

# ZHENG LI HOLDINGS LIMITED

## 正力控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**STOCK CODE: 8283**

# 2017

Annual Report



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*This report, for which the directors (the “Directors”) of Zheng Li Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading, and all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Kelvin LIM  
Mr. WANG Jingan  
Mr. CHUA Boon Hou (Cai Wenhao)  
Mr. LIM Kong Joo  
Mr. SO Zelong

## NON-EXECUTIVE DIRECTOR

Mr. DU Xianjie

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. POK Mee Yau  
Mr. LIU Ji  
Mr. LEUNG Yiu Cho

## AUDIT COMMITTEE

Mr. LIU Ji (*Chairman*)  
Mr. LEUNG Yiu Cho  
Ms. POK Mee Yau

## REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho (*Chairman*)  
Mr. LIU Ji  
Mr. Kelvin LIM

## NOMINATION COMMITTEE

Ms. POK Mee Yau (*Chairman*)  
Mr. LIU Ji  
Mr. Kelvin LIM

## RISK MANAGEMENT COMMITTEE

Ms. POK Mee Yau (*Chairman*)  
Mr. Kelvin LIM  
Mr. LIM Kong Joo  
Mr. CHUA Boon Hou (Cai Wenhao)

## COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao)

## COMPANY SECRETARY

Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

## AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (Cai Wenhao)  
Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

## LEGAL ADVISOR

*as to Hong Kong Law:*  
Wilson Sonsini Goodrich & Rosati  
Suite 1509, 15/F,  
Jardine House,  
1 Connaught Place,  
Central, Hong Kong

## COMPLIANCE ADVISOR

Messis Capital Limited  
Room 1606, 16/F., Tower 2  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

## PRINCIPAL BANKS

Citibank N.A., Singapore Branch  
5 Changi Business Park Crescent  
Level 5  
Singapore 486027  
  
DBS Bank Limited  
12 Marina Boulevard  
Marina Bay Financial Centre Tower 3  
Singapore 018982

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

## CORPORATE INFORMATION

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN SINGAPORE

176 Sin Ming Drive  
#01-15 Sin Ming Autocare  
Singapore 575721

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE (CAP 622)

Unit 3209, 32<sup>nd</sup> Floor  
Office Tower Convention Plaza  
No. 1 Harbour Road  
Hong Kong

### STOCK CODE

8283

### COMPANY'S WEBSITE ADDRESS

[www.zhengliholdings.com](http://www.zhengliholdings.com)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Zheng Li Holdings Limited (the "Company") and together with its subsidiaries, (the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2017.

Our Group recorded a decrease in revenue by approximately S\$2.8 million or 16.8% from approximately S\$16.8 million for the year ended 31 December 2016 to approximately S\$14.0 million for the year ended 31 December 2017. The decrease was a result of the lower number of passenger cars from both the maintenance and repair services and modification, tuning and grooming services and trading of spare parts and accessories mainly due to the effects of Singapore Government's plan to implement a zero car and motorcycle growth rate policy and the decrease in revenue from a major customer due to expansion to have their own service centre. Our Group recorded a loss for the year ended 31 December 2017 of approximately S\$2.0 million compared to a loss of approximately S\$0.6 million recorded for the year ended 31 December 2016. This was mainly due to: (i) an increase in employee-related expenses including directors' fees as a result of the appointment of two executive Directors in 2017 and independent non-executive Directors in end 2016, salary increments and bonuses for existing employees during 2017 and the increase in headcount for the expansion of our business at the new Sin Ming Autocity service centre, our employee benefit expenses increased from approximately S\$4.3 million for the year ended 31 December 2016 to approximately S\$5.1 million for the year ended 31 December 2017; (ii) an increase in marketing and advertising expenses from approximately S\$0.1 million for the year ended 31 December 2016 to approximately S\$0.4 million for the year ended 31 December 2017 primarily for our rebranding exercise and the opening of our new Sin Ming Autocity service centre; and (iii) an increase in our rental expense due to commencement of operation at Sin Ming Autocity service centre. This is partially offset by the expenses related to the Listing of approximately S\$2.8 million recorded in the year ended 31 December 2016.

Moving forward in 2018, the automobile market in Singapore will face a shift due to the car and motorcycle zero-growth policy with effect from February 2018. This is expected to introduce uncertainty in the passenger car market. We remain cautiously optimistic on the outlook of 2018 and will steadfastly stand by our guiding principle on leveraging on our strengths — our service, our brands and our talents to remain competitive in the marketplace. In addition, private car hire services are growing at an unprecedented rate in the Singapore transportation market, presenting new business opportunities and considerations for the Group. With the steady growth in demand for high-quality after-sales service, our Group is constantly looking for opportunities to expand our services and products, increase our customer base to continue to maintain our position as one of the leading automotive service providers.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all my employees and management team, customers, shareholders and business associates for the support through the years. I look forward to celebrate another year of success with all of you.

Yours sincerely,

**Kelvin LIM**

*Chairman and Chief Executive Officer*

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review

The Group continued to maintain its position as a leading passenger car service provider in Singapore in 2017. However, revenue in 2017 saw a decrease by approximately S\$2.8 million or 16.8% from approximately S\$16.8 million for the year ended 31 December 2016 to approximately S\$14.0 million for the year ended 31 December 2017 mainly due to the effects of Singapore Government's plan to implement a zero car and motorcycle growth rate policy and the decrease in revenue from a major customer due to expansion to have their own service centre. While the Group recorded a loss in 2017 of approximately S\$2.0 million, this was mainly due to: (i) an increase in employee-related expenses including directors' fees as a result of the appointment of two executive Directors in 2017 and independent non-executive Directors in end 2016, salary increments and bonuses for existing employees during 2017 and the increase in headcount for the expansion of our business at the new Sin Ming Autocity service centre, our employee benefit expenses increased from approximately S\$4.3 million for the year ended 31 December 2016 to approximately S\$5.1 million for the year ended 31 December 2017; (ii) an increase in marketing and advertising expenses from approximately S\$0.1 million for the year ended 31 December 2016 to approximately S\$0.4 million for the year ended 31 December 2017 primarily for our rebranding exercise and the opening of our new Sin Ming Autocity service centre; and (iii) an increase in our rental expense due to commencement of operation at Sin Ming Autocity service centre. This is partially offset by the expenses related to the Listing of approximately S\$2.8 million recorded in the year ended 31 December 2016.

We have over 15 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. Maintenance and repair services continue to be a key focus of the Group, contributing 83.8% and 77.6% of total revenue for 2017 and 2016 respectively. Our consistent performance is due to our capability to maintain and repair a wide range of brands of passenger cars in Singapore as we are equipped with diagnostic equipment for carrying out such services. We modify and tune mainly luxury and ultra-luxury passenger cars, providing services ranging from aesthetic modifications including installing bodykits, to performance modifications including lowering the suspension of passenger cars and replacing the engine control unit. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, People's Republic of China and Thailand. We have continued to expand our range of tuning products and services to meet new customer demands although this segment has realised a decline of 40.0% in revenue from approximately S\$3.8 million in 2016 to approximately S\$2.3 million in 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

Our management remains confident of the Group's strong performance in our key market in Singapore due to the Group's competitive strengths which include: (i) we are a leading automotive service provider in Singapore with comprehensive service offerings and the capability to repair a wide range of brands of passenger cars; (ii) we collaborate with established car dealers in Singapore and have strong relationships with car tuning parts suppliers; (iii) we focus our modification, tuning and grooming services on luxury and ultra-luxury passenger cars, which has strengthened our brand name; (iv) we focus on providing high quality customer service and stringent quality control; and (v) we have an experienced senior management team who is supported by a team of talented and well-trained technicians.

### Outlook

2018 is a year of many changes for the Singapore passenger car market. Since February 2018, the Singapore Government implemented a zero car and motorcycle growth rate policy. The new policy will result in a number of changes in the market, including an expected fall of total registered vehicles in Singapore, and increased retention of vehicles via renewed COEs. In March, the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed, which will bring significant changes and opportunities to international trade in the near future. Despite the uncertainty of these changes, our management remains cautiously optimistic of the outlook for the Group in 2018, due to: (i) our collaborations with established car dealers in Singapore; (ii) the decrease is expected to be of mild impact to our service offerings; and (iii) the Group have established a loyal customer base of repeat customers.

In addition, the market for taxi transportation services have reportedly doubled since private hire and self-operated car services have begun operating in Singapore. The total number of chauffeur-driven private-hire car is about 1.5 times that of taxis, according to the numbers released by the Land Transport Authority of Singapore in 2017. The private-hire car industry is expected to grow and evolve further. This presents an opportunity for the Group to increase its customer base, with private car owners that increasingly require maintenance and repair services. The Group aims to continue to increase our customer base in the highly fragmented passenger car maintenance and repair market, by enhancing our servicing capacity, market reputation and service quality. The Group will pursue the following key business strategies: (i) continue to strengthen our leading market position in Singapore and expand our servicing capacity and customer base; (ii) continue to increase the brands of car tuning parts that we offer; (iii) further strengthen our brand, operational efficiency and sales and marketing efforts, and improve our customer service quality; and (iv) continue to attract, train and retain skilled employees to support our future growth and expansion.

In 2017, the Group began operating additional units of workshops at our new Sin Ming Autocity service centre, a new 8 storey complex located across our existing Sin Ming Service Centre. The new workshops include accident repair facilities such as aluminium welding centre, spray painting preparation area, a section for Chromax low emission spray painting activities, low bake oven and wheels alignment system. This is to cater for the Group's expansion of its services to include car bodywork involving panel beating and spray painting which we subcontracted previously. This expansion allowed the Group to qualify as an approved reporting centre ("ARC") and authorised repairer ("Authorised Repairer") for insurance companies. An insured who is involved in any car accident, will report the accident to the insurance company's ARC within 24 hours or by the next working day. Our Group has been appointed by several insurance companies, as an Authorised Repairer, where we render repair services in respect of the insured vehicles. Further, our Group has entered into an agreement with an international insurance company and offer warranty programme ("Extended Warranty Programme") to both new and used passenger cars. Under the Extended Warranty Programme, the Group provides authorised automobile repair and maintenance services for the insured customers and receive a warranty revenue from the programme. The Extended Warranty Programme allows the Group to provide supplemental services to its existing customers and expand its customer base.



## MANAGEMENT DISCUSSION AND ANALYSIS

Moving forward, the Group will focus on maintaining its leading position in the Singapore passenger car market and closely monitor the market changes that zero-growth policy and the CPTPP will bring, while looking for new opportunities in private car hire services. We shall continue to expand our service and product offerings as customer demands and trends shift. Our management will continue to forge stronger bonds with our customers, suppliers and working partners to continue to provide the premier passenger car service in the Singapore passenger car market.

### Financial review

#### Revenue

Revenue of our Group decreased by approximately S\$2.8 million or 16.8% from approximately S\$16.8 million for the year ended 31 December 2016 to approximately S\$14.0 million for the year ended 31 December 2017. The decrease was a result of the lower number of passenger cars from both the maintenance and repair services and modification, tuning and grooming services and trading of spare parts and accessories segments mainly due to the effects of Singapore Government's plan to implement a zero car and motorcycle growth rate policy and the decrease in revenue from a major customer due to expansion to have their own service centre.

#### Employee benefits expense

Our Group's employee benefits expense increased by approximately S\$0.8 million or 19.2% from approximately S\$4.3 million for the year ended 31 December 2016 to approximately S\$5.1 million for year ended 31 December 2017. This is mainly due to an increase in employee headcount in line with our business expansion at the new Sin Ming Autocity service centre. In addition, there were increased directors' fees as a result of the appointment of two executive Directors in 2017 and independent non-executive Directors in end 2016, and salary increments and bonuses for existing employees during 2017.

#### Other expenses

Our Group's other expenses decreased by approximately S\$1.6 million or 31.5% from approximately S\$5.1 million for the year ended 31 December 2016 to approximately S\$3.5 million for the year ended 31 December 2017. This is mainly due to non-recurring expenses related to the Listing of approximately S\$2.8 million being recorded for the year ended 31 December 2016. The decrease is partially offset by an increase in rental expense due to commencement of operation at Sin Ming Autocity service centre.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Loss for the year

Our Group recorded a loss for the year ended 31 December 2017 of approximately S\$2.0 million compared to a loss of approximately S\$0.6 million recorded for the year ended 31 December 2016. This was mainly due to the combined effects of: (i) the decrease in revenue from approximately S\$16.8 million for the year ended 31 December 2016 to approximately S\$14.0 million for the year ended 31 December 2017 mainly due to the effect of Singapore Government's plan to implement a zero car and motorcycle growth rate policy and the decrease in revenue from a major customer due to expansion to have their own service centre; (ii) an increase in employee-related expenses including directors' fees as a result of the appointment of two executive Directors in 2017 and independent non-executive Directors in end 2016, salary increments and bonuses for existing employees during 2017 and the increase in headcount for the expansion of our business at the new Sin Ming Autocity service centre, our employee benefit expenses increased from approximately S\$4.3 million for the year ended 31 December 2016 to approximately S\$5.1 million for the year ended 31 December 2017; (iii) an increase in marketing and advertising expenses from approximately S\$0.1 million for the year ended 31 December 2016 to approximately S\$0.4 million for the year ended 31 December 2017 primarily for our rebranding exercise and the opening of our new Sin Ming Autocity service centre; and (iv) an increase in our rental expense due to commencement of operation at Sin Ming Autocity service centre. This is partially offset by the expenses related to the Listing of approximately S\$2.8 million recorded in the year ended 31 December 2016.

