

ZHENG LI HOLDINGS LIMITED

正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283

PLACING

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager



Great Wall Securities Limited
長城證券有限公司

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

Zheng Li Holdings Limited

正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 125,000,000 Placing Shares
Placing Price : HK\$0.4 per Placing Share (payable in full upon application, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value : HK\$0.01 per Share
Stock code : 8283

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager



Great Wall Securities Limited
長城證券有限公司

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in “Documents Delivered to the Registrar of Companies and Available for Inspection — 1. Documents Delivered to the Registrar of Companies” in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in “Risk Factors”.

Prospective investors of the Placing Shares should note that the Sponsor and/or the Lead Manager (also in its capacity as the Underwriter) shall have the absolute right to terminate the Underwriting Agreement by notice in writing to our Company with immediate effect if any of the events set forth in “Underwriting — Underwriting arrangements, commissions and expenses — Grounds for termination” occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Tuesday, 8 November 2016).

No information on any website forms part of this prospectus.

31 October 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies in which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on listed issuers.

EXPECTED TIMETABLE

2016^(Note 1)

Announcement of the indication of level of interest in the
Placing and basis of allocation of the Placing Shares to be
published on the website of the Stock Exchange at
www.hkexnews.hk ^(Note 2) and our Company's website at
www.zhengliholdings.com ^(Note 2) on Monday, 7 November

Allotment of the Placing Shares to placees on or about Monday, 7 November

Deposit of share certificates for the Placing Shares into
CCASS on or about ^(Note 3) Monday, 7 November

Dealings in Shares on GEM to commence at 9:00 a.m. on Tuesday, 8 November

Notes:

- (1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in "Structure and Conditions of the Placing". If there is any change in the above expected timetable, an announcement will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.zhengliholdings.com**.
- (2) None of the websites or any information contained therein form part of this prospectus.
- (3) The share certificates for the Placing Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or about Monday, 7 November 2016 for credit to the respective CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Underwriter, the placees or their agents (as the case may be). Our Company will not issue any temporary documents or evidence of title.

Share certificates will only become valid certificates of title of the Shares to which they relate when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For details of the structure of the Placing, including the conditions thereto, please see "Structure and Conditions of the Placing".

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Lead Manager, the Bookrunner and the Underwriter have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Lead Manager, the Bookrunner, the Underwriter, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Placing.

	<i>Page(s)</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	15
GLOSSARY	24
FORWARD-LOOKING STATEMENTS	25
RISK FACTORS	26
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	39
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	43
CORPORATE INFORMATION	46
INDUSTRY OVERVIEW	48
REGULATORY OVERVIEW	63
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	76
BUSINESS	85
DIRECTORS AND SENIOR MANAGEMENT	152

CONTENTS

	<i>Page(s)</i>
SUBSTANTIAL SHAREHOLDERS	162
RELATIONSHIP WITH CONTROLLING SHAREHOLDER	164
SHARE CAPITAL	168
FINANCIAL INFORMATION	171
FUTURE PLANS AND USE OF PROCEEDS	219
UNDERWRITING	229
STRUCTURE AND CONDITIONS OF THE PLACING	238
APPENDICES	
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — PROPERTY VALUATION REPORT	III-1
APPENDIX IV — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	IV-1
APPENDIX V — STATUTORY AND GENERAL INFORMATION	V-1
APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares. There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Placing Shares.

BUSINESS OVERVIEW

We are a leading automotive service provider in Singapore. According to the Frost & Sullivan Report, we (i) ranked second with a market share of approximately 1.4% in terms of the number of passenger cars maintained and/or repaired; and (ii) ranked first with a market share of approximately 8.9% in terms of revenue derived from passenger car modification, tuning and grooming services, in Singapore in 2015. We have over 14 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. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand.

We have the capability to maintain and repair a wide range of brands of passenger cars in Singapore and are equipped with diagnostic equipment for carrying out such services, including and especially for luxury and ultra-luxury passenger cars. 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 (i) maintained and/or repaired approximately 13,400 units, 13,100 units and 4,600 units of passenger cars; and (ii) modified, tuned and/or groomed approximately 700 units, 1,000 units and 300 units of passenger cars, for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

During the Track Record Period, we operated 2 service centres in Singapore, being the Sin Ming Service Centre and the Kung Chong Service Centre. As the Sub-lessor was in breach of its tenancy agreement with the Lessee and the HDB’s terms of approval by subletting to us the premises where our Kung Chong Service Centre was located, in September 2016, we ceased our operations at our Kung Chong Service Centre and relocated these operations to our Commonwealth Service Centre and our Sin Ming Service Centre. Since the Relocation, our Commonwealth Service Centre has served as our office and showroom, where our customers may drop off and collect their passenger cars, and our Sin Ming Service Centre has served as our primary workshop.

SUMMARY

The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Maintenance and repair services	12,983	83.8	12,689	80.2	4,297	87.9	3,837	78.7
<hr/>								
Modification, tuning and grooming services and trading of spare parts and accessories								
- Modification, tuning and grooming services	1,730	11.2	1,961	12.4	422	8.6	656	13.4
- Trading of spare parts and accessories	778	5.0	1,164	7.4	170	3.5	385	7.9
Sub-total	<u>2,508</u>	<u>16.2</u>	<u>3,125</u>	<u>19.8</u>	<u>592</u>	<u>12.1</u>	<u>1,041</u>	<u>21.3</u>
Total	<u>15,491</u>	<u>100.0</u>	<u>15,814</u>	<u>100.0</u>	<u>4,889</u>	<u>100.0</u>	<u>4,878</u>	<u>100.0</u>

Revenue from our maintenance and repair services segment recorded a slight year-on-year decrease by approximately S\$0.3 million or 2.3% to approximately S\$12.7 million for the year ended 31 December 2015, which was mainly due to the decrease in the number of units of passenger cars that we maintained and/or repaired by approximately 300 units from approximately 13,400 units for the year ended 31 December 2014 to approximately 13,100 units for the year ended 31 December 2015.

Revenue from our maintenance and repair services segment recorded a period-on-period decrease by approximately S\$0.5 million or 10.7% to approximately S\$3.8 million for the four months ended 30 April 2016, which was mainly due to more regular maintenance services, which command lower service fee per job as compared with complex repair services, were provided for the four months ended 30 April 2016. The number of units of passenger cars that we maintained and/or repaired increased by approximately 300 units from approximately 4,300 units for the four months ended 30 April 2015 to 4,600 units for the four months ended 30 April 2016.

Revenue from our modification, tuning and grooming services under our modification, tuning and grooming services and trading of spare parts and accessories segment recorded a year-on-year increase by approximately S\$0.3 million or 13.4% to approximately S\$2.0 million for the year ended 31 December 2015, which was mainly due to the increase the in number of units of passenger cars that we modified, tuned and/or groomed by approximately 300 units from approximately 700 units for the year ended 31 December 2014 to approximately 1,000 units for the year ended 31 December 2015.

Revenue from our modification, tuning and grooming services recorded a period-to-period increase by approximately S\$0.3 million or 55.5% to approximately S\$0.7 million for the four months ended 30 April 2016, which was mainly due to the increase in the number of units of passenger cars that we modified, tuned and/or groomed from approximately 200 units for the four months ended 30 April 2015 to approximately 300 units for the four months ended 30 April 2016.

SUMMARY

Revenue from our trading of spare parts and accessories recorded a year-on-year increase by approximately S\$0.4 million or 49.6% to approximately S\$1.2 million for the year ended 31 December 2015, and a period-to-period increase by approximately S\$0.2 million or 126.5% to approximately S\$0.4 million for the four months ended 30 April 2016. Both increases were mainly due to the year-on-year increase in the volume of trading of spare parts and accessories.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, (i) revenue generated from luxury and ultra-luxury passenger cars accounted for approximately 76.1%, 76.1% and 73.0%, respectively, of our total revenue, excluding revenue generated from the trading of spare parts and accessories; (ii) revenue generated from the maintenance and repair of luxury and ultra-luxury passenger cars comprised approximately 73.8%, 75.2% and 71.6%, respectively, of our revenue from maintenance and repair services; and (iii) revenue generated from the modification, tuning and grooming of luxury and ultra-luxury passenger cars comprised approximately 93.0%, 81.9% and 81.3%, respectively, of our revenue from modification, tuning and grooming services under our modification, tuning and grooming services and trading of spare parts and accessories segment.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from our Sin Ming Service Centre accounted for approximately 36.8%, 31.6% and 31.7%, respectively, of our total revenue, whereas revenue generated from our Kung Chong Service Centre accounted for approximately 63.2%, 68.4% and 68.3%, respectively, of our total revenue.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, (i) the average service fee charged by our Group for maintenance and repair services amounted to approximately S\$968.9, S\$968.6 and S\$834.1, respectively; and (ii) the average service fee charged by our Group for modification, tuning and grooming services amounted to approximately S\$2,471.4, S\$1,961.0 and S\$2,186.7, respectively. The main costs of our Group's operations during the Track Record Period were cost of materials and direct labour. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, (i) cost of materials amounted to approximately S\$7.8 million, S\$8.2 million, S\$2.6 million and S\$2.8 million, representing approximately 83.9%, 80.4%, 78.8% and 77.6% of our total cost of sales, respectively; and (ii) direct labour amounted to approximately S\$1.4 million, S\$1.9 million, S\$0.7 million and S\$0.8 million, representing approximately 15.5%, 19.0%, 20.7% and 22.0% of our total cost of sales, respectively.

SUMMARY

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	Gross		Gross		Gross		Gross	
	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit/(loss)	Profit Margin	Gross Profit	Profit Margin
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Maintenance and repair services	5,623	43.3	4,801	37.8	1,642	38.2	1,124	29.3
Modification, tuning and grooming services and trading of spare parts and accessories								
- Modification, tuning and grooming services	468	27.1	383	19.5	(66)	N/A	49	7.5
- Trading of spare parts and accessories	164	21.1	437	37.5	43	25.3	124	32.2
	632	25.2	820	26.2	(23)	N/A	173	16.6
Total	<u>6,255</u>	<u>40.4</u>	<u>5,621</u>	<u>35.5</u>	<u>1,619</u>	<u>33.1</u>	<u>1,297</u>	<u>26.6</u>

Gross profit margin of our maintenance and repair services segment was approximately 43.3%, 37.8%, 38.2% and 29.3% for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. The lower gross profit margin for the year ended 31 December 2015 and the four months ended 30 April 2016 was mainly due to an increase in direct labour cost along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees.

Gross profit margin from our modification, tuning and grooming services under our modification, tuning and grooming services and trading of spare parts and accessories segment was approximately 27.1%, 19.5% and 7.5% for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. A gross loss of approximately S\$66,000 was recorded for the four months ended 30 April 2015, which was mainly due to the revenue generated from the limited number of units of passenger cars that we modified, tuned and/or groomed for the four months ended 30 April 2015 of approximately 200 units not achieving a level that could cover our fixed direct labour which comprised salaries and related costs of our operational and technical staff involved in the carrying out of modification, tuning and grooming services. The lower gross profit margin for the year ended 31 December 2015 and the four months ended 30 April 2016 was mainly due to an increase in direct labour cost along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees. The year-on-year increase in gross profit margin of trading of spare parts and accessories for the year ended 31 December 2015 and for the four months ended 30 April 2016 was mainly due to sale of higher margin spare parts and accessories during that year/period.

SUMMARY

Segmental results

Our Group's maintenance and repair services segment recorded segment profits of approximately S\$2.6 million, S\$2.0 million, S\$0.7 million and S\$0.1 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. During the same periods, our Group's modification, tuning and grooming services and trading of spare parts and accessories segment recorded segment losses of approximately S\$0.2 million, S\$0.1 million, S\$0.3 million and S\$0.2 million, respectively. Such segment losses were mainly due to (i) an increase in employee headcount in 2014 and 2015; and (ii) the increased rental expenses shared by this segment for an additional unit of premises rented at the premises where our Kung Chong Service Centre was located since November 2014.

OUR SERVICE CENTRES

The following table sets forth details of each of our service centres for the period indicated:

		Sin Ming Service Centre	Kung Chong Service Centre	Commonwealth Service Centre
Lease expiry date	Unit 01-11 Sin Ming Drive	15 September 2017	N/A	N/A
	Unit 01-14 Sin Ming Drive	30 November 2019	N/A	N/A
	Unit 01-15 Sin Ming Drive	30 November 2019	N/A	N/A
	Unit 01-16 Sin Ming Drive	30 November 2018	N/A	N/A
	Part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140	N/A	15 September 2016 (<i>Note</i>)	N/A
	Commonwealth Premises	N/A	N/A	15 May 2018
Approximate number of units of passenger cars maintained and/or repaired	Year ended 31 December 2014	6,700	6,700	0
	Year ended 31 December 2015	6,200	6,900	0
	Four months ended 30 April 2016	2,200	2,400	0
	Period from 1 January 2016 to the Latest Practicable Date	6,500	5,300	0
Approximate number of units of passenger cars modified, tuned and/or groomed	Year ended 31 December 2014	0	700	0
	Year ended 31 December 2015	0	1,000	0
	Four months ended 30 April 2016	0	300	0
	Period from 1 January 2016 to the Latest Practicable Date	100	600	0
Number of hoists	As at 31 December 2014	7	12	0
	As at 31 December 2015	7	12	0
	As at 30 April 2016	7	12	0
	As at the Latest Practicable Date	24	0	0

SUMMARY

		Sin Ming Service Centre	Kung Chong Service Centre	Commonwealth Service Centre
Number of technicians	As at 31 December 2014	10	12	0
	As at 31 December 2015	12	17	0
	As at 30 April 2016	12	16	0
	As at the Latest Practicable Date	23	0	1

Note: In July 2016, to effect our Relocation, we gave notice to the Sub-lessor of the premises where our Kung Chong Service Centre was located to terminate the tenancy agreements with effect from 15 September 2016 and the Sub-lessor had agreed to this arrangement. Please see “Business — Our properties — Unit 01-11 Sin Ming Drive and the premises where our Kung Chong Service Centre was located — Premises where our Kung Chong Service Centre was located” for more details.

For details of our service centres, please see “Business — Our service centres”.

CUSTOMERS AND SUPPLIERS

Our customers include (i) car dealers; (ii) car leasing companies; (iii) an insurance company; (iv) other car service centres; and (v) individuals or other corporations. Our top 5 customers during the Track Record Period include individuals as well as companies in the automotive related industry. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sales to our top 5 customers accounted for approximately 7.5%, 9.1% and 13.6% of our total revenue, respectively, and sales to our largest customer accounted for approximately 2.3%, 4.3% and 4.0%, respectively, of our total revenue during the same periods.

Our suppliers mainly include (i) suppliers of spare parts and accessories; (ii) suppliers of passenger car lubricants; and (iii) subcontractors who perform specific jobs including passenger car towing, car bodywork involving panel beating and spray painting, repair of transmission, and installation of audio and visual systems. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, purchases from our top 5 suppliers accounted for approximately 46.6%, 44.1% and 39.7% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 13.2%, 14.2% and 11.3%, respectively, of our total purchases during the same periods.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

In Singapore, a COE is required for the registration of a new vehicle in the appropriate vehicle category. A COE represents the right to vehicle ownership and use of the limited road space in Singapore for 10 years. At the end of the 10-year COE period, car owners can choose to deregister or revalidate COE for another 5 or 10 years by paying the prevailing quota premium. Vehicle owners are also allowed to de-register their COEs before the expiry of the 10-year period and will receive monetary rebate. From 2016 to 2018, it is expected that the number of passenger cars about to reach the 10-year usage entitlement will be high. Therefore, more passenger cars are expected to be de-registered in 2016, 2017 and 2018 as a result of such expiry of COEs. The increase in the number

SUMMARY

of de-registered passenger cars will increase the COE quota subsequently and hence increase the number of newly registered passenger cars. Therefore, as a combination of the effects of the above, it is expected that the total number of registered passenger cars will temporarily decrease in 2016 and 2017 and then grow gradually from 2018 to 2020.

According to the Frost & Sullivan Report, the Singapore passenger car maintenance and repair services industry is highly fragmented, with approximately 1,300 service centres in 2015. The top 5 players accounted for only approximately 5.5% market share in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015, of which approximately 1.4% comprised our Group's market share, while approximately 2.1% comprised the top player's market share. The Singapore passenger car modification, tuning and grooming market is relatively concentrated due to the high requirements of servicing capacity and industry expertise. There are approximately 160 service providers in the passenger car modification, tuning and grooming market in Singapore, with the top 5 players accounting for approximately 34.3% market share, as measured by revenue in 2015, of which approximately 8.9% comprised our Group's market share.

We believe that our competitive strengths 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.

FUTURE PLANS AND PROSPECTS

Business strategies

We intend to 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 enhance 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.

SUMMARY

Use of proceeds

We estimate that the net proceeds from the Placing, after deducting the underwriting commission and related expenses payable by our Company, will be approximately HK\$26.3 million. To implement the abovementioned business strategies, we intend to apply such net proceeds from the Placing as follows:

	From the Latest Practicable Date to 31 December 2016	For the six months ending 30 June 2017	For the six months ending 31 December 2017	For the six months ending 30 June 2018	Total	Approximate % of net proceeds
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
Expand our servicing capacity	0.8	8.3	3.0	3.0	15.1	57.4
Expand and train our workforce	0.2	1.2	1.5	1.7	4.6	17.5
Strengthen our brand and sales and marketing	0.5	0.7	0.8	0.6	2.6	9.9
Upgrade our information technology system	1.1	1.1	—	—	2.2	8.4
Partial repayment of bank loan	1.4	—	—	—	1.4	5.3
Working capital and general corporate purposes	0.1	0.1	0.1	0.1	0.4	1.5
Total	4.1	11.4	5.4	5.4	26.3	100.0

For details, please see “Future Plans and Use of Proceeds”.

Expansion plan

We currently intend to use approximately HK\$15.1 million, being approximately 57.4% of our total estimated net proceeds from the Placing, to expand our servicing capacity, including our planned expansion to the New Premises and the expansion of our Sin Ming Service Centre. On 6 April 2016, we entered into an option to lease agreement with an Independent Third Party to secure the New Premises at a location less than 0.5 kilometres from our Kung Chong Service Centre, with an indicative area of approximately 2,973 to 3,066 sq.m., which was under construction as at the Latest Practicable Date. We intend to exercise this option to lease the New Premises during the second half of 2017, as such premises is expected to be available for use by 30 June 2017. On 10 June 2016, we entered into a tenancy agreement with HDB for the lease of Unit 01-16 Sin Ming Drive to us in order to expand our Sin Ming Service Centre, and our operations at such premises commenced in July 2016. Such premises has an area of approximately 240 sq.m.. For details, please see “Business — Our properties — Expansion”.

Relocation

In relation to the premises where our Kung Chong Service Centre was located, HDB had leased the premises to the Lessee, who then subleased the premises to the Sub-lessor with HDB's consent.

SUMMARY

The Sub-lessor in turn subleased the premises to us pursuant to the tenancy agreements for a term expiring in October 2017. As advised by our Singapore legal advisers, (i) the subleasing of such premises by the Sub-lessor to us has rendered the Sub-lessor in breach of (a) its tenancy agreement with the Lessee, which could give rise to the same tenancy agreement being terminated; and (b) HDB's terms, which could result in HDB withdrawing its consent for the sublease of such premises between the Lessee and the Sub-lessor; and (ii) notwithstanding that we are not in breach of HDB's terms, we may be required to vacate such premises if HDB exercises its right to withdraw its consent for the sublease between the Lessee and the Sub-lessor. To minimise the possible impact of an eviction from premises where our Kung Chong Service Centre was located, after taking into consideration various factors, including the availability of suitable rental premises, impact on our operations and cost, our Directors decided to effect the Relocation. In September 2016, we ceased our operations at Kung Chong Service Centre and relocated our operations to our Sin Ming Service Centre and our Commonwealth Service Centre, such that (i) Units 01-14 and 01-15 have been renovated to increase the workshop area at Sin Ming Service Centre; and (ii) a new service centre has been set up at the Commonwealth Premises for office and showroom, where customers may drop off and collect their passenger cars. For more details, please see "Business — Our properties".

RISK FACTORS

Potential investors are advised to carefully read "Risk Factors" before making any investment decision in the Placing Shares. Some of the more particular risk factors include:

- We have recently relocated our operations at the Kung Chong Service Centre to our Sin Ming Service Centre and our Commonwealth Service Centre and there is no assurance that we can maintain our historical level of revenue after the Relocation.
- We subleased one unit of our leased premises without HDB's consent and HDB may exercise the right to terminate the relevant tenancy agreement.
- We are subject to possible fluctuation in profitability and there is no assurance that we can maintain our current level of profit margin in the future.
- Our financial performance for the year ending 31 December 2016 is expected to be affected by certain non-recurring expenses.
- 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.
- 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.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

	Year ended 31 December		Period ended 30 April	
	2014	2015	2015	2016
<i>Results of operations</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			<i>(unaudited)</i>	
Revenue	15,491	15,814	4,889	4,878
Cost of Sales	9,236	10,193	3,270	3,581
Profit/(loss) before tax	2,612	2,054	452	(846)
Profit/(loss) for the year/period	2,199	1,716	315	(892)
Total comprehensive income for the year/period, net of tax	2,127	1,747	317	(908)

	As at 31 December		As at 30 April	
	2014	2015	2015	2016
<i>Financial position</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Non-current assets	3,594	3,391		3,384
Current assets	9,287	8,828		8,087
Non-current liabilities	2,425	2,105		2,054
Current liabilities	4,110	3,026		3,237
Net current assets	5,177	5,802		4,850
Total equity	6,346	7,088		6,180

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
<i>Cash flows</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			<i>(unaudited)</i>	
Operating cash flows before changes in working capital	3,312	2,548	858	(623) ^(Note)
Net cash flows from/(used in) operating activities	217	1,661	(805)	(1,218)
Net cash flows used in investing activities	(660)	(18)	(25)	(117)
Net cash flows from/(used in) financing activities	512	1,953	(133)	(102)
Cash and cash equivalents at beginning of year/period	2,166	2,235	2,235	5,831

SUMMARY

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
<i>Cash flows</i>	S\$'000	S\$'000	S\$'000	S\$'000
			(unaudited)	

Cash and cash equivalents at end of year/period	2,235	5,831	1,272	4,394
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Note: For the four months ended 30 April 2016, we recorded operating cash outflow before changes in working capital of approximately S\$0.6 million which was mainly because of (i) the net loss before income tax of approximately S\$0.8 million made by our Group during the period after accounting for the expenses related to the Listing of approximately S\$1.0 million recorded during the four months ended 30 April 2016; and (ii) the increase in employee-related expenses of approximately S\$0.3 million.

<i>Key financial ratios</i>	As at/Year ended 31 December		As at/Four months ended
	2014	2015	30 April 2016
Current ratio	2.3 times	2.9 times	2.5 times
Gearing ratio ^(Note)	0.4 times	0.3 times	0.4 times
Return on equity	34.7%	24.2%	(14.4)%
Return on total assets	17.1%	14.0%	(7.8)%
Net profit margin	14.2%	10.9%	N/A
Trade receivables turnover	13.5 days	23.0 days	41.7 days
Trade payables turnover	53.9 days	46.4 days	53.9 days
Inventory turnover	34.9 days	30.8 days	29.5 days

Note: Gearing ratio is calculated based on the interest-bearing bank and other borrowings divided by the total equity as at the respective period end.

SHAREHOLDER INFORMATION

Immediately following the completion of the Placing and the Capitalisation Issue (but excluding any options which may be granted under the Share Option Scheme), Mr. Lim will be interested in approximately 56.25% of the issued share capital of our Company and hence will continue to be the controlling shareholder of our Group. Mr. Lim is our founder, the chairman of our Board, the chief executive officer of our Group, and an executive Director. Our Controlling Shareholder has confirmed that he does not have any interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

On 16 December 2015, Valiant World entered into a subscription agreement with MBMI in relation to its pre-IPO investment in our Group. Pursuant to the Subscription Agreement, on 4 January

SUMMARY

2016, Valiant World subscribed for a total of 250 new ordinary shares in MBMI, representing 25% of the issued share capital of MBMI as enlarged by such subscription, for a total consideration of SGD4,500,000. Immediately following the completion of the Placing and the Capitalisation Issue (but excluding any options which may be granted under the Share Option Scheme), Valiant World will be interested in approximately 18.75% of the issued share capital of our Company.

PLACING STATISTICS

Number of Placing Shares:	125,000,000 Placing Shares
Placing Price:	HK\$0.4 per Placing Share (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee)
Market capitalisation of the Shares:	HK\$200,000,000
Unaudited pro forma adjusted net tangible assets of our Group per Share:	HK\$0.12. Please see Appendix II to this prospectus for the bases and assumptions in calculating this figure. In particular, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2016.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately S\$4.1 million, including approximately S\$1.0 million which is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately S\$3.1 million, which cannot be so deducted, will be charged to profit or loss. Out of the approximately S\$3.1 million that will be charged to profit or loss, nil, approximately S\$0.3 million, nil and S\$1.0 million have been charged during the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively, and approximately S\$2.8 million is expected to be incurred for the year ending 31 December 2016.

REASONS FOR THE PLACING

Apart from facilitating the implementation of our business strategies, the net proceeds from the Placing will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as a leading automotive service provider in Singapore and expand our market share. Our Directors further believe that the Listing would:

- provide a platform for our Group to access the capital markets for future secondary fund-raising through the issuance of shares and for debt securities, which could involve lower financing costs as opposed to interest-bearing bank loans, and which can also provide funding sources to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;

SUMMARY

- enhance market reputation and brand awareness of our Group;
- enhance our internal control and corporate governance practices, and increase the transparency in our operations and financial reporting thus increasing our customers' and suppliers' confidence in us and attracting potential customers;
- broaden our shareholder base and enhance the liquidity of the Shares; and
- enable our Company to offer an equity-based incentive programme (such as a share option scheme) allowing us to be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for the Shareholders.

For details, please see "Future Plans and Use of Proceeds".

DIVIDEND

In February and July 2015, MBMW, one of our operating subsidiaries, declared interim dividend of S\$4.0 million and S\$1.0 million, respectively, to MBMI, which was its then sole shareholder. In the same months, MBMI declared interim dividend of S\$4.0 million and approximately S\$1.5 million, respectively, to Mr. Lim, who was its then sole shareholder. Part of the interim dividend declared by MBMI in February 2015 was offset against the net amount due from Mr. Lim to MBMI of approximately S\$3.3 million. The remaining balance of the interim dividends declared by MBMI of approximately S\$2.2 million was paid in 2015.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. Subject to the Companies Law and our Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles of Association, from time to time, pay to our shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

For the period from 1 January 2016 to the Latest Practicable Date, we maintained and/or repaired approximately 11,800 units of passenger cars and modified, tuned and/or groomed approximately 700 units of passenger cars.

On 13 July 2016, we entered into a lease agreement with an Independent Third Party to secure the Commonwealth Premises at a location less than 3 kilometres from our Kung Chong Service Centre.

SUMMARY

In September 2016, we ceased our operations at our Kung Chong Service Centre and relocated these operations to our Commonwealth Service Centre and our Sin Ming Service Centre, as the Sub-lessor was in breach of its tenancy agreement with the Lessee and the HDB's terms of approval by subletting to us the premises where our Kung Chong Service Centre was located. Since the Relocation, our Commonwealth Service Centre has served as our office and showroom, where our customers may drop off and collect their passenger cars, and our Sin Ming Service Centre has served as our primary workshop.

NO MATERIAL ADVERSE CHANGE

We recorded a loss of approximately S\$0.9 million for the four months ended 30 April 2016 mainly due to (i) expenses related to the Listing of approximately S\$1.0 million; and (ii) an increase in employee-related expenses from the increase in our headcount in the second half of 2015 to prepare for our expansion plan. During the Track Record Period, we operated 8 hours per day from Monday to Friday and 4 hours on Saturday, except for holidays. To maximise the manpower capacity that we have previously geared up, from August 2016, we have extended our operating hours on Saturdays to 8 hours and also operated 8 hours on Sundays. Notwithstanding the above, our Directors expect that our financial results for the year ending 31 December 2016 will be significantly affected by the Listing expenses, our level of profit recorded for the year ending 31 December 2015 may not be maintained, or a loss may be recorded for the year ending 31 December 2016. Our Directors confirm that save for the expenses in connection with the Listing, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Accountants’ Report”	the accountants’ report on our Group set out in Appendix I to this prospectus
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted by our Company on 21 October 2016, a summary of which is set out in Appendix IV to this prospectus, and as amended, supplemented or otherwise modified from time to time
“Authorised Examiner”	an examiner who is authorised by the CWSH
“Board” or “Board of Directors”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of 374,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 October 2016” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Commonwealth Premises”	1 Commonwealth Lane, Units 01-11, 01-12 and 01-13 One Commonwealth, Singapore 149544
“Commonwealth Service Centre”	one of our 2 service centres in operation as at the Latest Practicable Date, located at 1 Commonwealth Lane, Units 01-11, 01-12 and 01-13 One Commonwealth, Singapore 149544
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Zheng Li Holdings Limited (正力控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 17 March 2016
“Controlling Shareholder”	Mr. Lim, being the controlling shareholder of our Company
“CPF”	Central Provident Fund, a social security system in Singapore
“CRM”	customer relationship management
“CWSH”	Commissioner for Workplace Safety and Health
“Deed of Indemnity”	a deed of indemnity dated 21 October 2016 entered into by Mr. Lim in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	a deed of non-competition undertaking dated 21 October 2016 entered into by Mr. Lim in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “Relationship with Controlling Shareholder — Non-competition undertaking”

DEFINITIONS

“Director(s)” or “our Director(s)”	the director(s) of our Company
“DMC”	DMC Exotic Car Tuning Limited (德國名廠汽車部件有限公司), an Independent Third Party incorporated in Hong Kong and a supplier of tuning parts to our Group
“DNCR”	Do Not Call Registry, established under the PDPA
“EA”	Employment Act (Chapter 91 of Singapore), as amended, supplemented or otherwise modified from time to time
“Eisenmann”	Eisenmann Exhaust Systems GmbH, an Independent Third Party based in Germany and a supplier of exhaust systems to our Group
“ERP”	enterprise resource planning
“EU”	the European Union, a political-economic union constituted by 28 European countries
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry research consultant and an Independent Third Party
“Frost & Sullivan Report”	the industry report issued by Frost & Sullivan, details of which are set out in “Industry Overview”
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
“GST”	Goods and Services Tax of Singapore
“HDB”	the Housing and Development Board of Singapore

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hybrid Motors”	Hybrid Motors Pte. Ltd., an Independent Third Party incorporated in Singapore and a customer of our Group
“IFRSs”	the International Financial Reporting Standards issued by the International Accounting Standard Board
“IRAS”	the Inland Revenue Authority of Singapore
“Independent Third Party(ies)”	any individual(s) or company(ies) who or which is/are not our connected persons
“International Sanctions”	sanctions-related laws and regulations issued, administered and enforced by U.S., EU, the United Nations or Australia
“KBS”	KBS Motorsports Pte. Ltd. (formerly known as KBS Bodykit System Pte. Ltd. and KBS Motorsport Pte. Ltd.), a company incorporated in Singapore with limited liability on 7 April 2005, which is an indirect wholly-owned subsidiary of our Company
“Kung Chong Service Centre”	one of our 2 service centres in operation during the Track Record Period, located at part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140 as at 30 April 2016, which ceased operations in September 2016 due to the Relocation
“Latest Practicable Date”	21 October 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Lead Manager” or “Bookrunner”	Great Wall Securities Limited, the bookrunner, lead manager and the Underwriter to the Placing, a corporation licensed by the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Lemon Laws”	consumer protection law which provide remedies against goods with latent defects

DEFINITIONS

“Lessee”	an Independent Third Party which leased a premises from HDB and then subleased to the Sub-lessor. For details, please see “Business — Our properties”
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on or about Tuesday, 8 November 2016
“Listing Division”	the listing division of the Stock Exchange
“LTA”	the Land Transport Authority of Singapore
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the main board of the Stock Exchange
“MBMI”	MBM International Holdings Pte. Ltd., an exempted company incorporated in Singapore with limited liability on 22 August 2012, which is a wholly-owned subsidiary of our Company
“MBMW”	MBM Wheelpower Pte. Ltd., a company incorporated in Singapore with limited liability on 15 May 2002, which is an indirect wholly-owned subsidiary of our Company
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 21 October 2016, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“MOM”	the Ministry of Manpower of Singapore
“Mr. Chua”	Mr. Chua Boon Hou (Cai Wenhao) (蔡文豪), our executive Director
“Mr. KJ Lim”	Mr. Lim Kong Joo (林光裕), our executive Director
“Mr. Lim”	Mr. Kelvin Lim, our executive Director and Controlling Shareholder
“Mrs. Lim”	Mdm. Chong Ling Ling (Zhong Linlin) (钟琳琳), the spouse of Mr. Lim
“Myanmar”	the Republic of the Union of Myanmar (Burma)

DEFINITIONS

“New Premises”	the new premises at a location which is less than 0.5 kilometres from Kung Chong Service Centre, with an indicative area of approximately 2,973 to 3,066 sq.m., secured by us by way of an option to lease agreement dated 6 April 2016
“Novitec”	NOVITEC GmbH & Co. KG (formerly known as Novitec Rosso GmbH & Co. KG), an Independent Third Party based in Germany and a supplier of tuning parts to our Group
“OFAC”	the United States Office of Foreign Assets Control
“One-Tier System”	the one-tier corporate taxation system of Singapore
“Part IV Employee”	an employee who is covered under Part IV of the EA
“PDPA”	Personal Data Protection Act 2012 (Act 26 of 2012) of Singapore, as amended, supplemented or otherwise modified from time to time
“PIC Scheme”	Productivity and Innovation Credit Scheme, a scheme introduced by the Singapore government to encourage productivity and innovation activities in Singapore by way of tax deductions/allowances and cash payout
“Placing”	the conditional placing by the Underwriter on behalf of our Company of the Placing Shares for cash at the Placing Price, as further described in “Structure and Conditions of the Placing”
“Placing Price”	HK\$0.4 per Placing Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee payable thereon) at which the Placing Shares are to be offered under the Placing
“Placing Share(s)”	the 125,000,000 Shares being offered for subscription by our Company at the Placing Price under the Placing
“PRC”	the People’s Republic of China, which for the purpose of this prospectus excludes Hong Kong, Macau and Taiwan
“Prime Cars”	Prime Cars Credit Pte. Ltd., an Independent Third Party incorporated in Singapore and a customer of our Group
“Relocation”	the relocation of our operations at our Kung Chong Service Centre to the Sin Ming Service Centre and the Commonwealth Service Centre. For details, please see “Business — Our properties”

DEFINITIONS

“Reorganisation”	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure”
“RevoZport”	Revozport Racing Technology Limited, an Independent Third Party incorporated in Hong Kong and a supplier of bodykits to our Group
“RIEA”	Regulation of Imports and Exports Act (Chapter 272A) of Singapore, as amended, supplemented or otherwise modified from time to time
“RIER”	Regulation of Imports and Exports Regulations of Singapore
“RTA”	Road Traffic Act (Chapter 276) of Singapore, as amended, supplemented or otherwise modified from time to time
“Sanctioned Country(ies)”	country(ies) which is/are the target of economic sanctions as administered by U.S., EU, the United Nations and Australia.
“Sanctioned Person(s)”	person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by EU, the United Nations or Australia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGD” or “S\$”	Singapore dollar(s), the lawful currency of Singapore
“Share(s)”	ordinary share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 21 October 2016, the principal terms of which are summarised in “Statutory and General Information — C. Share Option Scheme” in Appendix V to this prospectus
“Singapore”	the Republic of Singapore
“Sin Ming Drive”	Block 176, Sin Ming Drive, Sin Ming Autocare, Singapore 575721

DEFINITIONS

“Sin Ming Service Centre”	one of our 2 service centres in operation as at the Latest Practicable Date, located at Units 01-11, 01-14, 01-15 and 01-16, Sin Ming Drive
“Sponsor” or “Messis Capital”	Messis Capital Limited, the sponsor of our Company for the Listing, a corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“sq.m.”	square metres, converted at 1 sq.m. : 10.764 square feet for the purpose of illustration in this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“strata unit”	a unit allotted to any building/development that has been approved by the relevant authority for strata subdivision, which refers to sectioning of land to comprise one or more units that may or may not be on the same level. The owners of the units enjoy the right to exclusive use and possession of the units
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Subcontractor A”	an Independent Third Party company incorporated in Singapore on 23 September 2011 and one of our subcontractors during the Track Record Period, of which Mr. Lim had been a director from 22 May 2015 to 25 September 2015
“Sub-lessor”	an Independent Third Party which leased a premises from the Lessee and then subleased to us as one of our service centres. For details, please see “Business — Our properties”
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 December 2015 and the four months ended 30 April 2016
“Underwriter”	the underwriter of the Placing named in “Underwriting”
“Underwriting Agreement”	the conditional underwriting agreement dated 28 October 2016 entered into by our Company, our Controlling Shareholder, the Sponsor, the Lead Manager, the Bookrunner and the Underwriter, brief particulars of which are summarised in “Underwriting”
“U.S.”	the United States of America

DEFINITIONS

“US\$”	United States dollar(s), the lawful currency of U.S.
“Valiant World” or “Pre-IPO Investor”	Valiant World Enterprises Limited (世豪企業有限公司), a company incorporated in the BVI on 23 November 2015 with liability limited by shares, being the pre-IPO investor and a substantial shareholder of our Company
“Vincar”	the Vincar group of companies including Vincar Pte. Ltd. and Vincar Leasing and Rental Pte. Ltd., Independent Third Parties incorporated in Singapore and customers of our Group
“WICA”	Work Injury Compensation Act (Chapter 354) of Singapore, as amended, supplemented or otherwise modified from time to time
“WSHA”	Workplace Safety and Health Act (Chapter 354A) of Singapore, as amended, supplemented or otherwise modified from time to time
“WSHR”	Workplace Safety and Health (General Provisions) Regulations of Singapore, as amended, supplemented or otherwise modified from time to time
“%”	per cent

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

S\$1.00 : HK\$5.6

No representation is made that any amounts in S\$ or HK\$ were or could have been converted at the above rate or at any other rates or at all.

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY

This glossary contains certain definitions of technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry definitions or usage.

“bodykit”	exterior modifications to a passenger car, such as front bumpers and side panels
“COE”	Certificate of Entitlement which represents a right to vehicle ownership and use of the limited road space for 10 years. Anyone who wishes to register a new vehicle in Singapore must first obtain a COE in the appropriate vehicle category. At the end of the 10-year COE period, vehicle owners may choose to deregister their vehicle or to revalidate their COEs for another 5 or 10-year period by paying the prevailing quota premium. Vehicle owners are also allowed to de-register their COEs before the expiry of the 10-year period and will receive monetary rebate. COEs are bade through the COE open bidding system
“exhaust system”	pipes to convey exhaust gases away from an engine
“luxury passenger cars”	a branding categorisation by Frost & Sullivan. For details, please see “Industry Overview — Overview of Singapore passenger car market — Passenger car population in Singapore”
“maintenance and repair”	maintenance refers to the act of keeping predetermined condition of passenger car subsystems and servicing or replacing parts and fluids, which is critical to ensure the safety, reliability, drivability, comfort and longevity of a passenger car; repair refers to the act of inspecting and repairing car failure from technical perspective, ensuring the quality of repaired passenger cars to reach certain safety standard and car performance level
“modification, tuning and grooming”	the procedures of modifying the performance or appearance of a passenger car
“passenger cars”	wheeled road motor vehicles, other than a motor cycle, intended primarily for the carriage of passengers. Vehicles such as buses and trucks are commercial vehicles and do not fall within the category of passenger cars
“suspension system”	the system of tyres, springs, shock absorbers, etc. that connects a vehicle to its wheels
“ultra-luxury passenger cars”	a branding categorisation by Frost & Sullivan. For details, please see “Industry Overview — Overview of Singapore passenger car market — Passenger car population in Singapore”

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs, intentions, expectations or predictions of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our ability to implement the strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in “Financial Information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Placing Shares. If any of the possible events described below occur, our business operations, financial conditions or results of operation could be materially and adversely affected and the market price of the Placing Shares could fall significantly. This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. The trading price of the Placing Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP

We have recently relocated our operations at the Kung Chong Service Centre to our Sin Ming Service Centre and our Commonwealth Service Centre and there is no assurance that we can maintain our historical level of revenue after the Relocation.

