188	Freehold	-
8 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2058
25 Leng Kee Road Singapore 159097	Showroom, workshop and office (own use)	23,998	Leasehold	10 April 2059
15 Queen Street Tan Chong Tower Singapore 188537	Office, restaurant and apartments for rental (investment)	22,193	Freehold	-
798 & 800 Upper Bukit Timah Road Singapore 678138/139	Factory and warehouse (investment)	198,976	Leasehold	6 April 2078
210 New Upper Changi Road #01-703 Singapore 460210	Showroom and office (investment)	4,058	Leasehold	1 July 2078
23 Jalan Buroh Singapore 619479	Showroom, workshop, office and warehouse (own use)	161,631	Leasehold	1 October 2027
The Wilby Residence 25, 27, 29, 31 and 33 Wilby Road Singapore 276300 - 276304	Condominiums for rental (investment)	200,991	Freehold	-
17 Lorong 8, Toa Payoh Singapore 319254	Showroom, workshop and office (own use)	58,737	Leasehold	28 February 2023

## GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
19 Lorong 8, Toa Payoh Singapore 319255	Showroom, workshop and office (own use)	58,715	Leasehold	28 February 2023
19 Ubi Road 4 Singapore 408623	Showroom, workshop and office (own use)	59,379	Leasehold	1 October 2030
1 Sixth Lok Yang Road Singapore 628099	Workshop and office (own use)	131,750 92,158	Leasehold Leasehold	15 April 2036 15 April 2036
10 Kung Chong Road Singapore 159145	Workshop and office (own use)	23,990	Leasehold	15 December 2053
816 & 818 Upper Bukit Timah Road Singapore 678149/50	Shophouses (own use)	2,155	Leasehold	15 April 2874
59 Moo 1, Rangsit-Pathumthani Road, Bangkok, 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 Klong Kum Sub-District Bueng Kum District Bangkok 10240, Thailand	Showroom, workshop and office (own use)	94,722	Freehold	-
59/3 Moo 10, Nongkrod Muang District, Nakhon Sawan Thailand 60240	Showroom, workshop, office and warehouse (own use)	58,620	Freehold	-
388, Moo 5 Chiangmai-Lampang Road Yangnueng, Sarapee District Chiangmai, Thailand 50140	Showroom, workshop, office and warehouse (own use)	66,936	Freehold	-
61 Moo 4, Lardkrabang Industrial Estates Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Production plant (own use)	1,130,211	Freehold	-
44410 Chalongkrung Road Lumplatiew, Lardkrabang Bangkok 10520 Thailand	Vehicle yard (own use)	1,083,747	Freehold	-

## GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
Jalan Sultan Iskandar Muda No 24 Jakarta 12240 Indonesia	Showroom, workshop and office (own use)	36,737	Leasehold	16 November 2041
Komplek Ruko Mahkota Raya Blok D No. 9-12A Batam 29461 Indonesia	Showroom, workshop and office (own use)	4,844	Leasehold	23 January 2032
Jalan Raden Patah Komplek Sumber Jaya B9 – B10 Indonesia	Shophouse (own use)	1,615	Leasehold	21 November 2015
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
Jalan Bypass Ngurah Rai No 643 Desa Pemogan Denpasar, Bali Indonesia	Showroom, workshop and office (own use)	21,043	Leasehold	4 March 2043
Jiangyin Building Xijin Minor District Qingyang Town Jiangyin Jiangsu Province China	Residential terraced house (own use)	1,744	Leasehold	unspecified term
Qinyang Town Nam Huan Road 10 Jiangyin Jiangsu Province China	Office, factory and warehouse (own use)	48,753	Leasehold	20 November 2048
639 Jiang Jun Avenue Jiangning District Nanjing China	Factory, office and warehouse (own use)	583,995	Leasehold	30 April 2062
West of Xi Wai Huan Yangliu Town Lianhe Sub-district, Zhengxiang District Hengyang Hunan Province, China	Showroom and workshop (own use)	6,226	Leasehold	16 May 2052
No. 10, Jalan 51A/223 46109 Petaling Jaya Selangor Darul Ehsan Malaysia	Showroom, workshop and office (own use)	43,575	Leasehold	19 January 2062
No. 33, Lane 250, Xinhu 2nd Road, Neihu District, Taipei City, Taiwan	Showroom, workshop and office (own use)	23,290	Freehold	-
187 Edsa North Greenhills San Juan Metro Manila 1503 Philippines	Showroom, workshop, office and warehouse (own use)	18,891	Freehold	-

## GROUP PROPERTIES (continued)

Location	Description	Land area (sq. feet)	Tenure	Expiry date
212 Vietnam-Singapore Industrial Park, Thuan An District Binh Duong Province Vietnam	Workshop and office (own use)	30,145	Leasehold	11 February 2046
Kawasaki-shi, Kanagawa, Japan	Vehicle distribution center (own use)/ Delivery center (investment)	147,112	Freehold	-
Fukuoka-shi, Fukuoka, Japan	Vehicle distribution center (own use)	89,079	Freehold	-
Kasuya-gun, Fukuoka, Japan	Auction venue (own use)/ Vehicle yard (investment)	272,853	Freehold	-
Tagazyo-shi, Miyagi, Japan	Vehicle distribution center (own use)	139,055	Freehold	-
Miyako-gun, Fukuoka, Japan	Delivery center (investment)	92,982	Freehold	-
Kitakyusyu-shi, Fukuoka, Japan	Delivery center (investment)	87,767	Freehold	-
Yokosuka-shi, Kanagawa, Japan	Vehicle maintenance shop (own use)	53,254	Freehold	-
Nagoya-shi, Aichi, Japan	Vehicle distribution center (own use)	244,023	Freehold	-
Miyako-gun, Fukuoka, Japan	Vehicle yard (own use & investment)	208,590	Freehold	-
Koza-gun, Kanagawa, Japan	Vehicle maintenance shop (own use)	35,595	Freehold	-
Miyako-gun, Fukuoka, Japan	Vehicle maintenance shop (own use)	142,336	Freehold	-
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	-