### Liquidity, financial and capital resources

#### Cash position

Our cash and bank balances amounted to approximately S\$1.1 million and S\$6.8 million as at 31 December 2017 and 2016 respectively. The functional currency of our Group is the Singapore dollar. As at 31 December 2017, 57.0% of our Group's cash and bank balances was denominated in the functional currency (31 December 2016: 55.0%) and the remaining 43.0% (31 December 2016: 45.0%) in other currencies, mainly the Hong Kong dollar.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our Group's primary sources of funds during the year was cash generated from financing activities. Our Group had net cash outflow from operating activities of approximately S\$0.5 million mainly due to (i) the combined effects of: (i) the decrease in revenue from approximately S\$16.8 million for the year ended 31 December 2016 to approximately S\$14.0 million for the year ended 31 December 2017 mainly due to the effect of Singapore Government's plan to implement a zero car and motorcycle growth rate policy and the decrease in revenue from a major customer due to expansion to have their own service centre; (ii) an increase in employee-related expenses including directors' fees as a result of the appointment of two executive Directors in 2017 and independent non-executive Directors in end 2016, salary increments and bonuses for existing employees during 2017 and the increase in headcount for the expansion of our business at the new Sin Ming Autocity service centre, our employee benefit expenses increased from approximately S\$4.3 million for the year ended 31 December 2016 to approximately S\$5.1 million for the year ended 31 December 2017; (iii) an increase in marketing and advertising expenses from approximately S\$0.1 million for the year ended 31 December 2016 to approximately S\$0.4 million for the year ended 31 December 2017 primarily for our rebranding exercise and the opening of our new Sin Ming Autocity service centre; and (iv) an increase in our rental expense due to commencement of operation at Sin Ming Autocity service centre which resulted in the Group recording a loss before tax of approximately S\$2.1 million; and (ii) increases in trade and other receivables mainly arising from claims made to insurance companies pending finalisation of assessments, customers who are granted credit terms and deposits made to purchase motor vehicles. We had net cash generated from financing activities of approximately S\$1.3 million mainly from the proceeds from bank loans during the year ended 31 December 2017.

Particulars of the Group's bank facilities as at 31 December 2017 are set out in Note 22 to the financial statements.

### Gearing ratio

Gearing ratio is measured by interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratio is 0.3 as at 31 December 2017 (31 December 2016: 0.1).

### Risk of exchange rate fluctuation

The Group has currency exposures arising from sales, purchases and interest-bearing bank and other borrowings that are denominated in a currency other than the functional currency of the Group. No hedge has been taken up to mitigate this exposure.

Information on the foreign currency sensitivity analysis of the Group are set out in Note 31 to the financial statements.

### Charge on assets

The Group's long term loan are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S\$2.3 million as at 31 December 2017 (31 December 2016: S\$2.4 million). Details of the Group's charge on assets as at 31 December 2017 are set out in Note 22 to the financial statements.

### Employees and remuneration policy

As at 31 December 2017, the Group had a total number of 93 full-time employees (31 December 2016: 65). The remuneration packages of all employees are determined based on factors such as the employees' individual qualifications, contribution to the Group, performance and years of work experience.

The Group provides ongoing training to our staff in order to enhance their technical skills and product knowledge and to provide them with updates with regards to industry quality and work safety standards.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 October 2016, being the latest practicable date as defined in the Prospectus, to 31 December 2017 with the Group's actual business progress for the Review Period is set out as follows:

Business Objective	Actual Progress
Expand our servicing capacity	The Group leased additional units at the new Sin Ming Autocity service centre which was operational in 3 <sup>rd</sup> quarter of 2017.
Expand and train our workforce	As part of the Group's plan to increase our service output, the Group employed additional 28 staff including 25 operations staff, 1 sales and marketing staff and 2 administrative and Finance staff. The Group will continue to identify suitable candidates and increase headcount for the business expansion.
Strengthen our brand and sales and marketing	To improve our branding, the Group appointed an external consultant to refine our brand identity and enhance our communication strategy. During the review period, the Group enhanced its website and appointed an external vendor to design an application for a loyalty program for the Group. During the period under review, the Group also launched a series of sales and marketing promotion.
Strengthen our operational efficiency	The Group procured and completed the integration payroll system and procured a new ERP system specialised for the automotive industry. This system allows the Group to, amongst others, (a) maximise the efficiency of our service centres by providing tools designed to provide real-time service centre management; and (b) have access to up-to-date information by utilising a report generator that can be used for creating ad-hoc reports based on our specific needs and requirements. New IT hardware and other IT related peripherals were also purchased during the period under review.
To lower our gearing ratio	The Group has fully repaid the short term US dollar bank loan in 1st quarter of 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of proceeds from the Placing

The amount of the net proceeds from the Placing received by the Company, after deducting the expenses related to the Placing paid by the Company, is approximately HK\$24.6 million. The Company intends to apply such net proceeds for the following purposes:

- approximately HK\$14.1 million, representing approximately 57.4% of the net proceeds from the Placing, will be used for expanding our servicing capacity;
- approximately HK\$4.3 million, representing approximately 17.5% of the net proceeds from the Placing, will be used for expanding and training the workforce of the Group;
- approximately HK\$2.4 million, representing approximately 9.9% of the net proceeds from the Placing, will be used for strengthening the brand and sales and marketing of the Group;
- approximately HK\$2.1 million, representing approximately 8.4% of the net proceeds from the Placing, will be used for upgrading the informational technology system of the Group;
- approximately HK\$1.3 million, representing approximately 5.3% of the net proceeds from the Placing, will be used for partial repayment of bank loan; and
- approximately HK\$0.4 million, representing approximately 1.5% of the net proceeds from the Placing, will be used as working capital and for general corporate purposes.

For further details of the Group's intended use of the net proceeds from the Placing, please refer to "Future Plans and Use of Proceeds" in the Prospectus.

From the Listing Date to 31 December 2017, the Group has applied the net proceeds as follows:

	Planned amount utilised up to 31 December 2017 HK\$ million	Actual usage HK\$ million
Expand our servicing capacity	14.1	14.1
Expand and train our workforce	2.9	2.9
Strengthen our brand and sales and marketing	2.0	2.0
Upgrade our information technology system	2.2	1.8
Partial repayment of bank loan	1.4	1.4
Working capital and general corporate purposes	0.3	0.3
	22.9	22.5

As at the date of this report, the unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and Singapore.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. As announced on 8 May 2017, the Group shall continue to use the proceeds from the initial public offering of approximately HK\$14.1 million for expanding our servicing capacity. However, instead of the New Premises described in the Prospectus, the Directors have resolved to allocate the relevant proceeds originally planned for the New Premises to Sin Ming Autocity instead. Save as above, the usage of proceeds from the Placing as set out in the Prospectus remain unchanged.

## DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of 9 Directors, comprising 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The functions and duties of our Board include convening shareholders' meetings, reporting on our Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the articles of association of the Company (the "Articles of Association").

### Executives Directors

**Mr. Kelvin LIM** ("Mr. Lim"), aged 41, is the founder of our Group, co-chairman of our Board, chief executive officer of our Group and executive Director. He is primarily responsible for our Company's strategic planning and long term business planning, overall business development and operation management, and other significant matters arising from our business operations. Mr. Lim was appointed to our Board on 17 March 2016. Mr. Lim is also the director of MBM Wheelpower Pte. Ltd ("MBMW"), KBS Motorsports Pte. Ltd. ("KBS") and MBM International Holdings Pte. Ltd. ("MBMI"). He has over 15 years of experience in the automobile industry, with extensive industry and technical experiences.

Before setting out to establish our Group, Mr. Lim was a technician with Cycle & Carriage, Singapore, a member of the Jardine Cycle & Carriage Group in August 1999. Mr. Lim accumulated his experience and honed his expertise within the automobile industry since his time at Cycle & Carriage.

Mr. Lim graduated from Ngee Ann Polytechnic of Singapore with a diploma in mechanical engineering in August 1997.

Mr. Lim was a director of The Modern Carriage Pte. Ltd. which was incorporated on 18 March 2010 in Singapore, prior to its dissolution. Due to cessation of business and the lack of any significant business operations since its incorporation, The Modern Carriage Pte. Ltd. was struck off on 5 July 2012.

Mr. Lim is the brother-in-law of Mr. CHUA Boon Hou (Cai Wenhao).

**Mr. WANG Jingan (王靖安)** ("Mr. Wang"), aged 46, is co-chairman of our Board, our corporate strategy director and executive Director. Mr. Wang was appointed to our Board on 7 April 2017.

Mr. Wang Jingan holds a degree in Bachelor of Economics from Beijing Technology and Business University. Mr. Wang has about 20 years of experience in corporate management and operation in industries including media, commerce and technology industries. A corporation led by Mr. Wang was granted 「中國最具投資價值企業獎」 (*in English, for identification purpose only, "Best Investment Value Award for Corporations in China Award"*) in 2007. Mr. Wang is capable of commercial innovation and has strong corporate leadership. Mr. Wang is an executive director of Share Economy Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1178), and Metro Winner Enterprises Inc.

**Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪)** ("Mr. Chua"), aged 45, is our chief operating officer and executive Director. He is primarily responsible for the management and operation of our Group such as implementing strategic management and monitoring key performance indicators of our Group. His other responsibilities include the day-to-day management of the operational aspects of both KBS and MBMW. He currently heads the human resource department of our Group and is responsible for the recruitment of new talents into our Group. Mr. Chua was appointed to our Board on 13 April 2016. He has over 8 years of experience in the automobile industry.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chua graduated from Nanyang Technological University, Singapore, in January 1997 with a degree of bachelor of business. Shortly after his graduation, Mr. Chua obtained a diploma in life insurance from the Singapore College Insurance in May 1999. Besides being a Fellow to the Life Management Institute (FLMI) in May 1997, he also became an associate to the Academy of Life Underwriting (AALU) on July 2006. Prior to joining our Group in April 2008, Mr. Chua had experience with several insurance companies including Great Eastern Life Insurance, Prudential Assurance Company Singapore (Pte) Limited and NTUC Income Insurance Co-operative Limited.

In view of his work experience, Mr. Chua was invited to our Group as an administrative manager in charge of the administration and customer services of our Group in April 2008. Over the years, he rose steadily through the ranks becoming our human resource manager in January 2012 and appointed as our chief operating officer in December 2015 in recognition for his continuous contribution to our Group.

Mr. Chua was a director of The Modern Carriage Pte. Ltd. which was incorporated on 18 March 2010 in Singapore, prior to its dissolution. Due to cessation of business and the lack of any significant business operations since its incorporation, The Modern Carriage Pte. Ltd. was struck off on 5 July 2012.

Mr. Chua is the brother-in-law of Mr. Kelvin LIM.

**Mr. LIM Kong Joo (林光裕)** (“Mr. KJ Lim”), aged 33, is our sales and marketing director, and executive Director. He is primarily responsible for the sales and marketing strategy of our Group. Mr. KJ Lim was appointed to our Board in 13 April 2016. He has over 8 years of experience in the automotive industry, with extensive industry experience.

Mr. KJ Lim joined our Group in June 2007 and was responsible for the sales of our Group’s services. He steadily rose through the ranks within our Group over the years and was appointed as our sales manager in June 2012.

Mr. KJ Lim graduated with a bachelor of science degree in biotechnology in August 2007 from the University of Tunku Abdul Rahman, Malaysia.

**Mr. SO Zelong (蘇澤龍)** (“Mr. So”), aged 25, is our executive Director. Mr. So was appointed to our Board on 3 July 2017.

Mr. So Zelong is a holder of bachelor’s degree in business management from King’s College London and master’s degree in banking and finance from Queen Mary University of London. Mr. So is experienced in the banking industry in commercial and corporate projects. He worked in corporate banking department at Wing Lung Bank. He is currently the managing director of Global Finance Investment Management Limited, a member of Chinese Financial Association of Hong Kong and a member of Hong Kong Shaanxi Youth Association.

### Non-executive Director

**Mr. DU Xianjie (杜先杰)** (“Mr. Du”), aged 32, is our non-executive Director. He was appointed to our Board on 13 April 2016 and does not hold any position with other members of our Group.

Mr. Du has extensive experiences in corporate financing and strategy, equity investment and capital market work. Mr. Du worked as an associate in the audit and assurance department of Price Waterhouse Coopers Ltd. from September 2008 to October 2010. In January 2011, Mr. Du joined Fuyuan Group Co., Limited (孚元集團有限公司) as its chief financial officer and left in September 2013. Between November 2012 and October 2014, Mr. Du joined Industrial Securities Co., Ltd. (Southern China Branch) (興業證券有限公司) as a director of its corporate and institutional department. Since January 2015, Mr. Du has been the chief investment officer of Duke Capital Management Co., Ltd., responsible for its research and investment in Hong Kong and the PRC capital markets.