During the Track Record Period, we operated 2 service centres, one of them was the Kung Chong Service Centre. As the Sub-lessor was in breach of its tenancy agreement with the Lessee and the HDB's terms of approval by subletting to us the premises where our Kung Chong Service Centre was located, in September 2016, we ceased our operations at Kung Chong Service Centre and relocated these operations to our Sin Ming Service Centre and our Commonwealth Service Centre, such that (i) Units 01-14 and 01-15 have been renovated to increase the workshop area at Sin Ming Service Centre; and (ii) a new service centre has been set up at the Commonwealth Premises for office and showroom, where customers may drop off and collect their passenger cars. For details of our Relocation, please see "Business — Our properties — Unit 01-11 Sin Ming Drive and the premises where our Kung Chong Service Centre was located — Premises where our Kung Chong Service Centre was located".

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from our Kung Chong Service Centre accounted for approximately 63.2%, 68.4% and 68.3%, respectively, of our total revenue. There is no assurance that we can maintain our historical level of revenue generated from our Kung Chong Service Centre after the Relocation. Our business and results of operations may be adversely affected as a result.

We subleased one unit of our leased premises without HDB's consent and HDB may exercise the right to terminate the relevant tenancy agreement.

During the Track Record Period and up till January 2016, we leased one unit of premises from HDB with an area of approximately 239 sq.m. and had subleased the premises to Subcontractor A without HDB's consent. Pursuant to the terms of the relevant tenancy agreement, we shall not sublet the premises to any party without the prior written consent of HDB. In view of such breach of terms, HDB may exercise the right to terminate the relevant tenancy agreement prior to its expiry. In the event that we are required to vacate such premises, our operations and results of operations may be adversely affected. For details, please see "Business — Our properties".

We are subject to possible fluctuation in profitability and there is no assurance that we can maintain our current level of profit margin in the future.

Our Group's gross profit margin was approximately 40.4%, 35.5%, 33.1% and 26.6%, respectively, for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015

RISK FACTORS

and 2016. The decrease in our Group's gross profit margin from approximately 33.1% for the four months ended 30 April 2015 to approximately 26.6% for the four months ended 30 April 2016 was mainly due to an increase in direct labour cost of approximately S\$0.1 million along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees.

Additional depreciation expenses and other operating expenses such as rental expenses, marketing and advertising expenses and employee benefits expense are expected to be incurred as a result of our expansion plan, which may have an adverse impact on our profit margin for the coming years. For further details, please see "Future Plans and Use of Proceeds — Implementation plans — Expansion — Potential increase in depreciation and other operating expenses".

Therefore, our profitability may be adversely affected by our expansion plan due to increase in associated expenses. Our profit margin during the Track Record Period may not be indicative of our future performance and there is no assurance that we can maintain our current level of profit margin in the future.

Our financial performance for the year ending 31 December 2016 is expected to be affected by certain non-recurring expenses.

Our financial results for the year ending 31 December 2016 is expected to be affected by the non-recurring expenses in relation to the Listing. Our Directors estimate that the total amount of expenses in relation to the Listing is approximately S\$4.1 million. This includes approximately S\$1.0 million which is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately S\$3.1 million, which cannot be so deducted, will be charged to profit or loss. Out of the approximately S\$3.1 million that will be charged to profit or loss, nil, approximately S\$0.3 million and S\$1.0 million have been charged during the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively, and approximately S\$2.8 million is expected to be incurred for the year ending 31 December 2016. Accordingly, our financial results for the year ending 31 December 2016 will be affected by the expenses in relation to the Listing.

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. If customers do not perceive our services to be of high quality, our brand image may be harmed, thereby decreasing the attractiveness of our services. Our marketing efforts may not be successful in further promoting our services. 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. There can be no assurance

RISK FACTORS

that our Group can prevent such negative publicity or unfavourable forum discussions, which could cause customers to lose confidence in our Group and potentially adversely affecting our business. If we are unable to maintain and further enhance our reputation and/or increase market awareness for our Group and services, our ability to attract and retain customers may be impeded. Our business prospects may be materially and adversely affected.

Our Group relies on a stable supply of experienced staff.

The operations of our Group require sufficient experienced staff, such as our sales and marketing staff and technicians. As at the Latest Practicable Date, we employed 5 full-time sales and marketing staff and 24 full-time technicians. There is no guarantee that the labour cost will not significantly increase in the future. If there is a significant increase in our Group's labour cost, the cost of our business operations will increase and our profitability will be adversely affected.

In addition, we believe that our continued success highly depends on our ability to recruit and retain sufficient technicians and other staff and there is no guarantee that we will be able to retain such staff. If our technicians and/or other staff leave our employment, there is no assurance that we will be able to recruit sufficient comparable talent in a timely manner and on similar costs. If our services are materially and adversely affected by a sudden lack of labour, causing delays in our turnaround time or quality of service, our reputation and results of operations could be materially and adversely affected.

Furthermore, some of our employees, including technicians, are from outside Singapore. If the Singapore government decides to limit or reduce the number of permits for employing foreign employees, we will need to divert management and financial resources to recruit other suitable talent. There is no assurance that we will be able to recruit comparable talent in a timely manner and with similar costs. If such restrictions are imposed, our financial condition and results of operations could be materially and adversely affected.

A loss of the distributorship rights granted by our suppliers, or any material dispute between our Group and our suppliers may adversely affect our results of operations and financial conditions.

We are the exclusive distributor in Singapore of products from Novitec, Eisenmann, DMC and RevoZport. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, purchases from these car tuning parts suppliers accounted for approximately 4.9%, 5.7% and 6.5% of our total purchases, respectively. Furthermore, in March 2016, we entered into an agreement with an Independent Third Party who is the appointed sole dealer in Singapore of a German car tuning parts brand, pursuant to which we were appointed as an exclusive distributor in Singapore for products of such brand for a term of 2 years from the date of the agreement. For details, please see "Business — Our services — Modification, tuning and grooming services and trading of spare parts and accessories". Our Directors are of the view that the distributorship rights of these brands are important to our modification and tuning business as these brand names are reputable among luxury and ultra-luxury passenger car owners and attract customers who want their passenger cars to be modified with such tuning parts. Termination of these distributorship rights for products currently distributed

RISK FACTORS

and used by our Group for our services could materially and adversely affect our business operations and financial performance. There is no assurance that these suppliers will not terminate these distributorship rights, or that we can renew these distributorship rights or obtain new distribution rights on commercially acceptable terms in the future.

We are dependent on our suppliers for the spare parts and accessories we use and distribute in our business operations.

We do not manufacture and we purchase spare parts and accessories we use and distribute in our business operations from our suppliers. We also typically do not enter into long-term purchase agreement with our suppliers which set out the prices of products we require. We are, therefore, dependent on our suppliers for the spare parts and accessories we require. In the event that our suppliers significantly increase the prices for such spare parts or accessories, there is no assurance that we can locate comparable alternative suppliers in a timely manner for similar prices. As a result, the pricing of our services will increase and our profitability may be adversely affected. In the event of any defect in such spare parts or accessories, this may lead to reputational damage to us or such suppliers, and/or a disruption in supply. This may in turn lead to a lack of demand for a particular brand or all products provided by such suppliers. As a result, our business and results of operations could be adversely affected.

Our Group's success is dependent on the retention of certain key personnel and the loss of any key personnel may impair our Group's ability to manage our business and operations effectively.

The success of our Group is dependent on, in part, the contributions and experiences of our Group's key personnel, in particular, their familiarity with our Group's business. Mr. Lim, one of our executive Directors, is the founder of our Group. Our other executive Directors, Mr. Chua and Mr. KJ Lim, who are also our chief operating officer and our sales and marketing director, respectively, each has over 8 years of experience in the automotive industry in Singapore. For details of their industry experience, please see "Directors and Senior Management". If one or more of them is or are unable or unwilling to continue his present position, our Group may not be able to find a suitable replacement, therefore disrupting the business of our Group and materially and adversely affecting the financial conditions and results of operations of our Group.

We currently do not own the properties on which we operate our service centres.

All service centres currently operated by us are located on properties leased by us. Our property rental expenses amounted to approximately S\$558,000, S\$748,000 and S\$249,000 for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. As such, we are subject to rental fluctuation in Singapore from time to time. In the event that there is any significant increase in rental for our leased properties upon the expiry of the existing tenancy, our operating expenses and pressure on our operating cash flows will increase, which may materially and adversely affect our business, results of operations, financial position and/or prospects.

In addition, as at the Latest Practicable Date, we leased (i) 4 units at Sin Ming Drive; and (ii) the Commonwealth Premises in Singapore from HDB or an Independent Third Party with expiry dates ranging from September 2017 to November 2019. There is no assurance that we will be able to renew such tenancy upon their expirations on commercially acceptable terms or at all.

RISK FACTORS

Furthermore, pursuant to the tenancy agreements entered into between our Group and HDB, either party to the tenancy agreements may terminate the tenancy agreements by giving 3 months' notice to the other party. In the event that HDB terminates our current tenancy, we will need to divert management resources to look for other premises with comparable location and/or size. There is no assurance that we will be able to secure alternative premises for our workshops in a timely manner and/or on commercially acceptable terms. If so, our operations and financial results could be adversely affected.

A material disruption of our service centres could adversely affect our business.

Our operations are heavily dependent on the use of our service centres, which are subject to operational risks. These risks include but are not limited to disruptions to our power supply, natural disasters and industrial accidents. These risks could result in temporary, permanent, partial or complete shut-downs of our operations, and as a result, our operations and financial results could be adversely affected. Furthermore, certain events, such as adverse weather conditions, massive riots, non-cooperation of our suppliers and labour strikes, could lead to delay in delivery of spare parts and accessories and disruption our operations.

We could be adversely affected as a result of spare parts and accessories sales that indirectly involve (i) a country that is subject to economic sanctions of the U.S. government, the United Nations Security Council, EU, the Australian government and other relevant sanctions authorities and (ii) Sanctioned Persons.

U.S. and other jurisdictions or organisations, including EU, the United Nations and Australia have comprehensive or broad economic sanctions targeting the Sanctioned Countries and Sanctioned Persons. For the year ended 31 December 2015, we had spare parts and accessories sales that indirectly involve (i) Myanmar, a Sanctioned Country; and (ii) Sanctioned Persons, specifically an entity and an associated individual listed on OFAC's Specially Designated Nationals and Blocked Persons List. Our direct counterparty in relation to these sales was a customer in Singapore. However, on occasion in accordance with this customer's request we shipped the spare parts and accessories purchased by this customer from Singapore to an entity and/or an associated individual in Myanmar which/who, as at the Latest Practicable Date, was listed on OFAC's Specially Designated Nationals and Blocked Persons List, through shipping agents. As advised by DLA Piper, our legal advisers as to International Sanctions, these business activities of our Group that indirectly involve Myanmar and Sanctioned Persons for the year ended 31 December 2015 (i) are not in breach of International Sanctions, including those issued, administered and enforced by the U.S. government, and (ii) do not implicate International Sanctions with regard to our Group, our Shareholders or any person or entity, including our Group's investors, the Stock Exchange, HKSCC and HKSCC Nominees. For details of our indirect business activities involving Myanmar and Sanctioned Persons, please see "Business — Business activities that indirectly involve a Sanctioned Country and Sanctioned Persons".

We have undertaken to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries, or Sanctioned Persons, or any other government, individual or entity sanctioned by U.S., EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any

RISK FACTORS

OFAC-administered sanctions. We have also undertaken to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or any relevant persons to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares.

As we operate in Singapore, we will comply with all Singapore laws and applicable laws in the jurisdictions where we have operations. We will also seek to avoid doing business with any Sanctioned Persons. However, to the extent such sanctions are imposed on our Company, our business and Shareholders' interests could be affected.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by EU, the United Nations, Australia and other applicable jurisdictions with respect to any future activities by us or our affiliates in connection with any Sanctioned Countries, and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of U.S., EU, the United Nations or Australia. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that our business will conform to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of U.S., EU, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical business activities that indirectly involve a Sanctioned Country and Sanctioned Persons could also reduce the marketability of our Shares to particular investors, which could affect the price of our Shares and Shareholders' interests in us, despite our commitment not to direct the proceeds from the Placing to dealings with Sanctioned Persons. Before investing in our Shares, you should consider if such investment would expose you to any of the International Sanctions risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

RISK FACTORS

Our financial performance in the modification, tuning and grooming services and trading of spare parts and accessories segment depends on customer preferences to the brands we carry and whether the brands correspond to market trends. If our suppliers for spare parts and accessories are unable to develop their brands and anticipate or track consumer preference and market trends effectively, our performances and financial results could be affected.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the modification, tuning and grooming and trading of spare parts and accessories segment accounted for approximately 16.2%, 19.8% and 21.3% of our revenue, respectively. Customer preferences to the brands we carry and whether the brands correspond to market trends will impact on our performance in the modification and tuning segment. Business and marketing strategies adopted by our suppliers for spare parts and accessories and their ability to manage and develop their brands may therefore affect the demand for our modification and tuning services. As we do not have any control over the decisions on the style and design of the spare parts and accessories and/or the promotional and business strategies of these suppliers, there is no assurance that such brands will continue to suit customers' tastes and thus we cannot assure that these brands will continue to attract customers and generate sales. If these suppliers fail to develop their brands to capture the changes in customers' tastes or preferences or in market trends, and these brands no longer appeal to customers, our performances and financial results could be affected.

If we fail to collect our trade receivables in a timely manner, our financial conditional and results of operations could be negatively affected.

We may not be able to collect our trade receivables in a timely manner and payments to us may be delayed after the dates of the invoices due to various reasons, for instance, a prolonged process of claiming against an insurance company will be involved if the passenger car on which we carried out services was involved in an accident and such customer authorised us to facilitate the insurance claim. As at 31 December 2014 and 2015 and 30 April 2016, approximately S\$36,000, S\$426,000 and S\$470,000 of trade receivables were aged for more than 120 days, respectively. Our credit risk increased as a result of the increase in our Group's trade receivables turnover days from approximately 13.5 days for the year ended 31 December 2014 to approximately 23.0 days for the year ended 31 December 2015, and further to approximately 41.7 days for the four months ended 30 April 2016. For details, please see "Financial Information — Net current assets — Trade and other receivables" and "Financial Information — Analysis of key financial ratios — Trade receivables turnover". Delayed payment for the services we performed increases our exposure to credit risks and may affect our ability to manage our working capital and our business and financial performance can be adversely affected.

The impairment losses recognised as at 31 December 2014 and 2015 and 30 April 2016 were approximately S\$34,000, S\$42,000 and S\$29,000, respectively. There is no assurance that impairment losses will not continue to exist in the future. If any material amount of trade receivables is considered to be uncollectable, impairment will be made accordingly. As a result, our financial results may be adversely affected.

RISK FACTORS

We may not be able to successfully register a trademark in Singapore.

We have applied for the registration of a trademark in Singapore which was undergoing examination by the relevant authority in Singapore as at the Latest Practicable Date. For details, please see “Statutory and General Information — B. Further information about our business — 2. Our intellectual property rights” in Appendix V to this prospectus. Protection afforded by trademark registration may not be sufficient to prevent infringement of the trademark by third parties and may not prevent infringement of third parties’ trademarks. There is no assurance that such application will be successful, and our use of such trademark may infringe upon intellectual property rights of third parties. Should we fail to register such trademark, fail to enforce our rights against third parties, or we are held by any court or tribunal to be infringing upon or have infringed upon any trademarks of others, our financial and operating results may be adversely affected.

We depend on the proper performance of our ERP system and any serious disruption of such systems could adversely impact our business.

We rely on our ERP system in many aspects of our operations, such as maintaining customers’ information which allows our customer service staff to follow up regularly, maintaining our inventory at a regular level and issuing invoices to customers. Any disruption to or breakdown of our information technology systems may have a material adverse effect on our business and results of operations.

Our insurance coverage could be inadequate and potential losses borne by us could adversely affect our cash flow and liquidity.

There is no assurance that our insurance coverage would be sufficient to cover all of our potential losses or that we will be able to successfully claim any of our loss under our current insurance policies. The occurrence of any of these events could result in our incurring substantial costs and the diversion of our resources. There is no assurance that our insurance coverage will be sufficient to prevent us from such loss. In the event that we incur losses that are not covered by our insurance coverage, or our insurance policies fail to sufficiently compensate our actual losses, we would have to pay for the loss or the difference (as the case may be) ourselves and our cash flow and liquidity could be adversely affected. For details on our insurance policies, please see “Business — Insurance”.

Future expansion plans are subject to uncertainties and risks.

We have set out our future plans in “Future Plans and Use of Proceeds”. Whether our future plans can be implemented successfully may be beyond our control and some future events may affect the smooth running of the expansion plan such as shortage of technicians and changes in applicable laws, rules and regulations.

We plan to expand our servicing capacity by, among others, leasing the New Premises which is less than 0.5 kilometres from our Kung Chong Service Centre. As at the Latest Practicable Date, the New Premises was under construction with an expected completion date in mid-2017. There is no assurance that such premises will be completed on time. In the event of delay in completion, the implementation of such future plan will be adversely affected.

RISK FACTORS

There is no assurance that we will be successful in our expansion plans. If we fail to project accurately the time, labour and costs required for implementing our expansion plans, or if there is insufficient demand for our services after the expansion, our business and results of operation may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

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.

As at the Latest Practicable Date, all of our maintenance and repair services and modification, tuning and grooming services were provided to passenger cars in Singapore. There are laws in Singapore relating to the carrying on of our businesses, for instance vehicle modifications. For details, please see “Regulatory Overview — Laws relating to the carrying on of the business of our Group”. In Singapore, a 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. From 2010 to 2013, the number of newly registered passenger cars in Singapore decreased as a result of reduced COE quota and higher COE price. 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.

The Ministry of Transport of Singapore announced in January 2016 that it aimed to make (i) public transport the main mode of travel by 2030; and (ii) walking, cycling and riding public transport the preferred life style, by improving rail reliability and walking and cycling connections. If restrictions on road use in Singapore are imposed, and/or if measures to encourage the use of public transport are imposed and successful, it may result in a reduction in the number of passenger cars in Singapore and hence the demand for our services may be negatively affected. In this event, our financial condition and results of operations could be materially and adversely affected.

If the Singapore government raises the import tariff rates on imported passenger cars or otherwise increases the costs of owning and using passenger cars or luxury and ultra-luxury passenger cars in Singapore, our results of operations may be adversely affected.

During the Track Record Period, we have provided services to car dealers, which import passenger cars from overseas. For details, please see “Business — Customers”. If the Singapore government raises the import tariff rates for imported passenger cars, or otherwise increases the costs of owning and using passenger cars in Singapore, the market demand for passenger cars may reduce, and thereby reducing the number of passenger cars in Singapore. Our results of operations and financial conditions may be adversely affected, due to a reduction in number of passenger cars which may require our services.

RISK FACTORS

Our Group's revenue is derived mainly in Singapore and may be adversely affected by changes in the economic, financial or social conditions in Singapore.

During the Track Record Period, most of our revenue is derived in Singapore. Demand for our services may be affected by changes or developments in the overall economic, financial or social conditions in Singapore, which are outside our Group's control. Should there be any material adverse changes in the economic, financial or social conditions in Singapore, our Group's business and profitability may be materially and adversely affected. If there is a significant decrease in demand for our services, our Group's business and results of operations could be materially and adversely affected.

Our Group faces competition from other service centres, including those operated by car dealers. If car dealers or owners of other service centres decide to expand their service centres and/or lower the prices charged for their services, our operating results and business performance may be materially and adversely affected.

Our Group's business faces competition from other service centres, including those operated by car dealers, in various aspects, such as number of service centres, convenience, pricing, range of services and service quality. According to the Frost & Sullivan Report, the passenger car maintenance and repair market in Singapore is highly fragmented, with approximately 1,300 service centres in 2015. The top 5 players accounted for only approximately 5.5% of market share, and the top player accounted for only approximately 2.1% of market share, in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015. If car dealers or owners of other service centres decide to expand their service centres, for instance increasing their number of service centres and lowering the prices charged for their services, or if other service centres supply or use other popular brands of spare parts and accessories for modification and tuning, we may face more intense competition and may not be able to compete effectively against some of these competitors. As a result, we may suffer a decline in the demand for our services and our operating results and business performance may be materially and adversely affected.

We are subject to changes in restrictions of import and export trade due to the nature of our business.

Some of our suppliers and customers are overseas. Any changes in restrictions of import and export trade of the country or region which we purchase spare parts from or deliver spare parts to, such as regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes, could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PLACING

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Share may be volatile.

Prior to the Placing, there was no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Placing. Factors such as variations in

RISK FACTORS

our Group's revenues, earnings and cash flows, loss of key personnel, and the liquidity of the market for the Shares, could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Placing Price or at all.

The trading volume and market price of the Shares following the Placing could be volatile.

The price and trading volume of the Shares could be volatile. Factors such as variations in our Group's revenue, earnings, cash flows, announcements of new investments and strategic alliances or acquisitions could result in large and sudden changes in the volume and price at which the Shares will trade. Volatility in the trading price of the Shares could also be caused by factors outside our Group's control and could be unrelated to our Group's operating results, such as investors' perception of our Group's business plans, changes in our Group's senior management personnel; and macroeconomic factors. These fluctuations may materially and adversely affect the prevailing market price of the Shares.

Future sales or perceived sales of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

There is no assurance that our Controlling Shareholder will not dispose of his Shares following the expiration of his lock-up period after the Placing. We cannot predict the effect, if any, of any future sales of the Shares by our Controlling Shareholder, or that the availability of the Shares for sale by our Controlling Shareholder may have on the market price of the Shares. Sales of a substantial number of the Shares by our Controlling Shareholder or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Investors may experience dilution effect if our Group issues additional Shares in the future.

Our Company may issue additional Shares upon exercise of options which may be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after such issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance business expansion or new development plans and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders in our Company may be reduced, and they may experience subsequent dilution in the percentage ownership, and/or (ii) such newly issued securities may have preferred rights, options or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

Shareholders and investors could face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by, among other things, our Memorandum of Association, our Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

In February and July 2015, MBMW, one of our operating subsidiaries, declared interim dividend of S\$4.0 million and S\$1.0 million, respectively, to MBMI, being its then sole shareholder. In February and July 2015, MBMI declared interim dividend of S\$4.0 million and approximately S\$1.5 million, respectively, to Mr. Lim, being its then sole shareholder. Any future dividend declaration and distribution by us will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board of Directors may determine as important. Accordingly, our historical dividend distributions are not indicative of our future dividend policy and we cannot assure you that dividends of similar amounts or at similar rates will be declared in the future. Potential investors should be aware that the amount of dividends previously paid should not be used as a reference or basis upon which future dividends are determined.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Statistics and facts in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate sources for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, our Controlling Shareholder, the Sponsor, the Lead Manager, the Bookrunner, the Underwriter, any of their respective directors, advisors, officers, employees, agents, affiliates and/or representatives or any other person or party involved in the Placing and therefore, we make no representation as to the accuracy of these statistics and facts. As such, these statistics and facts should not be unduly relied upon.

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

RISK FACTORS

Forward-looking statements in this prospectus could prove inaccurate.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Placing.

There could be press articles, media coverage and/or research analyst reports regarding us and the Placing, which could include certain financial information, financial projections, industry comparisons, and/or other information about us and the Placing that do not appear in this prospectus. We do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy, completeness or reliability of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We have not authorised the disclosure of any such information in the press, media or research analyst report. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it and accordingly, you should not rely on any such information. In making your decision as to whether to purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Lead Manager, the Bookrunner, the Underwriter, any of their respective directors, advisers, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by the Sponsor and managed by the Lead Manager. The Placing Shares will be fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement. For further information about the Underwriter and underwriting arrangements, please see “Underwriting”.

RESTRICTIONS ON SALE OF THE PLACING SHARES

No action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Each person acquiring the Placing Shares will be required to confirm, or by his/her acquisition of the Placing Shares be deemed to confirm, that he/she is aware of the restrictions on offers of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective subscribers for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure of the Placing, including the conditions thereto, are set out in “Structure and Conditions of the Placing”.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

Our Company's principal share register will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch share register will be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited, in Hong Kong.

All Shares in issue will be registered in our Company's branch share register to be maintained in Hong Kong. Only Shares registered on our Company's branch share register maintained in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees. Dealings in Shares registered in the branch share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch share register to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or to such person and to such address as the holder may in writing direct or if joint Shareholders, to the registered address of that one whose name stands first in the register in respect of the joint holding or to such person and to such address as the joint holders may in writing direct in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares. None of our Company, the Sponsor, the Lead Manager, the Bookrunner, the Underwriter, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons or parties involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Tuesday, 8 November 2016.

Shares will be traded in board lots of 5,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8283.

Our Company will not issue any temporary document of title.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: Singapore dollars into HK dollars at the rate of S\$1.00 = HK\$5.6 as at the Latest Practicable Date. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in S\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

Unless our Company determines otherwise, dividends payable in HK dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong by cheque sent, by ordinary post, at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder in accordance with the Articles.

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Kelvin LIM	Blk 200A, #06-20 Sengkang East Road Singapore 541200	Singapore
CHUA Boon Hou (Cai Wenhao) (蔡文豪)	Blk 304, #07-485 Clementi Avenue 4 Singapore 120304	Singapore
LIM Kong Joo (林光裕)	Blk 470, #04-914 Ang Mo Kio Avenue 10 Singapore 560470	Malaysia
Non-executive Director		
DU Xianjie (杜先杰)	Flat K, 9/F, Tower 7 Harbour Place 8 Oi King Street Hung Hom Kowloon, Hong Kong	Hong Kong
Independent non-executive Directors		
POK Mee Yau (卜美佑)	House 201, #13-10 Tanjong Rhu Road Singapore 436917	Malaysia
LIU Ji (劉驥)	Blk 203C, #02-25 Compassvale Road Singapore 543203	Singapore
LEUNG Yiu Cho (梁耀祖)	Rm 2722, 27/F Hin Tak House Hin Keng Estate Shatin New Territories, Hong Kong	Hong Kong

Please see “Directors and Senior Management” for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor	Messis Capital Limited Room 1606, 16/F., Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Lead Manager, Bookrunner and Underwriter	Great Wall Securities Limited 17/F, No. 148 Electric Road North Point Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law</i> Wilson Sonsini Goodrich & Rosati Suite 1509, 15/F Jardine House 1 Connaught Place Central Hong Kong <i>As to Singapore law</i> Equity Law LLC 7 Temasek Boulevard #43-03 Suntec Tower One Singapore 038987 <i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong <i>As to International Sanctions law</i> DLA Piper 3 Noble Street London EC2V 7EE United Kingdom
Legal advisers to the Sponsor and the Underwriter	<i>As to Hong Kong law</i> Pinsent Masons 50th Floor Central Plaza 18 Harbour Road Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Auditors and reporting accountants	Ernst & Young <i>Certified Public Accountants</i> 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	DTZ Cushman & Wakefield Limited 16th Floor Jardine House 1 Connaught Place Central Hong Kong
Industry consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai 200232 PRC
Compliance Adviser	Messis Capital Limited Room 1606, 16/F., Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong

CORPORATE INFORMATION

Principal Place of Business and Head Quarter in Singapore	176 Sin Ming Drive #01-15 Sin Ming Autocare Singapore 575721
Registered Office in the Cayman Islands	Estera Trust (Cayman) Limited 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	9/F, Wah Yuen Building 149 Queen's Road Central Central, Hong Kong
Company's Website	www.zhengliholdings.com <i>(The information on the website does not form part of this prospectus)</i>
Company Secretary	WONG Cheung Ki Johnny (王章旗), HKICPA
Compliance Officer	CHUA Boon Hou (Cai Wenhao) (蔡文豪)
Authorised Representatives	CHUA Boon Hou (Cai Wenhao) (蔡文豪) Blk 304, #07-485 Clementi Avenue 4 Singapore 120304 WONG Cheung Ki Johnny (王章旗) Flat E, 23/F Ko On Mansion, Taikoo Shing Quarry Bay, Hong Kong
Audit Committee	LIU Ji (劉驥) (Chairman) LEUNG Yiu Cho (梁耀祖) POK Mee Yau (卜美佑)
Remuneration Committee	LEUNG Yiu Cho (梁耀祖) (Chairman) LIU Ji (劉驥) Kelvin LIM
Nomination Committee	POK Mee Yau (卜美佑) (Chairman) LIU Ji (劉驥) Kelvin LIM
Risk Management Committee	POK Mee Yau (卜美佑) (Chairman) Kelvin LIM LIM Kong Joo (林光裕) CHUA Boon Hou (Cai Wenhao) (蔡文豪)

CORPORATE INFORMATION

**Cayman Islands Principal Share
Registrar and Transfer Office**

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

**Hong Kong Branch Share Registrar
and Transfer Office**

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

Compliance Adviser

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

Principal Banks

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Citibank N.A., Singapore Branch
5 Changi Business Park Crescent
Level 5
Singapore 486027

INDUSTRY OVERVIEW

This section and elsewhere in this prospectus contain information extracted from a commissioned report, or the Frost & Sullivan Report, prepared by Frost & Sullivan for inclusion in this prospectus. We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Directors, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter, any of their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Placing, other than Frost & Sullivan, and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics. Please see “Risk Factors — Risks relating to the statements made in this prospectus and from other sources — Statistics and facts in this prospectus have not been independently verified.” for details. We believe, after taking reasonable care, that there have been no material adverse changes in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE SINGAPORE ECONOMY

Nominal GDP in Singapore experienced a stable growth from approximately SGD322.4 billion in 2010 to approximately SGD402.5 billion in 2015, representing a CAGR of approximately 4.5%. It is estimated that nominal GDP in Singapore will further increase from approximately SGD402.5 billion in 2015 to approximately SGD534.7 billion in 2019 with a higher CAGR of approximately 5.8%. The population in Singapore increased from approximately 5.1 million in 2010 to approximately 5.5 million in 2015, with a CAGR of approximately 1.7%. From 2015 to 2020, the population in Singapore is expected to grow at a lower CAGR of approximately 0.6% and will reach approximately 5.7 million in 2020. The per capita nominal GDP in Singapore increased from SGD63,497.8 in 2010 to SGD72,179.7 in 2015, representing a CAGR of approximately 2.6%. As the growth rate of nominal GDP is higher than that of Singapore population, the per capita nominal GDP is expected to grow at a higher rate of approximately 5.4% from 2015 to 2020 and climb up to SGD93,778.8 in 2020.

OVERVIEW OF SINGAPORE PASSENGER CAR MARKET

COE requirement in the Singapore

In Singapore, a COE is required for the registration of a new vehicle in the appropriate vehicle category. A COE represents the right to vehicle ownership and use of the limited road space in Singapore for 10 years. At the end of the 10-year COE period, car owners can choose to deregister or revalidate COE for another 5 or 10 years by paying the prevailing quota premium. Vehicle owners are

INDUSTRY OVERVIEW

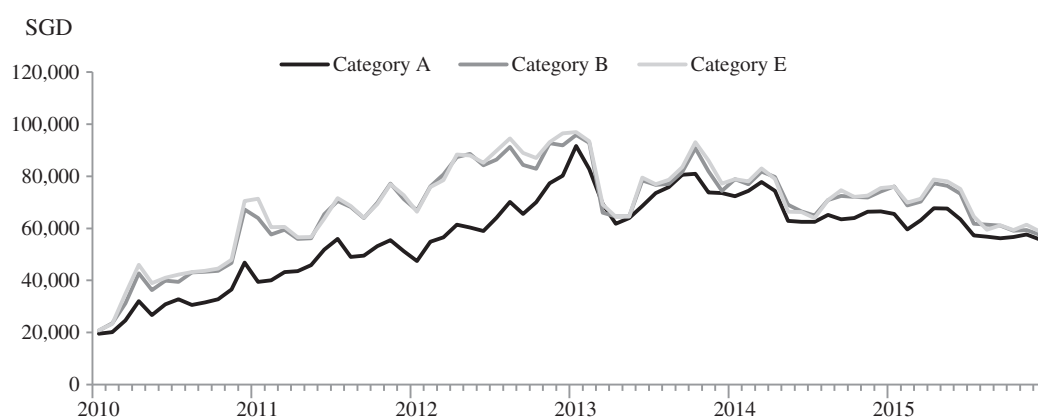
also allowed to de-register their COEs before the 10-year period and will receive monetary rebate. All passenger cars including mass production cars, luxury and ultra-luxury cars fall into vehicle categories A and B. The chart below illustrates the COE quota of vehicle categories A, B and E which fall into the category of passenger car for the years indicated:

	COE Quota					
	2010	2011	2012	2013	2014	2015
Category A	18,733	13,026	12,909	8,534	12,230	32,867
Category B	13,469	9,665	8,451	8,230	11,205	21,578
Category E	9,692	8,067	6,983	6,247	6,031	6,927

Source: Frost & Sullivan

Monthly average COE price in the Singapore

The COE price is largely influenced by the COE quota. From 2010 to 2012, the monthly average COE price for all vehicle categories increased sharply as a result of the COE quota reduction announcement made by the Singapore government. Passenger car buyers bade higher COE price to secure the required COE before further COE quota reduction. In February 2013, the COE price dropped significantly after the new loan restrictions imposed by Monetary Authority of Singapore, which largely discouraged the purchase of new passenger cars. In September 2013, the COE price then increased significantly due to the announcement of new COE categorisation criteria by LTA which took most premium models out of vehicle category A to vehicle category B. From 2014 to 2015, the COE price represented a downward trend as a result of the increase in COE quota during the same historical period. The chart below illustrates the monthly average COE prices in Singapore:



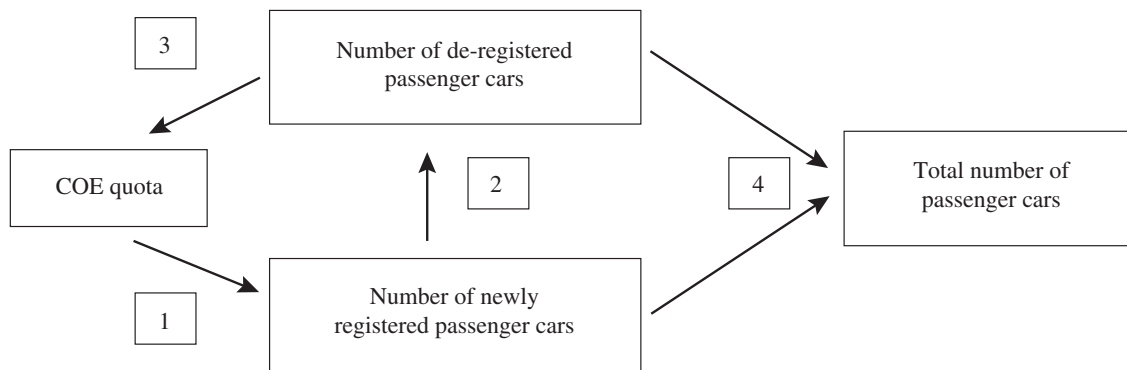
Source: LTA, Frost & Sullivan

INDUSTRY OVERVIEW

Total number of registered passenger car in Singapore

During 2010 to 2015, the total number of registered passenger cars maintained on a stable level. The total number of registered passenger cars in Singapore grew from approximately 623,800 units in 2010 to approximately 633,000 units in 2015 with a CAGR of approximately 0.3%. During the same historical period, the total number of luxury and ultra-luxury registered passenger cars grew from approximately 81,200 units in 2010 to approximately 128,000 units in 2015, representing a CAGR of approximately 9.5%.

The graph below illustrates the correlations between the COE quota, the number of de-registered passenger cars, the number of newly registered passenger cars and the total number of registered passenger cars with the arrows representing the direction of impact:



1. A COE is required for the registration of a new passenger car. The Singapore government controls the number of newly registered passenger cars through the COE quota system with the aim to keep the total number of registered vehicles at a relatively stable volume to meet the needs of transportation and prevent the problems of overcrowded traffic and air pollution.
2. A COE initially has a period of 10 years. At the end of the 10-year COE period, vehicle owners can choose to (i) deregister their COEs; or (ii) revalidate their COEs for another 5 or 10-year period by paying the prevailing quota premium. Vehicle owners are also allowed to de-register their COEs before the expiry of the 10-year period and receives monetary rebate.
3. According to the LTA, the monthly COE quota is calculated by summing up (i) the allowed annual net increase in vehicle population; (ii) the replacement of de-registered vehicles; and (iii) adjustments to account for changes in taxi population, past over-projections, expired or cancelled temporary COE, etc.. Given the allowed annual net increase in vehicle population is kept at a fixed rate of 0.25% of the vehicle population of the previous year since February 2015, and the adjustments remain comparatively stable every month, the replacement of de-registered vehicles influences the COE quota largely.

INDUSTRY OVERVIEW

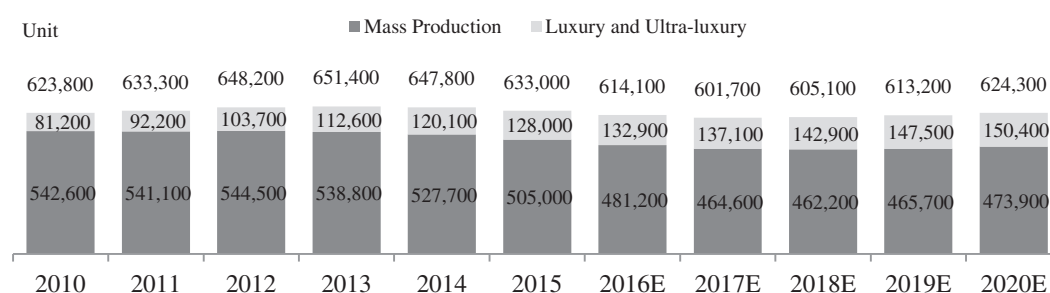
4. The fluctuations of the total number of registered passenger cars are resulted from the number of newly registered passenger cars, minus the number of de-registered passenger cars.

The number of de-registered passenger cars impacts on COE quota with certain time lag. The COE quota is computed and set every three months. Number of replacements of the deregistered vehicles is mainly calculated based on the total number of deregistered vehicles during the 3 months before the last month. For illustrative purpose only, the COE quota released from August to October 2016 was calculated based on the total number of de-registered vehicles from April to June 2016. In other words, the number of de-registered vehicles released from April to June 2016 would only have an impact on the COE quota from August to October 2016.

The COE quota impacts on the number of newly registered passenger cars with certain time lag. Once a car owner successfully bids a COE through the COE open bidding system, he/she is allowed to register the vehicle within 3 or 6 months, depending on the vehicle categories.

From 2016 to 2018, it is expected that the number of passenger cars about to reach the 10-year usage entitlement will be high. Therefore, more passenger cars are expected to be de-registered in 2016, 2017 and 2018 as a result of such expiry of COEs. The increase in the number of de-registered passenger cars will increase the COE quota subsequently and hence increase the number of newly registered passenger cars. Therefore, as a combination of the effects of the above, it is expected that the total number of registered passenger cars will temporarily decrease in 2016 and 2017 and then grow gradually from 2018 to 2020.