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Du graduated from the City University of Hong Kong and obtained a bachelor's degree in business administration in accountancy in November 2008. He obtained a master of business administration from The Chinese University of Hong Kong upon completion of the programme (weekend mode) in November 2015.

### Independent non-executive Directors

**Ms. POK Mee Yau (卜美佑)** ("Ms. Pok"), aged 39, is an independent non-executive Director. She was appointed to our Board on 21 October 2016 and does not hold any position with other members of our Group. Ms. Pok has extensive experience as an advocate and solicitor in Singapore. Ms. Pok served six months of pupillage with the equity capital markets practice group of WongPartnership LLP in Singapore between May 2004 and July 2004 and, subsequently, from December 2004 to May 2005. Following her pupillage, she then worked as an associate at WongPartnership LLP in Singapore from May 2005 to June 2007. Shortly after which in July 2007, she joined DLA Piper Singapore Pte. Ltd. Ms. Pok joined Eversheds LLP from December 2008 to April 2013 as a senior associate of its corporate department. Between May 2013 and December 2013, she was an associate with Solitaire LLP before joining JLC Advisor LLP in January 2014 where her practice includes mergers and acquisitions, joint ventures and corporate finance.

Ms. Pok was previously a director of Applied Bionics Private Limited which was incorporated on 16 November 2002 in Singapore, prior to its dissolution. Due to cessation of business, Applied Bionics Private Limited was struck off on 13 June 2014. She was also an independent director of Transcorp Holdings Limited (Stock Code: SGX:T19), a company listed on the Singapore Stock Exchange from April 2015 to October 2016.

Ms. Pok graduated from the University College London, United Kingdom in August 2001 with a bachelor of laws degree. She obtained her masters of laws degree from the University College London, United Kingdom in November 2002. Ms. Pok completed her graduate diploma in Singapore law in June 2004. She is admitted as an advocate and solicitor of the supreme court of Singapore in May 2005 and a solicitor of England and Wales in December 2007.

Ms. Pok has been an independent director of ecoWise Holdings Limited (Stock Code: SGX:5CT) since August 2016, Imperium Crown Limited (Stock Code: SGX:5HT) since February 2017 and Allied Technologies Limited (Stock Code: SGX:A13) since October 2017. All companies are listed on the Singapore Stock Exchange.

**Mr. LIU Ji (劉驥)** ("Mr. Liu"), aged 39, is an independent non-executive Director. He was appointed to our Board on 21 October 2016 and does not hold any position with other members of our Group. Mr. Liu has over fourteen years of experience in auditing and financial advisory. He is a member of the Institute of Singapore Chartered Accountants.

He is currently an independent director of CW Group Holdings Limited (Stock Code: 1322), a company listed on the Hong Kong Stock Exchange, since July 2017. From September 2011 to October 2016, Mr. Liu worked at Ellis Botsworth Advisory as the senior executive director and head of corporate advisory services, where he is primarily responsible for corporate advisory, fund raising and the provision of other capital market solutions to both private and public companies in the PRC and Southeast Asian Region. Prior to joining Ellis Botsworth Advisory, Mr. Liu started his employment with Deloitte & Touche LLP in May 2003 before leaving as an audit manager in September 2011. He was primarily responsible for providing audit, financial reporting and internal control review related assurance services.

In 2003 he obtained a bachelor of science degree in applied accounting from Oxford Brookes University.

**Mr. LEUNG Yiu Cho (梁耀祖)** ("Mr. Leung"), aged 38, is an independent non-executive Director. He was appointed to our Board on 21 October 2016 and does not hold any position with other members of our Group. Mr. Leung has over 10 years of experience financial management and corporate finance.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung joined Primeview Holdings Ltd. (Stock Code: 0789), a company listed on the main board of the Stock Exchange ("Main Board"), as its chief financial officer in December 2013, has been its investment principal since October 2015 and an executive director in December 2016. Mr. Leung is responsible for monitoring corporate finance transactions and investors relationship. Mr. Leung is also an independent non-executive director at CAA Resources Limited (Stock Code: 2112). Prior to that, Mr. Leung started his employment with Deloitte Touche Tohmatsu in June 2005 as a semi-senior accountant before leaving as a senior accountant in July 2006. Between July 2006 and August 2007, he was the assistant financial controller of Ta Yang Group Holdings Limited (大洋集團有限公司) (Stock Code: 1991), a company listed on the Main Board. From August 2007 to September 2008, Mr. Leung joined CSC Securities (HK) Limited (群益證券(香港)有限公司) as an executive in the investment banking department. Mr. Leung was the financial controller and board secretary of United Technology Holdings Company Limited (聯合科技控股有限公司) in 2011. From March 2012 to August 2013, he joined Highland Asset Management Corporation (漢鎰資產管理股份有限公司) as its senior deputy finance manager and board secretary.

### Senior Management

**Mr. LEE Tiang Soon (李展存)** ("Mr. Lee"), aged 47, is our chief financial officer and joined our Group in January 2016. He has over 20 years of experience in the fields of accounting and auditing as well as business and financial advisory and is responsible for the corporate financial function of our Group and matters relating to accounting, financial administration and the compliance and reporting obligations of our Group.

Mr. Lee is currently an executive director of CW Group Holdings Limited (Stock Code: 1322) ("CW Group") which is listed on the Main Board. He joined CW Group in April 2008 as the chief financial officer and was appointed as an executive director to CW Group in April 2013.

Mr. Lee entered into an employment contract with us for a term of employment commencing on 4 January 2016. According to Mr. Lee's terms of employment with us, he is required to ensure availability for our Company's meetings and perform all assignments required of him as the chief financial officer of our Group. He will be required to make regular on-site visits to review work and progress with supervisors, and to meet with co-workers and stakeholders of our Group. Further, Mr. Lee has confirmed that he will devote sufficient time, resources and attention to his duties as a chief financial officer of our Group notwithstanding his appointment as an executive director of CW Group.

In addition, Mr. Lee will be supported by our finance team led by Ms. Karen LEE Peay Jang who has been with our Group since March 2011. Based on the roles and responsibilities required, as well as the scale of our operations, Mr. Lee estimates that approximately 20% of his time and resources will be allocated to our Group's business upon the Listing. Considering the foregoing factors, Mr. Lee's extensive management experience and his role as an executive director of CW group which is listed on the Main Board, our Directors are of the view, and the Sponsor concurs, that Mr. Lee will be able to allocate sufficient time to discharge his duties as a chief financial officer of our Group and his future contributions will be most beneficial to our Group.

Mr. Lee graduated from Murdoch University, Australia and obtained a bachelor of commerce degree, in February 1996. He is a member of CPA Australia and a non-practising member of the Institute of Singapore Chartered Accounts (formerly known as the Institute of Certified Public Accountants of Singapore).

Prior to joining our Group, Mr. Lee also worked in Ernst & Young LLP between May 1996 and May 2003 where he left as a manager. During this period, he was responsible for the audits assigned to him and the audit teams working on his engagements with his responsibilities including the coverage of audits of clients in various industries. Mr. Lee joined Alvarez & Marsal (SE Asia) Pte. Ltd. (formerly known as RSM Nelson Wheeler Tan Pte. Ltd.) in May 2003, engaging in the areas of insolvency and advisory services and left in August 2006 with his last position being senior manager. He served as an associate director at Tay Swee Sze & Associates from October 2006 to April 2008.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Karen LEE Peay Jang** (“Ms. Lee”), aged 55, our finance manager, joined our Group in March 2011 as its account manager and was appointed as our Group’s finance manager in April 2016. Ms. Lee has over 15 years of experience in the auditing and accounting and is responsible for the management of our Group’s financing and accounting matters.

Prior to joining our Group, Ms. Lee worked in Aztech Group Ltd as senior accounts officer from March 1995 to February 2011. Ms. Lee obtained a diploma in financial and management accounting from the Toronto School of Business Inc., Canada in June 1990.

### Company Secretary

**Mr. WONG Cheung Ki Johnny (王章旗)** (“Mr. Wong”), aged 34, joined our Group on 13 April 2016 as our company secretary.

Mr. Wong is currently a director of a corporate services company and the sole proprietor of an accounting firm. Mr. Wong has over 12 years of accounting and financial experience. Mr. Wong was admitted as a member of the Hong Kong Institute of Certified Public Accountants in February 2009, a fellow of the Hong Kong Institute of Certified Public Accountants in July 2016, an associate of The Hong Kong Institute of Chartered Secretaries in December 2016, a fellow of The Hong Kong Institute of Chartered Secretaries in March 2018, an associate of The Institute of Chartered Secretaries and Administrators in December 2016, a fellow of The Institute of Chartered Secretaries and Administrators in March 2018.

Mr. Wong obtained a degree of bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2005 and a degree of master of corporate governance from The Hong Kong Polytechnic University in September 2016.

# CORPORATE GOVERNANCE REPORT

## Compliance with Corporate Governance Code

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholders' interests.

Pursuant to code provision A.2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Lim is currently the co-chairman and chief executive officer of our Group. Our Board believes that vesting the roles of both co-chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Directors consider that throughout the year ended 31 December 2017, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

## Directors' Securities Transactions

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code for the year 31 December 2017.

## The Board

As at the date of this report, the Board comprises the following directors:

### Executive Directors

Mr. Kelvin LIM

Mr. WANG Jingan

Mr. CHUA Boon Hou (Cai Wenhao)

Mr. LIM Kong Joo

Mr. SO Zelong

### Non-executive Director

Mr. DU Xianjie

### Independent non-executive Directors

Ms. POK Mee Yau

Mr. LIU Ji

Mr. LEUNG Yiu Cho

## CORPORATE GOVERNANCE REPORT

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the internal control systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates the Company's shareholders ("Shareholders") on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The non-executive Directors (including the independent non-executive Directors), advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the executive Directors and non-executive Directors. The Chairman held meetings with the non-executive Directors at least annually without presence of the executive Directors to evaluate the functioning of the Board.

Each of the Directors has entered into a service contract or has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association of the Company with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The executive Directors of the Company are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

### Independence of Independent Non-executive directors

Each of the independent non-executive Director has made written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. Upon review, the Board concluded that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

### Chairman and Chief Executive

Pursuant to code provision A.2.1 set out in the Corporate Governance Code and Corporate Governance Report under Appendix 15 of the GEM Listing Rules (the “CG Code”), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lim is currently the co-chairman and chief executive officer of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Directors consider that throughout the year ended 31 December 2017, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

### The Board Committees

#### Audit Committee

Our Company has established an audit committee (the “Audit Committee”) on 21 October 2016 with written terms of reference in compliance with the CG Code. The audit committee has three members, namely Mr. LIU Ji (劉驥), Mr. LEUNG Yiu Cho (梁耀祖) and Ms. POK Mee Yau (卜美佑), each of whom is an independent non-executive Director. Mr. LIU Ji (劉驥), has been appointed as the chairman of the audit committee, and has the appropriate professional qualifications required under the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

Our Company has established a remuneration committee (the “Remuneration Committee”) on 21 October 2016 with written terms of reference in compliance with the CG Code. The remuneration committee has three members, namely Mr. LEUNG Yiu Cho (梁耀祖), an independent non-executive Director, Mr. LIU Ji (劉驥), an independent non-executive Director and Mr. Lim an executive Director, our co-chairman and chief executive officer. Mr. LEUNG Yiu Cho (梁耀祖), has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangements.

#### Nomination Committee

Our Company has established a nomination committee (the “Nomination Committee”) on 21 October 2016 with written terms of reference in compliance with the CG Code. The nomination committee consists of three members, being Ms. POK Mee Yau (卜美佑), an independent non-executive Director, Mr. LIU Ji (劉驥), an independent non-executive Director and Mr. Lim an executive Director, our co-chairman and chief executive officer. Ms. POK Mee Yau (卜美佑), has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

## CORPORATE GOVERNANCE REPORT

### Risk Management Committee

Our Company has established a risk management committee (the “Risk Management Committee”) on 21 October 2016. The risk management committee has four members, namely Ms. POK Mee Yau (卜美佑), Mr. Lim, Mr. KJ Lim and Mr. Chua. Ms. POK Mee Yau (卜美佑), our independent non-executive Director, has been appointed as the chairman of the risk management committee. The primary functions of the risk management committee include reviewing (i) our Company’s significant transactions, including tenancy agreements, together with our finance department, and (ii) our Company’s risk management policies and standards, and monitoring our Company’s exposure to sanctions law risks.

## Board Composition and Board and Committee Meetings

### Practices and Conduct of Meetings

Provision A.1.1 of the CG Code prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. The Board will schedule to have at least four regular meetings in a year. Other Board meetings will be held if necessary.

### Composition

As at 31 December 2017, the Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year.

Biographical details of the Directors are shown on pages 12 to 15 of this report. The List of Directors and their Role and Function was published both on the websites of the Company and the Stock Exchange. The Board is currently supported by the Audit Committee, Remuneration Committee and Nomination Committee to oversee specific areas of the Company’s affairs. Each of these committees has been established with written terms of reference, which were approved by the Board, setting out the committee’s major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Stock Exchange.