The chart below illustrates the historical and expected total number of registered passenger cars in Singapore from 2010 to 2020:



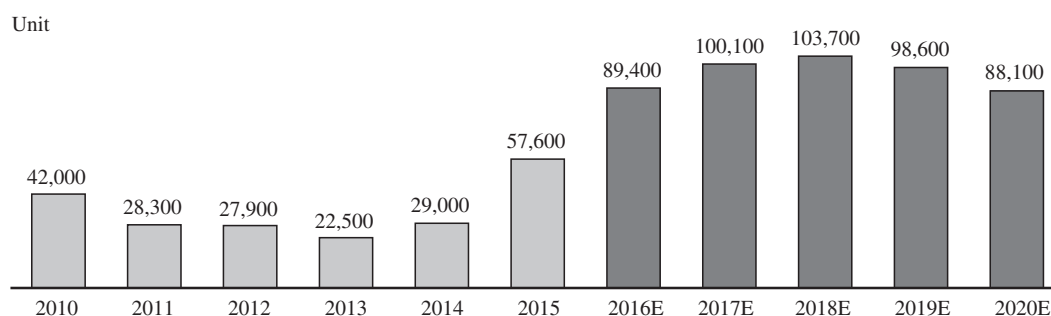
Source: Frost & Sullivan

Number of newly registered passenger car in Singapore

From 2010 to 2013, the number of newly registered passenger car in Singapore decreased as a result of reduced COE quota and higher COE price. The decrease in COE price by more than SGD10,000 in 2014 has increased the demand for passenger car purchases. Furthermore, in 2015, the number of newly registered passenger cars increased sharply to approximately 57,600 units from approximately 29,000 units in 2014, representing a growth rate of approximately 99.0%. As the number of passenger cars about to reach the 10-year usage entitlement will be high from 2016 to 2018, the COE quota is expected to increase rapidly from 2016 to 2018 to replace the number of

INDUSTRY OVERVIEW

de-registered vehicles. Hence, It is expected that the number of newly registered passenger cars will further increase to approximately 103,700 units in 2018. From 2019 to 2020 the COE quota is expected to remain at similar level with slight decrease because the number of vehicles reaching the 10-year COE period will also witness a slight decrease in 2019 and 2020. The chart below illustrates the historical and expected total number of newly registered passenger cars in Singapore from 2010 to 2020:



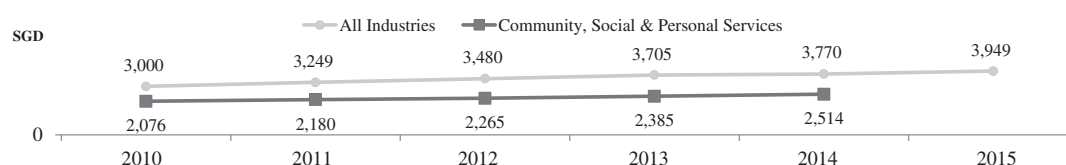
Source: Frost & Sullivan

Passenger car population in Singapore

The passenger car population in Singapore mainly comprise of passenger cars manufactured by 79 identified automakers. In terms of the general public perception, passenger cars can be classified into mass production cars, luxury cars and ultra-luxury cars. Luxury cars are passenger cars with desirable functionalities beyond strict necessity and bring enhanced driving experience at increased expense, while ultra-luxury cars are prestige, exclusive and performance passenger cars with a diverse spectrum of superior functionalities compared with luxury cars. According to the Frost & Sullivan Report, the 79 identified automakers manufactured 29 luxury brands such as Alfa Romeo, Audi, B.M.W., Chrysler, Infiniti, Jaguar, Jeep, Land Rover, Lexus, Lotus, Mercedes Benz, MINI, Volvo and Hummer and 10 ultra-luxury brands such as Aston Martin, Bentley, Ferrari, Lamborghini, Maserati, McLaren, Mitsuoka, Porsche and Rolls Royce.

Gross monthly income of full-time employed resident in Singapore

In Singapore, labour cost is relatively high as compared with other countries in South-east Asia and continues growing recently. Gross monthly income of full-time employed residents in Singapore for all industries experienced a stable growth with a CAGR of approximately 5.7% from 2010 to 2015. Gross monthly income of full-time employed residents in community, social and personal services industry increased from SGD2,076 in 2010 to SGD2,514 in 2014, representing a CAGR of approximately 4.9%. The chart below illustrates the historical gross monthly income from work of full-time employed residents from all industries and community, social and personal services respectively from 2010 to 2015:



Source: Ministry of Manpower

INDUSTRY OVERVIEW

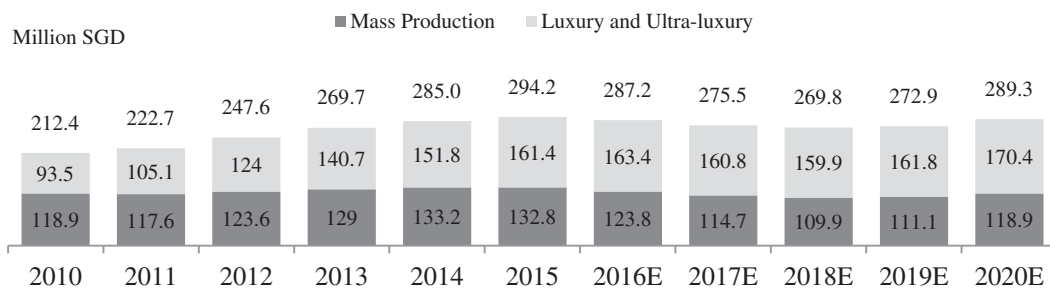
Note: Information of the gross monthly income of full-time employed resident for Community, Social and Personal Services for 2015 was not available from the Singapore government as at the Latest Practicable Date.

OVERVIEW OF SINGAPORE PASSENGER CAR MAINTENANCE AND REPAIR MARKET

Market size of Singapore passenger car maintenance and repair

According to the passenger car population by age distribution in Singapore in 2015, cars aged from 5 years to 10 years account for over 72% of the whole passenger car population. These cars have contributed to a sustained and stable expansion of the maintenance and repair market over the past years with a CAGR of approximately 6.7% from 2010 to 2015. The number of passenger cars about to reach the 10-year usage entitlement will be high from 2016 to 2018. The COE quota is expected to increase rapidly from 2016 to 2018 to replace the number of de-registered vehicles. From 2019 to 2020, the COE quota is expected to decrease slightly because the number of vehicles reaching the 10-year COE period will also witness a slight decrease in 2019 and 2020.

As a result of the above, the market size of the Singapore passenger car maintenance and repair industry is expected to follow the opposite trend and decrease from 2016 to 2018 and to increase in 2019 and 2020. Passenger car population is expected to decrease in 2016 to 2018, resulting in a slight decrease in the demand for passenger car maintenance and repair services. By 2020, the total market size is predicted to be approximately SGD289.3 million, among which the market size of luxury and ultra-luxury passenger cars is estimated to be approximately SGD170.4 million. The chart below illustrates the historical and expected market size of Singapore passenger car maintenance and repair market from 2010 to 2020:



Source: Frost & Sullivan

Average service fees of passenger car maintenance and repair market

The average service fees of passenger car maintenance and repair service in Singapore remained stable at approximately SGD300.3 and SGD310.5 in 2014 and 2015, respectively. During the same historical period, our Group also recorded stable average service fees of passenger car maintenance and repair service of approximately SGD968.9 and SGD968.6 in 2014 and 2015, respectively. Our Group's average service fees of passenger car maintenance and repair service was higher than the industry average mainly because of our focus on providing services to luxury and ultra-luxury passenger cars.

INDUSTRY OVERVIEW

Market drivers, entry barriers, market trends, threats and opportunities to Singapore passenger car maintenance and repair market

The below analysis highlight the market drivers, entry barriers, market trends, threats and opportunities to Singapore passenger car maintenance and repair market unless otherwise stated, apply to mass production, luxury and ultra-luxury passenger cars.

Market drivers

Driven by both demand and supply factors, the Singapore passenger car maintenance and repair market is expected to remain relatively stable despite the expected slight decrease in the total number of registered passenger car in the next few years. The expected recovering purchase volume of new passenger cars as the result of increased COE quota and higher awareness of periodic vehicle maintenance are the two main drivers for demand, while the technological innovation in both repair equipment and new vehicle engine type such as pure electric vehicle, plug-in hybrid electric vehicle, and hybrid vehicle also drives the future development of the car maintenance and repair market in Singapore.

Entry barrier

Limited skilled manpower and high labour cost

Labour cost is relatively high in Singapore compared with other countries in South-east Asia and continues to grow recently, which makes it more difficult to establish new business. The situation is even worse for the passenger car maintenance and repair business due to a lack of well-trained manpower.

Government restrictions

To enter the Singapore passenger car maintenance and repair market, service providers need to first obtain all the work safety and environmental approvals and permits before conducting business. New business owners need to strictly follow government regulations when entering the market.

Large initial investment

Large initial investment is required to establish new business in the Singapore passenger car maintenance and repair market. Major costs include industrial premises rental, service centre construction, high labour cost, purchase of equipment and tools including the high costs of specialised diagnostic equipment.

Establishment of brand image

The customer complaint rate of passenger car maintenance and repair service has been one of the highest among all consumer markets. To establish a good brand image, newly established passenger car maintenance and repair businesses need to invest more on marketing activities to attract customers as well as to maintain good quality of services. Generally, it is common for a car owner to engage an automotive service provider on a continuing basis as long as it provides quality services.

INDUSTRY OVERVIEW

Market trends

Increasing purchase of passenger cars

The price for COE is expected to decrease progressively as the Singapore government is likely to increase the COE quota to meet the demand for car usage. The decrease in COE price by more than SGD10,000 in 2014 increases the demand for passenger car purchases. The LTA reported an increase of approximately 99% of newly registered passenger car in 2015 as compared to that in 2014.

Enhanced technology and highly-skilled workers

Due to land constraints and effort to reduce carbon dioxide emissions, the Singapore government has since implemented strict guidelines and limited the number of cars on the road. These initiative would influence potential car owner's preference and decisions where they are likely to opt for fuel-efficient, small cars, and hybrid vehicles. Therefore, automotive service providers are required to adapt to this trend by training their staff to maintain and repair hybrid vehicles and other new types of fuel-efficient cars.

Various business practices and competition

Operating in a convenient location and adopting effective marketing strategies are keys for service centres to attract customers. Large-scale service centres are able to invest in costly diagnostic equipment and enjoy economies of scale in purchasing, distribution, and marketing. Small-scale service centres can compete effectively by providing personalised customer service or offering specialised services.

Internet business and on-line service

On-line activities will be a growing trend in the future, where customers use the internet to search for aftermarket products and services. Automotive service providers will also utilise technology to enhance their operations with centralised database systems where the clients' needs, latest vehicle types, spare parts consumption patterns and technical information are captured.

Threats and opportunities

Car population by age distribution

In 2015, the number of cars aged from 5 years to 10 years accounted for over 72% of the whole current car population. Compared with new cars, these cars typically require more maintenance and repair services to maintain their performances, thus contributing to a relatively sustained and stable market for car maintenance and repair services in the next few years.

Higher awareness of customers

According to the latest data of the Consumers Association of Singapore, it has received the most complaints from consumers about the services of service centres. Car owners in Singapore demand high quality maintenance and repair services and transparent pricing system. As a result, market participants which can provide high quality services and value-added services tend to attract more customers.

INDUSTRY OVERVIEW

No threats in the period of 2016 to 2020

As the Singapore passenger car maintenance and repair service market is mature, it is believed that there is no threat that will have a significant impact to the market in the forecast period of 2016 to 2020. The decrease in COE quota, stricter government regulations and higher demand for service quality might occur but are not likely to cause a sharp decrease to the market size of the Singapore passenger car maintenance and repair market.

Competitive landscape of the Singapore passenger car maintenance and repair market

Rank	Name of company	Headquarter location	Business Scope	Number of passenger cars maintained and/or repaired in 2015 (unit)	Market share in 2015 (%)	Number of service centres in 2015
1	Company A	Singapore	Retail of automotive related products, car maintenance and repair services for mass production brands and luxury brands	19,700	2.1	21
2	Our Group	Singapore	Offers a comprehensive range of passenger car services including maintenance and repair services and modification, tuning and grooming services	13,100	1.4	2
3	Company B	Singapore	Retail of automotive kits and performance products, car maintenance and repair services, modification services, focusing on luxury brands	7,500	0.8	2
4	Company C	Singapore	Accident reporting, 24-hour accident and breakdown assistance, claims management, car maintenance and repair services, car rental services, focusing on mass production brands and luxury brands	6,100	0.6	2
5	Company D	Singapore	Retail of auto parts, car maintenance and repair services, car grooming services, focusing on mass production brands	5,600	0.6	5
Others				895,600	94.5	1,272
Total				947,600	100.0	1,304

Source: Frost & Sullivan

INDUSTRY OVERVIEW

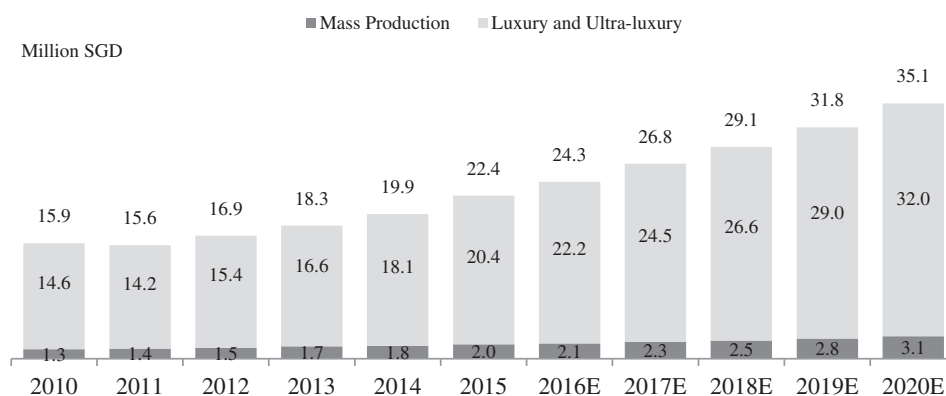
Singapore passenger car maintenance and repair market is highly fragmented, with approximately 1,300 service centres in 2015. The top 5 players accounted for only approximately 5.5% of market share, while the top player accounted for only approximately 2.1% of market share, in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015.

Large-scale service centres are able to invest in costly diagnostic equipment and enjoy economies of scale in purchasing, distribution and marketing, while small-scale service centres can compete effectively by providing personalised customer service or offering specialised services.

OVERVIEW OF THE SINGAPORE PASSENGER CAR MODIFICATION, TUNING AND GROOMING MARKET

Total revenue of the passenger car modification, tuning and grooming market in Singapore

The total revenue of the Singapore passenger car modification, tuning and grooming market witnessed moderate growth in the past five years, rising from approximately SGD15.9 million in 2010 to approximately SGD22.4 million in 2015, representing a CAGR of approximately 7.1%. The revenue from luxury and ultra-luxury passenger car modification, tuning and grooming service reached approximately SGD20.4 million in 2015, accounting for approximately 91.1% of the total market. Along with the further popularity of car modification, tuning, and grooming services and more diversified tuning demand of car owners, the Singapore passenger car modification, tuning and grooming market is projected to reach approximately SGD35.1 million by 2020. The chart below illustrates the historical and expected total revenue of the Singapore passenger car modification, tuning and grooming market from 2010 to 2020:



Source: Frost & Sullivan

Average service fees of passenger car modification, tuning and grooming market

The average service fees of passenger car modification, tuning and grooming service in Singapore experienced a downward trend from approximately SGD1,914.2 in 2014 to approximately SGD1,587.9 in 2015 as the result of fierce competition. Our Group's average service fees of passenger car modification, tuning and grooming service also decreased from approximately SGD2,471.4 in 2014 to approximately SGD1,961.0 in 2015. Our Group's average service fees of passenger car modification, tuning and grooming service was higher than the industry average mainly because of our focus on providing services to luxury and ultra-luxury passenger cars.

INDUSTRY OVERVIEW

Market drivers, entry barriers, market trends, threats and opportunities to Singapore passenger car modification, tuning and grooming market

The below analysis highlight the market drivers, entry barriers, market trends, threats and opportunities to Singapore passenger car modification, tuning and grooming market unless otherwise stated, apply to mass production, luxury and ultra-luxury passenger cars.

Market drivers

Singapore passenger car modification, tuning and grooming market is expected to grow continuously, driven by several key factors including macro-economy and demand and supply side of the market. From the standpoint of demand side, increasing customer needs for car modification, tuning and grooming services and booming car tuning culture associated with premium brands provide a strong market motivation. From the supply side, government regulations of car modification and tuning services and improving modification and tuning technologies enhance the further growth of the market through higher quality modification and tuning services from suppliers.

Entry barrier

Limited skilled technical manpower

In Singapore, the lack of skilled technicians continues to be an obstacle to enter the automotive industry. Difficulty in recruiting skilled local technicians who can provide high quality modification, tuning and grooming services remains a primary difficulty for overseas companies and small-scale local start-ups which want to enter the Singapore passenger car modification, tuning and grooming market.

Governmental restrictions

Singapore government enforces strict regulations concerning the automotive industry, including a series of detailed guidelines issued by the LTA for the passenger car modification, tuning and grooming activities. To enter the Singapore passenger car modification, tuning and grooming market, service providers need to obtain all the work safety and environment approvals and permits before conducting business. Governmental rules and regulations restrict the entries of unqualified small-scale service providers in Singapore.

Brand name establishment

The passenger car modification, tuning and grooming industry requires distinctive brand strategies. Certain groups of customers such as luxury and ultra-luxury passenger car owners are less likely to have continuing brand loyalty. Automotive service providers need to continuously invest in effective marketing strategies, establish good relationship with suppliers, and enhance quality control to retain the customers. Generally, it is common for a car owner to engage an automotive service provider on a continuing basis as long as it provides quality services.

INDUSTRY OVERVIEW

Complex consumer demand

Demand for high-end automotive spare parts and accessories and diversified services give rise to the complexity of consumer demand in passenger car modification, tuning and grooming market. Companies with insufficient industry expertise and servicing capacity will face difficulties in entering the market. Leading automotive service providers with integrated value chain, good consumer base, and large serving capacity are able to provide services catered to consumers' changing demands by providing them with the latest high-end spare parts and accessories and latest cutting-edge technologies for modification and tuning and competent technicians with strong industry experiences.

Market trends

Enhanced technology

Owing to the expansion of affluent class in Singapore, more car owners, especially luxury and ultra-luxury passenger car owners, are willing to pay for the car modification, tuning and grooming services with high-end parts and latest cutting-edge technologies. To meet the demands from the rising trend of fuel-efficient cars and advancing-technology in automobile manufacturing, automotive service providers tend to attract customers through enhanced technical capabilities. The Carbon Emissions-based Vehicle Scheme which has been effective since July 2015, encourages consumers to purchase low carbon emission vehicles with increased rebates. This is expected to have a positive impact on consumers preference to purchase such type of vehicles.

Diversified reasons for car modification, tuning and grooming

In Singapore, car owners tend to have more diversified modification, tuning and grooming purposes, such as non-mechanical and aesthetic modifications and performance related modifications. Singapore passenger car modification, tuning and growing market is displaying a trend of focusing on improving vehicle performance and fuel efficiency through cutting edge technologies. In addition, with the augmentation of affluent class and entries of more top-level automakers in Singapore, passenger car modification, tuning and grooming market especially for luxury and ultra-luxury passengers cars will likely grow.

Popularity of automotive modification, tuning and grooming culture

Singapore is one of the few Asian countries where wide-spread passenger car modification, tuning and grooming culture can be observed. With the change in car ownership demographics, young people in Singapore are leading the trend of car modification, tuning and grooming. Due to the massive de-registration of cars aged from 5 years to 10 years in the next 2 or 3 years in Singapore, it is expected that this trend will be accepted by more new car owners and will be put into practice. Annual registration of luxury and ultra-luxury passenger cars in Singapore increased from approximately 14,100 units in 2010 to approximately 14,500 units in 2015, which set the foundation for further popularity of passenger car modification, tuning and grooming in Singapore.

INDUSTRY OVERVIEW

Threats and opportunities

Innovation of car modification and tuning technology

The continuous development of the automotive industry demands car modification and tuning technology to innovate at an accelerated pace. Consumers in Singapore place more emphasis on the use of advanced automobile technologies and good driving experiences, such as clean diesel technology and driver assistance system. Keeping abreast with the technological change is an important competitive edge in the Singapore passenger car modification, tuning and grooming market.

Diversification of consumer demands

Due to the prevalent automobile modification, tuning and grooming culture and preference for advanced technologies, the Singapore passenger car modification, tuning and grooming market is displaying a trend of diversification. Consumers in Singapore demand diversified car modification services and high quality auto accessories. The service providers with technical strength and ability to provide high quality services will be able to gain more market share in the Singapore passenger car modification and tuning market.

Integration of value chain

Leading automotive service providers are focused on establishing integrated service value chain with efficient ERP and CRM system to achieve better quality control and improved customer relationship. Integration of value chain supports more diversified car repair and modification service offerings and requires solid industry expertise and service capacity of service providers. Service providers need to identify consumer needs in advance and align business strategies with consumer needs. Better performance of value chain helps automotive service providers to achieve larger economy of scales with comprehensive service offerings.

Change of car modification and tuning guidelines

In Singapore, without certificates of approval from the LTA, any vehicle modification is deemed illegal, even if it comes with international certification. Consequently, keeping in pace with the latest change in Singapore vehicle modification and tuning guidelines set by the LTA is one of the prerequisites to adjusting product strategies. Although the governmental regulations remain rigorous and detailed, the allowable range of modification activities has actually expanded over the years. Reputable service providers with in-depth industry expertise possess more advantages in understanding industry regulatory requirements and customer needs.

INDUSTRY OVERVIEW

Competitive landscape of the Singapore passenger car modification, tuning and grooming market

Rank	Name of company	Headquarter location	Business scope	Total revenue derived from passenger car modification, tuning and grooming service in 2015 SGD (million)	Market share In 2015 (%)
1	Our Group	Singapore	Offers a comprehensive range of passenger car services including maintenance and repair services and modification, tuning and grooming services	2.0	8.9
2	Company E	Singapore	Distribution of automotive products for reputable brands, car modification and tuning services, and third party insurance claims, focusing on luxury and ultra-luxury brands	1.8	8.0
3	Company F	Singapore	Retail of top-notch automotive products and stylish bodykit, car modification services, focusing on luxury and ultra-luxury brands	1.6	7.1
4	Company G	Singapore	Retail of bodykits, car maintenance and repair services, car modification, tuning and grooming services, accident insurance claims and insurance renewal services, focusing on luxury and ultra-luxury brands	1.3	5.8
5	Company B	Singapore	Retail of automotive kits and performance products, car maintenance and repair services, car modification, tuning and grooming services, focusing on luxury brands	1.0	4.5
Others				14.7	65.7
Total				22.4	100.0

Source: Frost & Sullivan

Singapore passenger car modification, tuning and grooming market is relatively concentrated due to the high requirements of servicing capacity and industry expertise. Most of the leading players in the market integrate modification, tuning and grooming services with other aftermarket automobile services, such as car maintenance and repair services. Key market players include large-scale service centre with comprehensive services offerings and small-scale service centres specialising in car modification, tuning and grooming. Leading market players differentiate from other competitors with high quality passenger car spare parts and accessories used, well-trained technicians, and well-rounded services provided.

There are approximately 160 service providers in the Singapore passenger car modification, tuning and grooming market, with top 5 players accounted for approximately 34.3% of market share as measured by revenue in 2015. Our Group is the largest service provider in the Singapore passenger car modification, tuning and grooming market, registering revenue of approximately SGD2.0 million derived from modification, tuning and grooming services in 2015.

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

Our Group commissioned Frost & Sullivan, a market research consultant, to prepare the Frost & Sullivan Report for use in this prospectus. Our Group has agreed to pay a fee of Renminbi 500,000 for the Frost & Sullivan Report, which will be fully paid prior to the Listing. Our Group is of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report.

Established in 1961, Frost & Sullivan provides market research on a variety of industries, including automotive industry. The Frost & Sullivan Report includes information on the (i) maintenance and repair and (ii) modification, tuning and grooming market in Singapore. In preparing the Frost & Sullivan Report, Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the industry key drivers.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) Singapore's economy is likely to maintain steady growth in the next decade; (ii) Singapore's social, economic, and political environment is likely to remain stable in the next few years; and (iii) key industry drivers are likely to continue to affect the market over the next few years. Frost & Sullivan, the Sponsor and we believe that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected.

REGULATORY OVERVIEW

REGULATORY OVERVIEW

As our Group's principal operating businesses include the maintenance and repair, modification, tuning and grooming of passenger cars and the sale of passenger car spare parts and accessories in Singapore, our Group is subject to and shall comply with the regulatory requirements in Singapore.

A summary of the relevant laws and regulations in Singapore is set out below.

LAWS RELATING TO THE CARRYING ON OF THE BUSINESS OF OUR GROUP

Vehicle modifications

Under Sections 6 and 140 of RTA, the LTA may make rules generally as to the use of vehicles, their construction and equipment and conditions under which they may be used. Rules that have been made pursuant to Sections 6 and 140 of the RTA include the Road Traffic (Motor Vehicles, Construction & Use) Rules, the Road Traffic (Motor Vehicles, Lighting) Rules and the Road Traffic (Motor Vehicles, Seat Belt Rules) which stipulate, amongst others, the requirements pertaining to length, width and height of a vehicle, brakes, mirrors, smoke and noise emissions, seat belts, lighting and lamps requirements.

Pursuant to Section 5(6) of the RTA, if a vehicle is used or is sold, supplied, offered or altered in contravention of the RTA, any person who so uses the vehicle or causes or permits the vehicle to be used or sells, supplies, offers or alters it or causes or permits it to be sold, supplied, offered or altered shall be guilty of an offence. Any person who is guilty of an offence under subsection (6) shall be liable on conviction to a fine not exceeding \$2,000 or to imprisonment for a term not exceeding 3 months and, in the case of a second or subsequent conviction, to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 6 months.

Under guidelines issued by the LTA, there are 3 categories of modifications: (a) modifications that are allowed without seeking LTA's approval, (b) modifications that require LTA's approval, and (c) modifications that are not allowed. Examples of each category is set out below:

Modifications that require LTA's approval

- engines
- exhaust system
- hoods or canopies
- seating arrangements
- sunroofs

REGULATORY OVERVIEW

- superchargers or turbochargers
- transmissions or gearboxes

Modifications that don't require LTA's approval

- bumpers
- car seats
- fog lamps
- fuel additives
- fuel molecule polarisers
- gear knobs
- in-vehicle entertainment systems
- in-vehicle information & communication systems (GPS system)

Modification that are not allowed

- air horns
- automatic headlamp switch-on function on motorcycles
- chain guards
- chassis
- crash bars
- daytime-running lamps
- decorative lamps
- engine capacity
- head lamps
- nitrous injection devices
- spot lamps

REGULATORY OVERVIEW

- tinting or masking of vehicle lamps
- towhooks

Management of hazardous waste

The disposal of toxic industrial wastes is regulated under the Environmental Public Health (Toxic Industrial Waste) Regulations 1988. Such substances include, *inter alia*, spent motor oils from petrol and diesel engines and waste lead-acid batteries.

The generator of the toxic industrial waste is required to treat the waste in an approved in-house waste treatment plant and dispose of the residues, if any, at the National Environmental Agency's sanitary landfill site. Alternatively, the generator can engage a licensed toxic industrial waste collector to collect his waste for treatment and disposal.

As at the Latest Practicable Date, we engaged NSL OilChem Waste Management Pte Ltd, a licensed toxic industrial waste collector to deal with our toxic industrial waste.

Workplace safety and health measures

Under the WSHA, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards to the facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

Additional duties imposed on employers are also set out in the WSHR including taking effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health, ensuring adequate ventilation and maintaining sufficient and suitable lighting.

Pursuant to the WSHR, the following equipment, *inter alia*, are required to be tested and examined by an Authorised Examiner, who is authorised by the CWSH, before they can be used in a factory and thereafter, at specified intervals:

- hoist or lift;

REGULATORY OVERVIEW

- lifting gears; and
- lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment or occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, *inter alia*, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that:

- the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work;
- any person has contravened any duty imposed by the WSHA; or
- any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

Regulations of imports and exports

The regulation, registration and control of imports and exports is governed by the RIEA and the relevant subsidiary legislations made thereunder. The RIEA is administered by the Director-General of Customs appointed under section 4(1) of the Customs Act (Cap. 70) of Singapore. The primary subsidiary legislation made under the RIEA is the RIER.

REGULATORY OVERVIEW

Under the RIER, save as otherwise provided therein, no goods shall be imported into, exported out of or transhipped in Singapore except in accordance with a permit granted by the Director-General. A permit is required for every shipment of goods. An application for permit to import, export or tranship any goods is required to be made to the Director-General by (a) the importer, exporter, shipping agent, air cargo agent, freight forwarder or common carrier, as the case may be, or (b) a “declarant”.

A “declarant” is an individual who is authorised by a “declaring agent” to do any act or thing for the purposes of RIEA or any regulations made thereunder on behalf of the “declaring agent”. A “declaring agent” is an entity making (through a declarant) an application under the RIEA or any regulations made thereunder to the Director-General for a permit (or certificate or other document or form of approval on behalf of a “declaring entity”).

Any importer, exporter, shipping agent, air cargo agent, freight forwarder, common carrier or other person who desires to obtain a permit (or certificate or any other document or form of approval) for any purposes of the RIEA or any regulations made thereunder, the application for which involves a declaration being made, is a “declaring entity”.

Under Regulation 35B of the RIER, unless the Director-General of Customs allows in any particular case, no declaration may be made by a declarant for any purpose of the RIEA or any regulations made thereunder unless the declaring entity, the declaring agent and the declarant, are registered by the Director-General of Customs prior to the making of the declaration. An entity which is registered under the former Regulation 37(1) of the RIER in force immediately before 2 April 2013 shall be deemed to have been so registered.

MBMW and KBS are registered with the Singapore Customs as an importer and exporter under the former Regulation 37(1) of the RIER and are therefore a registered declaring entity for the purposes of Regulation 35B of the RIER. MBMW and KBS primarily utilise authorised declaring agents to apply for import and export permits on their behalf. The authorised declaring agents’ registrations are valid until withdrawn by MBMW or KBS. Our Directors confirm that MBMW and KBS have been registered with the Singapore Customs at all material times during all import and export shipments carried out by them, and have applied for and obtained all import and export permits under RIER for each import and export of goods carried out by them. According to our Singapore legal advisers and to the best knowledge of our Directors, save for such import and export permits, there are no other material licenses, approvals and permits for our business operations in Singapore.

Employment Act

The EA is Singapore’s main law relating to labour and employment of employees. The EA covers all types of employees who is under a contract of service with an employer and includes a workman (as defined under the EA), but does not cover persons who are employed in a managerial or executive position and is in receipt of a salary exceeding S\$4,500 a month, seafarers, domestic workers, statutory board employees or civil servants.

REGULATORY OVERVIEW

Part IV of the EA sets out provisions in relation to, *inter alia*, rest days, hours of work, overtime, annual leave and other conditions of service, and only applies to certain categories of employees covered under the EA, namely workmen who receive basic salaries not exceeding S\$4,500 a month and employees other than workmen who receive basic salaries not exceeding S\$2,500 a month.

The EA provides that a Part IV Employee is not allowed to work for more than 12 hours in any 1 day except in specified circumstances, such as where the work is essential to the life of the community, defence or security, or there is urgent work to be done to machinery or plant. In addition, Section 38(5) of the EA limits the extent of overtime work that a Part IV Employee can perform to 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour (the “CL”) for exemption if they require a Part IV Employee or class of Part IV Employees to work for more than 12 hours a day or perform overtime work for more than 72 hours a month. The CL, may, after considering the operational needs of the employer and the health and safety of the Part IV Employee or class of Part IV Employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such Part IV Employee or class of Part IV Employees are employed.

An employer who breaches any provision of Part IV of the EA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Employment of foreign workers

The availability and the employment cost of skilled and unskilled foreign workers are affected by the government’s policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, *inter alia*, the Employment of Foreign Manpower Act (Cap. 91A) and the relevant government gazettes.

The availability of the foreign workers to the services industry is dependent on, *inter alia*, the policies of MOM in connection with:

- the countries from which foreign workers may be sourced;
- the requirements and procedures for the issuance of work permits;
- the imposition of security bonds and levies; and
- the dependency ceilings based on the ratio of local to foreign workers.

The approved source countries for workers in the services industry are Malaysia, PRC, Hong Kong, Macau, South Korea and Taiwan.

REGULATORY OVERVIEW

A S\$5,000 security bond in the form of a banker's guarantee or insurance guarantee is required to be placed for each non-Malaysian work permit holder that our Group employs in Singapore. The security bond will be returned when the work permit has been cancelled and the foreign worker has returned to his home country, and there were no breaches of the conditions of the work permit, security bond and any relevant law.

The employment of foreign workers is also subject to the payment of levies. For the services sector, employers pay the requisite levy according to the quota and qualification of the foreign workers employed. The levy rates are tiered so that those who hire close to the maximum quota will pay a higher levy. The quota and levy rate for the services sector are as follows:

Quota	Basic Skilled — monthly	Basic Skilled — daily	Higher Skilled — monthly	Higher Skilled — daily
Tier 1: Up to 10% of the total workforce	S\$450	S\$14.80	S\$300	S\$9.87
Tier 2: Above 10% to 25% of the total workforce	S\$600	S\$19.73	S\$400	S\$13.16
Tier 3: Above 25% to 40% of the total workforce	S\$800	S\$26.31	S\$600	S\$19.73

In relation to the employment of semi-skilled or unskilled foreign workers, employers must ensure that such persons apply for a “work permit”. In relation to the employment of foreign mid-level skilled workers, employers must ensure that such persons apply for an “S Pass”. The S Pass is intended for mid-level skilled foreigners who earn a monthly fixed salary of at least S\$2,200. In relation to the employment of foreign professionals, employers must ensure that such persons apply for an “employment pass”. The employment pass is intended for professionals who earn a monthly fixed salary of at least S\$3,300.

As at the Latest Practicable Date, we had 31 foreign employees, out of which 23 employees were holders of work permit, 6 employees are holders of S Pass and 2 employees are holders of employment pass.

Under the Employment of Foreign Manpower (Work Passes) Regulations 2012, employers of Work Permit holders are required, *inter alia*, to:

- be responsible for and bear the costs of the upkeep and maintenance of the foreign employee in Singapore, including the provision of adequate food as well as medical treatment;
- provide safe working conditions;
- provide acceptable accommodation consistent with any law or governmental regulations; and

REGULATORY OVERVIEW

- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S\$15,000 per every 12-month period.

Employers of holders of S Pass are required, *inter alia*, to:

- be responsible for and bear the costs of the foreign employee's medical treatment, except that the foreign employee may be made to bear part of any medical costs if such medical costs consist of not more than 10% of the foreign employee's fixed monthly salary per month, the period to be paid by the foreign employee does not exceed 6 months in aggregate, and the foreign employee's agreement to pay part of any medical costs is stated explicitly in the foreign employee's employment contract or collective agreement; and
- provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S\$15,000 per every 12-month period.

Workmen's compensation

The WICA, which is regulated by the MOM, applies to all employees in all industries engaged under a contract of service in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

Further, the WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of his business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for 2 categories of employees engaged under contracts of service (unless exempted) - firstly, all employees doing manual work and secondly, non-manual employees earning S\$1,600 or less a month.

CPF contributions

The CPF is a comprehensive social security system that enables working citizens and permanent residents of Singapore to set aside funds for retirement. We are required to pay monthly to the CPF in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Cap. 36).

REGULATORY OVERVIEW

LAWS RELATING TO CONSUMER PROTECTION

Lemon Laws for General Goods

The Consumer Protection (Fair Trading) Act (Cap. 52A) was amended with effect from 1 September 2012 to incorporate provisions relating to Lemon Laws for vehicles, which provide remedies against goods with latent defects, with related amendments to the Hire Purchase Act and Road Traffic Act (for provisions governing automobiles).

Lemon Laws apply to all consumer goods except real property, and as such, apply to products sold by our Group e.g. automobile tuning parts.

Lemon Laws provide remedies to consumers who have purchased goods that fail to conform to the applicable contract at the time of delivery. The standard in determining whether the goods will be deemed to have conformed to the “applicable contract” would take into account the goods’ age at the time of delivery, and the price paid for said goods. If a defect is detected and proven to exist within 6 months of delivery, it is presumed that the defect existed at the time of sale or delivery, and the burden of proof will be on the seller to prove otherwise. Beyond the period of 6 months after delivery, consumers can still seek remedies, but the burden of proof will be on the consumer to prove that the defect existed at the time of delivery in order to make a claim under the Lemon Laws.

Lemon Laws provide a two-stage recourse framework. The vendor may first offer to repair or replace the defective product within a reasonable period of time and without significant inconvenience to the consumer. If repair or replacement is not possible or reasonable to the vendor or the vendor did not provide repair or replacement within a reasonable period and without significant inconvenience to the consumer, the consumer may keep the defective product and request for a reduction in price or return the product for a refund, the amount of which would depend on the use the consumer had of the product.

Personal Data Protection Act

The PDPA establishes data protection governing the collection, use, disclosure and care of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose personal data for purposes that a reasonable person would consider appropriate in circumstances. Under the PDPA, personal data means data, whether true or not, about an individual who can be identified from that data or other information which the organisation has or is likely to have access. Before the collection, use or disclosure of the personal data, we are required to inform the individual of the purposes for the collection, use or disclosure of the personal data and any other purpose of the use or disclosure of the personal data of which the individual has not been informed previously.

Under the PDPA, we shall not collect, use or disclose personal data about an individual unless the individual gives or is deemed to have given his consent under the PDPA to the collection, use or disclosure unless authorised under the PDPA. An individual is deemed to consent to the collection, use or disclosure of personal data if the individual voluntarily provides the personal information to us and it is reasonable that the individual would do so. If an individual consents or is deemed to have given

REGULATORY OVERVIEW

consent to the disclosure of the individual's personal data from one organisation to another organisation for a particular purpose, the individual is also deemed to consent to the collection, use or disclosure of the personal data for that particular purpose by that other organisation. We may collect, use or disclose personal data about an individual only for purposes that a reasonable person would consider appropriate in the circumstances.

An individual may request us to provide the individual with, as soon as reasonably possible, personal data about the individual that is in our possession or control and information about the ways in which the individual's personal data has been or may have been used or disclosed by us within a year before the date of the request. The individual may also request that we correct an error or omission in the personal data about the individual that is in our possession or control. Unless we are satisfied on reasonable grounds that a correction should not be made, we are required to correct the personal data as soon as practicable and if the individual consents, send the corrected personal data to every other organisation to which the personal data was disclosed by us within a year before the date the correction was made unless that organisation does not need the correct personal data for any legal or business purposes.

An individual may, on giving us reasonable notice, withdraw any consent given or deemed given under the PDPA in respect of the collection, use or disclosure of personal data about the individual for any purpose. If an individual withdraws consent to the collection, use or disclosure of the individual's personal data, we shall cease collecting, using or disclosing the personal data unless authorised under the PDPA. We shall also cease to retain documents containing personal data or remove any means by which the personal data can be associated with the individual as soon as the purpose for which the personal data was collected is no longer being served and retention is no longer necessary for legal or business purposes.

Additionally, the PDPA establishes the DNCR. A subscriber to a Singapore telephone number may apply to the DNCR to add or remove that telephone number from the DNCR. Under the PDPA, we shall not send any specified messages addressed to the Singapore telephone number unless we have applied to confirm and have received confirmation from the Personal Data Protection Commission that the Singapore telephone is not listed in the DNCR. Specified messages are messages where, having regard to, *inter alia*, its contents and presentation, it could be concluded that the purpose of the message is to offer, advertise, promote or supply goods or services, land, business or investment opportunity.

SINGAPORE TAXATION

The following is a discussion of certain tax matters relating to Singapore corporate tax, capital gains tax, stamp duty and estate duty consequences in relation to the purchase, ownership and disposal of our Shares. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares or apply to all categories of prospective subscribers, some of whom may be subject to special rules either in Singapore or in the tax jurisdictions where the subscribers are resident. The

REGULATORY OVERVIEW

laws, regulations rulings, decisions and interpretations, however, may change at any time, and such changes may be retrospective. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

You, as a prospective subscriber of our Shares, should consult your tax advisors concerning the tax consequences of purchasing, owning and disposing our Shares. Neither our Company, our Directors nor any persons involved in this Listing accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.

Corporate tax

Singapore corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore (unless otherwise exempted).

A company is regarded as tax resident in Singapore if the control and management of its business is exercised in Singapore.

The prevailing Singapore corporate tax rate is 17%. In addition, the partial tax exemption scheme applies on the first S\$300,000 of normal chargeable income; specifically 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%.

For the years of assessment 2016 and 2017, there is a corporate income tax rebate at 30% of the corporate tax payable, subject to a cap of S\$20,000 per year of assessment.

Dividend distributions

(i) One-Tier Corporate Taxation System

All Singapore tax resident companies are under the One-Tier System. Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt (one-tier) dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

(ii) Withholding taxes

Singapore currently does not impose withholding tax on dividends paid to resident or non-resident shareholders. Foreign shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective home countries or countries of residence and the applicability of any double taxation agreement which the relevant tax jurisdiction may have with Singapore.

REGULATORY OVERVIEW

Capital gains tax

There is no tax on capital gains in Singapore.

Thus, any gains derived from the disposal of our Shares will not be taxable in Singapore, if the gains are of a capital nature. For the gain to be considered as capital in nature, the Shares must be acquired for long-term investment purposes and primarily to derive investment income. The Shares must not have been originally acquired as part of the trading activities of the acquirer.

On the other hand, where the taxpayer is deemed by the IRAS to be carrying on a trade or business in dealing in shares, gains from disposal of shares by such taxpayer are of an income nature (rather than capital gains) and thus subject to Singapore income tax, if the gains are considered to be accruing in or derived from Singapore or received or deemed received in Singapore, unless exemptions apply.

Subject to certain conditions being met, with effect from 1 June 2012 and for a period of 5 years ending on or before 31 May 2017, gains derived from the disposal of ordinary shares by companies will not be subjected to Singapore income tax, if the divesting company holds a minimum shareholding of 20% of the ordinary shares in the company whose shares are being disposed for a minimum continuous period of 24 months.

Other than the above, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be considered to be of an income nature and subject to tax especially if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

Foreign sellers are advised to consult their own tax advisors to take into account the applicable tax laws of their respective home countries or countries of residence as well as the provisions of any applicable double taxation agreement.

Goods and Services Tax

GST is a consumption tax in Singapore that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

The sale of our Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any input GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of this exempt supply is generally not recoverable and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or satisfies certain GST concessions.

REGULATORY OVERVIEW

Where our Shares are sold by a GST-registered investor in the course or furtherance of a business carried on by such an investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at a zero rate (i.e. 0%). Any input GST (for example, GST on brokerage) incurred by the GST-registered investor in making this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable from the Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred in expenses in connection with the purchase and sale of our Shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of our Shares will be subject to GST at the prevailing standard rate (currently 7%). Similar services rendered contractually to an investor belonging outside Singapore should, subject to certain conditions, qualify for zero-rating (i.e. subject to GST at zero rate).

Compliance with the relevant requirements

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had been in compliance with all applicable law and regulations in Singapore which are material to the business and operations of our Group.

IMPACT OF INTERNATIONAL SANCTIONS LAWS

For the year ended 31 December 2015, we had spare parts and accessories sales that indirectly involve (i) Myanmar, a Sanctioned Country; and (ii) Sanctioned Persons, specifically an entity and an associated individual listed on OFAC's Specially Designated Nationals and Blocked Persons List. Our direct counterparty in relation to these sales was a customer in Singapore. However, on occasion, in accordance with this customer's request we shipped the spare parts and accessories purchased by this customer from Singapore to an entity and/or an associated individual in Myanmar which/who, as at the Latest Practicable Date, was listed on OFAC's Specially Designated Nationals and Blocked Persons List, through shipping agents. In light of these activities, we have appointed DLA Piper, an international law firm, to determine whether our business activities that indirectly involves the Sanctioned Country and Sanctioned Persons violate International Sanctions. DLA Piper have advised that these business activities that indirectly involve Myanmar and Sanctioned Persons for the year ended 31 December 2015 (i) are not in breach of International Sanctions, including those issued, administered and enforced by the U.S. government, and (ii) do not implicate International Sanctions with regard to our Group, our Shareholders or any person or entity, including our Group's investors, the Stock Exchange, HKSCC and HKSCC Nominees. For details on our business activities involving Myanmar and Sanctioned Persons, please see "Business — Business activities that indirectly involve a Sanctioned Country and Sanctioned Persons".

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

We are a leading automotive service provider in Singapore in terms of the number of cars maintained or repaired in 2015, according to the Frost & Sullivan Report. We began to maintain and repair passenger cars in Singapore with the incorporation of MBMW in mid-2002. In April 2005, we started our modification, tuning and grooming services for passenger cars in Singapore under the brand name of KBS. We also sell passenger car spare parts and accessories in Singapore, with certain exports to other countries namely, Malaysia, Indonesia, United Kingdom, PRC and Thailand.

HISTORY AND DEVELOPMENT

Establishment of MBMW

Mr. Lim previously spent time with Cycle & Carriage, one of the automotive groups in Singapore which engages in the retail, distribution and provision of after-sales services of certain continental automobiles. During his time with Cycle & Carriage, Mr. Lim accumulated on the job experience in the automotive industry.

After spending some time in the automotive industry, he noticed the existence of a considerable gap between the price discrepancies and flexibility of the services offered by authorised automobile dealers and independent service providers in Singapore, with the latter's ability to cater to more economical and flexible product and service offerings. Specifically, Mr. Lim saw opportunities in providing comprehensive premier automobile services for the luxury and ultra-luxury passenger cars markets. Mr. Lim decided to pursue his business ideas and established MBMW. The principal activity of MBMW is the repair and maintenance of passenger cars. For further details on Mr. Lim's relevant experience, please see "Directors and Senior Management — Directors".

Our history can be traced back to the incorporation of MBMW, the first of our two operating entities, as a limited private company in Singapore on 15 May 2002. MBMW was incorporated with an issued and paid-up capital of S\$125,000, representing 125,000 ordinary shares in MBMW, contributed fully in cash only by Mr. Lim. On MBMW's incorporation, 80% shares of MBMW was allotted and issued to Mr. Lim; and 20% shares of MBMW was allotted and issued to Mr. Law Tian Beng so as to retain him in anticipation of his potential contribution to MBMW in the future. As of 15 May 2002, Mr. Lim and Mr. Law Tian Beng held 100,000 and 25,000 ordinary shares in MBMW, representing 80% and 20% of the then share capital of MBMW, respectively.

Six months after MBMW's incorporation, in November 2002, Mr. Law Tian Beng decided to pursue other business opportunities and transferred his then shareholding in MBMW to Mr. Cheng Kar Kit. As Mr. Law Tian Beng left MBMW soon after its incorporation and the paid-up capital of his 20% shares in MBMW was contributed by Mr. Lim, he transferred his 25,000 ordinary shares in MBMW at nominal consideration to Mr. Cheng Kar Kit. It was expected that Mr. Cheng Kar Kit would be retained for his future contribution to MBMW.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 18 February 2004, as the operations of MBMW were not progressing as anticipated, Mr. Cheng Kar Kit decided to give up his entire shareholding in MBMW and transferred 1 ordinary shares and 24,999 ordinary shares in MBMW at nominal consideration to Mrs. Lim and Mr. Lim, respectively. Upon such transfer, Mr. Lim and Mrs. Lim, collectively held 100% shareholding of MBMW. Both Mr. Law Tian Beng and Mr. Cheng Kar Kit are Independent Third Parties.

The transfers of shares in MBMW as described in the paragraphs above have been duly authorised and are valid.

Establishment of KBS

In view of the growing demand and interests for modification, tuning and grooming services of passenger cars in Singapore, and its potential synergies with the business operations of MBMW, Mr. Lim decided to establish KBS to take advantage of this development.

KBS, the second of our two operating entities in Singapore, was incorporated as a limited private company in Singapore on 7 April 2005 with an issued and paid-up capital of S\$3, representing 3 ordinary shares. On KBS's incorporation, each of its then shareholders, Ms. Beng Lee Ser, Marisa, Mr. Toh Lai Woon and Mrs. Lim held 1 ordinary share each in KBS. As a shareholder, Mrs. Lim represented the interest of Mr. Lim in KBS. Both Ms. Beng Lee Ser, Marisa and Mr. Toh Lai Woon are Independent Third Parties. The principal activities of KBS are the modification, tuning and grooming services of passenger cars, and sale of automotive spare parts and accessories.

On 1 August 2005, the issued and paid-up capital of KBS increased from S\$3 to S\$100,000 with each of Mrs. Lim and Ms. Beng Lee Ser, Marisa contributing S\$49,998 and S\$49,999, respectively. On 7 August 2005, Mr. Toh Lai Woon transferred his 1 ordinary share in KBS to Mrs. Lim for nominal consideration. As at 7 August 2005, each of Ms. Beng Lee Ser, Marisa and Mrs. Lim were interested in 50% shareholding of KBS, respectively.

On 11 October 2011, Mr. Lim acquired Ms. Beng Lee Ser, Marisa's 50,000 ordinary shares in KBS for a consideration of S\$250,000, which was determined after arm's length commercial negotiation between Mr. Lim and Ms. Beng. On the same date, Mrs. Lim transferred her 50,000 ordinary shares in KBS to Mr. Lim for nominal consideration. As such, after the transfers on 11 October 2011, Mr. Lim was interested in 100% shareholding of KBS.

The transfers of shares in KBS as described in the paragraphs above have been duly authorised and are valid.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

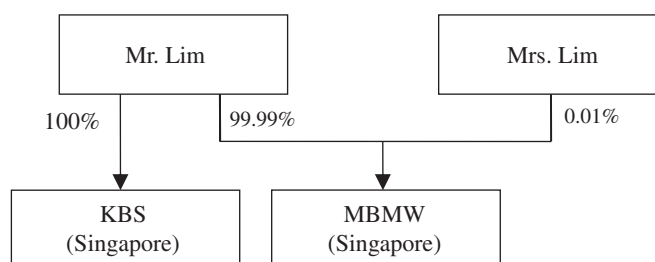
Development milestones

Set forth below are the key milestone in the development of our business

Year	Key milestones
2002	Established MBMW and set up our Group's first service centre at Sin Ming Drive and commencement of the maintenance and repair business
2005	Established KBS to provide modification, tuning and grooming services, and to sell automotive spare parts and accessories
2009	Secured the exclusive dealership of Novitec products in Singapore
2012	Set up our Group's second service centre, being our Kung Chong Service Centre
2014	Secured the exclusive distributorship of DMC products
2015	Secured the exclusive distributorship of Eisenmann products in Singapore and exclusive distributorship of Novitec products in Malaysia
2016	<ul style="list-style-type: none"> • Secured the exclusive distributorship of RevoZport products in Singapore • Secured the exclusive distributorship of products of a German car tuning parts brand in Singapore • Relocated our operations at our Kung Chong Service Centre to our Commonwealth Service Centre and our Sin Ming Service Centre

Pre-Reorganisation Group Structure

The chart below sets forth the shareholding structure of our Group immediately prior to the Reorganisation in September 2012.



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

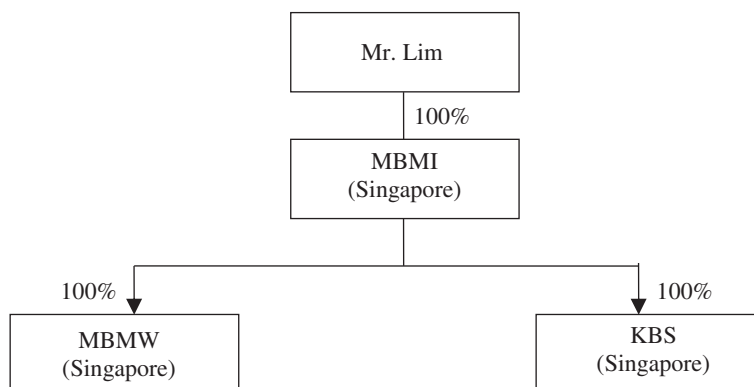
Beginning in September 2012, we undertook the Reorganisation in anticipation of our listing on the Stock Exchange. The Reorganisation consisted of the following principal steps, which were intended to consolidate our automobile businesses in Singapore, introduce the Pre-IPO Investor and establish the offshore listing structure.

Consolidation of our automobile businesses in Singapore

As part of the Reorganisation, MBMI was incorporated in Singapore on 22 August 2012 by Mr. Lim as a limited exempt private company with an issued and paid up share capital of S\$2. Mr. Lim owned 2 shares, being all the issued share capital of MBMI at that time. The principal activity of MBMI is investment holding.

On 10 September 2012, each of Mr. Lim and Mrs. Lim transferred their 124,999 and 1 shares in MBMW respectively, to MBMI at nominal consideration. Also on 10 September 2012, Mr. Lim transferred his 100,000 shares in KBS to MBMI at nominal consideration. The transfer of shares in MBMI as described have been duly authorised and are valid.

The chart below sets forth the shareholding structure of our Group immediately after the consolidation of our automobile businesses in Singapore as of 10 September 2012.



Pre-IPO investment by Valiant World

We were first introduced to Valiant World as a financial investor in order to raise funds in support of our anticipated Listing and our long-term growth, and further to benefit from Valiant World's network and contacts of potential business partners in the automotive industry. A shareholder of Valiant World, Mdm. Ng Geok Luan, has become acquainted with Mr. Lim for over 3 years and she was introduced to Mr. Lim through mutual friends. Having considered the investment potential of our Group, Mdm. Ng Geok Luan, together with her friend, Mr. Zhou Yunchuan, decided to invest in our Group as pre-IPO investor through Valiant World.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The pre-IPO investment

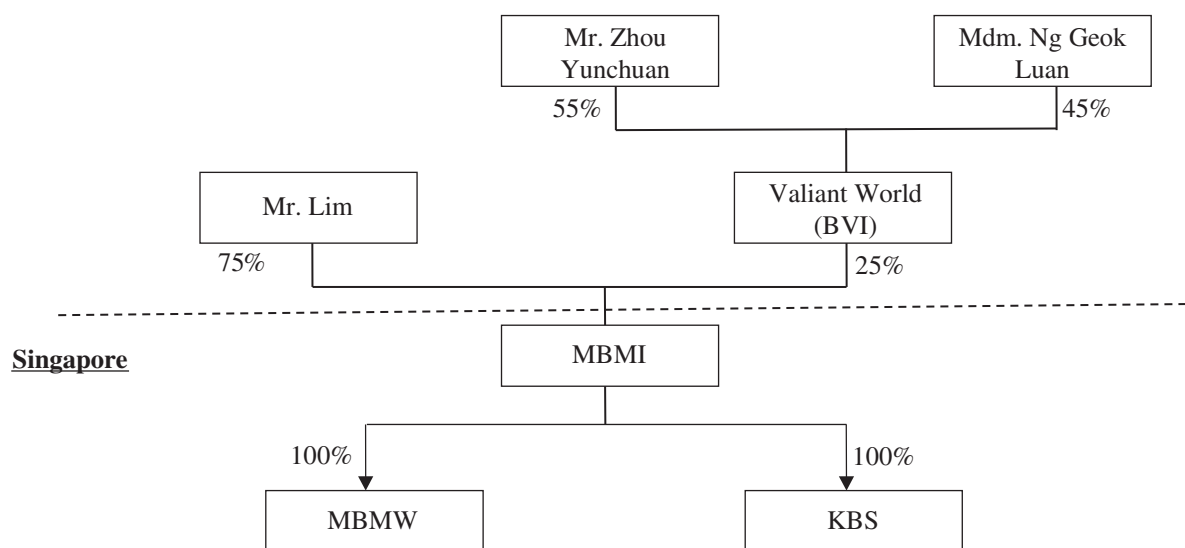
On 16 December 2015, Valiant World, entered into a subscription agreement with MBMI (the “**Subscription Agreement**”) in relation to Valiant World’s pre-IPO investment in our Group. Pursuant to the Subscription Agreement, on 4 January 2016, Valiant World subscribed for a total of 250 new ordinary shares in MBMI, representing 25% of the issued share capital of MBMI as enlarged by such subscription, for a total consideration of S\$4,500,000 (equivalent to approximately HK\$25,200,000) (the “**Subscription Price**”).

Terms of the Subscription Agreement, including the Subscription Price, were determined based on arm’s length commercial negotiations by reference to unaudited consolidated profit after tax of our Group for the year ended 31 December 2014 and the price-earnings ratio of 7.5 times. The proceeds from such subscription was principally used as funding of our Group’s Listing expenses, the general working capital of our Group or such other purpose as may be approved by the non-executive Director appointed by Valiant World in writing. As at the Latest Practicable Date, the proceeds from such subscription has not been fully utilised.

Pursuant to the terms of the Subscription Agreement, Valiant World shall have the right to appoint one (1) non-executive Director to our Board up to (but not including) the Listing Date as long as it holds Shares representing at least 15% of the issued share capital of our Company. Furthermore, up to (but not including) the Listing Date, Valiant World shall have a pre-emptive right on any issuance of additional Shares or securities convertible into or exchangeable into additional Shares (including any options, warrants or any other form of convertible securities) or otherwise increase its capital for an investment by an investor.

The Subscription Price has been fully and irrevocably settled on 23 December 2015. On 4 January 2016, MBMI underwent a share split of 1 ordinary share in MBMI into 375 ordinary shares in MBMI, resulting in a paid-up capital of SGD2 comprising 750 ordinary shares in MBMI held by Mr. Lim. On the same date, 4 January 2016, 250 new MBMI Shares were issued and allotted to Valiant World pursuant to the Subscription Agreement.

The chart below sets forth the shareholding structure of our Group immediately after the completion of the Subscription Agreement in January 2016:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Information on the Pre-IPO Investor

Valiant World is a company incorporated in the BVI with liability limited by shares and its principal business activity is investment holding. As at the Latest Practicable Date, the total number of issued shares of Valiant World was 100 ordinary shares of par value US\$1 each, divided into (i) 55 ordinary shares issued to Mr. Zhou Yunchuan, and (ii) 45 ordinary shares issued to Mdm. Ng Geok Luan. Mr. Zhou and Mdm. Ng are both sophisticated investors who are familiar with and capable of making private investments. Save for their shareholdings in our Company through Valiant World, both Mr. Zhou Yunchuan and Mdm. Ng Geok Luan are Independent Third Parties. Mr. Du Xianjie, our non-executive Director, was appointed to our Board by Valiant World.

Save as disclosed in this prospectus, to the best knowledge of our Directors, Valiant World and its ultimate controlling shareholders do not have any relationship with our Group, Directors, senior management, or any of our connected persons.

Summary of the pre-IPO investment

The below table summarises the details of the pre-IPO investment made by Valiant World in our Group.

Name of Pre-IPO Investor	Brief description of investment	Date of agreement	Consideration paid (SGD)	Irrevocable settlement date of consideration	No. of Shares held by Pre-IPO Investor prior to the Placing and Capitalisation Issue	No. of Shares held by Pre-IPO Investor upon completion of the Placing and the Capitalisation Issue	Approximate cost per Share paid by Pre-IPO Investor upon completion of the Placing and the Capitalisation Issue (HKD) ^(Note 1)	Approximate discount to Placing Price ^(Note 2)	Approximate percentage of shareholding interests held by Pre-IPO Investor in our Company upon completion of Placing and the Capitalisation Issue ^(Note 3)	Approximate percentage of shareholding interests held by Pre-IPO Investor in our Company upon completion of Placing and the Capitalisation Issue ^(Note 3)
Valiant World Capital	contribution in MBMI which was exchanged into our Shares through a share subscription on 21 April 2016 and a share acquisition agreement dated 21 October 2016	16 December 2015	4,500,000	23 December 2015	2,500	93,750,000	0.27	32.5%	25%	18.75%

Notes:

- (1) Calculated based on the exchange rate of SGD1 = HKD5.6.
- (2) Calculated based on HKD0.4 per Share, being the Placing Price.
- (3) Assumes no exercise of the options which may be granted under the Share Option Scheme.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Establishment of our Offshore Listing Structure

Establishment of our Company

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 17 March 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each. On the same day the initial subscriber shares was transferred to Mr. Lim at par value and a total of 999 Shares were issued to Mr. Lim at par value.

In anticipation of the Placing, the investment in MBMI by the Pre-IPO Investor needs to be translated into shares of our Company.

On 21 April 2016, Mr. Lim and our Pre-IPO Investor subscribed for 6,500 and 2,500 Shares at par value each in our Company, respectively. As a result of this subscription, Mr. Lim and Valiant World owned 75% and 25% equity interests in our Company as at 21 April 2016, respectively. The percentage shareholdings of Mr. Lim and our Pre-IPO Investor in our Company as at 21 April 2016 reflected their respective percentage shareholdings in MBMI on the same day.

On 21 October 2016, pursuant to a share acquisition agreement, our Company acquired the entire equity interest in MBMI from their respective shareholders at the nominal value of S\$1 in cash. As a result of this share acquisition, MBMI became a wholly-owned subsidiary of our Group; our operating subsidiaries have thus been consolidated into our Group.

Compliance with interim guidance

On the basis that the investment by Valiant World pursuant to the Subscription Agreement was completed more than 28 clear days before the date of the first submission of the listing application form in respect of the Listing, the investment by Valiant World complied with the “Interim guidance on pre-IPO investments” announced by the Listing Committee on 13 October 2010.

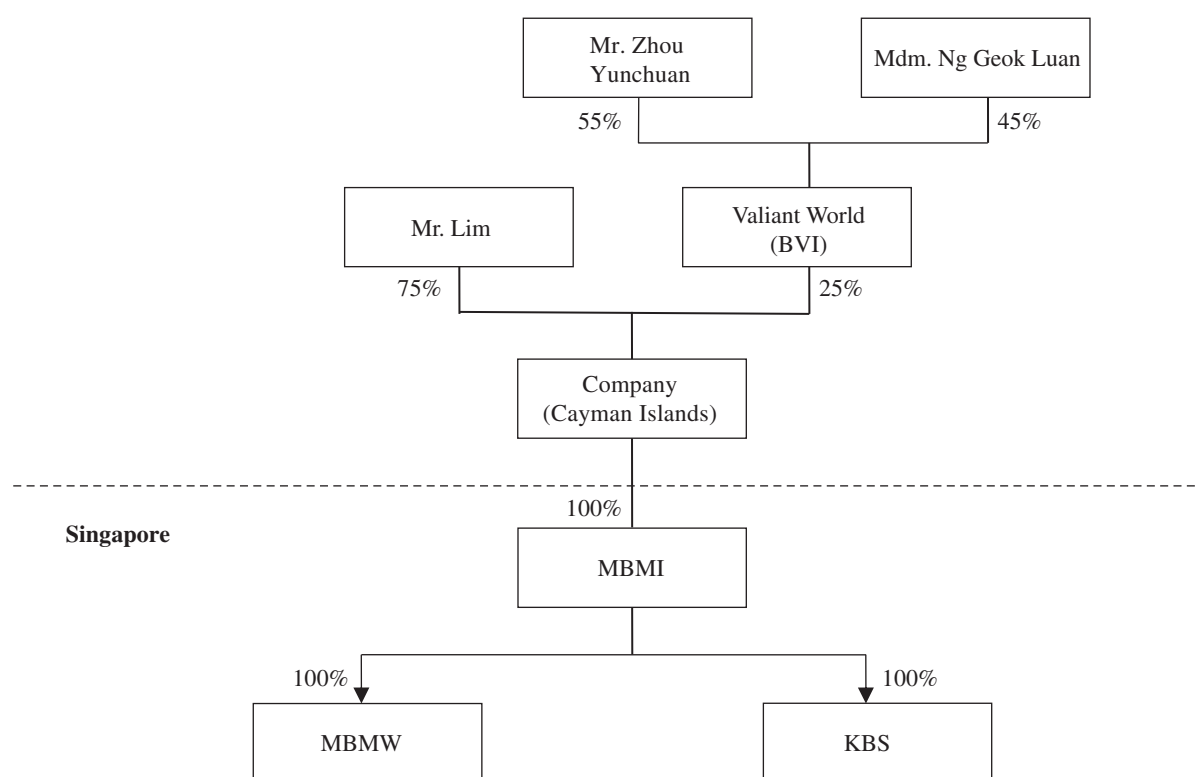
The Shares held by Valiant World shall not be subject to a lock-up period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date. In addition, all Shares held by Valiant World will not be counted towards the public float after Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On the above basis, the Sponsor is not aware of any terms of the pre-IPO investment which are not in compliance with Guidance Letter HKEx-GL43-12 and it is of the view that the pre-IPO investment is in compliance with the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee since the consideration under the pre-IPO investment was settled on 23 December 2015, which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing.

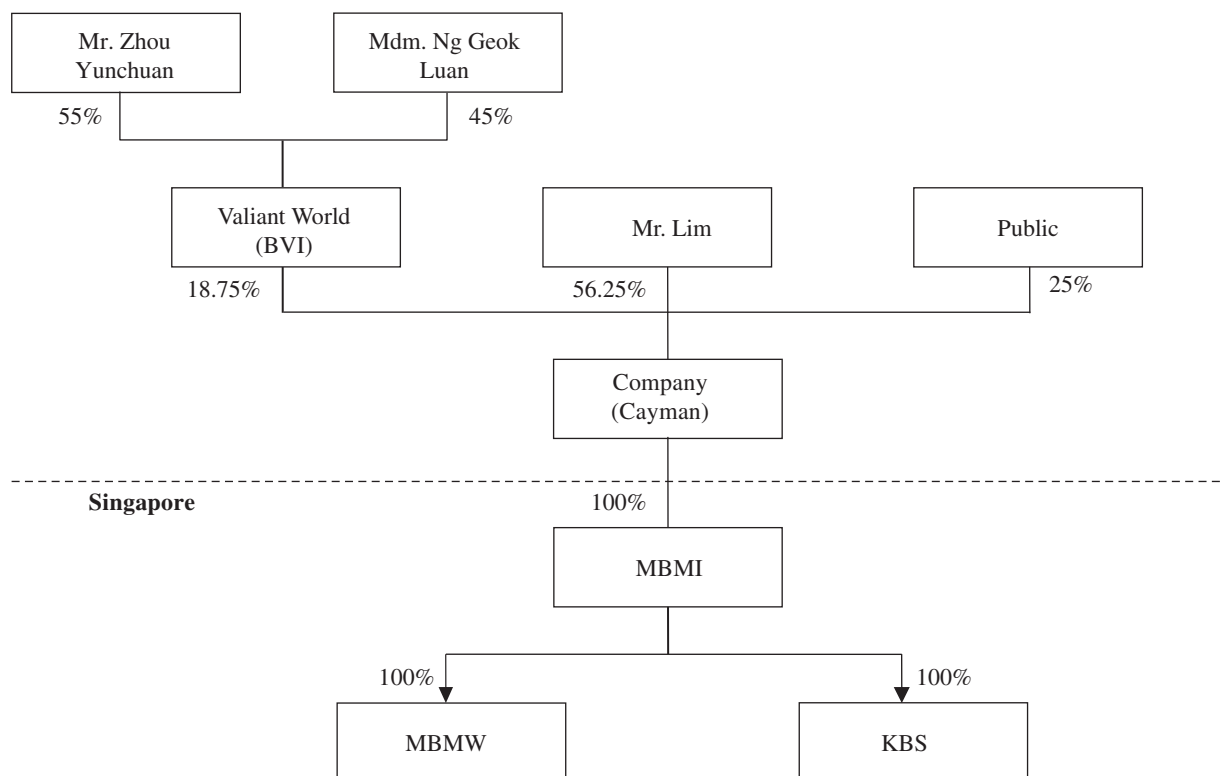
OUR CORPORATE STRUCTURE

The following diagram illustrates our corporate and shareholding structure immediately after the Reorganisation and immediately prior to completion of the Placing and the Capitalisation Issue.



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram illustrates our corporate and shareholding structure immediately upon completion of the Placing and Capitalisation Issue, without taking into account any Share which may be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme.



BUSINESS

OVERVIEW

We are a leading automotive service provider in Singapore. According to the Frost & Sullivan Report, we (i) ranked second with a market share of approximately 1.4% in terms of the number of passenger cars maintained and/or repaired; and (ii) ranked first with a market share of approximately 8.9% in terms of revenue derived from passenger car modification, tuning and grooming services, in Singapore in 2015. We are able to maintain and repair a wide range of brands of passenger cars in Singapore. We offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand.

Our Group has over 14 years of experience in the passenger car service industry. Our Group is equipped with diagnostic equipment for the maintenance and repair of a wide range of passenger cars, including and especially luxury and ultra-luxury passenger cars. We modify and tune mainly luxury and ultra-luxury passenger cars, providing services ranging from aesthetic modifications such as installing bodykits, to performance modifications such as lowering the suspension of passenger cars and replacing the engine control unit.

During the Track Record Period, we had 2 service centres (i.e. the Sin Ming Service Centre and the Kung Chong Service Centre) in operations in Singapore. As the Sub-lessor was in breach of its tenancy agreement with the Lessee and the HDB's terms of approval by subletting to us the premises where our Kung Chong Service Centre was located, in September 2016, we ceased our operations at our Kung Chong Service Centre and relocated these operations to our Commonwealth Service Centre and our Sin Ming Service Centre. Since the Relocation, our Commonwealth Service Centre has served as our office and showroom, where our customers may drop off and collect their passenger cars, and our Sin Ming Service Centre has served as our primary workshop. We maintained and/or repaired approximately 13,400 units, 13,100 units and 4,600 units of passenger cars for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. We modified, tuned and/or groomed approximately 700 units, 1,000 units and 300 units of passenger cars for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

Our revenue grew from approximately S\$15.5 million for the year ended 31 December 2014 to approximately S\$15.8 million for the year ended 31 December 2015, representing an increase of approximately 2.1%. Our revenue for the four months ended 30 April in both 2015 and 2016 was approximately S\$4.9 million.

BUSINESS

The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Maintenance and repair services	12,983	83.8	12,689	80.2	4,297	87.9	3,837	78.7
Modification, tuning and grooming services and trading of spare parts and accessories								
- Modification, tuning and grooming services	1,730	11.2	1,961	12.4	422	8.6	656	13.4
- Trading of spare parts and accessories	778	5.0	1,164	7.4	170	3.5	385	7.9
Sub-total	2,508	16.2	3,125	19.8	592	12.1	1,041	21.3
Total	15,491	100.0	15,814	100.0	4,889	100.0	4,878	100.0

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from luxury and ultra-luxury passenger cars accounted for approximately 76.1%, 76.1% and 73.0%, respectively, of our total revenue, excluding revenue generated from the trading of spare parts and accessories. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from the maintenance and repair of luxury and ultra-luxury passenger cars comprised approximately 73.8%, 75.2% and 71.6%, respectively, of our revenue from maintenance and repair services. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from the modification, tuning and grooming of luxury and ultra-luxury passenger cars comprised approximately 93.0%, 81.9% and 81.3%, respectively, of our revenue from modification, tuning and grooming services under our modification, tuning and grooming services and trading of spare parts and accessories segment.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from our Sin Ming Service Centre accounted for approximately 36.8%, 31.6% and 31.7%, respectively, of our total revenue. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, revenue generated from our Kung Chong Service Centre accounted for approximately 63.2%, 68.4% and 68.3%, respectively, of our total revenue.

BUSINESS

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross
	Gross	Profit	Gross	Profit	Profit/	Profit	Gross	Profit
	Profit	Margin	Profit	Margin	(loss)	Margin	Profit	Margin
	\$S'000	%	\$S'000	%	\$S'000	%	\$S'000	%
Maintenance and repair services	5,623	43.3	4,801	37.8	1,642	38.2	1,124	29.3
Modification, tuning and grooming services and trading of spare parts and accessories								
- Modification, tuning and grooming services	468	27.1	383	19.5	(66)	N/A	49	7.5
- Trading of spare parts and accessories	164	21.1	437	37.5	43	25.3	124	32.2
	632	25.2	820	26.2	(23)	N/A	173	16.6
Total	<u>6,255</u>	<u>40.4</u>	<u>5,621</u>	<u>35.5</u>	<u>1,619</u>	<u>33.1</u>	<u>1,297</u>	<u>26.6</u>

Our customers include (i) car dealers; (ii) car leasing companies; (iii) an insurance company; (iv) other car service centres; and (v) individuals or other corporations.

We collaborate with our customers which are established car dealers in Singapore such as Vincar, Prime Cars and Hybrid Motors, and have strong relationships with our suppliers of car tuning parts such as Novitec, Eisenmann, DMC and RevoZport. We are the exclusive authorised service centre for Vincar, Prime Cars and Hybrid Motors. We are also the exclusive distributor in Singapore of products from Novitec, Eisenmann, DMC and RevoZport which are mainly car tuning parts for the modification and tuning of luxury and ultra-luxury passenger cars.

We plan to expand our capacity by exercising our option to lease the New Premises during the second half of 2017. By leveraging our relationships with our customers and suppliers, increased servicing capacity as well as our professional expertise, we believe we will be able to further strengthen our leading market position in Singapore.

OUR COMPETITIVE STRENGTHS

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

We are a leading automotive service provider in Singapore in terms of the number of cars maintained and/or repaired in 2015, according to the Frost & Sullivan Report. We are able to maintain and repair a wide range of brands of passenger cars in Singapore. Our Group is equipped with diagnostic equipment for the maintenance and repair of a wide range of passenger cars, including and especially luxury and ultra-luxury passenger cars. Our technicians are trained to handle the necessary repairs on the passenger cars after a problem has been diagnosed.

There is a relatively high entry barrier to the luxury and ultra-luxury passenger car servicing market due to the high cost of the specialised diagnostic equipment required. Specialised training to operate such diagnostic equipment is also required. Our leading market position will give us a competitive advantage over new players in the market and we are well positioned to establish and grow relationships with potential customers.

We offer a comprehensive range of passenger car services including maintenance, repair, modification, tuning and grooming services. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand. We believe that our comprehensive service offerings have been a key factor for our success, particularly in the luxury and ultra-luxury passenger car markets, in which passenger car owners generally prefer service providers that can offer comprehensive and high quality services.

We believe that our Group's broad servicing capability leaves us less reliant on the popularity of any particular brand of passenger car. We believe our wide range of services and wide range of expertise in most brands of passenger cars, especially luxury and ultra-luxury passenger cars, position us well to continue to be a leading automotive service provider in Singapore.

We collaborate with established car dealers in Singapore and have strong relationships with car tuning parts suppliers

We collaborate with established car dealers in Singapore such as Vincar, Prime Cars and Hybrid Motors. We have been the exclusive authorised service centre for Vincar since 2003, Prime Cars since 2007 and Hybrid Motors since 2012. Car dealers in Singapore have become increasingly selective in their choice of exclusive passenger car service centre. We believe our collaborations with certain established car dealers would position us well to grow and expand our network of customers in the future. For more details, please see “— Customers”. Through our relationships with established car dealers and as their exclusive authorised service centre, we are able to gain access and work on the latest makes and models of passenger cars imported by them as compared to other passenger car service centres which are generally only able to do so after the passenger car after-sale warranty period expires. Furthermore, we believe that our collaborations with car dealers can provide us with stable job orders as customers are usually recommended by their car dealers to schedule maintenance regularly, generally ranging from every 3 to 6 months or from 5,000 to 10,000 kilometres driven. Such collaborations also provide us with the opportunity to provide services to car owners covered under

BUSINESS

warranty and who might not engage our services otherwise. We believe that such opportunities allow us to capture the business opportunities from these car owners in the long term if they are satisfied with our services, and may become our individual customers, being the foundation of our customer base.

We have strong relationships with a number of reputable car tuning parts suppliers such as Novitec, Eisenmann, DMC and RevoZport. We are the exclusive distributor in Singapore of products from Novitec, Eisenmann, DMC and RevoZport, which are mainly car tuning parts for the modification and tuning of luxury and ultra-luxury passenger cars. Furthermore, in March 2016, we entered into an agreement with an Independent Third Party who is the appointed sole dealer in Singapore of a German car tuning parts brand, pursuant to which we were appointed as an exclusive distributor in Singapore for products of such brand for a term of 2 years from the date of the agreement. For more details, please see “— Suppliers and procurement — Major suppliers who were our customers during the Track Record Period — Cooperation with car tuning parts suppliers”. Through these strong relationships, some of these suppliers refer potential customer enquiries from Singapore and Malaysia to us from time to time. Our relationship and rapport with them also enable us to have access to and procure original equipment manufacturer parts and original parts of luxury and ultra-luxury passenger cars from them.

We believe that our operational capabilities and expertise have added value to our car dealer customers and our suppliers of passenger car parts, which in turn has contributed to our collaborations with them. We also actively seek cooperation opportunities with other potential customers and other car tuning parts suppliers to expand our source of revenue and product range, respectively. We believe that by leveraging our established customer base, exclusive product portfolio, strong brand name and professional expertise, we are well placed to further strengthen our market position and capture growth opportunities in the passenger car service industry in Singapore.

We focus our modification, tuning and grooming services on luxury and ultra-luxury passenger cars, which has strengthened our brand name

We focus our modification, tuning and grooming services on luxury and ultra-luxury passenger cars. We are the exclusive distributor in Singapore of products, mainly car tuning parts, from Novitec, Eisenmann, DMC and RevoZport, which target luxury and ultra-luxury passenger cars.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, approximately 89.6%, 74.4% and 78.9%, respectively, of the total unit of passenger cars we modified, tuned and/or groomed were luxury or ultra-luxury passenger cars. Our brand name is well known in the market of modification, tuning and grooming of luxury and ultra-luxury passenger cars in Singapore. Our Directors believe that our customers who have engaged us for modification, tuning and/or grooming services for their luxury and ultra-luxury passenger cars also tend to return to our service centre for any maintenance and repair jobs after the expiry of the after-sale warranty period of their passenger cars. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, approximately 60.4%, 57.5% and 53.0%, respectively, of the total unit of passenger cars we maintained and/or repaired were luxury or ultra-luxury passenger cars. Our expertise in servicing luxury and ultra-luxury passenger cars has strengthened our brand name and we believe it leads to more business for our Group.

BUSINESS

We focus on providing high quality customer service and stringent quality control

We understand and place great emphasis on high quality customer service as this can be a key differentiator from our competitors. We focus our modification, tuning and grooming services on luxury and ultra-luxury passenger cars. The owners of these kinds of passenger cars generally place more value on high quality customer service. We believe that providing high quality customer service to each of our customers is key to building customer relationships and attracting new customers. In line with this core business philosophy, we provide training to our customer service officers with the aim of promoting high customer satisfaction.

We have established and adopted quality assurance and control procedures. To ensure the quality of the work done by our employees, (i) we provide training to our employees to improve their skills and professional knowledge as well as to keep them updated on new developments, and (ii) we assign experienced employees familiar with our business and policies to monitor the work of our new employees for a period of at least 1 month from their commencement of employment. To ensure the quality of our supplies, (i) works of our subcontractors are inspected by our service centre managers or senior technicians; (ii) materials are purchased from our approved suppliers; and (iii) materials are inspected upon receipt to ensure they are of the right specifications and free from defects and any defective materials are promptly reported to our suppliers. Our senior technicians and service centre managers are responsible for conducting visual check on and/or test drive of the passenger car as quality control check in the final stage of our maintenance, repair, modification, tuning and grooming service process. We also generally provide after-sales support within 6 months after completion of our maintenance, repair, modification, tuning and grooming servicing job.

Having considered (i) our procedures to ensure the quality of the work done by our employees and the quality of our supplies as mentioned above; and (ii) that our service centre managers and senior technicians have industry experience of at least 7 years, our Directors consider that stringent quality control is one of our competitive strengths. Our track record on quality assurance is evidenced by the fact that (i) we had not experienced any major disputes with our customers for any defective or low quality maintenance, repair, modification, tuning and grooming services during the Track Record Period; and (ii) we collaborate with established car dealers in Singapore. For more details, please see “ — Quality control”.

We have an experienced senior management team who is supported by a team of talented and well-trained technicians

Our executive Directors and senior management team comprise a group of highly experienced professionals in the passenger car service industry, with an average industry experience of more than 7 years. Mr. Lim, our founder, has over 15 years of experience in the passenger car service industry, and he is actively involved in our management and day-to-day operations. For more details of the industry experience of our senior management, please see “Directors and Senior Management”. Our executive Directors and senior management team have led and transformed our Group into a leading automotive service provider in Singapore. We believe that our management team possesses in-depth knowledge critical to success in the passenger car service industry and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management schemes so as to maximise our shareholder value.

BUSINESS

Our management team is supported by a team of well-trained technicians. We recognise that our employees are key to maintaining the success of our business. As a result, we focus on identifying, recruiting and training talented individuals. We have developed processes and on the job training for our employees to continuously upgrade their skills and technical knowledge. We offer a broad-based training for them to be able to operate different equipment required for different brands of passenger cars in order for them to be able to service a wide range of brands of passenger cars. We believe that the continuous development of our employees provides us with a solid foundation for the continued success of our business.

OUR STRATEGIES

We aim to strengthen our market position as a leading automotive service provider in Singapore by pursuing the following strategies:

Continue to strengthen our leading market position in Singapore and expand our servicing capacity and customer base

We intend to capitalise on our know-how, relationships and positive brand image, as well as our in-depth industry expertise, to expand our servicing capacity and grow our customer base.

In view of the plan to expand our capacity, we have entered into an option to lease agreement to secure the New Premises. The New Premises is at a location which is less than 0.5 kilometres from our Kung Chong Service Centre, with an indicative area of approximately 2,973 to 3,066 sq.m.. As at the Latest Practicable Date, the New Premises was under construction with an expected completion date in mid- 2017. The New Premises is expected to be available for use by 30 June 2017. The lease will be for a term of 3 years commencing on the date falling 10 business days from the date of exercise of option, with an option to renew for a further 3 years on the same terms save that the rent may be adjusted but not to the extent that it would exceed 5% of the original rent. The indicative area of the New Premises represents more than 3 times the area of the premises where our Kung Chong Service Centre was located, which had an area of approximately 927 sq.m.. In addition, in order to expand our Sin Ming Service Centre, on 10 June 2016, we entered into a tenancy agreement with HDB for the lease of Unit 01-16 Sin Ming Drive to us and our operations at the same premises commenced in July 2016. Unit 01-16 Sin Ming Drive has an area of approximately 240 sq.m.. For more details, please see “— Our service centres” and “— Our properties”.