## CORPORATE GOVERNANCE REPORT

### Meetings Held and Attendance

The composition of the Board and the Committees, and the individual attendance records of each Director at the Board and Committees' meetings during the year ended 31 December 2017 are set out below:

Name of the directors	Meetings attended/Meetings Held						
	Board meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Risk Management Committee Meetings	Annual general meetings	Extraordinary general meetings
<b>Executive Directors</b>							
Mr. Kelvin LIM	6/6	N.A.	2/2	2/2	1/1	1/1	N.A.
Mr. WANG Jingan	1/5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. CHUA Boon Hou (Cai Wenhao)	6/6	N.A.	N.A.	N.A.	1/1	1/1	N.A.
Mr. LIM Kong Joo	6/6	N.A.	N.A.	N.A.	1/1	1/1	N.A.
Mr. SO Zelong	1/2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Non-executive Director</b>							
Mr. DU Xianjie	6/6	N.A.	N.A.	N.A.	N.A.	1/1	N.A.
<b>Independent non-executive Director</b>							
Ms. POK Mee Yau	6/6	6/6	N.A.	2/2	1/1	1/1	N.A.
Mr. LIU Ji	6/6	6/6	2/2	2/2	N.A.	1/1	N.A.
Mr. LEUNG Yiu Cho	6/6	6/6	2/2	N.A.	N.A.	1/1	N.A.

### PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company plans to provide briefings and other training and recommend Directors to attend relevant seminars to develop and refresh their knowledge and skills. A record of the training received by the respective Directors are kept and updated by the Company Secretary. During the first quarter of 2018, the following Board members received a directors' training hosted by the legal advisor to our Company, which was about, *inter alia*, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

Name of Directors	Training on Director's responsibilities provided by the Company's legal advisor
<b>Executive Directors</b>	
Mr. Kelvin LIM	Attended
Mr. CHUA Boon Hou (Cai Wenhao)	Attended
Mr. LIM Kong Joo	Attended
Mr. WANG Jingan	Attended
Mr. SO Zelong	Attended
<b>Non-executive Directors</b>	
Mr. DU Xianjie	Attended
<b>Independent non-executive Directors</b>	
Ms. POK Mee Yau	Attended
Mr. LIU Ji	Attended
Mr. LEUNG Yiu Cho	Attended

## CORPORATE GOVERNANCE REPORT

### Accountability and Audit

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The responsibility of the independent auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The quarterly results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

### Auditor's Remuneration

During the year, the remuneration, reviewed and approved by the Audit Committee on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, Ernst & Young, were as follows:

Nature of service	2017 Amount S\$'000
Audit services	218
Non-audit services	15

### Corporate Governance Function

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies, practices on corporate governance, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc; (ii) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (iii) reviewing the Company's compliance with the CG Code and disclosure in this corporate governance report.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensure that Board procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board papers and related materials such that they are able to make an informed decision and to discharge their duties and responsibilities.

### Risk Management and Internal Control

The Company had established policies and procedures to identify, assess and manage major risks of the Group. The Board has overall responsibilities for establishing and maintaining an effective risk management and internal control systems of the Group and reviewing their effectiveness. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Management is responsible for implementing that procedures approved by the Board and to monitor compliance with the policies and procedures. The Board has outsourced the internal audit function to a professional risk consulting firm to perform the internal audit review on the control environment and key business processes of the Group. Based on discussions with the professional risk consultants, advisors and our management team, in view of their responses to the findings and recommendations on matters relating to internal controls, the Board is satisfied that there were no significant defects in Group's internal controls and risk management systems in terms of overall adequacy and effectiveness concerning the key operational, financial and compliance risks of the Group as at the date of this report.

Furthermore, the Company reminds the Directors and employees of the Group about due compliance with all policies regarding the Inside Information. The Company keeps the Directors and employees of the Group apprised of the latest regulatory updates to ensure compliance with the relevant regulatory requirements.

### Company Secretary

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the minutes of the Board and committees of the Company. The Company Secretary, Mr. Wong Cheung Ki, Johnny, confirmed that he has complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules.

### Shareholders' Rights

The general meetings of the Company provided an opportunity for communication between Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

## CORPORATE GOVERNANCE REPORT

### Right to Convene Extraordinary General Meetings and Procedures

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Anyone or more member(s) holding at the date of the 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 sent to the Company's principal place of business as set out in the manner below, to require an EGM 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.

Such requisition shall be made in writing to the Board or the Company Secretary at the following:

#### **Principal Place of business and Headquarters in Singapore**

Address: 176 Sin Ming Drive  
#01-15 Sin Ming Autocare  
Singapore, 575721  
Email: enquiries@zhengliholdings.com  
Attention: Company Secretary

#### **Registered office of the Company**

Address: PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands  
Attention: Company Secretary

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

For matters in relation to the Board, Shareholders can contact the Company at the following: by post to Principal place of business of the Company in Hong Kong: Address: Unit 3209, 32<sup>nd</sup> Floor, Office Tower Convention Plaza, No. 1 Harbour Road, Hong Kong; or by email to enquiries@zhengliholdings.com.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

### Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary. Shareholders may also make enquiries with the Board at the general meetings of the Company.

### Right to Put forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

### Constitutional Documents

During the year ended 31 December 2017, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

### Investor Relations

The Board recognises the importance of maintaining on-going communication with Shareholders. The Company has adopted a Shareholders' communication policy and promotes communications with Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and quarterly, interim and annual reports as prescribed under the GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from Shareholders.

Shareholders are encouraged to attend all general meetings of the Company. The notices of the special general meetings and annual general meeting of the Company were circulated to all Shareholders in accordance with the requirements of the GEM Listing Rules and the Articles of Association. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to 9 Floor, Wah Yuen Building, 149 Queen's Road Central, Hong Kong or email at [enquiries@zhengliholdings.com](mailto:enquiries@zhengliholdings.com).

# DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

## Principal activities and business review

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the business of:

- 1) maintenance and repair of passenger cars; and
- 2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis in this report. This discussion forms part of this directors' report.

## Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

**Our business depends heavily on our reputation and consumer perception of the quality of our services, and any negative publicity, harm to our reputation, failure to maintain and/or enhance our reputation, or failure to deal with customer complaints may materially and adversely affect our business, financial condition and results of operations.**

We believe that our reputation and consumer perception of the quality of our services are critical to our business. Maintaining and enhancing our reputation depends on the quality and consistency of our services, as well as the success of our marketing and promotional efforts. We believe that maintaining and enhancing our reputation is essential to our efforts to maintain and expand our customer base. In addition, our reputation may be harmed by negative publicity or unfavourable forum discussions, whether accurate or not, relating to the services provided by our Group, such as service quality issues, repair time and quotations.

**Imposition of laws or regulations restricting the carrying on of our business, government policies on passenger car purchases and ownership therefore restricting road use in Singapore, or measures to encourage the use of public transport, may have a material adverse effect on our business.**

In Singapore, a certificate of entitlement ("COE") is required for the registration of a new vehicle in the appropriate vehicle category. A COE represents a right to vehicle ownership and use of the limited road space in Singapore for 10 years. The Singapore government controls the total number of vehicles in use by limiting the quota of COE. Any measures taken by the Singapore government to limit or reduce the number of passenger car registrations, therefore reducing the number of passenger cars on the roads, and/or measures to encourage the use of public transport, may materially and adversely affect the demand of our services.

### Major customers and suppliers

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for approximately 11.6% of total sales including sales to the largest customer which accounted for approximately 3.0% of total sales. The Group's five largest suppliers accounted for approximately 41.1% of total purchases during the year ended 31 December 2017 and purchases from the largest supplier included therein amounted to approximately 11.0% of total purchase.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 December 2017.

### Segment Information

An analysis of the Group's performance for the year by operating segment is set out in Note 4 to the financial statements.

### Recommended dividend

The Board did not recommend the payment of any dividend for year ended 31 December 2017.

### Use of proceeds from the Company's initial public offering

For details, please refer to page 12 of the Management Discussion and Analysis in this report.

### Charitable donations

The Group did not make any material charitable donations during the year. (2016: Nil)

### Summary financial information

A summary of the published result and assets, liabilities of the Group for the last four financial years, as extracted from the audited financial statements, is set out on page 86. This summary does not form part of the audited financial statements.



## **DIRECTORS' REPORT**

### **Share capital and share options**

Details of the movements in share capital of the Company during the year are set out in Note 25 to the financial statements. Details about the issuance of Shares are also set out in Note 25 to the financial statements.

### **Purchases, sale or redemption of Company's listed securities**

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

### **Pre-emptive rights**

There are no provisions for pre-emptive rights under the Articles of Associations or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

### **Directors**

The Directors during the financial year ended 31 December 2017 and up to the date of this report are as follows:

#### **Executive Directors**

Mr. Kelvin LIM

Mr. WANG Jingan (appointed on 7 April 2017)

Mr. CHUA Boon Hou (Cai Wenhao)

Mr. LIM Kong Joo

Mr. SO Zelong (appointed on 3 July 2017)

#### **Non-executive Director**

Mr. DU Xianjie

#### **Independent non-executive Directors**

Ms. POK Mee Yau

Mr. LIU Ji

Mr. LEUNG Yiu Cho

**Directors' Service Contracts**

Each of the executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the agreement.

The non-executive Director has signed an appointment letter with the Company for an initial term of three years and is subject to termination in accordance with its terms.

The independent non-executive Directors have each signed an appointment letter with the Company for a term of three years commencing and are subject to termination in accordance with their respective terms.

Other than as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

**Directors' and chief executives interests and short positions in shares, underlying shares and debentures**

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

**Long position in the Shares**

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares	Approximate Percentage
Mr. Kelvin LIM	Beneficial interest	281,250,000	56.25%
Mr. Chua Boon Hou (Cai Wenhao)	Beneficial interest	40,000	0.01%

Save as disclosed above, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

**Share option scheme**

The Company had adopted a share option scheme ("Share Option Scheme") on 21 October 2016 for the purpose of enabling our Company to grant rights to subscribe for Shares pursuant to the terms of the Share Option Scheme ("Options", each an "Option") as incentives or rewards to the Participants (as defined below) for their contribution to our Group and/or to enable our Group to recruit and retain high calibre employees and attract human resources that are valuable to our Group and any entity which our Group holds any equity interest ("Invested Entity"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The period of Share Option Scheme commences on 21 October 2016 and will expire on 20 October 2026.

## DIRECTORS' REPORT

The Board may, at its discretion, invite any executive, non-executive or independent non-executive Directors or any employees (whether full-time or part-time) of our Company, or any of its subsidiaries or associated companies or any other person whom our Board considers, in its sole discretion, has contributed or will contribute to our Group ("Participants", each a "Participant") to take up the Options. The basis of eligibility of any of the class of the Participants to the grant of any Option shall be determined by our Board from time to time on the basis of their contribution to the development and growth of our Group and any Invested Entity. Unless otherwise determined by our Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option ("Offer"), there is neither any performance target that needs to be achieved by the Participant who accepts an Offer in accordance with the terms of the Share Option Scheme ("Grantee") before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

The subscription price for our Shares under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option, but in any case shall not be less than the highest of (a) the closing price of our Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date on which an Offer is made by our Company to the Grantee (which date must be a Business Day, "Offer Date"); (b) a price being the average of the closing prices of our Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date (provided that the Offer Price shall be used as the closing price for any Business Day falling within the period before listing of our Shares where our Company has been listed for less than five (5) Business Days as at the Offer Date); and (c) the nominal value of a Share.

The amount payable by the grantee of an Option to our Company on acceptance of the offer for the grant of an Option is HK\$1.00, which shall be payable within the period as our Board may determine and specify in the letter of Offer.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following the listing of the Company on the Stock Exchange (being 500,000,000 Shares). The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to Shareholders' approval in a general meeting. During the year ended 31 December 2017, the Company may grant options in respect of up to 50,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company as at the date of this report.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the year ended 31 December 2017. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 31 December 2017, nor has there been any exercise, redemption, purchase or cancellation made during the year ended 31 December 2017 of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted.

## Directors' rights to acquire shares or debentures

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, at no time from the Listing Date to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2017, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long Positions in the Shares *MACAW to assist*

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares	Approximate Percentage
Mr. Kelvin LIM	Beneficial interest	281,250,000	56.25%
Mdm. CHONG Ling Ling <sup>(1)</sup>	Interest of spouse	281,250,000	56.25%
Mr. ZHOU Yunchuan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mdm. CHEN Yi <sup>(2)</sup>	Interest of spouse	93,750,000	18.75%
Mdm. NG Geok Luan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mr. GOH Seng Moh <sup>(3)</sup>	Interest of spouse	93,750,000	18.75%
Valiant World Enterprises Limited <sup>(4)</sup>	Beneficial interest	93,750,000	18.75%

#### Notes:

- (1) Mdm. CHONG Ling Ling is the spouse of Mr. Kelvin LIM ("Mrs. Lim"). Under the SFO, Mrs. Lim is deemed to be interested in the same number of Shares in which Mr. Kelvin LIM is interested.
- (2) Mdm. CHEN Yi is the spouse of Mr. ZHOU Yunchuan. Under the SFO, Mdm. CHEN Yi is deemed to be interested in the same number of Shares in which Mr. ZHOU Yunchuan is interested.
- (3) Mr. GOH Seng Moh is the spouse of Mdm. NG Geok Luan. Under the SFO, Mr. GOH Seng Moh is deemed to be interested in the same number of Shares in which Mdm. Ng Geok Luan is interested.
- (4) The entire issued share capital of Valiant World Enterprises Limited is legally and beneficially owned by Mr. ZHOU Yunchuan and Mdm. Ng Geok Luan as to 55% and 45%, respectively.