We collaborate with established car dealers in Singapore such as Vincar, Prime Cars and Hybrid Motors. We will continue to maintain our strategic relationships with these car dealer customers by fostering close cooperation and maintaining good communication. We believe that our proven track record and collaborations have positioned us well to secure new customers and provide more services to existing customers with the expansion of our servicing capacity.

Continue to enhance the brands of car tuning parts that we offer

We believe that our strong relationships with reputable car tuning parts suppliers such as Novitec, Eisenmann, DMC and RevoZport and our exclusive distributorship rights of their products in Singapore, position us to obtain additional distributorships rights from other car tuning parts

BUSINESS

suppliers. In March 2016, we entered into an agreement with an Independent Third Party who is the appointed sole dealer in Singapore of a German car tuning parts brand, pursuant to which we were appointed as an exclusive distributor in Singapore for products of such brand for a term of 2 years from the date of the agreement. We believe that our exclusive distributorship rights of reputable brands of passenger car tuning parts strengthen our brand image and attract potential customers.

We aim to continue to enhance our relationships with our existing car tuning parts suppliers by maintaining close communication with them and offering assistance regarding strategy formulation and marketing. We also plan to pursue opportunities to cooperate with other car tuning parts suppliers to expand our brand portfolio. We believe that by diversifying and optimising the mix of car tuning parts brands in our portfolio and the products and services we offer, potential customers will have a wider range of products to choose from and we will be able to enhance our market leading position and maximise our profitability.

Further strengthen our brand, operational efficiency and sales and marketing efforts, and improve our customer service quality

We will continue to strengthen our brand, our operational efficiency and marketing efforts to improve our revenue and profitability. We will regularly conduct analysis of all aspects of our business processes to identify improvement opportunities. Our centralised ERP system, which incorporates an advanced CRM system, enables us to coordinate the resources of our Group and to identify and analyse customer preferences and trends. We will also invest in our information technology system to support our business practices and expansion plans. We believe that an improved ERP system will enable us to better track, monitor and analyse our key operating data and achieve greater operational efficiency, more efficient management and allocation of our resources.

We will also enhance our sales and marketing efforts through additional advertising and marketing campaigns and participation in promotional events. We intend to improve our branding strategies and we have appointed an external consultant in this regard. We also intend to target different passenger car clubs in Singapore and sponsor their events in order to improve awareness of our brand.

We expect our new customers to develop into a growing loyal customer base over time with the expansion of our scope of services. We will continue to focus on high quality customer service in order to retain our customers. We will also provide appropriate customer service training and incentives to our employees. We will optimise our customer relationship management, including upgrading our CRM system, to further expand our customer base. We will continue to deepen our understanding of our customers' needs through our analysis of the customer information in our customer database and constant direct communication with them. We believe that we have achieved a high level of customer satisfaction, which we believe will continue to drive our growth.

BUSINESS

Continue to attract, train and retain skilled employees to support our future growth and expansion

Our employees are critical to our success. We have invested, and intend to continue to invest in our employees in order to recruit, train and retain the best personnel for our business. We believe that we are well known in the passenger car service industry as an employer which provides broad-based training to our technicians. We will also continue to regularly review and improve our training to improve our employees' productivity and service quality and to keep them abreast of the knowledge and skills desirable to our customers.

We plan to train and internally promote our skilled technical personnel required to support our expansion. We plan to evaluate and enhance our human resources management processes to strengthen our ability to train, identify and retain employees. We will regularly evaluate the performance of our employees and provide talented employees with career opportunities within our Group. We will also improve and implement policies to provide our technicians the opportunities to service different brands of passenger cars, to enhance their technical knowledge and service quality. We will also evaluate our compensation system to ensure that we offer competitive packages to our employees which are aligned with performance.

OUR SERVICES

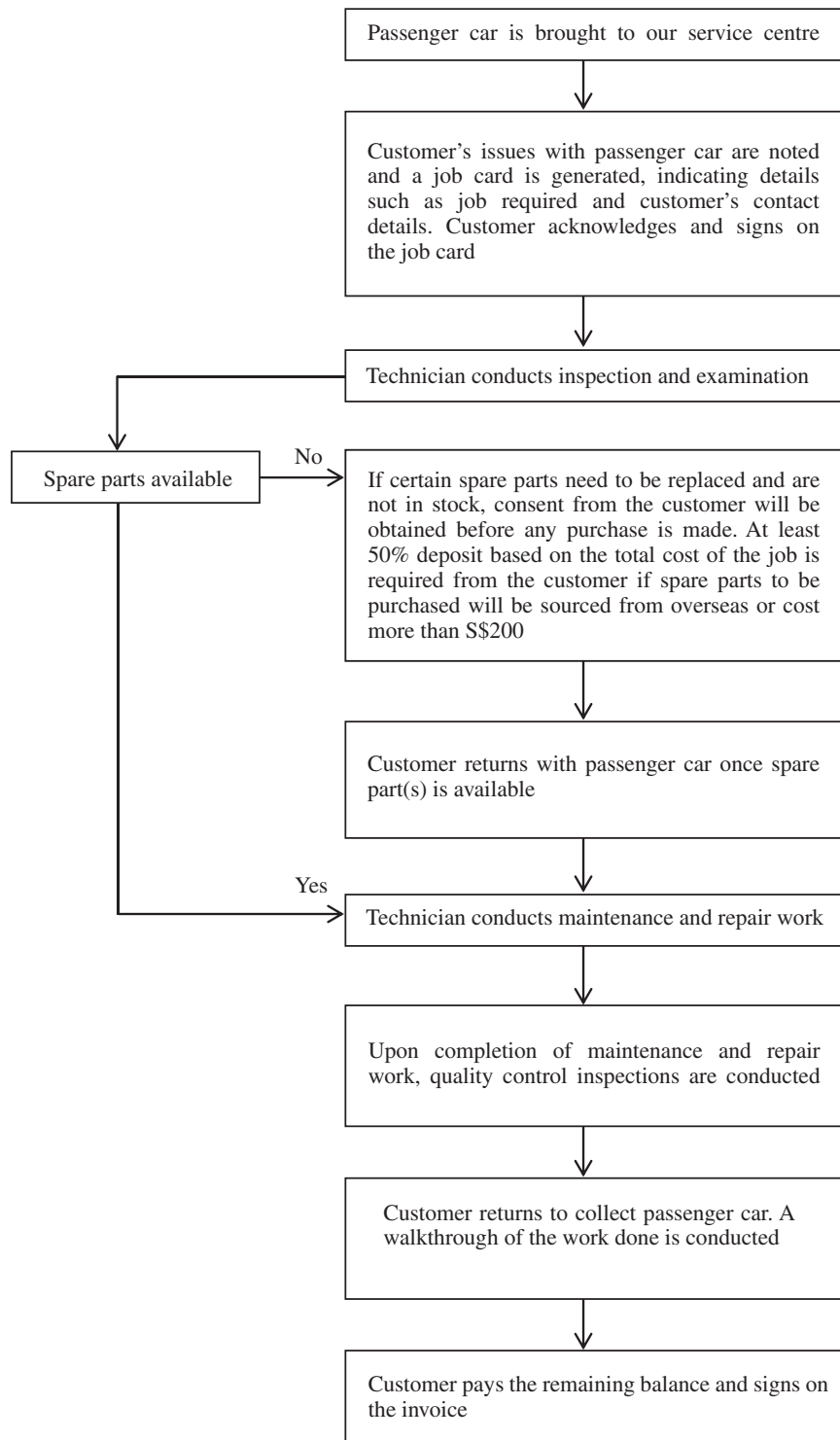
We offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand.

We are able to maintain and repair a wide range of brands of passenger cars in Singapore. We modify and tune mainly luxury and ultra-luxury passenger cars. During the Track Record Period, we had 2 passenger car service centres in operation in Singapore. Demand for our services is not significantly affected by seasonality.

BUSINESS

Maintenance and repair services

The following diagram illustrates the steps typically undertaken by us in handling a maintenance and repair job:



BUSINESS

Our service centres are equipped with comprehensive passenger car maintenance and repair facilities. We maintained and/or repaired approximately 13,400 units of passenger cars for the year ended 31 December 2014, approximately 13,100 units of passenger cars for the year ended 31 December 2015 and approximately 4,600 units of passenger cars for the four months ended 30 April 2016. We generally take between less than 1 day to 3 days to complete a maintenance and repair job. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our revenue generated from maintenance and repair services accounted for approximately 83.8%, 80.2% and 78.7%, respectively, of our total revenue.

The periodic maintenance required of passenger cars creates an ongoing revenue stream for us. Passenger car suppliers vary in their recommendations of how frequently passenger car owners should schedule maintenance, generally ranging from every 3 to 6 months or from 5,000 to 10,000 kilometres driven. We provide a full maintenance service check, which generally includes a routine vehicle inspection and oil change, and may include the replacement of battery, filters, spark plugs, brake pads and other parts. We send reminders to our existing customers to schedule subsequent maintenance checks.

We provide a comprehensive range of passenger car repair services, ranging from minor repairs such as replacement of faulty parts, to major repairs such as engine overhaul. We may provide value-added services for customers by either sending a technician to our customers' specified location or sending a driver to collect the customers' passenger car upon request. Our Group is equipped with the diagnostic equipment for the maintenance and repair of a wide range of brands and models of passenger cars, including and especially luxury and ultra-luxury passenger cars. We will from time to time purchase updated diagnostic equipment or the relevant software upgrade for the newer car models as appropriate. Our technicians are trained to operate our diagnostic equipment by our technical manager, who was the technical and training manager of an ultra-luxury passenger car dealer before joining us.

Cooperation with car dealers and an insurance company

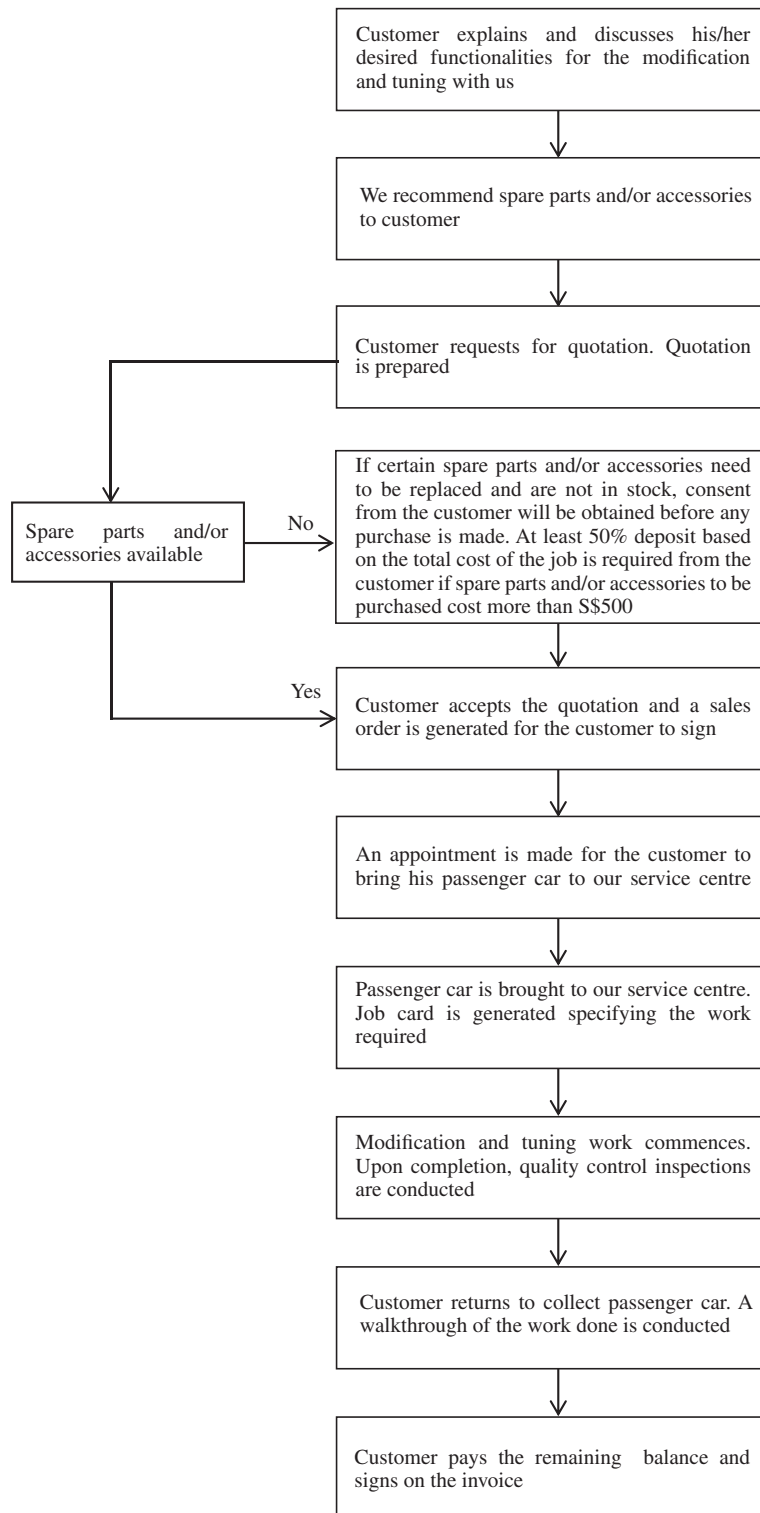
We work closely with a number of car dealers in Singapore by providing maintenance and repair services for passenger cars under an after-sale warranty given by the car dealers. Car dealers recommend to their customers our service centres for maintenance and repair services. We have written agreements with 3 car dealers, namely Vincar, Prime Cars and Hybrid Motors, pursuant to which these car dealers appointed us as the exclusive authorised service centre to provide repair services to passenger cars sold by them and under an after-sale warranty given by them. Please see “— Customers” for the salient terms of these agreements.

Since 2012, we have been an authorised service centre for Customer B, the Singapore office of an international general insurance and reinsurance company. After an inspection of the insured passenger car, we fill in details, including the date of breakdown and our diagnosis, in a web-based system managed by Customer B for its approval. Once the repair works and fees are approved, we would perform the repair works accordingly. Invoices are issued directly to Customer B for payment. Please see “— Customers” for the salient terms of our agreement with Customer B.

BUSINESS

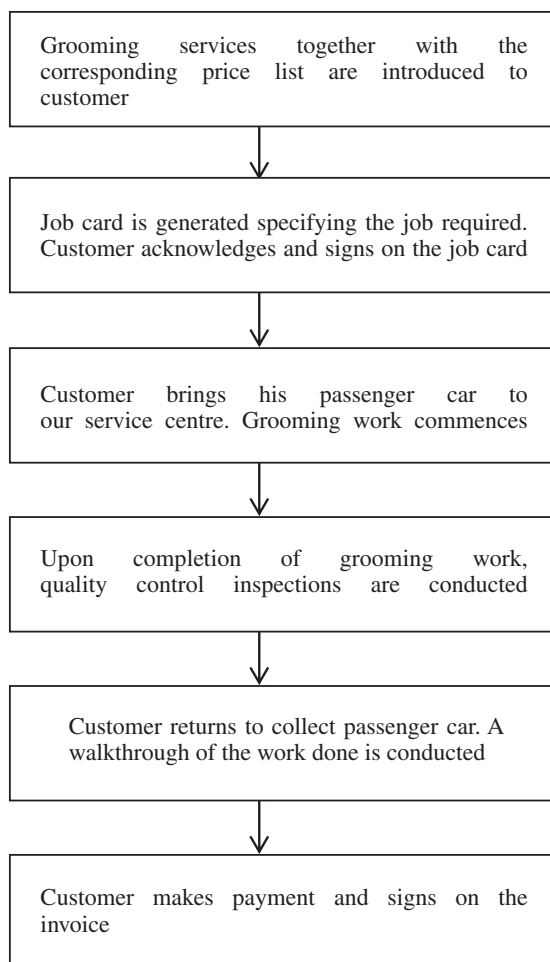
Modification, tuning and grooming services and trading of spare parts and accessories

The following diagram illustrates the steps typically undertaken by us in handling a modification and tuning job:



BUSINESS

The following diagram illustrates the steps typically undertaken by us in handling a grooming job:



Our modification, tuning and grooming services range from aesthetic modifications such as installing bodykits, to performance modifications such as lowering the suspension of the passenger car and replacing the engine control unit. We offer the full Novitec and DMC programmes for luxury and ultra-luxury passenger cars. Such programmes could involve the installation of bodykits, exhaust systems, suspension components, wheel and tire combinations, and other carbon fibre parts. All of the passenger car modification, tuning and grooming services undertaken by us are within the permissible scope specified by relevant Singapore authorities and will not affect the intended and safe use of the passenger cars by the owners under relevant Singapore laws and regulations. For more details, please see “Regulatory Overview — Laws relating to the carrying on of the business of our Group — Vehicle modifications”.

We modified, tuned and/or groomed approximately 700 units of passenger cars for the year ended 31 December 2014, approximately 1,000 units of passenger cars for the year ended 31 December 2015 and approximately 300 units of passenger cars for the four months ended 30 April 2016. We generally take between 3 to 5 days to complete a modification and tuning service. We generally take less than 1 day to complete a grooming service.

BUSINESS

We modify, tune and groom mainly luxury and ultra-luxury passenger cars, the owners of which generally place great importance on personalisation. We seek to meet the diversified demands of our customers by providing personalised modification, tuning and grooming services. The customers of our modification, tuning and grooming services are mainly car owners or corporations who own luxury or ultra-luxury passenger cars.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our revenue generated from modification, tuning and grooming services accounted for approximately 11.2%, 12.4% and 13.4%, respectively, of our total revenue.

Trading of Spare Parts and Accessories

We sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our revenue generated from trading of spare parts and accessories accounted for approximately 5.0%, 7.4% and 7.9%, respectively, of our total revenue.

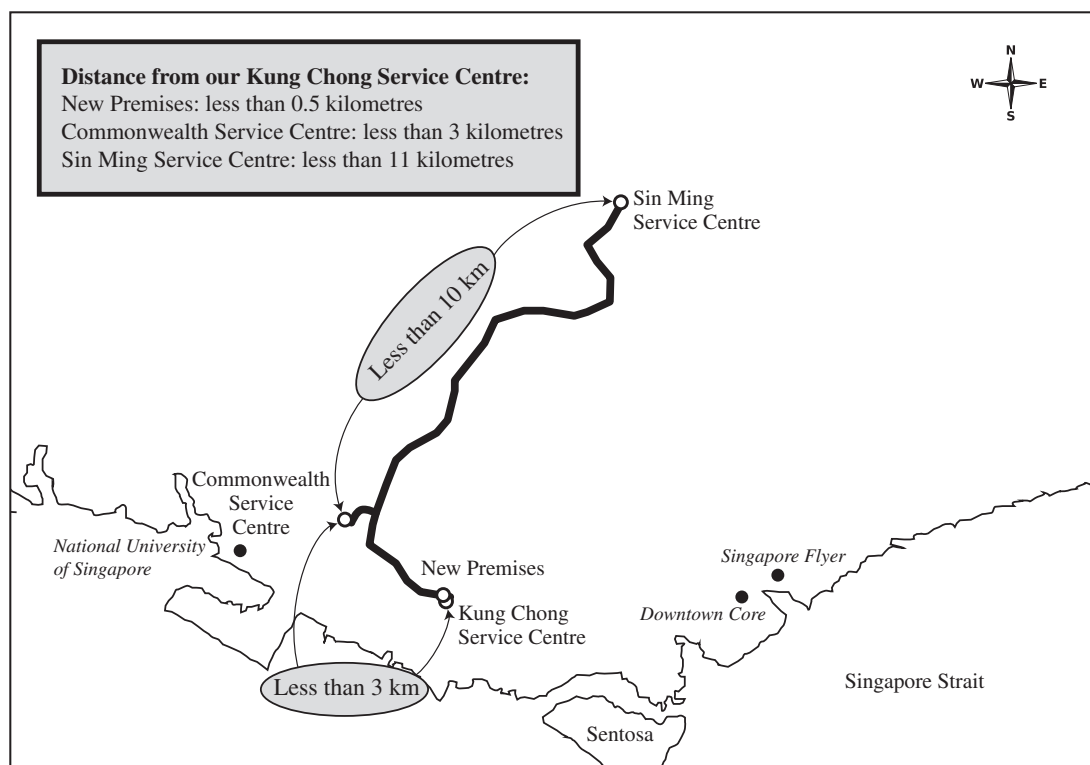
For the year ended 31 December 2015, we had sales that indirectly involve (i) Myanmar, a Sanctioned Country; and (ii) Sanctioned Persons, specifically an entity and an associated individual listed on OFAC's Specially Designated Nationals and Blocked Persons List. For more details, please see "— Business activities that indirectly involve a Sanctioned Country and Sanctioned Persons".

OUR SERVICE CENTRES

During the Track Record Period, we operated 2 service centres in Singapore, being our Sin Ming Service Centre and Kung Chong Service Centre. As the Sub-lessor was in breach of its tenancy agreement with the Lessee and the HDB's terms of approval by subletting to us the premises where our Kung Chong Service Centre was located, in September 2016, we ceased our operations at our Kung Chong Service Centre and relocated these operations to the Commonwealth Service Centre and the Sin Ming Service Centre. Since the Relocation, our Commonwealth Service Centre has served as our office and showroom, where our customers may drop off and collect their passenger cars, and our Sin Ming Service Centre has served as our primary workshop. For further details of the Relocation, please see "— Our properties — Unit 01-11 Sin Ming Drive and the premises where our Kung Chong Service Centre was located — Premises where our Kung Chong Service Centre was located". We plan to expand our operations by exercising our option to lease the New Premises. For further details of our leased and owned properties and expansion plan, please see "— Our properties".

BUSINESS

The map below sets forth the locations of (i) our service centres during the Track Record Period and as at the Latest Practicable Date; and (ii) the New Premises.



Our Sin Ming Service Centre is currently located in an automotive business focused area, with, for example, inspection centres authorised by the LTA. It is located in a building comprising over 100 units engaged in trades in the motor workshop-related industries, such as passenger car service centres and suppliers of spare parts and accessories.

Our Commonwealth Service Centre is currently located in an area populated by car dealers.

Our Kung Chong Service Centre was located at an automotive business focused area, with, for example, showrooms of luxury and ultra-luxury passenger car brands and other service centres.

The New Premises is currently located within an automotive belt with an abundance of car-related businesses. Upon completion of the redevelopment of the property, it will serve as a one-stop showroom, service and spare parts centre and delivery hub.

Our Directors are of the view that the Relocation and the associated change in the mode of business operations will not materially affect the customers' demand for our services for the following reasons:

- for customers who used to drop off and collect their passenger cars at our Kung Chong Service Centre, they can drop off and collect their passenger cars at our Commonwealth Service Centre after the Relocation, being at a location less than 3 kilometres from our Kung Chong Service Centre. Considering the above, our Directors are of the view that the impact of the Relocation from our customers' perspective is minimal;

BUSINESS

- our Commonwealth Service Centre is close to our Kung Chong Service Centre and is located in an area populated by car dealers. As such, our Directors are of the view that our customers would not be unfamiliar with the new location of our Commonwealth Service Centre;
- our customers can still drop off and collect their passenger cars at our Commonwealth Service Centre. We believe that our customers would not be overly concerned about the location of where their passenger cars are actually serviced, given that there is no change in the services we offer. Based on our industry experience, our executive Directors are of the view that it is not uncommon for car owners to drop off and collect their passenger cars at one location whereby the actual servicing is carried out in another location; and
- approximately 58.2% of the passenger cars we serviced in 2015 were passenger cars that we serviced in 2014, and approximately 61.6% of passenger cars we serviced during the period from 1 January 2016 to the Latest Practicable Date were passenger cars that we serviced in 2014 and/or 2015. This shows that our customer base comprises a majority of repeat customers, and our Directors believe that this demonstrates our customers' loyalty to us. Considering that it is generally common for a car owner to engage an automotive service provider on a continuing basis as long as it provides quality services, our Directors believe that the Relocation will not have material adverse impact on our customers' demand for our services.
- for the period from 1 October 2016 and up to the Latest Practicable Date, we serviced approximately 1,100 units of passenger cars, representing approximately 87.6% of the monthly average number of units of passenger cars we serviced for the period from 1 January 2016 up to 30 September 2016 of approximately 1,256 units of passenger cars. This demonstrates that in terms of the number of units of passenger cars serviced, our customers' demand for our services has not been adversely affected by the Relocation, since approximately 87.6% of the monthly average number of units of passenger cars have already been serviced when only approximately 67.7% of October has passed.

BUSINESS

The following table sets forth details of each of our service centres for the period indicated:

		Sin Ming Service Centre	Kung Chong Service Centre	Commonwealth Service Centre
Lease expiry date	Unit 01-11 Sin Ming Drive	15 September 2017	N/A	N/A
	Unit 01-14 Sin Ming Drive	30 November 2019	N/A	N/A
	Unit 01-15 Sin Ming Drive	30 November 2019	N/A	N/A
	Unit 01-16 Sin Ming Drive	30 November 2018	N/A	N/A
	Part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140	N/A	15 September 2016 <i>(Note)</i>	N/A
	Commonwealth Premises	N/A	N/A	15 May 2018
Approximate number of units of passenger cars maintained and/or repaired	Year ended 31 December 2014	6,700	6,700	0
	Year ended 31 December 2015	6,200	6,900	0
	Four months ended 30 April 2016	2,200	2,400	0
	Period from 1 January 2016 to the Latest Practicable Date	6,500	5,300	0
Approximate number of units of passenger cars modified, tuned and/or groomed	Year ended 31 December 2014	0	700	0
	Year ended 31 December 2015	0	1,000	0
	Four months ended 30 April 2016	0	300	0
	Period from 1 January 2016 to the Latest Practicable Date	100	600	0
Number of hoists	As at 31 December 2014	7	12	0
	As at 31 December 2015	7	12	0
	As at 30 April 2016	7	12	0
	As at the Latest Practicable Date	24	0	0
Number of technicians	As at 31 December 2014	10	12	0
	As at 31 December 2015	12	17	0
	As at 30 April 2016	12	16	0
	As at the Latest Practicable Date	23	0	1

Note: In July 2016, to effect our Relocation, we gave notice to the Sub-lessor of the premises where our Kung Chong Service Centre was located to terminate the tenancy agreements with effect from 15 September 2016 and the Sub-lessor had agreed to this arrangement. Please see “— Our properties — Unit 01-11 Sin Ming Drive and the premises where our Kung Chong Service Centre was located — Premises where our Kung Chong Service Centre was located” for more details.

BUSINESS

The expiry dates of our leases for premises at the Sin Ming Service Centre ranged from 15 September 2017 to 30 November 2019. As advised by our Singapore legal advisers, there are no laws or regulations which prohibit or restrict the renewal of the premises at the Sin Ming Service Centre upon the expiry of the tenures. Our leases for the premises where our Kung Chong Service Centre was located had an original end date of 31 October 2017. As agreed between the Sub-lessor and us, the relevant tenancy agreements had been terminated with effect from 15 September 2016.

The number of units of passenger cars serviced increased at the Kung Chong Service Centre and decreased at the Sin Ming Service Centre for the year ended 31 December 2015 as compared with that for the year ended 31 December 2014. The increase at the Kung Chong Service Centre was mainly because an additional unit of premises was rented at the Kung Chong Service Centre since November 2014. The decrease at the Sin Ming Service Centre was mainly because our top customer for the year ended 31 December 2014, being Customer A, and another main customer did not use our services as much in 2015. The number of units of passenger cars maintained and/or repaired increased at both the Sin Ming Service Centre and the Kung Chong Service Centre for the four months ended 30 April 2016 as compared with that for the four months ended 30 April 2015. This was mainly due to more regular maintenance services, as compared with complex repair services, were provided for the four months ended 30 April 2016. The number of units of passenger cars modified, tuned and/or groomed increased at the Kung Chong Service Centre for the four months ended 30 April 2016 as compared with that for the four months ended 30 April 2015. This was mainly due to our Group securing the exclusive dealership of Eisenmann products in Singapore in early 2015 and offering other new products to customers.

The number of hoists at the Sin Ming Service Centre and the Kung Chong Service Centre remained stable as at 31 December 2014, 31 December 2015 and 30 April 2016. Subsequent to 30 April 2016, (i) 4 and 2 hoists were installed at Unit 01-11 Sin Ming Drive in May 2016 and September 2016, respectively, after we re-obtained possession of such unit in January 2016; (ii) 4 and 2 hoists were installed at Unit 01-16 Sin Ming Drive in July 2016 and September 2016, respectively; and (iii) 6 additional hoists were installed at Units 01-14 and 01-15 Sin Ming Drive, of which 1 original hoist had been disposed of in September 2016. For the 12 hoists originally installed at our Kung Chong Service Centre, 3 hoists were disposed of in September 2016, and the remaining 9 hoists have been kept under storage and will be installed at the New Premises when the New Premises becomes available. All the aforementioned disposed hoists were fully depreciated under our accounting records at the time of disposal.

The number of technicians at both Sin Ming Service Centre and Kung Chong Service Centre increased from a total of 22 as at 31 December 2014 to 29 as at 31 December 2015 because we increased our headcount, including technicians, in the second half of 2015 in view of our expansion plan. The number of our technicians remained relatively stable at 28 as at 30 April 2016, but was reduced to 24 as at the Latest Practicable Date. Our Directors consider such decrease in the number of technicians as natural turnover and confirm that there is no material impact on our operations. It is our business plan to recruit more technicians after the Listing to support our expansion plan.

The major equipment which we own and use for our business include passenger car hoists and diagnostic equipment. Our service centres are equipped with specialised diagnostic equipment together with the relevant software to diagnose problems a wide range of passenger cars may have. We will, from time to time, purchase updated diagnostic equipment or the relevant software upgrade for the newer car models as appropriate.

BUSINESS

As at the Latest Practicable Date, we owned 13 sets of diagnostic equipment and 33 passenger car hoists (24 of which were in used/at the Sin Ming Service Centre and 9 hoists were at storage for future use). To our Directors' best knowledge, the general life span of our passenger car hoists and diagnostic equipment is around 10 years and 3 years, respectively, and they are expected to have a longer life span if they are properly maintained. As at the Latest Practicable Date, to our Directors' best knowledge, our passenger car hoists and most of our diagnostic equipment had been in operation for approximately less than 1 year to 5 years and 1 year to 4 years, respectively. As advised by our Singapore legal advisers, there is no regulatory requirement in Singapore in relation to the replacement and maintenance of passenger car hoists and diagnostic equipment used by our Group. We maintain our tools and machinery as and when necessary. We may replace aged tools and machinery for wear and tear reason if the maintenance costs exceed the replacement costs and there is no fixed replacement cycle. We may replace tools and machinery which has become obsolete. We plan to fund the costs for our replacement of tools and machinery from internal resources or external financing if required. During the Track Record Period, we did not experience any material mechanical failures of any of our tools and machinery.

CUSTOMERS

Our customers include (i) car dealers; (ii) car leasing companies; (iii) an insurance company; (iv) other car service centres; and (v) individuals or other corporations. The following table sets forth a breakdown of our revenue based on the type of customers for the period indicated:

	Year ended 31 December		Four months ended			
	2014	2015	30 April 2016			
	S\$'000	%	S\$'000	%	S\$'000	%
Car dealers	637	4.1	598	3.8	333	6.8
Car leasing companies	428	2.8	219	1.4	34	0.7
Insurance company	235	1.5	195	1.2	58	1.2
Car service centres	179	1.2	193	1.2	41	0.8
Individuals or other corporations ^(Note)	14,012	90.4	14,609	92.4	4,412	90.5
Total	15,491	100.0	15,814	100.0	4,878	100.0

Note: Other corporations exclude corporations that are (i) car dealers; (ii) car leasing companies; (iii) insurance company; and (iv) car service centres.

We are devoted to delivering high quality customer services. Our sales, services and marketing initiatives primarily target owners of luxury and ultra-luxury passenger cars as we believe that these customers tend to require premium products and services and show great brand loyalty. Such customers also tend to own more than a single brand of passenger car and we can leverage our servicing capabilities to maintain and repair all of their passenger cars. We maintain records of our customers' servicing profiles, including their maintenance and repair history, which we use to schedule calls and send service reminders. We have also established long standing relationships with our corporate customers based on our good service track record.

BUSINESS

Passenger car owners may authorise us to facilitate an insurance claim when they bring in passenger cars involved in accidents for repair. We will then handle the insurance claim with the relevant insurance companies on behalf of the passenger car owners. For the amount that the relevant insurance companies agreed to pay on behalf of the passenger car owners, we will issue invoices to these insurance companies for payment. For the rest of the balances payable (if any), we will issue invoices to the passenger car owners directly. In such event, the revenue derived from our services provided, regardless of whether it is settled by the relevant insurance companies or the passenger car owners, is classified as revenue derived from our individual or other corporate customers because the obligations of payment for our services is on the passenger car owners. On the other hand, we classify our customer as insurance company if the insurance company has direct engagement with us.

Our top 5 customers during the Track Record Period include individuals as well as companies in the automotive related industry. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, sales to our top 5 customers accounted for approximately 7.5%, 9.1% and 13.6% of our total revenue, respectively, and sales to our largest customer accounted for approximately 2.3%, 4.3% and 4.0%, respectively, of our total revenue during the same periods. All of our top 5 customers during the Track Record Period were Independent Third Parties. None of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in any of our top 5 customers during the Track Record Period. None of our top 5 customers was our supplier during the Track Record Period.

The tables below set forth details of our top 5 customers during the Track Record Period:

For the year ended 31 December 2014

Rank	Customer	Principal business activities/ description	Main services provided by our Group	Approximate years of business relationship with us	Typical credit terms and payment method	Revenue recorded S\$'000
1	Customer A	Passenger land transport (e.g. private cars for hire with operator) and renting and leasing of private cars without operator	Maintenance and repair; and modification, tuning and grooming	4	30 days, telegraphic transfer	357
2	Customer B	Commercial insurance products provider	Maintenance and repair	4	30 days, cheque	235
3	Customer C	Individual	Modification, tuning and grooming	2	Cash on delivery, cheque	212

BUSINESS

Rank	Customer	Principal business activities/ description	Main services provided by our Group	Approximate years of business relationship with us	Typical credit terms and payment method	Revenue recorded <i>S\$'000</i>
4	Customer D	Individual	Maintenance and repair	2	Cash on delivery or 60 days ^(Note) , credit card or cheque	185
5	Vincar	Retail sale of motor vehicles except motorcycles and scooters, new and used car trading, renting and leasing of private cars without operator and passenger land transport (e.g. private cars for hire with operator)	Maintenance and repair; and modification, tuning and grooming	14	30 days, cheque	174
					Total:	<u><u>1,163</u></u>

Note: In accordance with our Group's credit policy, we require Customer D to make full payment (less any deposit paid) when she collects her passenger cars, unless the payment was handled by insurance companies. For the year ended 31 December 2014, we issued an invoice to the insurance company which handled the payment for repair services we provided to Customer D in relation to a passenger car involved in an accident and Customer D authorised us to facilitate the insurance claim. On that occasion, we granted credit terms of 60 days from the date of invoice to such insurance company.

BUSINESS

For the year ended 31 December 2015

Rank	Customer	Principal business activities/ description	Main services provided by our Group	Approximate years of business relationship with us	Typical credit terms and payment method	Revenue recorded <i>S\$'000</i>
1	Customer E	Motor vehicle spare parts dealer	Trading of spare parts and accessories	5	30 days, telegraphic transfer	675
2	Customer F	Individual	Trading of spare parts and accessories	1	Cash on delivery, telegraphic transfer	230
3	Customer B	Commercial insurance products provider	Maintenance and repair	4	30 days, cheque	195
4	Customer C	Individual	Modification, tuning and grooming	2	Cash on delivery, cheque	186
5	Customer G	Individual	Maintenance and repair	1	Cash on delivery or 30 days ^(Note) , credit card	159
					Total:	<u>1,445</u>

Note: In accordance with our Group's credit policy, we require Customer G to make full payment (less any deposit paid) when he collects his passenger cars, unless the payment was handled by insurance companies. For the year ended 31 December 2015, we issued an invoice to the insurance company which handled the payment for repair services we provided to Customer G in relation to a passenger car involved in an accident and Customer G authorised us to facilitate the insurance claim. On that occasion, we granted credit terms of 60 days from the date of invoice to such insurance company.

BUSINESS

For the four months ended 30 April 2016

Rank	Customer	Principal business activities/ description	Key services provided by our Group	Approximate years of business relationship with us	Typical credit terms and payment method	Revenue recorded <i>S\$'000</i>
1	Customer H	Individual	Trading of spare parts	less than 1	no credit terms, credit card and telegraphic transfer	195
2	Vincar	Retail sale of motor vehicles except motorcycles and scooters, new and used car trading, renting and leasing of private cars without operator and passenger land transport (e.g. private cars for hire with operator)	Maintenance and repair; and modification, tuning and grooming	14	30 days, cheque	165
3	Customer I	Individual	Modification, tuning and grooming	less than 1	Cash on delivery, cash	153
4	Customer J	Retail sale of motor vehicles except motorcycles and scooters (import, export, retail and sale of motor vehicles) and renting and leasing of private cars without operator (renting and leasing of private cars)	Maintenance and repair	4	30 days, cheque	94
5	Customer B	Commercial insurance products provider	Maintenance and repair	4	30 days, cheque	58
					Total:	<u><u>665</u></u>

BUSINESS

We typically do not enter into any long-term agreements with our customers. Nevertheless, we have entered into written agreements with 3 car dealers, namely Vincar, Prime Cars and Hybrid Motors, pursuant to which these car dealers appointed us as the exclusive authorised service centre to provide repair services to passenger cars sold by them and under an after-sale warranty given by them. We started business relationship with Vincar, Prime Cars and Hybrid Motors since 2003, 2007 and 2012, respectively. Vincar was founded in 1989 and is an established importer and dealer of new and used cars. Prime Cars' roots started back in 1993, when its founder started his business in used-car trading and export. In 2006, Prime Cars was launched to bring in new cars imported from overseas. Prime Cars is a CaseTrust-Singapore Vehicle Traders Association accredited company. Hybrid Motors was established in 2008 as an importer and dealer of cars. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, Vincar, Prime Cars and Hybrid Motors, in aggregate, accounted for approximately 1.8%, 1.4% and 4.2% of our total revenue, respectively. In addition, we have also entered into a written agreement with an insurance company, namely Customer B. A summary of the key terms of these agreements are set out below:

(i) Exclusive authorised service centre agreements with car dealers

Subject Matter

To appoint MBMW as the exclusive authorised service centre, to provide maintenance and repair works to passenger cars sold by the car dealer and covered under an after-sale warranty.

Term of Agreement

3 or 5 years, expiring in March 2019 or March 2021, respectively.

Price

MBMW shall not undertake any repair works on any passenger car until and unless:

- (i) MBMW has delivered to the car dealer a written report detailing the defects and the repair works to be undertaken on the relevant passenger car, together with the relevant costs for such repair works, in the form of an inspection report; and
- (ii) written confirmation has been received by MBMW from the car dealer to proceed with any repair works set out in the inspection report.

Payment Term

Invoices shall be sent from MBMW to the car dealer as and when services for repair works or otherwise have been completed. Each invoice must be paid within 30 days from the date of the invoice.

Renewal

After the end of 3 or 5 years, unless either party notifies the other in writing at least 6 months prior to the last day of the initial term, the agreement shall be automatically renewed for a further period of 3 or 5 years, respectively, on the same terms and conditions provided in the agreement.

BUSINESS

Representations and Warranties

The car dealer represents and warrants that it shall not dispatch any passenger cars to any other service centre for repair and maintenance services for as long as the agreement is in force.

MBMW represents and warrants that the repair of each passenger car will be performed in a good and proper manner to a quality standard (that would be reasonably expected by any other reputable service centre); and that it shall use technicians who have the necessary qualifications, ability and skills to conduct the repair works.

As advised by our Singapore legal advisers, the aforesaid agreements are legally binding, valid and enforceable under the applicable laws and regulations of Singapore.