Save as disclosed above, as at the date of this report, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person or corporation (other than the Directors and chief executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

## **DIRECTORS' REPORT**

### **Remuneration policy**

Details of the remuneration of the Directors for the year ended 31 December 2017 are set out in Note 8 to the financial statements in this report. During the year ended 31 December 2017, there was no arrangement under which any Directors waived or agreed to waive any remuneration.

### **Emolument policy**

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

### **Related Party transactions**

Details of the related party transactions entered into by the Group are set out in Note 26 to the financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

### **Connected transaction and continuing connected transaction**

During the year, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

### **Sufficiency of public float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the company has maintained the prescribed public float required by the GEM Listing Rules since the Listing Date and up to the date of this report.

### **Directors' interest in competing business**

The Directors are not aware of any business or interest of the Directors nor our controlling shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the year.

### **Deed of non-competition**

Mr. Kelvin LIM, our controlling shareholder (the "Covenanter") entered into a deed of non-competition (the "Non-competition Deed") in favour of our Company, pursuant to which the Covenanter has undertaken to our Company that he would not, and that his associates (except any member of our Group) would not, during the restricted period set out therein, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business. Mr. Kelvin LIM has confirmed to the Company that the Non-competition Deed has been fully complied with as at 31 December 2017.

Details of the undertaking has been set out in the section headed "Relationship with Controlling Shareholder" of the Prospectus.

### Competition and Conflict of Interest

During the year, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

### Directors' Rights to Acquire Shares or Debentures

At no time during the year was there any arrangement, to which the Company, or any of its subsidiaries was a party, whose objects are to enable the Directors to acquire benefits by means of the acquisition of Shares or debentures, or such shares or debentures of any other body corporate.

### Indemnity of Directors

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they shall incur or sustain in execution of their duty or supposed duty in their respective offices, except such as they shall incur or sustain through their own fraud or dishonesty.

### Directors' interests in transaction, arrangements or contracts of significance

No transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, and in which a Director or entity connected with such Director had a material interest, subsisted at the end of the year or at any time during the year.

### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Environmental policies and performance

The Group is subject to local laws and regulations as well as various guidelines by the governmental agencies. In particular, our modifications, tuning and grooming services need to comply with specific rules in the Road Traffic Act under the purview of the Land Transport Authority. The environmental concern relating to the management of hazardous waste and waste water is particularly important to us, and to address this, we follow the best practices in toxic waste management and comply with relevant environmental standards, including the Environmental Public Health (Toxic Industrial Waste) Regulations issued by the National Environment Agency of Singapore. Other key laws and regulations relating to our business include the Workplace Health and Safety Act, Regulations of Imports and Exports, Employment Act and Employment of Foreign Manpower Act. There were no cases of non-compliance with relevant laws and regulations that had or would have had a significant impact on the Group during the year.

## **DIRECTORS' REPORT**

Our key stakeholders include customers, suppliers and employees. We continuously engage with them through daily interactions to understand and respond to their respective needs. We value our customers' feedback and use it to improve our services and quality of repairs. We also understand maintaining relationships with our suppliers and employees is vital to the Group's ability to meet its quality commitment. We build trusted relationships with brand name suppliers, and develop our employees' capabilities and address any potential workplace concerns in a timely manner. More specific details on our environmental, social and corporate governance ("ESG") policies will be found in our ESG report, to be published by June 2018.

### **Compliance with code of conduct regarding securities transactions by directors' interests in competing business**

As at the date of this report, none of the Directors had an interest in a business (other than those businesses where the Director were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with businesses of the Group.

### **Key Relationships with employees, customers and suppliers**

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

### **Bank loans and other borrowings**

Particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in Note 22 to the financial statements.

### **Four year summary**

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 86 of the annual report.



### Distributable reserves

Details of the movements in the reserves of the Group for the year are set out in the consolidated statement of changes in equity on page 44.

Details of the movements in the reserve of the Company for the year are set out in Note 32 to the financial statements.

As at 31 December 2017, the Company had approximately S\$4.7 million distributable reserve (31 December 2016: S\$5.6 million).

### Material Acquisition and Disposal

The Group did not have any material acquisition or disposal of subsidiaries or associates.

### Retirement Schemes

Particulars of retirement schemes are set out in Note 2.21 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 5.09 of the GEM Listing Rules and, based on contents of such confirmation, considers all the independent non-executive Directors to be independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

### Interests of compliance advisor

As notified by the Company's compliance advisor, Messis Capital Limited, neither Messis Capital Limited nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser service provided by Messis Capital Limited) as at the date of this report.

### Events after the reporting period

There were no important events affecting the Group that have occurred since the end of the year.

### Corporate Governance

Details of the corporate governance practice adopted by the Company are set out on page 17 to 25 of this annual report.

## DIRECTORS' REPORT

### Review by Audit Committee

The Company's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2017.

### The Group's compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

### Auditors

Ernst & Young retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the company is to be proposed at the forthcoming annual general meeting.

### Appreciation

On behalf of the Board, I would like to extend our sincere thanks to our Shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board

**Mr. Kelvin LIM**

*Chairman and Executive Director*

29 March 2018

# INDEPENDENT AUDITOR'S REPORT



## To the shareholders of Zheng Li Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

### Opinion

We have audited the consolidated financial statements of Zheng Li Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 85, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### Key audit matters

### How our audit addressed the key audit matters

#### **Allowance for trade receivables**

Trade receivable balances were significant to the Group as they represented 20% of the total assets of the Group as at 31 December 2017. In addition, trade receivables allowance assessment requires significant management judgement. As such, we determined that this is a key audit matter.

The Group evaluates specific trade receivable balances where it has information that certain customers are unable to meet their financial obligations and makes allowance for doubtful debts accordingly. The Group uses significant judgement, based on the available facts and circumstances, including but not limited to the length of relationship with the customer and the customer's repayment history and known market factors.

The Group's disclosures of the trade receivables and the related risk are included in notes 2.10, 3.2, 18 and 31 to the consolidated financial statements.

We tested the aging of the trade receivables and evaluated management's assumptions used to estimate the trade receivables allowance amount, through specific review of significant overdue individual trade receivables, reviewing payment history of debtors, checking the bank receipts for the payment received subsequent to the year end. We also assessed the disclosures related to trade receivables and the related risk in the consolidated financial statements.

#### **Allowance for inventory obsolescence**

As of 31 December 2017, the Group's inventories and allowance for obsolescence amounted to S\$1,214,000 and S\$306,000 respectively.

Allowance for inventory obsolescence is based on management's judgement using the available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices and estimated selling costs of the inventories.

We focused on this area as the inventories are material to the consolidated financial statements and the determination of allowance for inventory obsolescence involves significant management's judgement and estimation.

The Group's disclosures of the inventories are included in notes 2.15, 3.2, and 17 to the consolidated financial statements.

We attended management's inventory counts and observed the process at material inventory locations, including observing the process implemented by management to identify and monitor obsolete inventories. We evaluated the assessments made by management by assessing the inventory costing, aging of inventories, and the analysis of obsolete inventories on selected samples. We re-calculated the allowance for inventory obsolescence in accordance with the Group's policy. We also assessed the disclosures related to inventories in the consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is LAW KWOK KEE.

### **Ernst & Young**

*Certified Public Accountants*

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

29 March 2018

## AUDITED FINANCIAL STATEMENTS

The board of Directors of the Company (the “Board”) is pleased to report the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 with comparative figures for the corresponding period in the year 2016.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2017	2016
	Notes	S\$'000	S\$'000
<b>REVENUE</b>	5	13,964	16,791
<b>Other income and gains</b>	5	1,054	1,050
<b>Items of expense</b>			
Cost of materials		(7,030)	(8,102)
Marketing and advertising expenses		(395)	(91)
Employee benefits expense	9	(5,093)	(4,274)
Depreciation of property, plant and equipment	6	(845)	(352)
Amortisation of intangible asset	6	(49)	(16)
Allowance for trade receivables		(74)	(28)
Finance costs	7	(132)	(162)
Other expenses		(3,487)	(5,086)
<b>LOSS BEFORE TAX</b>	6	(2,087)	(270)
Income tax credit/(expense)	11	46	(301)
<b>LOSS FOR THE YEAR</b>		(2,041)	(571)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		(30)	20
Income tax effect		5	(3)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>		(25)	17
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(2,066)	(554)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted (S\$ cents per share)	13	(0.41)	(0.14)



## AUDITED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 S\$'000	2016 S\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	10,130	3,780
Intangible asset	15	100	23
Available-for-sale investment	16	433	463
<b>Total non-current assets</b>		<b>10,663</b>	<b>4,266</b>
<b>CURRENT ASSETS</b>			
Inventories	17	1,214	404
Trade and other receivables	18	7,997	7,427
Prepayments		1,203	526
Cash and cash equivalents	19	1,133	6,789
<b>Total current assets</b>		<b>11,547</b>	<b>15,146</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	4,995	2,643
Provisions	21	615	—
Interest-bearing bank and other borrowings	22	2,694	270
Deferred revenue		647	—
Tax payable		21	412
<b>Total current liabilities</b>		<b>8,972</b>	<b>3,325</b>
<b>NET CURRENT ASSETS</b>		<b>2,575</b>	<b>11,821</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>13,238</b>	<b>16,087</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	22	926	1,654
Deferred tax liabilities	23	49	104
<b>Total non-current liabilities</b>		<b>975</b>	<b>1,758</b>
<b>Net assets</b>		<b>12,263</b>	<b>14,329</b>
<b>EQUITY</b>			
Share capital	25	900	900
Reserves	26	11,363	13,429
<b>Total equity</b>		<b>12,263</b>	<b>14,329</b>

The consolidated financial statements on pages 42 to 85 were approved and authorised for issue by the Board on 29 March 2018 and are signed on its behalf by:

Kelvin LIM  
Director

LIM Kong Joo  
Director

## AUDITED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital S\$'000	Share premium S\$'000	Available- for-sale investment revaluation reserve S\$'000	Merger reserve S\$'000	Retained profits/ (accumulated losses) S\$'000	Total S\$'000
<b>At 1 January 2016</b>	—	—	(41)	6,863	266	7,088
Loss for the year	—	—	—	—	(571)	(571)
Other comprehensive income for the year:						
Changes in fair value of an available-for-sale investment, net of tax	—	—	17	—	—	17
Total comprehensive income/(loss) for the year	—	—	17	—	(571)	(554)
Issuance of shares from reorganisation exercise	675	1,394	—	—	—	2,069
Issuance of new shares in connection with initial public offering	225	8,549	—	—	—	8,774
Share issuance expenses	—	(961)	—	—	—	(961)
Effects of acquisition of a subsidiary from reorganisation exercise	—	—	57	(2,979)	835	(2,087)
<b>At 31 December 2016 and 1 January 2017</b>	900	8,982	33	3,884	530	14,329
Loss for the year	—	—	—	—	(2,041)	(2,041)
Other comprehensive loss for the year:						
Changes in fair value of an available-for-sale investment, net of tax	—	—	(25)	—	—	(25)
Total comprehensive loss for the year	—	—	(25)	—	(2,041)	(2,066)
<b>At 31 December 2017</b>	900	8,982*	8*	3,884*	(1,511)*	12,263

\* These reserve accounts comprise the consolidated reserves of S\$11,363,000 (2016: S\$13,429,000) in the consolidated statement of financial position.

## AUDITED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 S\$'000	2016 S\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(2,087)	(270)
Adjustments for:			
Depreciation of property, plant and equipment	6	845	352
Amortisation of intangible asset	6	49	16
Property, plant and equipment written off	6	—	104
Loss on disposal of property, plant and equipment	6	49	—
Finance costs		113	113
Allowance for trade receivables	6	74	28
Foreign exchange differences, net		50	(185)
Allowance for inventory obsolescence	6	147	15
		(760)	173
(Increase)/decrease in inventories		(957)	274
Increase in trade and other receivables		(644)	(5,290)
Increase in prepayments		(677)	(390)
Increase in trade and other payables		3,043	360
<b>Cash generated from/(used in) operations</b>		5	(4,873)
Interest paid		(109)	(12)
Income tax paid		(396)	(275)
Net cash flows used in operating activities		(500)	(5,160)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		(6,383)	(1,316)
Purchase of items of intangible asset	15	(126)	(11)
Proceeds from disposal of items of property, plant and equipment		71	—
Net cash flows used in investing activities		(6,438)	(1,327)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		—	8,774
Proceeds from bank loans		1,628	1,772
Repayment of bank loans		(258)	(2,285)
Capital element of finance lease rental payments		(40)	—
Shares issuance expenses		—	(961)
Net cash flows from financing activities		1,330	7,300
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(5,608)	813
<b>Cash and cash equivalents at beginning of year</b>		6,789	5,831
Effect of exchange rate changes on cash and cash equivalents		(48)	145
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		1,133	6,789
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	19	1,133	6,789

# NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2016. The registered office of the Company is at the offices of Eterra Trust (Cayman) Ltd, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries (the Company and its subsidiaries are collectively referred to as the "Group") are principally engaged in the business of:

- 1) Maintenance and repair of passenger cars; and
- 2) Modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.

#### Information about subsidiaries

The Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place of incorporation/ registration and operation	Issued/ registered share capital S\$'000	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
MBM International Holdings Pte. Ltd.* ("MBMI")	Singapore	4,500	100	—	Investment holding
MBM Wheelpower Pte. Ltd.* ("MBM")	Singapore	125	—	100	Maintenance and repair of passenger cars
KBS Motorsports Pte. Ltd.* ("KBS")	Singapore	100	—	100	Modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories

\* Audited by Ernst & Young, Singapore

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for an available-for-sale investment, which has been measured at fair value. These financial statements are presented in Singapore dollar ("SGD" or "S\$") and all values are rounded to the nearest thousand ("S\$'000") except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, or the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in <i>Annual Improvements to IFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12</i>

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in Note 22 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts<sup>1</sup></i>
IFRS 9	<i>Financial Instruments<sup>1</sup></i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation<sup>2</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
IFRS 16	<i>Leases<sup>2</sup></i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments<sup>2</sup></i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to IFRS 1 and IAS 28<sup>1</sup></i>

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

Further information about those IFRSs that are expected to be applicable to the Group is described below.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against

## NOTES TO THE FINANCIAL STATEMENTS

the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) *Classification and measurement*

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) *Impairment*

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. Upon application of the expected credit loss model, the Group expects an increase in the provision for impairment for loans and receivables.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

The Group's principal activities consist of the maintenance and repair of passenger cars and modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories. The Group expects that the implementation of IFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirements under IFRS 15 upon its adoption. The presentation and disclosure requirements in IFRS 15 are more detailed than

## NOTES TO THE FINANCIAL STATEMENTS

those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in Note 27 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately S\$2,283,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.



## NOTES TO THE FINANCIAL STATEMENTS

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

### 2.4 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## NOTES TO THE FINANCIAL STATEMENTS

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### 2.6 RELATED PARTIES

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group 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; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(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); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 2.7 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used are as follows:

Freehold property	—	50 years
Computers	—	3 years
Motor vehicles	—	5 years
Furniture and fittings	—	5 years
Office equipment	—	5 years
Renovation	—	5 years
Tools and machinery	—	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

### 2.8 INTANGIBLE ASSET

Intangible asset acquired separately is measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset of the Group and the Company are assessed as finite.

Intangible asset with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### *Software*

Software is acquired separately and is amortised on the straight-line basis over its estimated useful life of three (3) years.

### 2.9 LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

### 2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables and an available-for-sale financial investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include an available-for-sale investment, cash and cash equivalents, and trade and other receivables.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

## NOTES TO THE FINANCIAL STATEMENTS

### *Available-for-sale financial investment*

Available-for-sale financial investment is a non-derivative financial asset in a life insurance policy.

After initial recognition, the available-for-sale financial investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investment is reported as interest income and is recognised in the consolidated statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for “Revenue recognition” below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial asset in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial asset due to inactive market, the Group may elect to reclassify this financial asset if management has the ability and intention to hold the asset for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

### **2.11 DERECOGNITION OF FINANCIAL ASSETS**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

#### *Available-for-sale financial investment*

For the Group's available-for-sale financial investment, the Group assesses at the end of each reporting period whether there is objective evidence that the investment is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

### 2.13 FINANCIAL LIABILITIES

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

The subsequent measurement of loans and borrowings is as follows:

#### *Loans and borrowings*

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

### 2.14 DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### 2.15 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises cost of purchasing finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

### 2.16 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.



## NOTES TO THE FINANCIAL STATEMENTS

### 2.17 PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

### 2.18 INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in Singapore in which the Group primarily operates in.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.19 GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

### 2.20 REVENUE RECOGNITION

The Group derives its revenue from (i) the maintenance and repair of passenger cars, and (ii) the modification, tuning and grooming services of the performance or appearance of passenger cars and trading of spare parts and accessories.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) *Rendering of services*

Revenue from the provision of services is recognised when services have been rendered. Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

(c) *Rental income*

Rental income is accounted for on a time proportion basis over the lease terms.

### 2.21 EMPLOYEE BENEFITS

The employees of the Group's subsidiaries which operate in Singapore are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Singapore are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### 2.22 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.23 FOREIGN CURRENCIES

The functional currency of the Company is the S\$. The functional currency of the subsidiaries incorporated in Singapore is the S\$. As the Group mainly operates in Singapore, S\$ is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### 3.1 Judgements

In the process of applying the Group's accounting policies, management is of the opinion that there is no instance of application of judgement which is expected to have a significant impact on the amounts recognised in the consolidated financial statements, apart from those involving estimations described below.

### 3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### *Allowance for inventory obsolescence*

Allowance for inventory obsolescence is based on management's judgement using the available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, and estimated selling costs of the inventories. The allowance is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2017 and 2016 was S\$1,214,000 and S\$404,000 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### *Allowance for trade receivables*

The Group evaluates specific trade receivable balances where it has information that certain customers are unable to meet their financial obligations and makes allowance for doubtful debts accordingly. The Group uses significant judgement, based on the available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's repayment history and known market factors. These specific allowances are re-evaluated and adjusted as additional information received affects the amount of allowance for trade receivables. The carrying amount of the trade receivables as at 31 December 2017 and 2016 was S\$4,465,000 and S\$4,516,000, respectively.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- i. The maintenance and repair services segment relates to the repair of manufacturer's defects, replacement of parts due to wear and tear, or repair of damage resulting from accidents. Maintenance and repair services are typically charged based on the labour time and cost of parts incurred.
- ii. The modification, tuning and grooming services and trading of spare parts and accessories segment relates to the modification, tuning and grooming of the performance or appearance of passenger cars and the trading of spare parts and accessories.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss which in certain respects, as explained in the table below, is measured differently from the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expense and income comprise of expense and other sources of income which are not directly attributable to the identified segments.

Intersegment sales and transfers are on terms' agreement in a manner similar to transactions with third parties at the then prevailing market prices. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

The Group's revenue from external customers was derived from its operations in Singapore, and the non-current assets of the Group were located in Singapore as at 31 December 2017.

### **Information about major customers**

Since none of the Group's sales to a single customer accounted for 10% or more of the Group's total revenue during the year, no major customer information in accordance with IFRS 8 *Operating Segments* is presented.

## NOTES TO THE FINANCIAL STATEMENTS

	Maintenance and repair services		Modification, tuning and grooming services and trading of spare parts and accessories		Adjustments and eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue:</b>								
External customers	11,705	13,027	2,259	3,764	—	—	13,964	16,791
Intersegment	59	37	32	7	(91)	(44)	—	—
	11,764	13,064	2,291	3,771	(91)	(44)	13,964	16,791
<b>Results:</b>								
Cost of materials	(5,792)	(6,018)	(1,329)	(2,128)	91	44	(7,030)	(8,102)
Marketing and advertising expenses	(385)	(52)	(10)	(32)	—	—	(395)	(84)
Employee benefits expense	(4,009)	(3,375)	(704)	(797)	—	—	(4,713)	(4,172)
Depreciation and amortisation expense	(754)	(256)	(75)	(46)	—	—	(829)	(302)
Allowance for trade receivables	(58)	(7)	(16)	(21)	—	—	(74)	(28)
Other expenses	(2,246)	(1,720)	(446)	(297)	179	145	(2,513)	(1,872)
Segment (loss)/profit	(1,480)	1,636	(289)	450	179	145	(1,590)	2,231
Unallocated other expenses							(974)	(3,214)
Unallocated other income and gains							1,054	1,050
Unallocated marketing and advertising expenses							—	(7)
Unallocated depreciation and amortisation of other assets							(65)	(66)
Unallocated employee benefits expense							(380)	(102)
Unallocated finance costs							(132)	(162)
Loss before tax							(2,087)	(270)
Tax credit/(expense)							46	(301)
Loss for the year							(2,041)	(571)
<b>Assets:</b>								
Property, plant and equipment	7,184	1,322	621	69	—	—	7,805	1,391
Intangible asset	86	22	14	1	—	—	100	23
Segment assets	7,953	7,087	7,041	4,661	(2,420)	(1,174)	12,574	10,574
Unallocated assets*							1,731	7,424
Total assets							22,210	19,412
<b>Liabilities:</b>								
Segment liabilities	5,015	2,184	3,296	1,310	(2,411)	(1,174)	5,900	2,320
Unallocated liabilities*							4,047	2,763
Total liabilities							9,947	5,083
<b>Other segment information:</b>								
Additions to non-current assets**	6,801	1,507	640	6	—	—	7,441	1,513

\* The unallocated assets and liabilities are mainly corporate assets, tax recoverable, corporate liabilities, tax payable and deferred tax liabilities.

\*\* Additions to non-current assets consist of additions to property, plant and equipment and intangible asset.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents services rendered to customers less any discounts and invoiced trading sales of spare parts for the year. An analysis of revenue, other income and gains is as follows:

	2017 S\$'000	2016 S\$'000
<b>Revenue</b>		
Maintenance and repair services	11,705	13,027
Modification, tuning and grooming services and trading of spare parts and accessories	2,259	3,764
	13,964	16,791
<b>Other income and gains</b>		
Government grants*	71	152
Rental income	116	68
Commission income from sale of passenger cars	796	372
Foreign exchange gains	—	185
Unwinding of a discount on a loan stated at amortised cost	—	183
Others	71	90
	1,054	1,050

\* The amount mainly represents rewards or subsidies under the Productivity and Innovation Credit Scheme and the Wage Credit Scheme which were received from the Singapore government. There are no unfulfilled conditions or contingencies relating to these grants.

### 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2017 S\$'000	2016 S\$'000
Depreciation of property, plant and equipment	14	845	352
Amortisation of intangible asset	15	49	16
Auditor's remuneration		218	200
Minimum lease payments under operating leases		1,043	867
Staff costs (excluding directors' and chief executive's remuneration (Note 8))	9	4,374	3,817
Allowance for trade receivables	18	74	28
Foreign exchange losses/(gains)		134	(185)
Allowance for inventory obsolescence, net	17	147	15
Loss on disposal of property, plant and equipment		49	—
Property, plant and equipment written off	14	—	104
Expenses related to initial public offering		—	2,797

## NOTES TO THE FINANCIAL STATEMENTS

### 7. FINANCE COSTS

	2017 S\$'000	2016 S\$'000
Interest expenses		
— Finance leases	11	—
— Commercial property loan	—	105
— Term loans	102	8
Bank charges	19	49
	132	162

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Kelvin Lim was appointed as an executive director of the Company on 17 March 2016.

Mr. Chua Boon Hou (Cai Wenhao) and Mr. Lim Kong Joo were appointed as executive directors of the Company on 13 April 2016. Mr. Du Xianjie was appointed as non-executive director on 13 April 2016. Ms. Pok Mee Yau, Mr. Liu Ji and Mr. Leung Yiu Cho were appointed as independent non-executive directors of the Company on 21 October 2016. Mr. Wang Jingan was appointed as executive director on 7 April 2017. Mr. So Zelong was appointed as executive director on 3 July 2017.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2017 S\$'000	2016 S\$'000
Fees	100	17
Salaries, allowances and benefits in kind	560	381
Discretionary performance-related bonuses	8	19
Pension scheme contributions	51	40
	719	457

## NOTES TO THE FINANCIAL STATEMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company for the year were as follows:

Year ended 31 December 2017	Fees	Salaries, allowances and benefits in kind	Discretionary performance-related bonuses	Pension scheme contributions	Total remuneration
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>(a) Executive directors:</b>					
Mr. Kelvin Lim	—	192	—	14	206
Mr. Wang Jingan	—	98	—	—	98
Mr. Chua Boon Hou (Cai Wenhao)	—	119	—	17	136
Mr. Lim Kong Joo	—	109	8	20	137
Mr. So Zelong	—	42	—	—	42
	—	560	8	51	619
<b>(b) Non-executive director:</b>					
Mr. Du Xianjie	20	—	—	—	20
<b>(c) Independent non-executive directors:</b>					
Mr. Liu Ji	30	—	—	—	30
Ms. Pok Mee Yau	25	—	—	—	25
Mr. Leung Yiu Cho	25	—	—	—	25
	80	—	—	—	80
	100	560	8	51	719



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Discretionary performance-related bonuses	Pension scheme contributions	Total remuneration
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>(a) Executive directors:</b>					
Mr. Kelvin Lim	—	180	8	14	202
Mr. Chua Boon Hou (Cai Wenhao)	—	101	7	13	121
Mr. Lim Kong Joo	—	100	4	13	117
	—	381	19	40	440
<b>(b) Non-executive director:</b>					
Mr. Du Xianjie	4	—	—	—	4
<b>(c) Independent non-executive directors:</b>					
Mr. Liu Ji	5	—	—	—	5
Ms. Pok Mee Yau	4	—	—	—	4
Mr. Leung Yiu Cho	4	—	—	—	4
	13	—	—	—	13
	17	381	19	40	457

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 9. EMPLOYEE BENEFITS EXPENSE

	2017 S\$'000	2016 S\$'000
Directors' emoluments (Note 8):		
— Fees	100	17
— Salaries, allowances and benefits in kind	560	381
— Discretionary performance-related bonuses	8	19
— Pension scheme contributions	51	40
	719	457
Staff costs (excluding directors' remuneration):		
— Pension scheme contributions	290	260
— Foreign worker levy	216	164
— Salaries and bonuses	3,627	3,221
— Staff welfare and others	241	172
	4,374	3,817
	5,093	4,274

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2017 S\$'000	2016 S\$'000
Salaries, allowances and benefits in kind	264	264
Discretionary performance-related bonuses	19	8
Pension scheme contributions	19	20
	302	292

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
Nil to HK\$1,000,000 (equivalent to S\$171,000 (2016: S\$186,000))	1	2

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. INCOME TAX

The Group is subject to income tax on an entity based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Subsidiaries in Singapore are subject to taxation at a rate of 17% on the estimated profits arising in Singapore during the year.