(ii) Agreement with Customer B

Subject Matter

To hire MBMW to repair passenger cars that Customer B dispatches to MBMW, according to the conditions and price that Customer B agrees and approves as indicated in its web-based system for the specific passenger car.

Authority

MBMW agrees to obtain the insurance policyholder's authority to carry out the necessary dismantling and diagnostic work, provide a detailed estimate for the repair, prior to commencement of any work. MBMW will then contact Customer B with a full diagnosis including the exact cause of failure along with a detailed estimate for the repairs and await Customer B's approval before continuing with the repair for the insurance policyholder. Except for information about the passenger car and the insurance policyholder, MBMW shall complete all relevant details pertaining to the repair in the web-based system maintained by Customer B, including specification of repair costs for each repair without exception (including all details of materials and work required), for the purposes of obtaining approval from Customer B.

Covenant

When repairing each specific passenger car, MBMW covenants that it shall fully repair the passenger car according to the particulars in the prior approved order, and the said repair will be performed in a good and proper manner to a quality standard (that would be expected by any other reputable service centre), and MBMW shall use technicians that have the necessary qualifications, ability and skills to conduct the specific repairs.

Payment

Customer B shall pay the fee for repairing the passenger car to MBMW when the repairs have been completed and the passenger car has been returned to the insurance policyholder. The payment will be settled by Customer B within 45 days from receipt of the invoice.

BUSINESS

Term of Agreement and Termination

1 year, expiring in April 2017. This agreement shall be automatically extended for a successive period of 1 year upon its expiry unless either party shall notify the other of its intention not to extend the agreement by giving an advance written notice not less than 30 days to the other party prior to completion of the successive 1 year period.

As advised by our Singapore legal advisers, the aforesaid agreement is legally binding, valid and enforceable under the applicable laws and regulations of Singapore.

For further information on our cooperation with car dealers and Customer B, please see “— Our services — Maintenance and repair services — Cooperation with car dealers and an insurance company”.

Pricing policy and credit terms

Our maintenance and repair services are generally charged based on the labour of our technicians and the parts used (if applicable), both of which are determined with reference to market prices. The personnel assigned to each job are based on their expertise and experience and the nature and complexity of the particular job. During the Track Record Period, the prices for our maintenance and repair services ranged from S\$1.5 to S\$185,311.30. For specific parts that are not in stock and require sourcing from overseas or cost more than S\$200, we will collect a deposit of at least 50% of the total cost of the job.

Our modification, tuning and grooming services are also generally charged based on the labour of our technicians and the parts used (if applicable). The charge for (i) the labour of our technicians is determined with reference to the market prices; and (ii) the parts used is determined with reference to the recommended retail prices established by the parts suppliers. We typically require our customers to place a deposit of at least 50% of the total cost of the job before we commence our work if spare parts and/or accessories to be purchased cost more than S\$500. In general, parts for modification and tuning for luxury and ultra-luxury passenger cars are more expensive than those of mass produced passenger cars. During the Track Record Period, the prices for our modification, tuning and grooming services ranged from S\$30 to S\$94,205.61.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the average service fee charged by our Group for maintenance and repair services amounted to approximately S\$968.9, S\$968.6 and S\$834.1, respectively. The average service fee charged by our Group for maintenance and repair services maintained at similar level for the years ended 31 December 2014 and 2015. The decrease in the average service fee charged by our Group for maintenance and repair services for the four months ended 30 April 2016 was mainly due to more regular maintenance services, which command lower service fee per job as compared with complex repair services, were provided for the four months ended 30 April 2016.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the average service fee charged by our Group for modification, tuning and grooming services amounted to approximately S\$2,471.4, S\$1,961.0 and S\$2,186.7, respectively. The decrease in the average

BUSINESS

service fee charged by our Group for modification, tuning and grooming services for the year ended 31 December 2015 as compared with that for the year ended 31 December 2014 was mainly because higher portion of passenger cars that we modified, tuned and/or groomed during the year ended 31 December 2014 were luxury and ultra-luxury passenger cars. The increase in average service fee charged by our Group for modification, tuning and grooming services for the four months ended 30 April 2016 as compared with that for the year ended 31 December 2015 was mainly due to the percentage of the number of units of luxury and ultra-luxury passenger cars to the total number of units of passenger cars that we modified, tuned and/or groomed during the year ended 31 December 2015 was lower than that for the four months ended 30 April 2016.

The average service fees of passenger car maintenance and repair service in Singapore remained stable at approximately S\$300.3 and S\$310.5 in 2014 and 2015, respectively. The average service fees of passenger car modification, tuning and grooming service in Singapore experienced a downward trend from approximately S\$1,914.2 in 2014 to approximately S\$1,587.9 in 2015 as the result of fierce competition. Our Group's average service fees of passenger car maintenance and repair service as well as modification, tuning and grooming service was higher than the industry average mainly because of our focus on providing services to luxury and ultra-luxury passenger cars. According to the Frost & Sullivan Report, there were approximately 120,100 and 128,000 units of luxury and ultra-luxury registered passenger cars and approximately 527,700 and 505,000 units of mass production registered passenger cars in Singapore in 2014 and 2015, respectively. The industry average service fee was lower than our Group's as the industry average takes into account the servicing of a larger proportion of mass production passenger cars as compared to our Group. In general, service fees for luxury and ultra-luxury passenger cars are higher as the parts used are more expensive than those of mass production passenger cars.

For both maintenance and repair services and modification, tuning and grooming services, the prices of services vary depending on the complexity of the job and spare parts and/or accessories used and we require our customers to pay in cash, debit card, credit card, telegraphic transfer or cheque. We typically require our customers to make full payment (less any deposit paid) when they collect their passenger cars. On a case-by-case basis, we might offer a credit term of 15 or 30 days for loyal and corporate customers. For maintenance and repair charges in relation to (i) passenger cars which were purchased from our car dealer customers and which are still under an after-sale warranty given by them; (ii) passenger cars which were insured by insurance companies and covered by a valid insurance policy; and (iii) passenger cars from car leasing companies and other passenger car service centres, we are directly reimbursed by these companies. These companies are typically required to pay us within 30 days after we submit the invoice.

MARKETING

We utilise a variety of methods to promote our brand image, our service centres and the products and services we offer to our customers. As at the Latest Practicable Date, we had 5 sales and marketing personnel in our sales and marketing department, headed by our executive Director and sales and marketing director, Mr. KJ Lim, who has over 8 years of experience in the automotive industry.

BUSINESS

We strive to associate our brand image with luxury and ultra-luxury passenger cars and high quality services, to appeal to our target customers. We showcase our brand in our marketing efforts where our logo would appear in the events sponsored by us.

We sponsor various luxury passenger car clubs, and held an event at our service centre with one of the luxury passenger car clubs in August 2015 during which our logo and products were showcased. We co-sponsored 2 passenger car forums on the internet, comprising websites for Mercedes-Benz and B.M.W. enthusiasts in Singapore. We also held an ad hoc marketing event organised by one of our sponsored passenger car forums at our service centre in August 2015. We believe such sponsorships have successfully promoted our brand. We also advertise our brand through distribution of marketing materials, managing our social media and placing advertisements in a magazine. We have appointed an external consultant to further enhance our branding capabilities. For more details on our intention to improve our brand, please see “Future Plans and Use of Proceeds”.

Our CRM system enables us to collect, analyse and filter customer information. We have established and maintained a database of the information of our customers from which we analyse market trends and customer demand in order to identify opportunities to provide services to our customers. Based on this database, we send our customers short messages informing them of special promotional events at our service centres.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we recorded marketing and advertising expenses of approximately S\$98,000, S\$82,000 and S\$23,000, respectively. We currently intend to use approximately 9.9% of our total estimated net proceeds from the Placing, being approximately HK\$2.6 million to strengthen our brand and sales and marketing. As such, the marketing and advertising expenses to be recorded for the coming years are expected to increase as compared with that recorded during the Track Record Period. For more details, please see “Future Plans and Use of Proceeds — Implementation plans”.

SUPPLIERS AND PROCUREMENT

Suppliers

Our suppliers mainly include (i) suppliers of spare parts and accessories; (ii) suppliers of passenger car lubricants; and (iii) subcontractors who perform specific jobs including passenger car towing, car bodywork involving panel beating and spray painting, repair of transmission, and installation of audio and visual systems.

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, purchases from our top 5 suppliers accounted for approximately 46.6%, 44.1% and 39.7% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 13.2%, 14.2% and 11.3%, respectively, of our total purchases during the same periods. All of our top 5 suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in any of our top 5 suppliers during the Track Record Period.

BUSINESS

The tables below set forth details of our top 5 suppliers during the Track Record Period:

For the year ended 31 December 2014

Rank	Supplier	Principal business activities/description	Key products supplied to us	Approximate years of business relationship with us	Typical credit terms and payment method	Amount of Purchases S\$'000
1	Supplier A	Retail sale of spare parts and accessories for motor vehicles and supply of auto parts and accessories	Spare parts and accessories	6	30 days, cheque	1,026
2	Supplier B	Retail sale of spare parts and accessories for motor vehicles and general wholesale trade (including general importers and exporters)	Spare parts and accessories	8	30 days, cheque	927
3	Supplier C	Manufacture of refined petroleum products and repair and maintenance of motor vehicles	Lubricants	11	30 days, debit	770
4	Supplier D	General wholesale trade (including general importers and exporters) and wholesale of parts and accessories for vehicles	Spare parts and accessories	5	no credit terms, cheque	523
5	Supplier E	Retail sale of sporting equipment and repair and maintenance of car batteries and tyres	Spare parts and accessories	6	no credit terms, cheque	379
					Total:	<u><u>3,625</u></u>

BUSINESS

For the year ended 31 December 2015

Rank	Supplier	Principal business activities/description	Key products supplied to us	Approximate years of business relationship with us	Typical credit terms and payment method	Amount of Purchases <i>S\$'000</i>
1	Supplier A	Retail sale of spare parts and accessories for motor vehicles and supply of auto parts and accessories	Spare parts and accessories	6	30 days, cheque	1,168
2	Supplier B	Retail sale of spare parts and accessories for motor vehicles and general wholesale trade (including general importers and exporters)	Spare parts and accessories	8	30 days, cheque	832
3	Supplier C	Manufacture of refined petroleum products and repair and maintenance of motor vehicles	Lubricants	11	30 days, debit	727
4	Supplier F	Retail sale of spare parts and accessories for motor vehicles, retail sale and stockists of motor vehicles parts and accessories, wholesale of parts and accessories for vehicles and wholesales, importing/ exporting of parts and accessories for vehicles	Spare parts and accessories	2	30 days, cheque	481
5	Supplier E	Retail sale of sporting equipment and repair and maintenance of car batteries and tyres	Spare parts and accessories	6	no credit terms, cheque	415
					Total:	<u><u>3,623</u></u>

BUSINESS

For the four months ended 30 April 2016

Rank	Supplier	Principal business activities/description	Key products supplied to us	Approximate years of business relationship with us	Typical credit terms and payment method	Amount of Purchases <i>S\$'000</i>
1	Supplier A	Retail sale of spare parts and accessories for motor vehicles and supply of auto parts and accessories	Spare parts and accessories	6	30 days, cheque	300
2	Supplier C	Manufacture of refined petroleum products and repair and maintenance of motor vehicles	Lubricants	11	30 days, debit	251
3	Supplier B	Retail sale of spare parts and accessories for motor vehicles and general wholesale trade (including general importers and exporters)	Spare parts and accessories	8	30 days, cheque	225
4	Novitec	Wholesale trade in motor vehicle parts and accessories	Spare parts and accessories	7	no credit terms, telegraphic transfer	142
5	Supplier E	Retail sale of sporting equipment and repair and maintenance of car batteries and tyres	Spare parts and accessories	6	no credit terms, cheque	137
Total:						<u><u>1,055</u></u>

There are numerous passenger car spare parts and accessories suppliers in Singapore. We do not enter into any long-term agreements with our major suppliers except for Supplier C.

BUSINESS

By entering into agreement with Supplier C, we can enjoy preferential prices for lubricants and greases subject to a minimum annual quantity. A summary of the key terms of our agreement with Supplier C is set out below:

Lubricants supply agreement

Subject matter

MBMW shall purchase all of its requirement of a particular brand of lubricants and greases exclusively from Supplier C, and shall use the products only at its service centre. Supplier C shall pay S\$300,000 to MBMW within 60 days after the commencement of the agreement. Subject to the minimum volumes being met, such amount provided shall be written down over the period of the agreement.

Term of agreement

3 years, expiring in December 2016.

Quantity

MBMW shall purchase a minimum annual quantity of products equivalent to 336,960 points in each year commencing from the date of the agreement. If MBMW fails to meet the required 336,960 points for the immediate preceding year, Supplier C may (a) by written notice to MBMW, require MBMW to repay such proportion of the annual write down value of the amount of S\$300,000; or (b) terminate the agreement upon 30 days' written notice.

Besides, if upon the expiry of the agreement, the total quantity of products purchased by MBMW is less than 1,010,880 points, Supplier C may require MBMW (a) to pay liquidated damages; or (b) to continue to exclusively purchase from Supplier C until such time when the minimum volume of 1,010,880 points is met. The amount of liquidated damages to be paid is calculated based on the following formula:

$$\text{S\$300,000} \times \frac{1,010,880 - \text{Points accumulated by MBMW from 1 January 2014}}{1,010,880}$$

Note: Points are accumulated by MBMW based on the volume and type of products purchased from Supplier C, according to a list showing points per litre for each type of products. For each of the year ended 31 December 2014 and 2015, MBMW had met the 336,960 points requirement to purchase a minimum annual quantity of products from Supplier C. For the period from 1 January 2014 to 30 September 2016, the products purchased by MBMW from Supplier C had met approximately 89.0% of the total minimum requirement of 1,010,880 points. Our Directors are confident that the total minimum requirement of 1,010,880 points can be met by 31 December 2016.

BUSINESS

Payment term

All deliveries made during any 1 calendar month shall be paid in full by MBMW before the last day of the following month. In the event that MBMW agrees to pay through an electronic payment system, a further 7 days credit term will be allowed in addition to the duration aforementioned.

Delivery

Delivery will be made by Supplier C to MBMW's service centre within 3 working days from the date of Supplier C receiving and accepting MBMW's order.

Title and risk of loss

Title to and risk of loss of the products shall pass from Supplier C to MBMW when the products are unloaded from Supplier C's transportation device delivering the products to MBMW's service centre.

Warranties

There are no warranties expressed or implied of merchantability, fitness or otherwise except that the products sold shall meet the typical specifications published in the products datasheets, as amended from time to time. Claims against Supplier C on account of weight, quality, defects in, loss of or damage to the products are waived unless notice is given by MBMW in writing or by facsimile within 48 hours from the date of delivery. Supplier C shall not be liable for any consequential, special, incidental or exemplary damages.

Relocation

MBMW may relocate its service centre to a different location at its absolute discretion provided that Supplier C shall have the right to continue to supply the products at the new location, and MBMW shall be obligated to buy the products from Supplier C.

Termination

The agreement may be terminated by Supplier C upon the happening of any of the following events:

- a) MBMW ceases to occupy its service centre;
- b) MBMW ceases to carry on the business of automotive servicing;
- c) MBMW becomes bankrupt or makes an arrangement or reaches composition with its creditors, or has a winding-up petition presented against it, or a receiver or liquidator is appointed to manage or liquidate the assets of MBMW, either voluntarily or compulsorily, other than for the purposes of reconstruction; or

BUSINESS

- d) MBMW fails to purchase and use exclusively the products at its service centre (except with Supplier C's prior written consent).

As advised by our Singapore legal advisers, the aforesaid agreement is legally binding, valid and enforceable under the applicable laws and regulations of Singapore. We have been the top trade partner of Supplier C in terms of the volume of branded lubricants consumed since 2005.

Major suppliers who were our customers during the Track Record Period

During the Track Record Period, 3 of our top 5 suppliers, namely Suppliers C, D and F, were also our customers. Supplier C was our customer because of its promotional event. Under such promotional event, Supplier C issued vouchers which could be redeemed for our maintenance and repair services as to the monetary value stated on the vouchers. When passenger car owners presented such vouchers to us, we charged Supplier C for the monetary value stated on the vouchers and the passenger car owners only need to pay us for the remaining sales balance. All vouchers issued under such promotional event expired on 31 December 2015. Such promotional event was one-off only and the revenue generated from customers who presented us with the vouchers amounted to approximately S\$61,000. Supplier D was our customer because one-off towing services were charged by us to Supplier D. The one-off towing services provided to Supplier D was performed by our subcontractor. Supplier F was our customer because it purchased spare parts from us.

Sales to Suppliers C, D and F were minimal and accounted for less than 0.1% of our total revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. The amount of purchases from Suppliers C, D and F attributed to approximately 21.4%, 19.3% and 18.7%, respectively, of our total purchases for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016. Our gross profit and gross profit margin derived from the sales to Supplier C were nil, nil and nil for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively, since we charged Supplier C the exact voucher amount without any further mark up as we considered that the promotional event of Supplier C can market and advertise our brand. Our gross profit and gross profit margin derived from the sales to Supplier D were nil, nil and nil for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively, since we charged Supplier D the exact amount charged by the subcontractor without any further mark up having considered our business relationship with Supplier D and the minimal work performed by us. Our gross profit derived from the sales to Supplier F were minimal which accounted for less than 0.1%, nil and nil of our total gross profit for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. Our gross profit margin for the sales to Supplier F were approximately 39.9%, nil and nil, respectively, for the same periods since there was no sales to Supplier F in 2015 and the four months ended 30 April 2016.

Cooperation with car tuning parts suppliers

We work closely with a number of car tuning parts suppliers for the right to promote, distribute and sell their branded products, mainly including car tuning parts in Singapore.

BUSINESS

We are the exclusive distributor in Singapore of products from Novitec, Eisenmann, DMC and RevoZport, which are mainly car tuning parts for the modification and tuning of luxury and ultra-luxury passenger cars. The table below sets forth details of the aforesaid car tuning parts suppliers:

Supplier	Main products supplied to us	Place of origin
Novitec	Wide range of tuning parts including wheels, suspension systems, exhaust systems and bodykits	Germany
Eisenmann	Exhaust systems	Germany
DMC	Wide range of tuning parts including wheels, exhaust systems and bodykits	Hong Kong
RevoZport	Bodykits	Hong Kong

The branded car tuning parts sourced from the above 4 reputable car tuning parts suppliers can be installed on luxury or ultra-luxury passenger cars, whom we have strong relationships with. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, purchases from the above 4 car tuning parts suppliers accounted for approximately 4.9%, 5.7% and 6.5% of our total purchases, respectively.

Further, in March 2016, we entered into an agreement with an Independent Third Party who is the appointed sole dealer in Singapore of a German car tuning parts brand, pursuant to which we were appointed as an exclusive distributor in Singapore for products of such brand for a term of 2 years from the date of the agreement. As advised by our Singapore legal advisers, the aforesaid agreement is legally binding, valid and enforceable under the applicable laws and regulations of Singapore. A summary of the key terms of this agreement is set out below:

Subject matter

Appointment of KBS as an exclusive distributor in Singapore for products of a German car tuning parts brand by the sole dealer.

Commission

For each sale of products executed by KBS, KBS will pay the sole dealer a percentage of the net profit per transaction.

Marketing

KBS and the sole dealer shall jointly promote the products in Singapore through various online and offline channels.

BUSINESS

Term of agreement and termination

24 calendar months, expiring in March 2018, unless or until terminated by either party giving to the other not less than 2 months' written notice.

Subcontractors

We subcontract specific jobs including passenger car towing, car bodywork involving panel beating and spray painting, repair of transmission, and installation of audio and visual systems to our subcontractors as we do not have the necessary facilities. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, the total amount paid for subcontracting works amounted to approximately S\$368,000, S\$514,000 and S\$154,000 and accounted for approximately 4.0%, 5.0% and 4.3% of our total cost of sales, respectively. We do not enter into any long-term subcontracting agreement with our subcontractors in order not to limit ourselves to the choice of subcontractor to use. As at the Latest Practicable Date, we had (i) 9 approved subcontractors; and (ii) worked with 3 of these subcontractors for more than 5 years. We have established a strong relationship with them which helps facilitate communication to ensure quality and timely performance of their works.

In deciding our approved list of subcontractors, we consider their quality of work, past performance, pricing competitiveness and efficiency. During the Track Record Period, (i) we had not experienced any material difficulties in finding subcontractors; and (ii) our subcontractors were neither our employees nor agents and we were not a party to any employment arrangement between our subcontractors and their employees.

During the Track Record Period, we did not have any material disagreement or dispute with any of our suppliers, including subcontractors. During the Track Record Period, all our subcontractors were Independent Third Parties. Our subcontractors generally charge us based on the labour costs of their employees and the parts used (if applicable).

Procurement

We place orders directly with our suppliers. Our key supplies are materials required for our services such as passenger car spare parts and accessories. The purchase of materials for our services/our supplies is determined and adjusted by taking into account our current inventories, anticipated customer demands, and expected sales trends. This helps us to not only optimise the mix of passenger car spare parts and accessories in our stock and maximise our sales and profitability, but also to improve our relationships with our suppliers.

During the Track Record Period, we had not encountered any material shortage of, or material difficulties in procuring materials for our services/our supplies and we had not experienced any significant delay in delivery of materials for our services/our supplies by our suppliers causing material disruption of our projects.

BUSINESS

Our credit terms from suppliers typically involve a credit period of 30 days. Title to our supplies passes to us upon delivery. We mainly purchase our supplies from Singapore and our procurements are mainly in Singapore dollars. We purchase our supplies using cheques. Prices of our supplies generally vary based on the prevailing market prices. The prevailing market prices can be affected by general economic conditions and market demand and supply. We generally use a cost-plus method to price the materials for our services. Accordingly, any fluctuation in cost of materials, including freight cost and subcontractor cost, are generally borne by our customers.

INVENTORY MANAGEMENT

Our inventory includes materials for our services such as passenger car spare parts and accessories. We closely monitor our inventory to achieve a balance of cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels of spare parts and accessories to meet customer demands and manage our working capital requirements to finance our inventory. We monitor our inventory on a group level with a centralised ERP system.

We monitor our inventory levels regularly by conducting a physical check with the assistance of our centralised ERP system which provides us with real-time inventory levels of different materials. Our inventory manager also sets inventory level guidelines for our materials. This information will be reviewed by our senior management to ensure that our service centres are adequately funded and appropriately stocked with inventory. We were able to maintain a stable average inventory turnover days of approximately 34.9 days, 30.8 days and 29.5 days for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

QUALITY CONTROL

We have an established track record and reputation in providing quality passenger car services in Singapore. For each job, our service centre managers and senior technicians are in charge of quality control.

Currently, our work is closely monitored by our service centre managers and senior technicians, who will ensure that (i) job requirements are identified; (ii) works performed and materials used are in accordance with the sales order; and (iii) testing is properly conducted. Our service centre managers or senior technicians conduct quality control inspections before the handover of the passenger car. Our service centre managers or senior technicians will also inspect the works of our subcontractors.

For our purchases, the goods must be purchased from our regular supplier list. Upon receipt of the goods, we will check that the goods are of the right specifications and free from defects. Any defective supplies are promptly reported to our suppliers.

BUSINESS

Warranty

We provide warranties for the services that we perform, for a period of 6 months. We provide free of charge follow up check and services within such period if any defects on the services we performed are found. Warranties for the parts used in our maintenance and repair services are based on the warranties provided by the manufacturer of such parts. During the Track Record Period, warranty claims made by our customers were of an immaterial nature and, accordingly, no provision has been made with respect to such warranty claims.

Customer complaints

We recognise the importance of providing quality services and have put in place procedures to ensure that complaints from customers are handled in a timely and appropriate manner. Our customers may report their complaints by calling our customer service hotline or at our service centres. Such complaints are initially handled by our customer service staff and if he/she is unable to resolve it, it will be reported to our service centre manager for follow-up action. The service centre manager will report the complaint to our chief operating officer or chief executive officer, if necessary. All causes and resolutions of complaints are clearly communicated to these customers.

During the Track Record Period, there were no material complaints made by our customers. In order to provide quality customer services and minimise the number of complaints, we provide trainings to staff on skills, professional knowledge and new developments. Our Group had not experienced any material disputes relating to the quality of our work done nor significant delay in our work during the Track Record Period and up to the Latest Practicable Date.

INFORMATION TECHNOLOGY

We monitor the operations of our service centres through a centralised ERP system developed by a third party information technology contractor. Our ERP system is able to provide us with real-time information regarding our operations such as service schedules and inventory levels, which will enable us to establish an integrated and centralised management system and to support any decision-making process. In addition, this system allows us to closely monitor the operations of our service centres and improve our planning, inventory, human resource allocation, and working capital flow.

Our ERP system incorporates an advanced CRM system, which helps us to collect and analyse customer information. Leveraging this, we have established a comprehensive database across key areas of our businesses. For example, our information technology system collects information about our existing customers, including job history records. This information allows our sales personnel and customer relationship managers to better understand the needs of our customers and enables us to provide personalised communications and services to them.

BUSINESS

INTELLECTUAL PROPERTIES

We consider our trademarks to be important to our business operations. For more details, please see “Statutory and General Information — B. Further information about our business — Our intellectual property rights” in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened claims against us, nor had any claims been made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

EMPLOYEES

We view our dedicated employees as critical to our success. We allocate resources for training and development for all our employees. We offer attractive remuneration packages, including bonuses. Our management team has extensive expertise and experience in the passenger car servicing industry in Singapore. Members of our management team have remained relatively stable since our inception, and their average length of time working with us is more than 7 years.

As at 31 December 2014, 31 December 2015 and 30 April 2016, we had a total of 58, 72 and 77 full-time employees, and 12, 17 and 16 part-time employees, respectively, all located in Singapore. Currently, our employees are not members of any labour union. The following table shows a breakdown of our full-time employees by function as at the Latest Practicable Date:

Job function	Number of employees
Management	5
Technicians	24
Sales and marketing	5
Administration and finance	6
General operations	21
Customer service	5
Insurance	4
Total	70

Our headcount significantly increased from 58 employees as at 31 December 2014 to 72 as at 31 December 2015 to prepare for our expansion plan. The number of our full-time employees as at the Latest Practicable Date of 70 decreased compared with 77 as at 30 April 2016. The decrease was mainly due to natural turnover of employees. It is our business strategy to continue to identify competent personnel to join us from time to time. Meanwhile, we are identifying appropriate candidates through posting advertisements in the media.

BUSINESS

We currently intend to use approximately 17.5% of our total estimated net proceeds from the Placing, being approximately HK\$4.6 million, to expand and train our workforce to gear up for our expansion, including hiring an additional 13 employees from the Latest Practicable Date to 30 June 2018.

We have sound relationships with our employees. During the Track Record Period, we had not experienced any strikes, work stoppages or significant labour disputes and had not experienced any significant difficulties in recruiting or retaining our qualified staff. As at the Latest Practicable Date, we had 31 foreign employees, out of which 23 employees were holders of work permit, 6 employees were holders of S Pass and 2 employees were holders of employment pass. For more details, please see “Regulatory Overview — Laws relating to the carrying on of the business of our Group — Employment of foreign workers”. As advised by our Singapore legal advisers, the foregoing foreign employees have obtained the relevant work permit/S Pass/employment pass as required under the Employment of Foreign Manpower Act (Cap. 91A).

Hiring

When we make hiring decisions, we take into account factors such as our development strategies, expansion plans, the industry trends and the labour market environment. We usually communicate internally on any open position to source for referral of any possible candidate, following which we publish hiring information in newspapers.

Training

We provide training to our employees to improve their skills and professional knowledge as well as to keep them updated on new developments. Our training covers topics such as equipment knowledge and service skills.

We also provide on-the-job training to our employees. In addition, we have implemented a mentorship programme in which we assign experienced employees familiar with our business and policies to train newcomers for a period of at least 1 month.

As we have a diversified portfolio of passenger car brands which we service, this provides our employees opportunities to work with different passenger car brands. Our technicians typically have the opportunity to service different passenger car brands, offering them long-term career development, which we believe contributes to our employee retention rates.

We currently intend to use approximately 17.5% of our total estimated net proceeds from the Placing, being approximately HK\$4.6 million, to expand and train our workforce to gear up for our expansion. As such, the employee benefits expense to be recorded after Listing are expected to increase as compared with that recorded during the Track Record Period. For more details, please see “Future Plans and Use of Proceeds — Implementation plans” and “Business — Our properties — Expansion”.

BUSINESS

Promotion and incentives

We place significant emphasis on internal promotion as a means of offering long-term career development and performance incentives to our employees.

We believe internal promotion is an important way to promote employee satisfaction, which in turn enables us to improve service quality, enjoy a low turnover rate and remain competitive. We have an annual job performance appraisals system to identify and promote capable employees by evaluating their service performance, business and technical skills to determine their promotion prospects and compensation.

We offer attractive remuneration packages, including bonuses. For our sales and marketing staff, we offer them additional sales commissions. We also organise company events such as Christmas party and Chinese New Year dinner for team building.

OUR PROPERTIES

As at the Latest Practicable Date, we owned 1 property and leased (i) 4 units at Sin Ming Drive; and (ii) the Commonwealth Premises in Singapore.

Property which we own

As at the Latest Practicable Date, we owned 1 property situated at 9 Tagore Lane #03-10, 9@Tagore, Singapore 787472. It is currently used as a warehouse for storing our passenger car spare parts and accessories. It has an aggregate area of approximately 521 sq.m. including a void area of approximately 231 sq.m.. According to the Singapore Land Authority, void area refers to the empty space above the floor in a strata unit but the area is included in the total saleable floor area of the strata unit.

Pursuant to Rule 8.01B(2)(a) of the GEM Listing Rules, if the carrying amount (as defined in Rule 8.01(1) of the GEM Listing Rules) of a property interest (as defined in Rule 8.01(3) of the GEM Listing Rules) is or is above 15% of its total assets (as defined in Rule 8.01(4) of the GEM Listing Rules), the prospectus must include the full text of a valuation report for such property interest. As the carrying amount of our above owned property exceeds 15% of our total assets as at 30 April 2016, being the date of the most recent audited combined statements of the financial position of our Group, in order to comply with Rule 8.01B(2)(a) of the GEM Listing Rules, a property valuation report in respect of our above owned property is included in Appendix III to this prospectus. According to such property valuation report, the market value of our above owned property as at 31 July 2016 was S\$2.6 million.

Save for our above owned property, there is no single property interest that forms part of our non-property activities which has a carrying amount of 15% or more of our total assets as at 30 April 2016.

BUSINESS

Leased properties

As at the Latest Practicable Date, we leased (i) 4 units at Sin Ming Drive from HDB with an aggregate area of approximately 959 sq.m., which was used as our passenger car service centre which included our workshop; and (ii) the Commonwealth Premises from an Independent Third Party with an area of approximately 362 sq.m., which was used as our passenger car service centre which included our office and showroom. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our property rental expenses accounted for approximately 3.6%, 4.7% and 5.1% of our total revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively.

The following table sets out a summary of the properties leased by us as at the Latest Practicable Date:

Address	Use	Area (Approximate sq.m.)	Tenant	Term	Rent
Block 176 Sin Ming Drive, Sin Ming Autocare, Singapore 575721	Unit 01-11	Workshop of passenger car service centre	239 MBMW	16 September 2014 to 15 September 2017	Year 1: S\$4,749 per month Year 2: S\$5,181 per month Year 3: S\$5,220 per month
	Unit 01-14	Workshop of passenger car service centre	240 MBMW	1 December 2013 to 30 November 2016	Year 1: S\$4,541 per month Year 2: S\$4,750 per month Year 3: S\$4,750 per month
				1 December 2016 to 30 November 2019	Year 1: S\$5,225 per month Year 2: S\$5,520 per month Year 3: S\$5,520 per month
	Unit 01-15	Workshop of passenger car service centre	240 MBMW	1 December 2013 to 30 November 2016	Year 1: S\$4,541 per month Year 2: S\$4,750 per month Year 3: S\$4,750 per month
				1 December 2016 to 30 November 2019	Year 1: S\$5,225 per month Year 2: S\$5,520 per month Year 3: S\$5,520 per month

BUSINESS

Address	Use (Approximate sq.m.)	Area	Tenant	Term	Rent
Unit 01-16	Workshop of passenger car service centre	240	MBMW	16 June 2016 to 30 November 2018	S\$4,906 per month from 16 June 2016 to 30 November 2016 S\$5,352 from 1 December 2016 to 30 November 2017 S\$5,660 from 1 December 2017 to 30 November 2018
1 Commonwealth Lane, Units 01-11, 01-12 and 01-13 One Commonwealth, Singapore 149544	(i) Service centre where customers may drop off and collect their passenger cars (ii) Office and showroom	362	MBMW	16 November 2016 to 15 May 2018 plus rent free period from 16 July 2016 to 15 November 2016	S\$23,436 per month

Expansion

On 6 April 2016, we entered into an option to lease agreement with an Independent Third Party to secure the New Premises at a location which is less than 0.5 kilometres from our Kung Chong Service Centre, with an indicative area of approximately 2,973 to 3,066 sq.m.. As at the Latest Practicable Date, the New Premises was under construction with an expected completion date in mid-2017. The New Premises is expected to be available for use by 30 June 2017. The lease for our New Premises is for a term of 3 years commencing on the date falling 10 business days from the date of exercise of the option, with an option to renew for a further 3 years on the same terms save that the rent may be adjusted but not to the extent that it would exceed 5% of the original rent. The indicative area of the New Premises represents more than 3 times the area of the premises where our Kung Chong Service Centre was located, which had an area of approximately 927 sq.m..

As advised by our Singapore legal advisers, the above option to lease agreement is not subject to any governmental consent or approval, and it is legal, valid and binding under Singapore law.

Our plan to expand our business to the New Premises was initiated in 2014 when Mr. Lim became aware of the development of the New Premises located at an automotive belt with an abundance of car-related businesses by a subsidiary of a company listed on the Singapore stock exchange. Having considered a number of factors, including the competitive landscape in the market, the market demand on services we are providing and the strengthening of our competitive advantages, our Directors consider that our business strategy to expand our business to the New Premises is crucial for our

BUSINESS

business development. Accordingly, we intend to apply majority of the net proceeds from the Placing on (i) expanding our servicing capacity; (ii) expanding and training our workforce; (iii) strengthening our brand and sales and marketing; and (iv) upgrading our information technology system, with an aim to support our expansion plan and enhance our competitiveness in the market. We expect to expand to the New Premises during the second half of 2017. After such expansion, we expect to have approximately 25 passenger car hoists installed at the New Premises.

Tight servicing capacity during the Track Record Period

Our Directors consider that our servicing capacity is mainly subject to our workshop area, working hours of our technicians and number of our technicians. Even if we increase the number of our technicians, we may not be able to significantly increase our service output as sufficient workshop space is required to perform passenger car servicing jobs. As such, we consider that our current servicing capacity is primarily limited by our workshop area at our service centres.

We had increasingly exceeded our capacity during the Track Record Period, which can be demonstrated by the following:

1. Based on the daily average number of unit of passenger cars we serviced and a total of 19 hoists installed as at 31 December 2014, 31 December 2015 and 30 April 2016, respectively, the average number of unit of passenger cars we serviced per hoist per working day was approximately 2.75 units, 2.78 units and 2.98 units for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. As only one passenger car can be serviced at the area where a hoist is installed at the same time, we believe the above is calculated based on reasonable ground in order to demonstrate our operational efficiency during the Track Record Period. The increase in the average number of unit of passenger cars we serviced per hoist per working day represented the better allocations of logistics in the usage of our workshop area. Based on our industry experience, our executive Directors consider that, unless we have additional workshop space, it is not viable for us to significantly increase our servicing capacity to cater for further business expansions.
2. Given the limited workshop area we have, we used to complete as many passenger car servicing jobs on hand every day as possible so as to free up workshop area for new jobs to be taken on the following day. As such, our technicians may be required to work outside the standard opening hours of our service centres. During the Track Record Period, the number of overtime hours worked by our technicians amounted to approximately 2,000 hours, 5,300 hours and 1,200 hours for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively, amounting to approximately S\$30,000, S\$108,000 and S\$23,000 of overtime expense for the corresponding periods, respectively. The substantial overtime hours demonstrated that we did not have sufficient workshop area to satisfy the existing customer demand for our services. Moreover, our operating hours have already been extended to Sundays which allow little room for us to further increase our working hours.

BUSINESS

3. During the Track Record Period, we allocated minimal resources on marketing as we considered that we did not have spare capacity to take on extra jobs without compromising our service time on completing a job. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our marketing and advertising expenses only amounted to approximately S\$98,000, S\$82,000 and S\$23,000, respectively.
4. The monthly average of the total number of units of passenger cars we serviced was approximately 1,175 units, 1,175 units and 1,225 units for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. Having considered the similar level of the total number of units of passenger cars we serviced during the Track Record Period, our Directors consider that without increasing our workshop area, we can hardly increase the number of units of passenger cars we can service to grow our business.

As detailed in the paragraphs above, our capacity to service additional passenger cars is limited unless we expand our workshop area. We believe the following factors justify our expansion plan:

Our expansion strategies

Since we became aware of the expansion opportunities at the New Premises, we have formulated an expansion plan on the New Premises, including the Listing, in order to successfully implement our expansion plan in 2017 following the construction of the New Premises. Our main goal for the expansion plan is to increase our servicing capacity. Considering (i) the maximum average number of unit of passenger cars we serviced per hoist per working day during the Track Record Period was approximately 2.98 units; (ii) we had 24 passenger cars hoists installed at our Sin Ming Service Centre as at the Latest Practicable Date; and (iii) we plan to initially install approximately 25 passenger car hoists at the New Premises, we expect our servicing capacity to increase from approximately 72 units of passenger cars per working day as at the Latest Practicable Date to approximately 146 units of passenger cars per working day after our expansion to the New Premises.

With the increase in our servicing capacity, we will be better equipped to receive more job orders from individual customers or through collaborations with car dealers and insurance companies. It is our business strategy to cooperate with more car dealers and insurance companies. We were recently invited by a car dealer to become one of its authorised service centres to provide maintenance and repair services to their customers covered under warranty. This car dealer is a sole proprietor registered in Singapore in 1993, and its registered activities are retail sale of motor vehicles except motorcycles and scooters and passenger land transport (e.g. private cars for hire with operator) (car rental and limousine services). We believe that our collaborations with car dealers can provide us with stable job orders as customers are usually recommended by their car dealers to schedule maintenance regularly, generally ranging from every 3 to 6 months or from 5,000 to 10,000 kilometres driven. Such collaborations also provide us with the opportunity to provide services to car owners covered under warranty and who might not engage our services otherwise. Collaborations with insurance companies will also allow us to serve car owners who are insured. We believe that such opportunities allow us to capture the business opportunities from these car owners in the long term if they are satisfied with our services, and will become our individual customers, being the foundation of our customer base.

BUSINESS

With the expanded workshop area in the New Premises, we intend to increase our marketing effort to attract new customers and capture more market share. In particular, we plan to spend more resources on sales and marketing at the time when we are about to expand to the New Premises. We intend to utilise approximately HK\$0.7 million for the six months ending 30 June 2017 and HK\$0.8 million for the six months ending 31 December 2017 from the net proceeds from the Placing to strengthen our brand and sales and marketing.

It is also our expansion strategy to employ additional staff, including technicians, along with the expansion of servicing capacity. We consider that the expansion will allow us to reduce the necessary overtime worked by our staff and in turn, we will be able to maintain our staff benefit expenses at a more stable and economic level, given that it is our policy to compensate our staff for overtime at charges equal to 1.5 times of their hourly basic rate of salary. We intend to utilise approximately HK\$2.6 million from the net proceeds from the Placing to expand and train our workforce.

Room for increase in our market share

During the Track Record Period, maintenance and repair services had remained our core business segment. Revenue generated from this segment accounted for approximately 83.8%, 80.2%, 87.9% and 78.7%, respectively, of our total revenue, for the years ended 31 December 2014 and 2015 and the fourth months ended 30 April 2015 and 2016. During the Track Record Period, revenue contribution from modification, tuning and grooming services displayed a growing trend, accounting for approximately 11.2%, 12.4%, 8.6% and 13.4%, respectively, of our total revenue, for the years ended 31 December 2014 and 2015 and the fourth months ended 30 April 2015 and 2016. It is our business strategy to continue to focus our business on these two markets and, through the implementation of our expansion plan, to capture our market shares further in both markets.