	2017 S\$'000	2016 S\$'000
Current income tax		
— Current year	—	339
— Underprovision/(overprovision) in respect of prior years	4	(95)
	4	244
Deferred tax		
— Current year	(50)	44
— Underprovision in respect of prior years	—	13
	(50)	57
Tax (credit)/expense for the year — Singapore	(46)	301
Deferred tax charge related to other comprehensive income:		
— Changes in fair value of an available-for-sale investment	(5)	3

A reconciliation of the tax (credit)/expense applicable to loss before tax at the statutory/applicable rates for the countries or jurisdictions in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2017		2016	
	S\$'000	%	S\$'000	%
Loss before tax	(2,087)		(270)	
Tax at the statutory tax rate	(355)	17.00	(46)	17.00
Income not subject to tax	—	—	(92)	34.07
Expenses not deductible for tax	241	(11.55)	613	(227.04)
Tax losses not recognised	108	(5.18)	—	—
Effect of partial tax exemption and tax relief	—	—	(92)	34.07
Effect of Productivity and Innovation Credit incentive	(41)	1.97	(6)	2.22
Underprovision/(overprovision) of income tax in prior years	4	(0.19)	(95)	35.19
Underprovision of deferred tax in prior years	—	—	13	(4.81)
Others	(3)	0.14	6	(2.22)
Tax (credited)/charged at the Group's effective tax rate	(46)	2.16	301	(111.48)

The tax incentive pertains to the Productivity and Innovation Credit ("PIC") scheme. The PIC scheme was introduced in the Singapore Budget 2010 to provide tax benefits for investments by businesses in a broad range of activities along the innovation value chain. Enhancements to the PIC scheme were introduced in the Singapore Budget 2011 to 2015. In the Singapore Budget 2014, the PIC scheme was extended for 3 years. Currently, tax benefits provided under the PIC scheme will depend on the quantum of expenditure incurred for the qualifying activities from Year of Assessment ("YA") 2015 to YA 2018 and fulfilment of the relevant conditions.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. DIVIDENDS

There were no dividends paid or payable for the year ended 31 December 2017 (2016: S\$Nil).

### 13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

As at 31 December 2017, the Company had 500,000,000 ordinary shares in issue. The Company was listed on the GEM of the Stock Exchange of Hong Kong Limited on 8 November 2016 by way of placing of 125,000,000 new shares and capitalisation of 375,000,000 shares resulting in 500,000,000 ordinary shares in issue. The calculation of the basic loss per share is based on the following data:

	2017	2016
	S\$'000	S\$'000
<b>Loss</b>		
Loss for the year attributable to the equity holders of the parent	(2,041)	(571)
	2017	2016
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	500,000	395,833

Basic loss per share for the year ended 31 December 2017 is S\$(0.41) cents (2016: S\$(0.14) cents).

No adjustment has been made to the basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold property S\$'000	Computers S\$'000	Motor vehicles S\$'000	Furniture and fittings S\$'000	Office equipment S\$'000	Renovation S\$'000	Tools and machinery S\$'000	Total S\$'000
<b>31 December 2017</b>								
At 1 January 2017:								
Cost	2,583	8	685	259	239	1,405	683	5,862
Accumulated depreciation	(208)	(6)	(337)	(214)	(185)	(709)	(423)	(2,082)
Net carrying amount	2,375	2	348	45	54	696	260	3,780
At 1 January 2017, net of accumulated depreciation	2,375	2	348	45	54	696	260	3,780
Additions	—	41	2,218	691	181	3,101	1,083	7,315
Disposal	—	—	(120)	—	—	—	—	(120)
Depreciation provided during the year (Note 6)	(52)	(6)	(130)	(59)	(26)	(435)	(137)	(845)
At 31 December 2017, net of accumulated depreciation	2,323	37	2,316	677	209	3,362	1,206	10,130
At 31 December 2017:								
Cost	2,583	49	2,783	950	420	4,506	1,766	13,057
Accumulated depreciation	(260)	(12)	(467)	(273)	(211)	(1,144)	(560)	(2,927)
Net carrying amount	2,323	37	2,316	677	209	3,362	1,206	10,130
<b>31 December 2016</b>								
At 1 January 2016:								
Cost	2,583	6	400	293	200	701	467	4,650
Accumulated depreciation	(156)	(6)	(281)	(156)	(159)	(611)	(361)	(1,730)
Net carrying amount	2,427	—	119	137	41	90	106	2,920
At 1 January 2016, net of accumulated depreciation	2,427	—	119	137	41	90	106	2,920
Additions	—	2	285	37	42	734	216	1,316
Write-off	—	—	—	(71)	(3)	(30)	—	(104)
Depreciation provided during the year (Note 6)	(52)	—	(56)	(58)	(26)	(98)	(62)	(352)
At 31 December 2016, net of accumulated depreciation	2,375	2	348	45	54	696	260	3,780
At 31 December 2016:								
Cost	2,583	8	685	259	239	1,405	683	5,862
Accumulated depreciation	(208)	(6)	(337)	(214)	(185)	(709)	(423)	(2,082)
Net carrying amount	2,375	2	348	45	54	696	260	3,780

The freehold property located at 9 Tagore Lane #03-10, 9 @ Tagore, Singapore 787472 relates to a commercial unit in a building for the Group's warehousing purpose. The carrying amount of the Group's freehold property as at 31 December 2017 was S\$2,323,000 (2016: S\$2,375,000) and the property was mortgaged as security for the facilities as set out in Note 22 to the financial statements.

#### Assets held under finance leases

During the financial year, the Group acquired motor vehicles with an aggregate cost of S\$468,000 (2016: S\$ Nil) by means of finance leases. The cash outflow on acquisition of motor vehicles amounted to S\$102,000.

The carrying amount of motor vehicles held under finance leases at the end of the reporting period was S\$411,000.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. INTANGIBLE ASSET

	Software S\$'000
<b>31 December 2017</b>	
Cost at 1 January 2017, net of accumulated amortisation	23
Additions	126
Amortisation provided during the year (Note 6)	(49)
At 31 December 2017, net of accumulated amortisation	100
At 31 December 2017:	
Cost	244
Accumulated amortisation	(144)
Net carrying amount	100
<b>31 December 2016</b>	
Cost at 1 January 2016 net of accumulated amortisation	28
Additions	11
Amortisation provided during the year (Note 6)	(16)
At 31 December 2016	23
At 31 December 2016:	
Cost	118
Accumulated amortisation	(95)
Net carrying amount	23

As at 31 December 2017, the software of the Group has a remaining useful life of not more than 3 years (2016: not more than 3 years).

### 16. AVAILABLE-FOR-SALE INVESTMENT

	2017 S\$'000	2016 S\$'000
Life insurance policy, at fair value	433	463

The Group has entered into a life insurance policy with an insurance company to insure the executive director. Under this policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for this policy and may surrender any time by filing a written request and receive cash based on the surrender value of the policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the Directors, the surrender value of the policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. An increase/decrease of 5% in the surrender value of the policy would result in an increase/decrease of S\$18,000 (2016: S\$19,000) in other comprehensive income.

The changes in fair value of the Group's available-for-sale investment, net of tax, recognised in other comprehensive income amounted to losses of S\$25,000 for the year ended 31 December 2017 (2016: gains of S\$17,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 17. INVENTORIES

	2017 S\$'000	2016 S\$'000
Spare parts and accessories	1,214	404

Inventories are stated net of allowance for inventory obsolescence of S\$306,000 as at 31 December 2017 (2016: S\$157,000). During the year ended 31 December 2017, allowance for inventory obsolescence amounting to S\$147,000 (2016: S\$15,000) was recognised.

### 18. TRADE AND OTHER RECEIVABLES

	2017 S\$'000	2016 S\$'000
Trade receivables	4,561	4,538
Allowance for trade receivables	(96)	(22)
Trade receivables, net	4,465	4,516
Other receivables	284	81
Deposits*	3,248	2,830
	7,997	7,427

\* The amount mainly represents deposits paid for the purchase of vehicles on behalf of customers.

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

An aging analysis of the trade receivables as at the end of the reporting period, based on the date of the products sold or services rendered, is as follows:

	2017 S\$'000	2016 S\$'000
Less than 30 days	1,159	988
30–60 days	353	649
61–90 days	374	888
91–120 days	185	504
More than 120 days	2,394	1,487
	4,465	4,516

## NOTES TO THE FINANCIAL STATEMENTS

The movements of the allowance accounts used to record the impairment are as follows:

	2017 S\$'000	2016 S\$'000
At 1 January	22	76
Impairment losses recognised (Note 6)	74	28
Write-off of trade receivables	—	(82)
At 31 December	96	22

The above provision for trade receivables is a provision for individually impaired trade receivables. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or in dispute and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 S\$'000	2016 S\$'000
Neither past due nor impaired	1,159	988
Past due but not impaired:		
Less than 30 days	353	649
30–60 days	374	888
61–90 days	185	504
91–120 days	61	1,044
More than 120 days	2,333	443
	3,306	3,528
	4,465	4,516

Receivables that were neither past due nor impaired relate to customers with a good track record 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, the directors of the Company are of the opinion that no provision for impairment 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 19. CASH AND CASH EQUIVALENTS

	2017 S\$'000	2016 S\$'000
Cash and bank balances	1,133	6,789

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents denominated in foreign currencies are as follows:

	2017		2016	
	Local currency \$'000	S\$'000	Local currency \$'000	S\$'000
United States dollar	—	—	3	4
Euro	—	—	1	2
Hong Kong dollar	2,848	487	16,339	3,046
British Pound Sterling	—	—	3	6

### 20. TRADE AND OTHER PAYABLES

	2017 S\$'000	2016 S\$'000
Trade payables	2,539	1,459
Other payables	632	465
Deposits received from customers	130	114
Accrued expenses	855	605
Loan from a director	839	—
	4,995	2,643

Trade payables and other payables are normally settled on 60 days' terms. These amounts are non-interest bearing.

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 S\$'000	2016 S\$'000
Less than 30 days	870	758
30–60 days	699	492
61–90 days	550	117
91–120 days	235	11
More than 120 days	185	81
	2,539	1,459

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PROVISIONS

	Reinstatement costs S\$'000	Warranty S\$'000	Total S\$'000
At 1 January 2017	—	—	—
Provision charged during the year	565	50	615
At 31 December 2017	565	50	615
Represented by:			
— payable within one year	565	50	615
At 31 December 2017	565	50	615

### 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017 Maturity	2017 S\$'000	2016 Maturity	2016 S\$'000
Current				
Term loans:				
— S\$ loan at bank's cost of funds ("COF") + 3.5% per annum (Note a)	—	—	2017	172
— US\$ loan at bank's cost of funds ("COF") + 3.5% per annum (Note a)	2018	265	—	—
— S\$ loan at bank's 1-year cost of funds ("COF") + 1.5% per annum (Note a)	—	—	2017	98
— S\$ loan at bank's 6-month cost of funds ("COF") + 1.5% per annum (Note a)	2018	105	—	—
— S\$ loan at 5% per annum on daily rest	2018	536	—	—
— S\$ loan at 4% per annum on daily rest (Note c)	2018	159	—	—
— S\$ loan at bank's 3-month cost of funds ("COF") + 2.88% per annum (Note a, Note b)	2019–2031	1,561	—	—
Finance lease payables (Note 24)	2018	68	—	—
		2,694		270
Non-current				
Term loans:				
— S\$ loan at bank's 6-month cost of funds ("COF") + 1.5% per annum (Note a)	—	—	2018	109
— S\$ loan at bank's 3-month cost of fund ("COF") + 2.88% per annum (Note a)	—	—	2019–2031	1,545
— S\$ loan at 5% per annum on daily rest	2019	344	—	—
— S\$ loan at 4% per annum on daily rest (Note c)	2019–2020	324	—	—
Finance lease payables (Note 24)	2019–2022	258	—	—
		926		1,654
Total		3,620		1,924

## NOTES TO THE FINANCIAL STATEMENTS

	2017 S\$'000	2016 S\$'000
Analysed into:		
Within one year	2,694	270
In the second year	581	109
In the third to fifth years	345	366
Over five years	—	1,179
	3,620	1,924

Notes:

### a) S\$ and US\$ term loans

The Group's term loans (short and long term loans) are secured by way of corporate guarantees provided by the Company and a subsidiary and a legal mortgage of the Group's freehold property which had a carrying amount of S\$2,323,000 as at 31 December 2017 (2016: S\$2,375,000) (Note 14). The refinanced long term loan matures on 15 October 2031.