According to the Frost & Sullivan Report, the passenger car maintenance and repair market in Singapore is highly fragmented, with approximately 1,300 service centres in 2015. Our Directors believe that the relatively small percentage of market share we accounted for, which amounted to approximately 1.4% in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015, was mainly due to the fragmentation of market shares among industry players in this industry, which does not overrule our leading position in the industry as our Group was ranked second in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015. For the modification, tuning and grooming services market, our Group was ranked first in terms of total revenue derived from passenger car modification, tuning and grooming services in Singapore in 2015. Our business strategy is to maintain and strengthen our current leading position in the market in order to increase our market share. Our Directors believe that service quality, technical skills, servicing capacity and industry expertise are the key components to increase our market recognitions and strengthen our leading position in the market. As such, our Directors consider that our expansion plan will allow us to (i) largely increase our service capacity as the New Premises will have an indicative area of approximately 2,973 to 3,066 sq. m.; and (ii) equip ourselves with new tools and machinery, through utilising part of the net proceeds from the Placing. As one of the means to prepare for the expansion, we have also empowered our human resources by increasing our manpower. As at 31

BUSINESS

December 2014, 31 December 2015 and 30 April 2016, we had a total of 58, 72 and 77 full-time employees, respectively. It is also our plan to employ additional staff and to provide training to our staff by utilising the net proceeds from the Placing. With the implementation of the expansion plan, we believe that we can capture the growing potential of the market share in the industry.

Market demand analysis

According to the Frost & Sullivan Report, notwithstanding that the total number of registered cars is expected to decrease in 2016 and 2017, and the number of newly registered cars is expected to decrease from 2018 to 2020, (i) the number of registered luxury and ultra-luxury passenger cars had increased and is expected to increase year-on-year from 2010 to 2020, reaching approximately 150,400 units in 2020; and (ii) the revenue from luxury and ultra-luxury passenger car modification, tuning and grooming services in Singapore is estimated to reach approximately S\$32.0 million in 2020 from approximately S\$20.4 million in 2015 along with the further popularity of passenger car modification, tuning, and grooming services and more diversified tuning demand of passenger car owners.

Revenue from our modification, tuning and grooming services only accounted for approximately 11.2%, 12.4%, and 13.4% of our total revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. Our Directors believe that apart from the improvement in service quality, technical skills and servicing capacity and industry expertise resulting from the expansion plan, the strengthening of our brand recognition in the market is also an area which our Group will work on further to attract new customers and enhance our customers' loyalty so as to facilitate us to capture the growing demand in the modification, tuning and grooming market. By doing so, we intend to utilise part of the net proceeds from the Placing on brand building and enhancing our customer services, which includes maintaining our online marketing platform and arranging marketing events. For details of the relevant implementation plans, please see "Future Plans and Use of Proceeds".

In addition, we also plan to expand our modification, tuning and grooming services by offering our customers with wide variety of car tuning parts of different brands. Our effort can be substantiated by the fact that in March 2016, we were newly appointed as an exclusive distributor in Singapore for products of a German car tuning parts brand. Our Directors are of the view that such kind of distributorship rights are important to our modification and tuning business as the expansion of our brands and products portfolio can attract customers who want their passenger cars to be modified with such tuning parts. As at the Latest Practicable Date, we were the exclusive distributor/sole dealer of 5 car tuning parts brands in Singapore. Our Directors believe that with our expansion plan, in particular (i) the leasing of the New Premises which can expand our workshop and showroom area; and (ii) the strengthening of our brand and sales and marketing, we can cooperate with more car tuning parts brands to expand our brand and product portfolio.

According to the Frost & Sullivan Report, the revenue from luxury and ultra-luxury passenger car maintenance and repair services is estimated to experience a slight decrease from 2016 to 2018. However, the revenue from luxury and ultra-luxury passenger car maintenance and repair services in

BUSINESS

Singapore is estimated to increase from 2018 and reach approximately S\$170.4 million in 2020, representing an increase by approximately 5.6% as compared with the level in 2015 of approximately S\$161.4 million. The level in 2018 of approximately S\$159.9 million, being the lowest level from 2016 to 2020, only represented a decrease by less than 1% as compared with the level in 2015. Therefore, our Directors are of the view that the slight decrease in demand for luxury and ultra-luxury passenger car maintenance and repair services from 2016 to 2018 (i) will not have material adverse effect to our operations; and (ii) will not contradict our expansion plan as our expansion is to cater for the long term development of our Group.

According to the Frost & Sullivan Report, as the number of passenger cars about to reach the 10-year usage entitlement will be high from 2016 to 2018, the COE quota is expected to increase rapidly from 2016 to 2018 to replace the number of de-registered vehicles. From 2019 to 2020, the COE quota is expected to decrease slightly because the number of vehicles reaching the 10-year COE period will also witness a slight decrease in 2019 and 2020.

As a result of the above, the market size of the Singapore passenger car maintenance and repair industry is expected to decrease from 2016 to 2018 and increase in 2019 and 2020.

Our Directors do not consider that the expected decrease in market size of Singapore passenger car maintenance and repair industry along with the increase in COE quota will result in material adverse impact to our business for the following reasons:

- we collaborate with a number of car dealers in Singapore such as Vincar, Prime Cars and Hybrid Motors and we have been their exclusive authorised service centre for years. Accordingly, we will benefit from being the exclusive maintenance and repair services provider on new or used passenger car sold by these car dealers;
- our Directors believe that COE quota fluctuates across the years in cycles along with the age of the passenger cars in the market, and the anticipated decrease in market size of the Singapore passenger car maintenance and repair industry from 2016 to 2018 is only temporary. Moreover, according to the Frost & Sullivan Report, the expected decrease in market size of approximately 6.1% from approximately S\$287.2 million in 2016 to S\$269.8 million in 2018 is mild;
- our Directors also believe that given the broad customer base we have established, we are less likely to be affected by the change in market size as demonstrated by our relatively stable revenue generated during the Track Record Period; and
- given the fragmented nature of the Singapore passenger car maintenance and repair industry with the leading player only accounted for approximately 2.1% of market share in the industry in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015, our Directors believe that even though the market size of the Singapore passenger car maintenance and repair industry will slightly decrease in the short-term, we will still be able to expand our market share through the increase in our servicing capacity, established market reputations and service quality.

BUSINESS

Improvement of customer experience

To cope with the intense market competition, we have developed strategies to strengthen our brand and improve our customer service quality through our expansion plan. With a larger, brand new service centre which is located at an automotive belt with an abundance of car-related businesses, we believe that it would (i) enable us to take on more jobs for existing and new customers whilst we were previously constrained by capacity limitations; and (ii) enhance our customers' experience when they visit our new service centre and leave a better impression on them.

The landlord of the New Premises principally engages in automotive business and investment holding and is a subsidiary of a company listed on the Singapore stock exchange. Our New Premises is located at a property being redeveloped by the landlord. The landlord planned to redevelop the property for use as car showrooms, warehousing and storage facility and motor workshop to provide vehicle repair and servicing activities, and other ancillary functions. Upon completion of the redevelopment of the property, it will serve as a one-stop showroom, service and spare parts centre and delivery hub. The landlord expects to derive revenue from rental income from third parties and its own automotive business to be operated at the property.

We believe that the New Premises will attract new customers to use our services, especially owners of luxury or ultra-luxury passenger cars, as the New Premises will be designed with better customer facilities such as a larger, more comfortable waiting area, more parking lots, and a more professional reception area.

Singapore government initiatives

The Ministry of Transport of Singapore announced in January 2016 that it aimed to make (i) public transport the main mode of travel by 2030; and (ii) walking, cycling and riding public transport the preferred life style, by improving rail reliability and walking and cycling connections. Our Directors believe that such initiatives by the Singapore government would have more influence on mass production passenger car drivers instead of luxury and ultra-luxury passenger car drivers because of the superior desirable functionalities and enhanced driving experience of luxury and ultra-luxury passenger cars.

We currently intend to use approximately 30.4% of our total estimated net proceeds from the Placing, being approximately HK\$8.0 million to finance the one-off renovation and fitting out costs, purchase of furniture, tools and machinery and other costs in relation to our expansion to the New Premises. For more details, please see "Future Plans and Use of Proceeds — Implementation plans". We estimate that the investment payback period to recoup the capital expenditures with respect to such expansion will be within 2 years after the date of commencement of operation of the new service centre at the New Premises. Additional depreciation expenses are expected to be incurred primarily from tools and machinery to be purchased, furniture and fittings, and renovation. Our Directors estimate that the maximum annual depreciation expenses to be incurred for new capital expenditures recognised for our initial operations at the New Premises is approximately S\$280,000.

BUSINESS

On the basis that the New Premises will have an indicative area of 3,066 sq.m. and based on the rental rate stated in the relevant option to lease agreement, our Directors estimate that an annual rental expenses of approximately S\$911,000 will be incurred for leasing the New Premises.

In addition, in order to expand our Sin Ming Service Centre, on 10 June 2016, we entered into a tenancy agreement with HDB for the lease of Unit 01-16 Sin Ming Drive to us and our operations at the same premises commenced in July 2016. Unit 01-16 Sin Ming Drive has an area of approximately 240 sq.m.

Unit 01-11 Sin Ming Drive and the premises where our Kung Chong Service Centre was located

During the Track Record Period, we had (i) subleased a leased premises, being Unit 01-11 Sin Ming Drive, to Subcontractor A without complying with the relevant terms of our tenancy agreement with HDB in full; and (ii) subleased a leased premises, being the premises where our Kung Chong Service Centre was located, from the Sub-lessor without the Sub-lessor complying with the relevant terms of its tenancy agreement with the Lessee and HDB's terms of approval for subletting. Details of which are set out below:

Unit 01-11 Sin Ming Drive

We lease the premises situated at Unit 01-11 Sin Ming Drive from HDB and had subleased it to Subcontractor A during the Track Record Period and up till January 2016 without HDB's consent. Pursuant to the relevant tenancy agreement we entered into with HDB, we shall not sublet the premises without the prior written consent of HDB. For such breach of the tenancy agreement, HDB has the right to terminate the tenancy agreement prior to its expiry on 15 September 2017. Such breach was primarily due to our management's oversight of the details of the terms of the tenancy agreement with HDB.

We terminated the aforesaid sublease in January 2016 and informed HDB of (i) the existence of the sublease; (ii) the fact that we had taken back possession of Unit 01-11 Sin Ming Drive; and (iii) our plan to renovate Unit 01-11 Sin Ming Drive for use as a workshop. A representative from HDB conducted a site inspection of our leased premises at Units 01-11, 01-14 and 01-15 Sin Ming Drive in April 2016 and acknowledged that Units 01-14 and 01-15 Sin Ming Drive was operating the approved trades (i.e. maintenance and repair of motor vehicles) and Unit 01-11 Sin Ming Drive was undergoing renovation and no signs of unauthorised subletting had been observed. We received a letter from HDB dated 5 May 2016 for its no objection to our proposed addition and alteration work at Unit 01-11 Sin Ming Drive. We commenced operations at Unit 01-11 Sin Ming Drive in May 2016. As at the Latest Practicable Date, we had not received any notice or orders from HDB regarding any possible action against us in relation to our subleasing of Unit 01-11 Sin Ming Drive. From enquiries made and the HDB's letter dated 5 May 2016, our Singapore legal advisers indicated that it does not appear that HDB will terminate our tenancy agreement of Unit 01-11 Sin Ming Drive.

BUSINESS

Our Directors believe that this incident has not and will not impose any material adverse operational and financial impact on our Group given (i) the rectification actions taken by our Group and the aforesaid communications with HDB; (ii) the advice of our Singapore legal advisers; and (iii) that our Controlling Shareholder has executed the Deed of Indemnity in favour of our Group against, among others, all losses, liabilities, damages, costs, claims, penalties and expenses incurred by our Group in relation to this breach. Hence, no provision for the potential economic losses has been made by us as a result of this breach.

Premises where our Kung Chong Service Centre was located

In relation to our Kung Chong Service Centre, HDB had leased the premises where our Kung Chong Service Centre was located to the Lessee, who then subleased such premises to the Sub-lessor with HDB's consent. The Sub-lessor in turn subleased such premises to us pursuant to the tenancy agreements for a term expiring in October 2017 with rent determined based on normal commercial terms. According to HDB's terms of approval for subletting, the subtenant (i.e. the Sub-lessor) shall not sublet or permit any other party or person to occupy such premises.

As advised by our Singapore legal advisers, (i) the subleasing of the premises where our Kung Chong Service Centre was located by the Sub-lessor to us has rendered the Sub-lessor in breach of (a) its tenancy agreement with the Lessee, which could give rise to the same tenancy agreement being terminated; and (b) HDB's terms, which could result in HDB withdrawing its consent for the sublease of these premises between the Lessee and the Sub-lessor; (ii) notwithstanding that we are not in breach of HDB's terms, we may be required to vacate such premises if HDB exercises its right to withdraw its consent for the sublease of such premises between the Lessee and the Sub-lessor; (iii) pursuant to HDB's policy, only a main tenant (i.e. the Lessee) of a lease from HDB may apply for approval to sublease, and a subtenant (i.e. the Sub-lessor) cannot make any application to HDB for the further sublease of any property of HDB; (iv) neither we nor our management would be subject to any fines or imprisonment terms for the grant of the sublease by the Sub-lessor to us; (v) HDB has not served any eviction notices nor has it taken any legal action against us in relation to the sublease of such premises to us; (vi) in the event that we are evicted from such premises before 31 October 2017, being the original end date of our leases for such premises, we have a cause of action against the Sub-lessor for breach of its contractual obligation to us under its tenancy agreements with us to provide possession and use of such premises for the period from 1 November 2014 to 31 October 2017. A claim for breach of contract may entitle us to damages arising from such breach, such as costs incurred by us for moving out of such premises, additional rental costs for new premises leased by us, costs for renovations and fittings for the new premises, as well as loss of profits; and (vii) the tenancy agreements of such premises between the Sub-lessor and us are legally binding, valid and enforceable.

Furthermore, according to our Singapore legal advisers, HDB had effected a new policy from 1 January 2016 which states that, other than real estate investment trusts, industrial land lessees may sublet only up to 30% of the gross floor area of industrial land leased from HDB. Prior to 1 January 2016, industrial land lessees may sublease up to 50% of the gross floor area. We understand from our Singapore legal advisers that (a) the premises where our Kung Chong Service Centre was located is under an industrial land lease granted by HDB to the Lessee, and the sublease thereof would be governed by the policy regarding industrial land lease; (b) such premises subleased by the Sub-lessor

BUSINESS

from the Lessee constitutes 44.84% of the total industrial land leased by the Lessee from HDB. Therefore, even if the Lessee were to apply for approval from HDB to sublet such premises directly to us, it would not be possible for us to lease the same size of area at the entire premises where our Kung Chong Service Centre was previously located.

To minimise the possible impact of an eviction from the premises where our Kung Chong Service Centre was located, after taking into consideration various factors, including the availability of suitable rental premises, impact on our operations and cost, our Directors decided to effect the Relocation. The Relocation includes:

- the lease of the Commonwealth Premises as a passenger car service centre, including office and showroom, where our customers may drop off and collect their passenger cars. An initial inspection will be carried out by our employees located at our Commonwealth Service Centre and in the event that any further inspection and/or servicing is required, the passenger cars will be moved to our Sin Ming Service Centre. On 13 July 2016, we entered into a lease agreement with an Independent Third Party to secure the Commonwealth Premises. As advised by our Singapore legal advisers, the above lease agreement is legal, valid and binding under Singapore law and no approval from any authorities in Singapore is required for the execution of the lease agreement. Our Commonwealth Service Centre is at a location which is less than 3 kilometres from our Kung Chong Service Centre. Operations at our Commonwealth Service Centre commenced in September 2016;
- on 22 July 2016, we gave notice to the Sub-lessor of the premises where our Kung Chong Service Centre was located to terminate the tenancy agreements. The relevant tenancy agreements had been terminated with effect from 15 September 2016; and
- using Units 01-14 and 01-15 Sin Ming Drive to house solely the workshop for passenger car repair, maintenance, modification, tuning and grooming services by conversion of the existing office space of our Sin Ming Service Centre at Unit 01-14 Sin Ming Drive to such workshop. In September 2016, Units 01-14 and 01-15 Sin Ming Drive have been renovated and operations have resumed.

In addition, Units 01-11 and 01-16 Sin Ming Drive have commenced operations as a workshop in May 2016 and July 2016, respectively. Hence, even if the New Premises are not available, after (i) the effect of the Relocation; and (ii) the commencement of our operations at Units 01-11 and 01-16 Sin Ming Drive, our workshop area and the number of passenger car hoists for our operations will be increased as compared to that during the Track Record Period.

BUSINESS

The following shows the area and usage of our passenger car service centres and other properties owned/leased by us during the Track Record Period:

Passenger car service centres during the Track Record Period	Total area (approximate sq.m.)	Usage
Kung Chong Service Centre		
Part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140	927 ^{Note}	Approximately 42.3% workshop (<i>approximately 391.7 sq.m.</i>) Approximately 57.7% showroom, office and miscellaneous (<i>approximately 535.3 sq.m.</i>)
Sin Ming Service Centre		
Unit 01-14 Sin Ming Drive	240	Approximately 61.5% workshop (<i>approximately 147.5 sq.m.</i>) 38.5% office (<i>approximately 92.5 sq.m.</i>)
Unit 01-15 Sin Ming Drive	240	100% workshop (<i>approximately 240 sq.m.</i>)
TOTAL	1,407	779.2 sq.m. workshop 627.8 sq.m. showroom, office and miscellaneous

Note: The area leased by our Group at the premises where our Kung Chong Service Centre was located during the period from 1 January 2014 to 31 October 2014 was less than 927 sq.m.. By applying a conservative approach, the maximum leased area of 927 sq.m. as at 30 April 2016, which was also the area of the Kung Chong Service Centre immediately before the Relocation, is used when considering the feasibility of our Relocation.

Other properties owned/leased by us during the Track Record Period	Total area (approximate sq.m.)	Usage
Unit 01-11 Sin Ming Drive	239	Subleased such premises to Subcontractor A during the Track Record Period and up till January 2016
9 Tagore Lane #03-10, 9@Tagore, Singapore 787472	521	290 sq.m. warehouse 231 sq.m. void

BUSINESS

The following table shows a comparison of our Group's maximum workshop area during the Track Record Period and after the Relocation:

Location	Maximum workshop area during the Track Record Period (approximate sq.m.)	Workshop area after the Relocation (approximate sq.m.)
Part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140	391.7	—
Unit 01-14 Sin Ming Drive	147.5	240
Unit 01-15 Sin Ming Drive	240	240
Unit 01-11 Sin Ming Drive	—	239
Unit 01-16 Sin Ming Drive	—	240
Commonwealth Premises	—	—
Total	<u>779.2</u>	<u>959</u>

The following table shows a comparison of our Group's installed passenger car hoists as at 30 April 2016 and after the Relocation:

Location	Number of passenger car hoists installed as at 30 April 2016	Number of passenger car hoists installed after the Relocation
Part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140	12	—
Units 01-14 and 01-15 Sin Ming Drive	7	12
Unit 01-11 Sin Ming Drive	—	6
Unit 01-16 Sin Ming Drive	—	6
Commonwealth Premises	—	—
Total	<u>19</u>	<u>24</u>

BUSINESS

Our Directors are of the view that the Relocation is commercially and operationally feasible and the Relocation will not have material adverse financial and operational impacts on our business due to the following reasons:

Financial implications

- The total cost of Relocation, which mainly related to the renovation of the Commonwealth Service Centre and Units 01-14 and 01-15 of Sin Ming Drive, did not exceed S\$300,000 which would mainly be accounted for as additions of renovations for the year ending 31 December 2016. For the operation of Sin Ming Service Centre, we incurred additions of property, plant and equipment of approximately S\$371,000 for the year ending 31 December 2016. It is expected that the additional depreciations as a result would be approximately S\$11,000 per month.
- Following the Relocation, the Commonwealth Service Centre has replaced the Kung Chong Service Centre as our office and showroom. The Commonwealth Service Centre also serves as the passenger car drop off and collection point for our customers. The Sin Ming Service Centre then serves as the passenger car workshop base of our Group. As our tenancy at the premises where our Kung Chong Service Centre was located ceased with effect from 15 September 2016, our maximum monthly rental for the year ending 31 December 2016 after the Relocation will decrease by approximately S\$16,000 as compared with the rental expenses incurred for the month ended 30 April 2016. Such decrease was mainly due to the aggregate monthly rental for the Commonwealth Premises and Unit 01-16 Sin Ming Drive, being the additional premises we rented after April 2016, is lower than that for the premises where our Kung Chong Service Centre was located, which was mainly because (i) the area of the Commonwealth Premises is smaller than that of the premises where our Kung Chong Service Centre was located; and (ii) Unit 01-16 Sin Ming Drive is a property leased from HDB, a statutory board responsible for developing public housing in Singapore.
- Moreover, material property, plant and equipment in relation to the Kung Chong Service Centre have been fully depreciated as at the completion of the Relocation. Only minimal loss on disposal of the relevant property, plant and equipment amounted to approximately S\$54,000 is expected to be incurred during the year ending 31 December 2016.
- Save as disclosed above, our Directors confirm that there are no material financial implication on our other operating expenses as a result of the Relocation.

Having taken into account the above factors, our Directors do not consider that the Relocation will have material adverse financial impacts to our Group as a whole.

BUSINESS

Operational implications

- Our Directors believe that our workshop area is a key factor which would affect our servicing capacity. Following the Relocation in September 2016, our workshop area increased to approximately 959 sq.m., as compared with the maximum workshop area of approximately 779.2 sq.m. during the Track Record Period. With additional workshop space, the number of passenger car hoists increased from 19 as at 30 April 2016 to 24 as at the Latest Practicable Date.
- One function of the Commonwealth Service Centre is to allow our customers to drop off and collect their passenger cars for our servicing. Following the Relocation, we maintain two service centres to serve our customers. As (i) the Kung Chong Service Centre and the Commonwealth Service Centre are both situated in areas where automobile related businesses in Singapore are located; and (ii) the Kung Chong Service Centre and the Commonwealth Service Centre are not distant apart, being less than 3 kilometres in distance, our Directors consider that we are able to offer similar level of services to our customers after the Relocation.
- Following the Relocation, the Sin Ming Drive Service Centre (being our core workshop conducting our passenger car services) has been in full operations with 24 passenger car hoists being in function. As at the Latest Practicable Date, we had renewed the tenancy of Units 01-14 and 01-15 Sin Ming Drive for a further 3 years up to 30 November 2019 following the expiry of existing tenancy on 30 November 2016. Thereafter, the expiry dates of our lease at Sin Ming Drive Service Centre range from September 2017 to November 2019. Accordingly, we have secured workshop space for our operations for a long term.
- The number of units of passenger cars we serviced in September 2016, being the month when the Relocation was effected, was slightly lower than the monthly average of the total number of units of passenger cars we serviced for the four months ended 30 April 2016. We (i) maintained and/or repaired approximately 1,100 units of passenger cars; and (ii) modified, tuned and/or groomed approximately 100 units of passenger cars, in September 2016. This was mainly because our resources, including manpower, were diverted to prepare for the Relocation in September 2016. Our Directors consider that such impact from Relocation was only temporary and would not continue after the completion of our Relocation. Before the Relocation, (i) we serviced approximately 14,100 units of passenger cars for each of the year ended 31 December 2014 and 31 December 2015, representing a monthly average of approximately 1,175 units of passenger cars; and (ii) we serviced approximately 11,300 units for the period from 1 January 2016 up to 30 September 2016, representing a monthly average of approximately 1,256 units of passenger cars. After the Relocation, for the period from 1 October 2016 and up to the Latest Practicable Date, the number of units of passenger cars we serviced reached approximately 1,100 units, representing approximately 87.6% of monthly average passenger cars during the first nine months in 2016. This shows that approximately 87.6% of the monthly average number of units of passenger cars have already been serviced when only approximately 67.7% of October has passed. Our Directors believe that our results of operations in October 2016

BUSINESS

was resulted from the increase in the number of our hoists in function, therefore increasing our servicing capacity and allowing us to service more passenger cars per working day. Based on the above, our Directors consider that we are able to maintain our level of business after the Relocation.

Having taken into account the above factors, our Directors do not consider that the Relocation will have material adverse operations impacts to our Group as a whole.

Based on the above and our Directors have taken into account that:

- (i) there would be no material adverse financial impact after the Relocation;
- (ii) our servicing capacity has expanded with the moderate increase in the workshop space and the number of passenger car hoists being installed after the Relocation; and
- (iii) there has been no material adverse change in the number of units of passenger cars we serviced after the Relocation,

our Directors consider that there has been no material adverse change in our Group's financial or trading position or prospects after the Track Record Period up to the Latest Practicable Date as a result of the Relocation.

Specific internal control measures

We implemented the following specific internal control measures relating to our contract management system, including the execution of tenancy agreements and any significant contracts:

- We have established a contract management system. Under such system, our senior management is responsible for the negotiation of relevant contracts with respect to any significant transactions, including tenancy agreements, we decide to enter into. Before submitting to our chief operating officer or chief executive officer for approval and signing, such contracts need to be reviewed and approved by the finance department and our risk management committee. Our risk management committee has four members, namely Ms. Pok Mee Yau, Mr. Lim, Mr. KJ Lim and Mr. Chua. Ms. Pok Mee Yau, our independent non-executive Director, has been appointed as its chairman. Ms. Pok Mee Yau has extensive experience as an advocate and solicitor in Singapore and has over 8 years of experience in the legal field. She was 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. For further details of the experience of the members of our risk management committee, please see "Directors and Senior Management". If our senior management or risk management committee deems necessary, we will also appoint external legal counsel to review such contracts and perform due diligence. Our chief operating officer is responsible for ensuring that any relevant approvals, permits and/or licenses are obtained prior to signing the contracts and report any irregularities to our Board and senior management.

BUSINESS

- The risk management committee of our Board will periodically review our internal control policies and procedures with respect to our contract management system.

Our Directors are of the view that the above internal control measures relating to our contract management system are adequate and effective.

SUSTAINABILITY OF OUR BUSINESS

We recorded net profit of approximately S\$2.2 million for the year ended 31 December 2014 and approximately S\$2.0 million (excluding the Listing expenses of approximately S\$0.3 million) for the year ended 31 December 2015. Our profit for the four months ended 30 April 2015 and 2016 amounted to approximately S\$0.3 million and S\$0.2 million (excluding the Listing expense of approximately S\$1.0 million for the four months ended 30 April 2016), respectively.

Notwithstanding that we experienced a decrease in net profits over the Track Record Period, our Directors consider that our Group's business is sustainable on the following grounds:

Reason for the decrease in net profit

We recorded decrease in net profit for the year ended 31 December 2015 and the four months ended 30 April 2016 as compared with that recorded for their respective immediate preceding year/period, mainly attributable to (i) the Listing expenses of approximately S\$0.3 million recorded for the year ended 31 December 2015 (nil in 2014) and approximately S\$1.0 million recorded for the four months ended 30 April 2016 (nil in 2015); and (ii) the increase in employee benefits expense by approximately S\$127,000 and S\$297,000 for the year ended 31 December 2015 and the four months ended 30 April 2016 as compared with that recorded for their respective immediate preceding year/period, due to the increase in employee headcount to prepare for our expansion plan and salary increments for existing employees.

Given that (i) the Listing expenses was only one-off; and (ii) the increase in employee headcount is essential for the preparation of our expansion plan going forward, our Directors consider that the decrease in net profit will not render our Group's business unsustainable.

Stable revenue stream over the Track Record Period

We maintained a stable level of revenue during the Track Record Period. Our revenue amounted to approximately S\$15.5 million for the year ended 31 December 2014 and approximately S\$15.8 million for the year ended 31 December 2015. We also recorded revenue of approximately S\$4.9 million and S\$4.9 million, respectively, for the four months ended 30 April 2015 and 2016. The stable revenue demonstrated that there had been no deterioration of business of our Group during the Track Record Period.

BUSINESS

Increase in employee headcount for the future business expansion

Increase in employee benefit expenses during the Track Record Period was the key factor attributable to the decrease in our net profits. The increase in employee benefit expenses for the year ended 31 December 2015 was mainly due to the increase in employee headcount during the second half of 2015 to prepare for our Group's expansion plan. The number of our full-time employees increased from 58 as at 31 December 2014 to 72 as at 31 December 2015. This factor was fully reflected during the four months ended 30 April 2016. Along with (i) the salary increments for existing employees during 2016; (ii) the joining of our chief financial officer, Mr. LEE Tiang Soon, in January 2016 for the preparation of the Listing; (iii) the salary increments of certain senior management members of our Group in 2016 to reflect their efforts for the preparation of the Listing and their ongoing senior management role in our Group, our employee benefit expenses increased from approximately S\$1.2 million for the four months ended 30 April 2015 to approximately S\$1.5 million for the four months ended 30 April 2016.

Our Directors consider that the increase in employee headcount is essential for the preparation of our business expansion going forward as (i) our business is labour intensive and we require more experienced employees to cater for our expansion plan and provide quality services to our customers; and (ii) we expect that our employees will be more familiar with our operation flows and well-trained such that our expansion to the New Premises during 2017 will be smoothened.

Established and loyal customer base

With years of presence in the market, we have developed an established customer base. During the Track Record Period, over 90% of our customers were individuals and other corporations. Moreover, we have been in collaborations with our key customers who are car dealers and insurance company for years. The collaborations would not only provide us with stable job orders but also enable us to capture the business opportunities from these customers in the long term as our individual customers.

We have a loyal customer base, which is demonstrated by the fact that (i) approximately 58.2% of the passenger cars we serviced in 2015 were passenger cars that we serviced in 2014, and (ii) approximately 61.6% of passenger cars we serviced during the period from 1 January 2016 to the Latest Practicable Date were passenger cars that we serviced in 2014 and/or 2015. Our Directors are of the view that the impact of the Relocation from our customers' perspective is minimal because for customers who used to drop off and collect their passenger cars at our Kung Chong Service Centre, they can drop off and collect their passenger cars at our Commonwealth Service Centre after the Relocation, being at a location less than 3 kilometres from our Kung Chong Service Centre. It can be further supported by the Frost & Sullivan Report which states that it is generally common for a car owner to engage an automotive service provider on a continuing basis as long as it provides quality services. Our Directors believe that our customers will continue to engage our services and hence are confident that our business is sustainable.

It is our business strategy to collaborate with more car dealers and insurance companies in the future. We have recently been invited by a car dealer to become one of its authorised service centres to provide maintenance and repair services to their customers covered under warranty.

BUSINESS

Increase in servicing capacity after the Relocation

The number of our hoists in operations as at the Latest Practicable Date was 24, representing an increase from 19 hoists as at 30 April 2016. After the Relocation, for the period from 1 October 2016 and up to the Latest Practicable Date, we serviced approximately 1,100 units of passenger cars, representing approximately 87.6% of the monthly average number of units of passenger cars we serviced before the completion of the Relocation, for the period from 1 January 2016 up to 30 September 2016 of approximately 1,256 units of passenger cars. This shows that approximately 87.6% of the monthly average number of units of passenger cars have already been serviced when only approximately 67.7% of October has passed. Our Directors believe that the above was resulted from the increase in the number of our hoists in function, therefore increasing our servicing capacity and allowing us to service more passenger cars per working day. This demonstrates that in terms of the number of units of passenger cars serviced, our customers' demand for our services has not been adversely affected by the Relocation.

Additional workshop area secured for expansion

Our Directors consider that our current servicing capacity has been limited by our workshop area at our services centres. For our ongoing business developments, we have entered into an option to lease agreement to lease the New Premises which is expected to be available for use by mid-2017. It is our plan to initially install approximately 25 passenger car hoists at the New Premises which will double our existing servicing capacity. The entering of the option to lease agreement demonstrates that we have a concrete expansion plan and the secure additional workshop area is for our business expansions in long term basis.

Increase in marketing efforts to procure new customers

During the Track Record Period, we allocated minimal resources for marketing as we considered that we did not have spare capacity to take on extra jobs without compromising our service time on completing a job. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, our marketing and advertising expenses only amounted to approximately S\$98,000, S\$82,000 and S\$23,000, respectively. After the Relocation, our Directors consider that we can increase our resources for marketing as we have increased our servicing capacity. We currently intend to use approximately 9.9% of our total estimated net proceeds from the Placing, being approximately HK\$2.6 million, to strengthen our brand and sales and marketing. This includes, among others, (i) a rebranding exercise by our external consultant to attract and appeal to potential customers; (ii) setting up an online marketing platform; and (iii) arranging marketing events organised by a professional public relations company to showcase our services and service centres. Our Directors believe with such use of proceeds and our listing status will enhance our ability to procure new customers.

Given that (i) the passenger car maintenance and repair market in Singapore is highly fragmented; and (ii) we have leading positions in both passenger car maintenance and repair, and modification, tuning and grooming markets in Singapore, we believe that there is room for increase in our market share. For details, see "Business — Our properties — Tight servicing capacity during the Track Record Period — Room for increase in our market share".

BUSINESS

COMPETITION

According to the Frost & Sullivan Report, the Singapore passenger car maintenance and repair services industry is highly fragmented, with approximately 1,300 service centres in 2015. The top 5 players accounted for only approximately 5.5% market share in terms of the number of passenger cars maintained and/or repaired in Singapore in 2015, of which approximately 1.4% comprised our Group's market share, while approximately 2.1% comprised the top player's market share.

The Singapore passenger car modification, tuning and grooming market is relatively concentrated due to the high requirements of servicing capacity and industry expertise. There are approximately 160 service providers in the passenger car modification, tuning and grooming market in Singapore, with the top 5 players accounting for approximately 34.3% market share, as measured by revenue in 2015, of which approximately 8.9% comprised our Group's market share.

Our Directors believe that our competitive strengths, established reputation in the industry and track record will set us apart from our competitors and continue to allow our Group to maintain its position as one of the leading players in the passenger car services industry in Singapore. Details of our Group's competitive strengths are set out in “— Our competitive strengths”.

Please see “Industry Overview” for details of the competitive landscape of the passenger car services industry.

INSURANCE

In order to cover our Group from liability, we maintain policies of a nature and amount that we consider adequate and evaluate from time to time such policies based on our past experience, industry developments, benchmarking and various considerations. We carry insurance which covers risks such as losses at our service centres due to fire. We carry public liability insurance that covers liabilities that may occur due to all plant and machinery used in connection with our business. Our employees are covered by work injury compensation insurance as well as medical insurance, as required under the applicable laws and regulations in Singapore. We believe our insurance coverage is adequate and in line with industry practices in Singapore. For the associated risks, please see “Risk Factors — Risks relating to our Group — Our insurance coverage could be inadequate and potential losses borne by us could adversely affect our cash flow and liquidity.”.

WORK SAFETY AND ENVIRONMENTAL MATTERS

Based on the advice of our Singapore legal advisers, we have obtained all of the material work safety and environmental approvals permits, approvals and registrations necessary to conduct our business. Our operations are subject to regulations and periodic examinations by local work safety and environmental authorities. If we fail to comply with laws and regulations, we may be subject to fines or cessation of business.

We are fully committed to providing a safe and healthy environment to our customers and our staff. We adopt a workplace safety and health policy which includes activity-based risk assessment for different departments and work safety procedures such as emergency response and use of protective

BUSINESS

equipment. We have also implemented a risk management plan in accordance with the Workplace Safety and Health (Risk Management) Regulation. We have also established a system to record and handle workplace accidents to enhance occupational safety. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with all applicable work safety and environmental laws and regulations in all material respects and there were no material accidents in the course of our business operations. We have not incurred and do not expect to incur material costs in connection with the compliance with work safety and environmental laws and regulations.

BUSINESS ACTIVITIES THAT INDIRECTLY INVOLVE A SANCTIONED COUNTRY AND SANCTIONED PERSONS

U.S. and other jurisdictions, including EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting Sanctioned Countries and Sanctioned Persons.

For the year ended 31 December 2015, we had spare parts and accessories sales that indirectly involve (i) Myanmar, a Sanctioned Country; and (ii) Sanctioned Persons, specifically an entity and an associated individual listed on OFAC's Specially Designated Nationals and Blocked Persons List. Our direct counterparty in relation to these sales was a customer in Singapore. However, on occasion, in accordance with this customer's request we shipped the spare parts and accessories purchased by this customer from Singapore to an entity and/or an associated individual in Myanmar which/who, as at the Latest Practicable Date, was listed on OFAC's Specially Designated Nationals and Blocked Persons List, through shipping agents. As advised by DLA Piper, our legal advisers as to International Sanctions, these business activities of our Group that indirectly involve Myanmar and Sanctioned Persons for the year ended 31 December 2015 (i) are not in breach of International Sanctions, including those issued, administered and enforced by the U.S. government, and (ii) do not implicate International Sanctions with regard to our Group, our Shareholders or any person or entity, including our Group's investors, the Stock Exchange, HKSCC and HKSCC Nominees. Furthermore, the last sale that indirectly involved Myanmar and the aforesaid Sanctioned Persons was in August 2015 and we do not intend to continue to carry on any further business activities in connection with Myanmar, any other Sanctioned Countries or Sanctioned Persons. The amount of total revenue generated from such indirect sales to Myanmar and the aforesaid Sanctioned Persons represented approximately 0.3% of our total revenue for the year ended 31 December 2015. We did not conduct any business activity with Myanmar or any Sanctioned Person located there during the year ended 31 December 2014. As the relevant sales only contributed to a minimal amount of our Group's total revenue, our Directors consider that the cessation of sales to Myanmar or the aforesaid Sanctioned Persons located there would not materially affect our financial and operational position.

We confirm that, save as disclosed above, our Group did not have, during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by U.S., EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions.

BUSINESS

In providing their advice, DLA Piper:

- (a) have received written confirmation from us that neither our Group nor any of our affiliates has conducted any business dealings in or with any other countries or persons that were the subject of International Sanctions during the Track Record Period save as disclosed herein;
- (b) have reviewed documents provided by us that evidence our indirect sales transactions in Myanmar for the year ended 31 December 2015;
- (c) have reviewed details of the entity and the associated individual that, as at the Latest Practicable Date, were on the Specially Designated Nationals and Blocked Persons List maintained by the OFAC and to whom our products were made available to during the year ended 31 December 2015. This entity and the associated individual were not on any other restricted parties lists maintained by EU, the United Nations and Australia as at the Latest Practicable Date; and
- (d) have cross-checked the list of our customers located outside of Singapore to whom our products had been sold during the Track Record Period against the lists of Sanctioned Persons and confirmed that, save as disclosed herein and specifically at point (c) above, none of our customers were on such lists as at the Latest Practicable Date.

Our undertakings and internal control procedures in relation to International Sanctions risk

We undertake to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries, or Sanctioned Persons, or any other government, individual or entity sanctioned by U.S., EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. We have also undertaken to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or any relevant persons to risks of being sanctioned. In addition, we have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of International Sanctions. We will also disclose on the respective websites of the Stock Exchange and our Company if we believe that our business activities that indirectly involve Myanmar and the aforesaid Sanctioned Persons would put our Group or our Shareholders and investors under risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in connection with any Sanctioned Countries and Sanctioned Persons and our business intention relating to any Sanctioned Countries and Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as at the date of this prospectus.

BUSINESS

- We will maintain an updated log based on public sanction lists of restricted parties and countries maintained by U.S., EU, the United Nations and Australia. The list shall be disseminated to all relevant sales, marketing, procurement and finance teams to promote staff awareness and facilitate effective monitoring of restricted countries and persons by the our employees. By checking against the sanction lists, current and potential business transactions that are suspected to be exposed to sanction risks are to be reported to the risk management committee immediately.
- We will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Sanctioned Countries and/or with Sanctioned Persons. According to our internal control procedures, the risk management committee of our Board, currently consisting of Ms. Pok Mee Yau, Mr. Lim, Mr. KJ Lim and Mr. Chua, needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and/or with Sanctioned Persons. In particular, the risk management committee of our Board will review the information (such as identity, nature of business, etc.) relating to the counterparty to the contract along with the draft business transaction documentation. Ms. Pok Mee Yau, our independent non-executive Director, has been appointed as the chairman of the risk management committee of our Board. The risk management committee of our Board will check the identity and location of the counterparty (including our direct customers and the recipients of our export sales) against the various lists of restricted parties and countries maintained by U.S., EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in any of the Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters.

In order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of Sanctioned Countries and/or Sanctioned Persons.