The short term loan facility of up to US\$300,000. The short term loan bears interest at bank's cost of funds +3.5% per annum.

The long term loan bears interest at:

- 1st year at bank's 1-year cost of funds +1.5% per annum.
- 2nd year at bank's 6-month cost of funds +1.5% per annum.
- 3rd year and onwards at bank's 3-month cost of funds +2.88% per annum.

In the opinion of the directors, the fair value of interest-bearing bank borrowings is categorised within Level 2 of the fair value hierarchy.

- b) The Group loans are subject to financial covenants and the Group did not satisfy one of the financial covenants for its term loan as at balance sheet date. Accordingly, the loan amount of \$1,561,000 has been reclassified and presented as a current liability as at 31 December 2017. Subsequent to the balance sheet date, the Group has obtained the bank's consent to waive the breach of that financial covenant.
- c) These loans are incurred with a charge over certain machinery.

Loans and borrowings denominated in a foreign currency are analysed as follows:

	2017 S\$'000	2016 S\$'000
United States dollar	265	—

A reconciliation of liabilities arising from financial activities is as follows:

	1 January 2017 S\$'000	Changes from financing cash flows S\$'000	Non-cash changes New finance leases S\$'000	Foreign exchange movement S\$'000	31 December 2017 S\$'000
Bank loans	1,924	1,370	—	—	3,294
Finance leases	—	(40)	366	—	326
Total	1,924	1,330	366	—	3,620

## NOTES TO THE FINANCIAL STATEMENTS

### 23. DEFERRED TAX LIABILITIES

	Statement of financial position		Other comprehensive income		Profit or loss	
	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities:						
Differences in depreciation for tax purpose	(94)	(110)	—	—	16	(57)
Deferred tax assets:						
Provisions	34	—	—	—	34	—
Revaluations of fair value on an available-for-sale investment	11	6	5	(3)	—	—
	(49)	(104)	5	(3)	50	(57)

The Group had unutilised tax losses of approximately S\$399,000 (2016: S\$ Nil) that are available for offset against future taxable profits of the companies in which the losses arise, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of tax legislation of Singapore. The tax losses have no expiry date.

### 24. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms of five years.

As at 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2017 S\$'000	Minimum lease payments 2016 S\$'000	Present value of minimum lease payments 2017 S\$'000	Present value of minimum lease payments 2016 S\$'000
Amounts payable:				
Within one year	83	—	68	—
In the second to fifth years, inclusive	283	—	258	—
Total minimum finance lease payments	366	—	326	—
Future finance charges	(40)	—		
Total net finance leases payable	326	—		
Portion classified as current liabilities (Note 22)	68	—		
Non-current portion (Note 22)	258	—		

## NOTES TO THE FINANCIAL STATEMENTS

### 25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 March 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, 10,000 shares of nominal value of HK\$0.01 each were allotted and issued to its then shareholders. Upon the completion of the reorganisation on 21 October 2016, the Company became the holding company of the Group.

	2017 S\$'000	2016 S\$'000
Issued and fully paid:		
500,000,000 (2016: 500,000,000) ordinary shares	900	900

A summary of the movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital S\$'000	Share premium S\$'000	Total S\$'000
At 1 January 2016	—	—	—	—
Shares issued under the reorganisation exercise (Note (a))	375,000,000	675	1,394	2,069
Shares issued under the initial public offering ("IPO") (Note (b))	125,000,000	225	8,549	8,774
	500,000,000	900	9,943	10,843
Shares issuance expenses	—	—	(961)	(961)
At 31 December 2016, 1 January 2017 and 31 December 2017	500,000,000	900	8,982	9,882

Notes:

- In preparation for the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent the reorganisation and 375,000,000 shares of HK\$0.01 each, were issued for a total consideration of S\$2,069,000, to acquire the shares of one of the subsidiaries.
- In connection with the Company's IPO, 125,000,000 shares of HK\$0.01 each, were issued at a price of HK\$0.40 per share for a total cash consideration, before listing expenses, of S\$8,774,000. Dealings of these shares on the Stock Exchange commenced on 8 November 2016.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

### 26. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

#### Available-for-sale investment revaluation reserve

Available-for-sale investment revaluation reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

#### Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of the acquired entities under common control.

## NOTES TO THE FINANCIAL STATEMENTS

### Share premium

Share premium represents the difference between the nominal value and the issuing value of the shares.

The addition of S\$8,982,000 during the year ended 31 December 2016 represented the issuance of shares for the acquisition of a subsidiary and the placement issue, net of shares issuance expenses attributed to the issuance of new shares.

## 27. OPERATING LEASE ARRANGEMENTS

### Operating lease commitments — as lessee

The Group leases certain of its service centres and its office equipment under operating lease arrangements. Leases for properties are negotiated for terms of three years.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 S\$'000	2016 S\$'000
Within one year	1,050	988
In the second to fifth years, inclusive	1,233	1,771
	2,283	2,759

## 28. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Maximum outstanding with a director during the reporting period and as at the year end:

	2017 S\$'000	2016 S\$'000
Due to Kelvin Lim	839	—

- (b) Compensation of key management personnel of the Group:

	2017 S\$'000	2016 S\$'000
Salaries, allowances and benefits in kind	560	381
Discretionary performance-related bonuses	8	19
Pension scheme contributions	51	40
	619	440

Further details of directors' emoluments are included in Note 8 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### As at 31 December 2017

##### Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	S\$'000	S\$'000	S\$'000
Available-for-sale investment	—	433	433
Trade and other receivables	4,749	—	4,749
Cash and cash equivalents	1,133	—	1,133
	5,882	433	6,315

##### Financial liabilities

	Financial liabilities at amortised cost
	S\$'000
Financial liabilities included in trade and other payables	4,806
Interest-bearing bank and other borrowings	3,620
	8,426

#### As at 31 December 2016

##### Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	S\$'000	S\$'000	S\$'000
Available-for-sale investment	—	463	463
Trade and other receivables	4,597	—	4,597
Cash and cash equivalents	6,789	—	6,789
	11,386	463	11,849

##### Financial liabilities

	Financial liabilities at amortised cost
	S\$'000
Financial liabilities included in trade and other payables	2,529
Interest-bearing bank and other borrowings	1,924
	4,453

## NOTES TO THE FINANCIAL STATEMENTS

### 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts	
	2017	2016
	S\$'000	S\$'000
<b>Financial assets</b>		
Available-for-sale investment	433	463
Trade and other receivables	4,749	4,579
Cash and cash equivalents	1,133	6,789
	6,315	11,849

	Fair values	
	2017	2016
	S\$'000	S\$'000
<b>Financial assets</b>		
Available-for-sale investment	433	463
Trade and other receivables	4,749	4,579
Cash and cash equivalents	1,133	6,789
	6,315	11,849

	Carrying amounts	
	2017	2016
	S\$'000	S\$'000
<b>Financial liabilities</b>		
Financial liabilities included in trade and other payables	4,806	2,529
Interest-bearing bank and other borrowings	3,620	1,924
	8,426	4,453

	Fair values	
	2017	2016
	S\$'000	S\$'000
<b>Financial liabilities</b>		
Financial liabilities included in trade and other payables	4,806	2,529
Interest-bearing bank and other borrowings	3,620	1,924
	8,426	4,453

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing bank and other borrowings (current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate their fair values:

The fair values of non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities as disclosed in Note 22 to the financial statements.

The fair value of the available-for-sale investment has been estimated based on the surrender value of the policy as disclosed in Note 16 to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and seek to minimise potential adverse effects on the financial performance of the Group. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

#### Credit risk

The Group adopts the policy of dealing only with customers with appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

Customers' payment profile and credit exposure are continuously monitored by the Company.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the statement of financial position. The Group's major classes of financial assets are cash and cash equivalents and trade and other receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 18 to the financial statements.

#### Foreign currency risk

The Group has currency exposures arising from sales, purchases and interest-bearing bank and other borrowings that are denominated in a currency other than the respective functional currencies of the group entities, primarily Singapore dollar. The currency giving rise to this risk is primarily the Hong Kong dollar ("HK\$"), United States dollar ("US\$"), Euro ("EUR") and Renminbi ("RMB").

The Group's exposure to foreign currencies in respect of financial assets and liabilities is disclosed in the respective notes to the financial statements.

The following demonstrates the sensitivity to a reasonably possible change in HK\$, US\$, EUR and RMB against the Singapore dollar, with all other variables held constant, of the Group's loss before tax:

	2017 S\$'000	2016 S\$'000
US\$ against S\$		
— strengthened 6% (2016: Nil)	17	—
— weakened 6% (2016: Nil)	(17)	—
HK\$ against S\$		
— strengthened 6% (2016: 6%)	29	183
— weakened 6% (2016: 6%)	(29)	(183)
EUR against S\$		
— strengthened 6% (2016: Nil)	7	—
— weakened 6% (2016: Nil)	(7)	—
RMB against S\$		
— strengthened 6% (2016: Nil)	1	—
— weakened 6% (2016: Nil)	(1)	—

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017 and 2016, the Group had interest-bearing bank and other borrowings of S\$3,620,000 and S\$1,924,000. If SGD interest rates had been 300 basis points higher/lower with all other variables held constant, the Group's loss before tax would have been S\$58,000 and S\$58,000 higher/lower for the years ended 31 December 2017 and 2016, respectively, mainly as a result of the higher/lower interest expense on floating rate loans and borrowings.

### Liquidity risk

The Group manages liquidity risk by maintaining cash and available funding through committed credit facilities sufficient to enable it to meet its operational requirements.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Within 1 year	1 to 5 years	Over 5 years	Total
As at 31 December 2017	S\$'000	S\$'000	S\$'000	S\$'000
Financial liabilities included in trade and other payables	4,806	—	—	4,806
Interest-bearing bank and other borrowings	3,213	971	—	4,184
	8,019	971	—	8,990

	Within 1 year	1 to 5 years	Over 5 years	Total
As at 31 December 2016	S\$'000	S\$'000	S\$'000	S\$'000
Financial liabilities included in trade and other payables	2,529	—	—	2,529
Interest-bearing bank and other borrowings	331	678	1,390	2,399
	2,860	678	1,390	4,928

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide adequate cash flows to meet its operating requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios are as follows:

	2017	2016
	S\$'000	S\$'000
Interest-bearing bank and other borrowings	3,620	1,924
Equity attributable to owners of the Company	12,263	14,329
Gearing ratio	0.3	0.1

## NOTES TO THE FINANCIAL STATEMENTS

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 S\$'000	2016 S\$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	2,069	2,069
Total non-current assets	2,069	2,069
CURRENT ASSETS		
Amounts due from subsidiaries	3,859	4,324
Cash and cash equivalents	3	177
Total current assets	3,862	4,501
CURRENT LIABILITIES		
Other payables	312	90
Total current liabilities	312	90
NET CURRENT ASSETS	3,550	4,411
Net assets	5,619	6,480
EQUITY		
Share capital	900	900
Reserves	4,719	5,580
Total equity	5,619	6,480

A summary of the Company's reserves is as follows:

	Share premium S\$'000	Accumulated losses S\$'000	Total S\$'000
<b>At 1 January 2017</b>	8,982	(3,402)	5,580
Total comprehensive loss for the year	—	(861)	(861)
<b>At 31 December 2017</b>	8,982	(4,263)	4,719

### 33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

## FINANCIAL SUMMARY

	2017	2016	2015	2014
<b>Results</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Revenue	13,964	16,791	15,814	15,491
(Loss)/profit before tax	(2,087)	(270)	2,054	2,612
Income tax credit/(expense)	46	(301)	(338)	(413)
(Loss)/profit for the year	(2,041)	(571)	1,716	2,199

  

	2017	2016	2015	2014
<b>Assets and liabilities</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Total assets	22,210	19,412	12,219	12,881
Total liabilities	9,947	5,083	5,131	6,535
Total equity	12,263	14,329	7,088	6,346

*Note:*

The financial information for the years ended 31 December 2014 and 2015 were extracted from the prospectus of the Company dated 31 October 2016. No financial statements of the Group for the year ended 31 December 2013 have been published. The summary above does not form part of the audited financial statements.