- The risk management committee of our Board will periodically review our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers it necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice.
- If necessary, external international legal counsel will provide training programmes relating to International Sanctions to our Directors, our senior management and other relevant personnel to assist them in better evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons and entities to our risk management committee, who will in turn disseminate such information throughout our operations, offices and branches.

BUSINESS

With regard to the internal control measures set out above, our Directors are of the view that, and the Sponsor concurs that, we have taken reasonable steps to improve our internal control system and procedures, and the enhanced internal control measures adopted by us are adequate and effective in controlling and monitoring our exposure to sanction risks and protecting the interests of us, the Stock Exchange, HKSCC, HKSCC Nominees and our Shareholders.

LEGAL COMPLIANCE AND PROCEEDINGS

From time to time, we may become involved in legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and as at the Latest Practicable Date, no member of our Group or our Board was engaged in any litigation, arbitration or claim that had or could have a material adverse effect on our Group's results of operations, financial condition and reputation, and so far as our Directors were aware, no material litigation, arbitration or claim was pending or threatened by or against any member of our Group or our Board.

Our Directors confirm that we had complied with applicable laws and regulations in material respects in Singapore (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date. Based on the advice of our Singapore legal advisers, we have obtained all material requisite licences, approvals and permits from the relevant governmental authorities for our business operations in Singapore. MBMW and KBS are registered with the Singapore Customs as an importer and exporter under the former Regulation 37(1) of the RIER and are therefore a registered declaring entity for the purposes of Regulation 35B of the RIER. MBMW and KBS primarily utilise authorised declaring agents to apply for import and export permits on their behalf. The authorised declaring agents' registrations are valid until withdrawn by MBMW or KBS. Our Directors confirm that MBMW and KBS have been registered with the Singapore Customs at all material times during all import and export shipments carried out by them, and have applied for and obtained all import and export permits under RIER for each import and export of goods carried out by them. As advised by our Singapore legal advisers and to the best knowledge of our Directors, save for such import and export permits, there are no other material licenses, approvals and permits for our business operations in Singapore. Please see "Regulatory Overview — Laws relating to the carrying on of the business of our Group" for more details. However, the Sub-lessor's sublease of the premises where our Kung Chong Service Centre was located to us was in breach of the Sub-lessor's own tenancy agreement with the Lessee. Please see "— Our properties — Leased properties" for more details.

Our Controlling Shareholder has entered into the Deed of Indemnity in favour of us, whereby he has agreed to indemnify our Group from and against, among others, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with (i) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing Date and (ii) any violation or non-compliance with the laws, rules or regulations applicable to our Group on or before the Listing Date.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For more details, please see “Risk Factors”. We have implemented various policies and procedures to ensure effective risk management. Such policies and procedures include the following:

Board and audit committee

Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The audit committee consists of three members, namely Mr. Liu Ji, who will serve as chairman of the committee, Mr. Leung Yiu Cho and Ms. Pok Mee Yau. For the qualifications and experience of these committee members, please see “Directors and Senior Management”. We have prepared written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Internal control

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted a written internal control policy and the following measures:

- (i) our Directors have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) we have appointed Messis Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines;
- (iii) our Group has appointed Mr. Chua as our compliance officer. The role of the compliance officer includes advising on and assisting our Board in implementing procedures to ensure that our Group complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Group, and responding promptly and efficiently to all enquiries directed at him by the Stock Exchange;
- (iv) our Group has established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations;

BUSINESS

- (v) our Group has appointed Mr. Wong Cheung Ki Johnny as our company secretary to oversee the company secretarial matters of our Group; and
- (vi) our Company will, from time to time, appoint external legal advisers, where applicable, to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable laws, rules and regulations from time to time to see if any change is required to be made with our operation and internal control system.

In January 2016, we engaged an internal control consultant to carry out a comprehensive review of our internal control system, including controls and procedures over control environment, risk assessment, financial reporting and disclosure, human resources and payroll management, revenue and receivable, purchase and payable, inventory management, and fixed asset management. Following such review and evaluation performed by the internal control consultant, our Group has implemented or will implement prior to Listing all of the recommendations given by the internal control consultant on our internal control system.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of 7 Directors, comprising 3 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.

Name	Age	Position with our Company	Principal responsibilities	Date of joining our Group	Date of appointment as Director/senior management	Relationship with the other Directors and senior management
Executive Directors						
Kelvin LIM	40	Chairman, chief executive officer and executive Director	Strategic planning and overall management	15 May 2002	17 March 2016	Brother-in-law of Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪)
CHUA Boon Hou (Cai Wenhao) (蔡文豪)	44	Executive Director and chief operating officer	Operational management	1 April 2008	13 April 2016	Brother-in-law of Mr. Kelvin LIM
LIM Kong Joo (林光裕)	31	Executive Director and sales and marketing director	Sales and marketing	18 June 2007	13 April 2016	N/A
Non-executive Director						
DU Xianjie (杜先杰)	31	Non-executive Director	Supervision	13 April 2016	13 April 2016	N/A
Independent non-executive Directors						
POK Mee Yau (卜美佑)	37	Independent non-executive Director	Supervision	21 October 2016	21 October 2016	N/A
LIU Ji (劉驥)	38	Independent non-executive Director	Supervision	21 October 2016	21 October 2016	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position with our Company	Principal responsibilities	Date of joining our Group	Date of appointment as Director/senior management	Relationship with the other Directors and senior management
LEUNG Yiu Cho (梁耀祖)	37	Independent non-executive Director	Supervision	21 October 2016	21 October 2016	N/A
Senior Management						
LEE Tiang Soon (李展存)	46	Chief financial officer	Finance and accounting	4 January 2016	13 April 2016	N/A
Karen LEE Peay Jang	54	Finance manager	Finance and accounting	21 February 2011	13 April 2016	N/A
WONG Cheung Ki Johnny (王章旗)	33	Company secretary	General corporate secretarial work	13 April 2016	13 April 2016	N/A

Executive Directors

Mr. Kelvin LIM, aged 40, is the founder of our Group, 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 in 17 March 2016. Mr. Lim is also the director of MBMW, KBS and 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 did not hold directorships in any public listed companies in the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪), aged 44, 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 in 13 April 2016. He has over 8 years of experience in the automobile industry.

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 did not hold directorships in any public listed companies in the last three years.

Mr. LIM Kong Joo (林光裕), aged 31, 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. KJ Lim did not hold directorships in any public listed companies in the last three years.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. DU Xianjie (杜先杰), aged 31, 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) (興業証券股份有限公司) 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.

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.

Mr. Du did not hold directorships in any public listed companies in the last three years.

Independent non-executive Directors

Ms. POK Mee Yau (卜美佑), aged 37, 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.

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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Pok has been an independent director of Transcorp Holdings Limited, a company listed on the Singapore Stock Exchange (Stock Code: SGX:T19) since April 2015.

Mr. LIU Ji (劉驥), 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. Liu has over twelve years of experience in auditing. He is a member of the Institute of Singapore Chartered Accountants.

Mr. Liu has been a consultant at Ellis Botsworth Advisory since September 2011 where he provides financial advisory and consultation service to private companies involved in initial public offering or reverse takeovers, public companies' fund-raising and secondary debts/equity financing. 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. In his capacity as an audit manager, Mr. Liu was assigned to various large-sized audit clients. His duties and responsibilities include managing and monitoring the progress of audit engagements. Mr. Liu was also responsible for the review of audit fieldwork, including reviewing and evaluating of the internal accounting control systems and the preparation of financial statements and reports to management on such findings.

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

Mr. Liu did not hold directorships in any public listed companies in the last three years.

Mr. LEUNG Yiu Cho (梁耀祖), aged 37, 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.

Mr. Leung joined Artini China Co. Ltd. ("**Artini**") (Stock Code: 0789), a company listed on the Main Board, as its chief financial officer in December 2013 and has been its investment principal since October 2015. As the investment principal of Artini, Mr. Leung is responsible for monitoring corporate finance transactions and investors relationship. 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 (大洋集團控股有限公司) (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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung graduated from Lingnan University (嶺南大學) in Hong Kong, in December 2001 with a bachelor of business administration degree. He then obtained his masters of corporate finance degree from The Hong Kong Polytechnic University (香港理工大學) in December 2006. He was admitted as a member of the Associate of Chartered Certified Accountants in March 2014.

Mr. Leung did not hold any directorships in any public listed companies in the last three years.

Senior Management

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Mr. LEE Tiang Soon (李展存), aged 46, is our chief financial officer and joined our Group in January 2016. He has over 19 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).

DIRECTORS AND SENIOR MANAGEMENT

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.

Ms. Karen LEE Peay Jang, aged 54, 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.

Ms. Lee did not hold directorships in any public listed companies in the last three years.

COMPANY SECRETARY

Mr. WONG Cheung Ki Johnny (王章旗), aged 33, is our company secretary. Mr. Wong has more than 10 years of experience in the area of accounting and financial management. Currently, Mr. Wong is the sole proprietor of Jovial Wings CPA Company. From July 2012 to October 2015, Mr. Wong was the finance manager of Taubman Asia Management Limited. Between September 2005 and July 2012, Mr. Wong worked with Ernst & Young, Hong Kong (from September 2006 to March 2010) where he was promoted to senior accountant in 2007 and Ernst & Young Hua Ming, Beijing (from March 2010 to July 2012) as a manager.

Since 13 April 2016, Mr. Wong has been serving as a company secretary of China MeiDong Auto Holdings Limited (Stock Code: 1268), a company listed on the Main Board.

Mr. Wong received a bachelor of business administration degree in accounting from The Hong Kong University of Science and Technology in November 2005. Mr. Wong is currently a certified public accountant under the Hong Kong Institute of Certified Public Accountants.

Mr. Wong was appointed as the company secretary of our Company in April 2016.

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪) was appointed as the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of our Company on 13 April 2016. Please see “— Directors — Executive Directors” for details of Mr. Chua's qualification and experience.

DIRECTORS AND SENIOR MANAGEMENT

AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪) and Mr. WONG Cheung Ki Johnny (王章旗) are the authorised representatives of our Company.

AUDIT COMMITTEE

Our Company has established an audit committee on 21 October 2016 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the Listing Rules. 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). Mr. LIU Ji (劉驥), our independent non-executive Director, has been appointed as the chairman of the audit committee, and has the appropriate professional qualifications required under the 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 on 21 October 2016 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the Listing Rules. The remuneration committee has three members, namely Mr. LEUNG Yiu Cho (梁耀祖), Mr. LIU Ji (劉驥) and Mr. Lim. Mr. LEUNG Yiu Cho (梁耀祖), our independent non-executive Director, 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 on 21 October 2016 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the Listing Rules. The nomination committee consists of three independent non-executive Directors, being Ms. POK Mee Yau (卜美佑), Mr. LIU Ji (劉驥) and Mr. Lim. Ms. POK Mee Yau (卜美佑), our independent non-executive Director, 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.

RISK MANAGEMENT COMMITTEE

Our Company has established a 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

DIRECTORS AND SENIOR MANAGEMENT

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2 of the Corporate Governance 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 currently performs these two roles. 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the years ended 31 December 2014 and 2015 and for the four months ended 30 April 2016 were approximately S\$398,000, S\$383,000 and S\$157,000, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to our five highest paid individuals of our Group, including Directors, during each of the year ended 31 December 2014 and 2015 and for the four months ended 30 April 2016 were approximately S\$655,000, S\$663,000, S\$258,000, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending 31 December 2016 is estimated to be approximately S\$422,000.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2014 and 2015 and for the four months ended 30 April 2016. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the year ended 31 December 2014 and 2015 and for the four months ended 30 April 2016 by our Group to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPLIANCE ADVISER

We have appointed Messis Capital as our compliance adviser (the “**Compliance Adviser**”) upon listing of our Shares on the Stock Exchange in compliance with Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, we must consult with, and if necessary, seek advice from the Compliance Adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Our Directors confirm, as at the Latest Practicable Date, the following persons, not being a Director or chief executive of our Company, had an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO immediately following the completion of the Placing and the Capitalisation Issue (assuming any options pursuant to the Share Option Scheme is not exercised) or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

Name	Capacity/Nature of Interest	Aggregate number of Shares or underlying Shares ^(Note 1)	Approximate percentage of interest in our Company as at the Latest Practicable Date
Mr. Lim	Beneficial owner	7,500 (L)	75%
Mrs. Lim ^(Note 2)	Interest of spouse	7,500 (L)	75%
Mr. Zhou Yunchuan	Interest of a controlled corporation, interests held jointly with another person	2,500 (L)	25%
Mdm. Chen Yi ^(Note 3)	Interest of spouse	2,500 (L)	25%
Mdm. Ng Geok Luan	Interest of a controlled corporation, interests held jointly with another person	2,500 (L)	25%
Mr. Goh Seng Moh ^(Note 4)	Interest of spouse	2,500 (L)	25%
Valiant World ^(Note 5)	Beneficial owner	2,500 (L)	25%

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) Mrs. Lim is the spouse of Mr. Lim. Under the SFO, Mrs. Lim is deemed to be interested in the same number of Shares in which Mr. Lim is interested.
- (3) 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.
- (4) 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.
- (5) The entire issued share capital of Valiant World is legally and beneficially owned by Mr. Zhou Yunchuan and Mdm. Ng Geok Luan as to 55% and 45%, respectively.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following completion of the Placing and the Capitalisation Issue (but without taking into account or the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDER

Immediately following the completion of the Placing and the Capitalisation Issue (but excluding any options which may be granted under the Share Option Scheme), Mr. Lim will be interested in approximately 56.25% of the issued share capital of our Company and hence will continue to be the Controlling Shareholder of our Group.

Our Controlling Shareholder and Directors confirm that they do not have any interest in any business, apart from the business of our Group, which compete or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholder and his associates upon Listing.

Management Independence

Our Board comprises of three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Lim, our Controlling Shareholder, is the chairman of our Board, chief executive officer of our Group and an executive Director.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors, including Mr. Lim, or his respective associates (“**Conflicting Transaction**”), the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum for the relevant meeting. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only.

All our senior management members are independent from our Controlling Shareholder. They have substantial experience in the industry we are engaged in and have served our Group for a significant length of time during which period they have demonstrated their capability of discharging their duties independently from our Controlling Shareholder.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Operational Independence

All our operating subsidiaries hold all relevant licenses that are material to our business operations in their own names. We have sufficient operational capacity in terms of capital, equipment, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers and an independent management team to handle our day-to-day operations.

Furthermore, we are led by a management team with extensive experience and technical expertise in the automobile industry. For further details, please see “Directors and Senior Management”.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholder during the Track Record Period and will continue to operate independently.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. As at 31 August 2016, (i) we did not have any outstanding loans or borrowing from our Controlling Shareholder or any of his associates; and (ii) there was a total of approximately S\$2.2 million bank borrowings for which our Controlling Shareholder has provided guarantees. Such guarantees will be released or replaced by corporate guarantee upon Listing. Our Directors confirm that we will not rely on our Controlling Shareholder for financing upon or before Listing as we expect that our working capital will be funded by our operating income and bank borrowings.

Our Group has its own financial management system and the ability to operate independently of the Controlling Shareholder from a financial perspective.

Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholder.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholder (the “**Covenanter**”) entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for each of its present subsidiaries), 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 below, 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 a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business (the “**Restricted Business**”).

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Such non-competition undertaking does not apply in relation to:

- (a) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business which has first been offered or made available to our Company, and our Company, after review and approval by our Directors or shareholders as required under the relevant laws and regulations, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business, provided that the principal terms by which the Covenanter (or his relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those made available to our Company; or
- (b) any interests in the shares or equity interest of any member of our Group; or
- (c) interests in the shares of a company whose shares are listed on a recognised stock exchange, provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Covenanter and his associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Covenanter and his associates are not entitled to appoint a majority of the directors of that company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) our Shares remain listed on the Stock Exchange; (ii) the Covenanter and his associates, individually or jointly, are entitled to exercise or control the exercise of no less than 30% of the voting power at general meetings of our Company; and (iii) the Covenanter remains as a director of any member of our Group.

The Covenanter has further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity in Singapore relating to the Restricted Business (the "**New Opportunity**") identified by or offered to him, is first referred to us in the following manner:

- (a) the Covenanter is required to refer, or to procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

- (b) the Covenanter will be entitled to pursue the New Opportunity only if (i) he has received a notice from us declining the New Opportunity and confirming that such New Opportunity would not constitute competition with our core business, or (ii) he has not received such notice from us within fifteen (15) Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Covenanter, he will refer the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our Board committee comprising independent non-executive Directors who do not have a material interest in the matter, as to whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

Our Directors consider that our independent non-executive Directors have sufficient experience in assessing whether or not to take up any New Opportunity. Our Board committee comprising independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Covenanter, including any New Opportunity. In any event, the committee formed by our independent non-executive Directors may appoint financial advisors or professional experts to provide advice, at the cost of our Company, in connection with whether to take up any New Opportunity.

The Covenanter has further undertaken to:

- (a) procure that all relevant information relating to the implementation of the Deed of Non-competition in his possession and/or the possession of any of his associates be provided to us;
- (b) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our advisers to have access to his financial and corporate records as may be necessary for us to determine whether the non-competition undertakings have been complied with by the Covenanter and his associates;
- (c) provide us, within twenty (20) Business Days from the receipt of our written request, with a written confirmation in respect of his compliance and that of his associates with the non-competition undertakings and consent to the inclusion of such confirmation in our annual reports; and
- (d) provide all information necessary for the annual review by the board committee comprising independent non-executive Directors and the enforcement of the Deed of Non-competition.

The Covenanter (for himself and on behalf of his associates (except for any member of our Group)) has also acknowledged that we may be required by applicable laws, regulations, rules of stock exchange(s) on which we may be listed and relevant regulatory bodies, to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our annual reports of decisions made by us to pursue or decline such New Opportunity and have agreed to such disclosure to the extent necessary to comply with any such requirement.

SHARE CAPITAL

CHANGES IN THE SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and after the completion of the Placing (without taking into account the Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and the Capitalisation Issue.

		Nominal or Par Value
		HK\$
<i>Authorised share capital:</i>		
<u>2,000,000,000</u>	Shares	<u>20,000,000</u>
<i>Issued share capital:</i>		
<u>10,000</u>	Shares in issue as at the date of this prospectus	<u>100</u>
<i>Shares to be issued:</i>		
<u>374,990,000</u>	Shares to be issued under the Capitalisation Issue	<u>3,749,900</u>
<u>125,000,000</u>	Shares to be issued pursuant to the Placing assuming no exercise of any option granted under the Share Option Scheme	<u>1,250,000</u>
<i>Total issued share capital upon completion of the Placing and the Capitalisation Issue assuming no exercise of any option granted under the Share Option Scheme</i>		
<u>500,000,000</u>	Shares	<u>5,000,000</u>

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and Shares are issued pursuant to the Placing. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$380,000, divided into 38,000,000 ordinary shares of par value HK\$0.01 each and an issued share capital of HK\$100, divided into 10,000 ordinary shares of par value HK\$0.01 each, all fully paid or credited as fully paid.

Immediately following completion of the Placing and the Capitalisation Issue and assuming that the Share Option Scheme is not exercised, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 500,000,000 Shares will be issued fully paid or credited as fully paid.

Save as disclosed herein, there has been no alteration in the share capital of our Company since the date of its incorporation.

SHARE CAPITAL

RANKING

The Placing Shares will rank *pari passu* in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue plus the aggregate nominal amount of our share capital repurchased by us under the repurchase mandate described below.

This mandate shall expire at the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required to be held by the Articles, the Companies Law, the Companies Ordinance or other applicable laws of Hong Kong and the Cayman Islands; and
- (iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 October 2016” in Appendix V to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase an aggregate nominal amount of Shares which shall not exceed 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue.

SHARE CAPITAL

This mandate relates only to repurchases made on the Hong Kong Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, and which are made in accordance with the GEM Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further information about our Company — 7. Repurchase of our Company’s own Shares” in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the date by which the next annual general meeting is required to be held by the Articles, the Companies Law, the Companies Ordinance or other applicable laws of Hong Kong; or
- (iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting of our Company,

whichever occurs first.

For further information about this repurchase mandate, please see “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 October 2016” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should see "Risk Factors" in this prospectus.

OVERVIEW

We offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand. Our revenue for the years ended 31 December 2014 and 2015 was approximately S\$15.5 million, S\$15.8 million, and for both the four months ended 30 April 2015 and 2016 was approximately S\$4.9 million, respectively, while our profits/(loss) for the respective periods was approximately S\$2.2 million, S\$1.7 million, S\$0.3 million and S\$(0.9) million, respectively.

The passenger car maintenance and repair industry in Singapore generally includes two types of service centres. One is dealers' service centres which are operated by car dealers and partner with specific manufacturers to focus on a single brand or set of brands of passenger cars, and service centres which are operated by independent service providers. We are positioned as an independent service provider and therefore are able to maintain and repair a wide range of brands of passenger cars in Singapore. Revenue from our repair and servicing segment was approximately 83.8%, 80.2%, 87.9% and 78.7% of our total revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively.

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 of the engine control unit. Revenue from our modification, tuning and grooming services was approximately 11.2%, 12.4%, 8.6% and 13.4% of our total revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively, whilst revenue from trading of spare parts and accessories was approximately 5.0%, 7.4%, 3.5% and 7.9% of our total revenue for the respective periods.

FINANCIAL INFORMATION

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our combined statements of financial position as at 31 December 2014 and 2015 and 30 April 2016, and our combined statements of profit or loss and other comprehensive income and combined statements of cash flows for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016 set out below are extracted from the Accountants' Report in Appendix I to this prospectus, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(unaudited)</i>	
REVENUE	15,491	15,814	4,889	4,878
Other income and gains	332	542	68	320
Items of expense				
Cost of materials	(7,752)	(8,193)	(2,577)	(2,778)
Marketing and advertising expenses	(98)	(82)	(25)	(23)
Employee benefits expense	(3,448)	(3,575)	(1,193)	(1,490)
Depreciation of property, plant and equipment	(356)	(332)	(119)	(99)
Amortisation of intangible assets	(17)	(8)	(4)	(6)
Allowance for doubtful debts	(34)	(42)	—	(29)
Finance costs	(147)	(143)	(49)	(42)
Other expenses	<u>(1,359)</u>	<u>(1,927)</u>	<u>(538)</u>	<u>(1,577)</u>
Profit/(loss) before tax	2,612	2,054	452	(846)
Income tax expense	<u>(413)</u>	<u>(338)</u>	<u>(137)</u>	<u>(46)</u>
Profit/(loss) for the year/period	<u>2,199</u>	<u>1,716</u>	<u>315</u>	<u>(892)</u>

FINANCIAL INFORMATION

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(unaudited)</i>	
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Available-for-sale investment:				
Changes in fair value	(87)	37	2	(19)
Income tax effect	<u>15</u>	<u>(6)</u>	<u>—</u>	<u>3</u>
 OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	 <u>(72)</u>	 <u>31</u>	 <u>2</u>	 <u>(16)</u>
 TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	 <u><u>2,127</u></u>	 <u><u>1,747</u></u>	 <u><u>317</u></u>	 <u><u>(908)</u></u>
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
- Basic and diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

FINANCIAL INFORMATION

Combined Statements of Financial Position

	As at 31 December 2014 S\$'000	2015 S\$'000	As at 30 April 2016 S\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	3,165	2,920	2,836
Intangible assets	23	28	23
Available-for-sale investment	406	443	424
Prepayment for property, plant and equipment	—	—	101
Total non-current assets	<u>3,594</u>	<u>3,391</u>	<u>3,384</u>
CURRENT ASSETS			
Inventories	691	693	660
Trade and other receivables	1,593	2,165	2,475
Due from a director of the Company	4,743	—	—
Prepayments	25	136	555
Cash and cash equivalents	2,235	5,831	4,394
Tax recoverable	—	3	3
Total current assets	<u>9,287</u>	<u>8,828</u>	<u>8,087</u>
CURRENT LIABILITIES			
Trade and other payables	1,944	2,305	2,727
Due to a director of the Company	1,399	—	—
Interest-bearing bank and other borrowings	288	275	228
Tax payable	479	446	282
Total current liabilities	<u>4,110</u>	<u>3,026</u>	<u>3,237</u>
NET CURRENT ASSETS	<u>5,177</u>	<u>5,802</u>	<u>4,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>8,771</u>	<u>9,193</u>	<u>8,234</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	2,380	2,061	2,017
Deferred tax liabilities	45	44	37
Total non-current liabilities	<u>2,425</u>	<u>2,105</u>	<u>2,054</u>
Net assets	<u>6,346</u>	<u>7,088</u>	<u>6,180</u>
EQUITY			
Share capital	—	—	—
Reserves	6,346	7,088	6,180
Total equity	<u>6,346</u>	<u>7,088</u>	<u>6,180</u>

FINANCIAL INFORMATION

Combined Statements of Cash Flows

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	2,612	2,054	452	(846)
Adjustments for:				
Depreciation of property, plant and equipment	356	332	119	99
Amortisation of intangible assets	17	8	4	6
Gain on disposal of property, plant and equipment	—	(82)	—	—
Finance costs	147	143	49	42
Allowance for doubtful debts	34	42	—	29
Inventories written off	18	—	—	—
Foreign exchange differences, net	18	19	—	(9)
Allowance for inventory obsolescence	110	32	234	56
	3,312	2,548	858	(623)
Increase in inventories	(29)	(34)	(113)	(23)
(Decrease)/increase in trade and other receivables	(514)	(614)	308	(339)
Increase in net amount due from a director of the Company	(1,954)	—	(1,726)	—
Decrease/(increase) in prepayments	14	(111)	(37)	(419)
(Decrease)/increase in trade and other payables	(126)	361	(53)	422
Cash generated from/(used in) operations	703	2,150	(763)	(982)
Interest paid	(95)	(108)	(30)	(22)
Income tax refunded	8	—	—	—
Income tax paid	(399)	(381)	(12)	(214)
Net cash flows from/(used in) operating activities	217	1,661	(805)	(1,218)
CASH FLOWS FROM INVESTING ACTIVITIES				
Prepayment for property plant and equipment	—	—	—	(101)
Purchase of items of property, plant and equipment	(143)	(136)	(25)	(15)
Purchase of items of intangible assets	(24)	(13)	—	(1)
Purchase of an available-for-sale investment	(493)	—	—	—
Proceeds from disposal of items of property, plant and equipment	—	131	—	—
Net cash flows used in investing activities	(660)	(18)	(25)	(117)

FINANCIAL INFORMATION

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares in a subsidiary	—	4,500	—	—
Proceeds from bank loans	720	—	—	—
Repayment of bank loans	(184)	(345)	(133)	(102)
Repayment of obligation under finance leases	(24)	(40)	—	—
Dividends paid	—	(2,162)	—	—
Net cash flows from/(used in) financing activities	<u>512</u>	<u>1,953</u>	<u>(133)</u>	<u>(102)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>69</u>	<u>3,596</u>	<u>(963)</u>	<u>(1,437)</u>
Cash and cash equivalents at beginning of year/period	<u>2,166</u>	<u>2,235</u>	<u>2,235</u>	<u>5,831</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u><u>2,235</u></u>	<u><u>5,831</u></u>	<u><u>1,272</u></u>	<u><u>4,394</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	<u><u>2,235</u></u>	<u><u>5,831</u></u>	<u><u>1,272</u></u>	<u><u>4,394</u></u>

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 March 2016. Pursuant to the Reorganisation as more fully explained in “History, Reorganisation and Corporate Structure”, our Company became the holding company of the companies now comprising our Group. The companies now comprising our Group were under the common control of the controlling shareholder, Mr. Lim, before and after the Reorganisation. Accordingly, the financial information of our Group has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. Further details of the basis of presentation of our financial statements are detailed in note 1.2 headed “Basis of presentation” in the Accountants’ Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION AND FINANCIAL CONDITION

Our financial conditions and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and the risk factors set out in “Risk Factors”.

Service and Product Mix

We offer a comprehensive range of passenger car services including: (i) maintenance and repair services; and (ii) modification, tuning and grooming services. We also sell and export passenger car spare parts and accessories. The pricing and cost of different types of services we provide may vary depending on the work performed and materials used. Therefore, changes in service and product mix in connection with our provision of services may affect our profitability and total gross profit margin.

Employee Benefits

Maintenance and repair, and, modification, tuning and grooming of passenger cars are all dependent on skilled labour and is a significant factor of our financial performance. In this regard, we place significant emphasis on the hiring and retention of skilled labour.

Changes in Prices of COE

In Singapore, car owners must first obtain a COE in the appropriate vehicle category, which represents a right to vehicle ownership and use of limited road space for 10 years. At the end of the 10-year COE period, car owners could choose to deregister or revalidate their COE for another 5 or 10 years by paying the prevailing quota premium. The Singapore government controls the number of vehicles in use by limiting the quota of the COE issued of which the price is in turn affected by demand and supply. Changes in the quota of the COE would affect the total car population in the market, which will affect the demand for passenger car services and influence our profitability and financial performance.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Our Group’s financial statements have been prepared in accordance with IFRSs. Significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountants’ Report as set out in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different

FINANCIAL INFORMATION

assumptions and conditions. We set forth below discussions to supplement the description on critical accounting policies, estimates and judgments adopted in the preparation of our financial statements:

Revenue Recognition

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 revenue recognition policies for each our major business activities are described below:

For passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services, revenue is recognised when services have been accepted by our customers. During the Track Record Period, there were no delay of revenue recognition due to time required for inspection and acceptance by our customers.

The commercial terms for trading of spare parts and accessories is ex-works which means that we are required to make goods ready for pickup at our own place of business and all other transportation costs and risks are assumed by the buyer. Accordingly, revenue is recognised when the goods are passed to our customers upon collection from our premises.

Accounting estimates and judgements

Our management holds internal discussions with relevant staff of different departments of our Group in making accounting estimates and judgements and also seeks advice from the external reporting accountants, if necessary. The basis of determination of the estimates and judgments used for the preparation of our financial statements have not changed in the past and are unlikely to change in the near future without unforeseeable events such as change in accounting standard and guidelines. The following sets forth the significant accounting estimates and judgements used by us for the preparation of the financial information:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Our management estimates the useful lives of our Group's assets to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and impact the profit in future years.

Impairment of an available-for-sale financial asset

Our Group classifies certain assets as available-for-sale and recognises movement of their fair values in other comprehensive income. When the fair value declines, our management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the combined statement of profit or loss.

FINANCIAL INFORMATION

Allowance for inventory obsolescence

Allowance for inventory obsolescence is based on our management's judgement using the best 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.

Allowance for doubtful receivables

Our Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations and makes allowance for doubtful debts accordingly. In these cases, our Group uses judgment, based on the best available facts and circumstances, including but not limited to, the length of our relationship with the customer and the customer's current credit status and known market factors. These specific allowances are re-evaluated and adjusted as additional information received affects the amount of allowance for doubtful receivables.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OUR GROUP

Revenue

Our sources of revenue can be generally categorised into two segments, namely: (i) maintenance and repair services; and (ii) modification, tuning and grooming services and trading of spare parts and accessories. Maintenance and repair services segment was the largest source of our revenue and accounted for approximately 83.8%, 80.2%, 87.9% and 78.7% of our total revenue for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. The following table sets forth our revenue by segment for the periods indicated:

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Maintenance and repair services	12,983	83.8	12,689	80.2	4,297	87.9	3,837	78.7
Modification, tuning and grooming services and trading of spare parts and accessories								
- Modification, tuning and grooming services	1,730	11.2	1,961	12.4	422	8.6	656	13.4
- Trading of spare parts and accessories	778	5.0	1,164	7.4	170	3.5	385	7.9
Sub-total	<u>2,508</u>	<u>16.2</u>	<u>3,125</u>	<u>19.8</u>	<u>592</u>	<u>12.1</u>	<u>1,041</u>	<u>21.3</u>
Total	<u>15,491</u>	<u>100.0</u>	<u>15,814</u>	<u>100.0</u>	<u>4,889</u>	<u>100.0</u>	<u>4,878</u>	<u>100.0</u>

FINANCIAL INFORMATION

Revenue from our maintenance and repair services segment recorded a slight decrease by approximately S\$0.3 million or 2.3% from approximately S\$13.0 million for the year ended 31 December 2014 to approximately S\$12.7 million for the year ended 31 December 2015. The slight decrease was mainly due to the decrease in the number of units of passenger cars that we maintained and/or repaired by approximately 300 units from approximately 13,400 units for the year ended 31 December 2014 to approximately 13,100 units for the year ended 31 December 2015.

Revenue from our maintenance and repair services segment recorded a decrease by approximately S\$0.5 million or 10.7% from approximately S\$4.3 million for the four months ended 30 April 2015 to approximately S\$3.8 million for the four months ended 30 April 2016. The decrease was mainly due to more regular maintenance services, which command lower service fee per job as compared with complex repair services, were provided for the four months ended 30 April 2016. The number of units of passenger cars that we maintained and/or repaired increased by approximately 300 units from approximately 4,300 units for the four months ended 30 April 2015 to 4,600 units for the four months ended 30 April 2016.

Revenue from our modification, tuning and grooming services under our modification, tuning and grooming services and trading of spare parts and accessories segment recorded an increase by approximately S\$0.3 million or 13.4% from approximately S\$1.7 million for the year ended 31 December 2014 to approximately S\$2.0 million for the year ended 31 December 2015. The increase was mainly due to the increase in the number of units of passenger cars that we modified, tuned and/or groomed by approximately 300 units from approximately 700 units for the year ended 31 December 2014 to approximately 1,000 units for the year ended 31 December 2015.

Revenue from our modification, tuning and grooming services recorded an increase by approximately S\$0.3 million or 55.5% from approximately S\$0.4 million for the four months ended 30 April 2015 to approximately S\$0.7 million for the four months ended 30 April 2016. The increase was mainly due to the increase in the number of units of passenger cars that we modified, tuned and/or groomed from approximately 200 units for the four months ended 30 April 2015 to approximately 300 units for the four months ended 30 April 2016.

Revenue from our trading of spare parts and accessories recorded an increase by approximately S\$0.4 million or 49.6% from approximately S\$0.8 million for the year ended 31 December 2014 to approximately S\$1.2 million for the year ended 31 December 2015, and an increase by approximately S\$0.2 million or 126.5% from approximately S\$0.2 million for the four months ended 30 April 2015 to approximately S\$0.4 million for the four months ended 30 April 2016. Both increases were mainly due to the year-on-year increase in the volume of trading of spare parts and accessories.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales comprises cost of materials, direct labour and direct depreciation expenses of tools and machinery. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, our cost of sales amounted to approximately S\$9.2 million, S\$10.2 million, S\$3.3 million and S\$3.6 million, respectively. The following table sets out a breakdown of our cost of sales for the periods indicated:

	Year ended 31 December							
	2014				2015			
	Maintenance and repair services	Modification, tuning and grooming services and trading of spare parts and accessories	Total		Maintenance and repair services	Modification, tuning and grooming services and trading of spare parts and accessories	Total	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%
Cost of materials	5,993	1,759	7,752	83.9	6,059	2,134	8,193	80.4
Direct labour	1,310	117	1,427	15.5	1,771	171	1,942	19.0
Direct depreciation	57	—	57	0.6	58	—	58	0.6
Total	7,360	1,876	9,236	100.0	7,888	2,305	10,193	100.0

	Four months ended 30 April							
	2015				2016			
	Maintenance and repair services	Modification, tuning and grooming services and trading of spare parts and accessories	Total		Maintenance and repair services	Modification, tuning and grooming services and trading of spare parts and accessories	Total	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%
Cost of materials	2,013	564	2,577	78.8	2,003	775	2,778	77.6
Direct labour	627	51	678	20.7	694	93	787	22.0
Direct depreciation	15	—	15	0.5	16	—	16	0.4
Total	2,655	615	3,270	100.0	2,713	868	3,581	100.0

FINANCIAL INFORMATION

Cost of materials is a significant component of our cost of sales and which comprises purchase cost of spare parts and materials, freight cost and subcontractor cost. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, cost of materials represented approximately 83.9%, 80.4%, 78.8% and 77.6% of our total cost of sales, respectively. Cost of materials included approximately S\$145,000 and S\$146,000, S\$44,000 and S\$34,000 of freight cost and approximately S\$368,000, S\$514,000, S\$161,000 and S\$154,000 of subcontractor cost for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively.

Direct labour comprises salaries and related costs of our operational and technical staff involved in the carrying out of (i) maintenance and repair services; and (ii) modification, tuning and grooming services. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, direct labour represented approximately 15.5%, 19.0%, 20.7% and 22.0% of our total cost of sales, respectively.

Direct depreciation comprises depreciation charges on tools and machinery. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, direct depreciation represented approximately 0.6%, 0.6%, 0.5% and 0.4% of our total cost of sales, respectively.

Sensitivity analysis

We generally use a cost-plus method to price the materials for our services. Accordingly, any fluctuation in cost of materials, including freight cost and subcontractor cost, are generally borne by our customers while fluctuation in direct labour cost are shared between our customers and us.

The following table illustrates the sensitivity analysis of the estimated increase/(decrease) of our net profit in relation to general percentage changes to direct labour with all other variables being constant.

	Impact on net profit			
	for the year		for the four months	
	ended 31 December		ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Direct labour				
increase/(decrease) by:				
10%	(118)	(161)	(56)	(65)
5%	(59)	(81)	(28)	(33)
(5%)	59	81	28	33
(10%)	118	161	56	65

FINANCIAL INFORMATION

The following table illustrates the sensitivity analysis of the estimated increase/(decrease) of our net profit in relation to general percentage changes to rental costs with all other variables being constant.

	Impact on net profit			
	for the year		for the four months	
	ended 31 December		ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Rental costs				
increase/(decrease) by:				
35%	(162)	(217)	(72)	(72)
30%	(139)	(186)	(62)	(62)
(30%)	139	186	62	62
(35%)	162	217	72	72

Gross profit and gross profit margin

The following table sets out our Group's gross profit and gross profit margin by categories for the periods indicated.

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross
	profit	profit	profit	profit	profit/	profit	profit	profit
	margin	margin	margin	margin	(loss)	margin	margin	margin
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Maintenance and repair services	5,623	43.3	4,801	37.8	1,642	38.2	1,124	29.3
Modification, tuning and grooming services and trading of spare parts and accessories								
- Modification, tuning and grooming services	468	27.1	383	19.5	(66)	N/A	49	7.5
- Trading of spare parts and accessories	164	21.1	437	37.5	43	25.3	124	32.2
	632	25.2	820	26.2	(23)	N/A	173	16.6
Total	6,255	40.4	5,621	35.5	1,619	33.1	1,297	26.6

FINANCIAL INFORMATION

During the Track Record Period, the business of our Group comprises two segments and the higher total gross profit margin was attributable to our Group's maintenance and repair services segment because our maintenance and repair jobs generally involve higher complexity than our modification, tuning and grooming jobs. Gross profit margin of our maintenance and repair services segment was approximately 43.3%, 37.8%, 38.2% and 29.3% for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. The lower gross profit margin for the year ended 31 December 2015 and the four months ended 30 April 2016 was mainly due to an increase in direct labour cost along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees.

Gross profit margin from our modification, tuning and grooming services under our modification, tuning and grooming services and trading of spare parts and accessories segment was approximately 27.1%, 19.5% and 7.5% for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, respectively. A gross loss of approximately S\$66,000 was recorded for the four months ended 30 April 2015, which was mainly due to the revenue generated from the limited number of units of passenger cars that we modified, tuned and/or groomed for the four months ended 30 April 2015 of approximately 200 units not achieving a level that could cover our fixed direct labour which comprised salaries and related costs of our operational and technical staff involved in the carrying out of modification, tuning and grooming services. The lower gross profit margin for the year ended 31 December 2015 and the four months ended 30 April 2016 was mainly due to an increase in direct labour cost along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees. The year-on-year increase in gross profit margin of trading of spare parts and accessories for the year ended 31 December 2015 and for the four months ended 30 April 2016 was mainly due to the sale of higher margin spare parts and accessories during that year/period.

FINANCIAL INFORMATION

Other income and gains

Our other income was approximately S\$0.3 million, S\$0.5 million, S\$68,000 and S\$0.3 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. The following table sets out a breakdown of our other income and gains for the periods indicated:

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Other income and gains				
Government grants	81	65	37	103
Rental income	85	88	28	7
Commission income from sale of passenger cars	36	249	—	185
Gain on disposal of property, plant and equipment	—	82	—	—
Others	130	58	3	25
	<u>130</u>	<u>58</u>	<u>3</u>	<u>25</u>
Total	<u>332</u>	<u>542</u>	<u>68</u>	<u>320</u>

Government grants mainly represents rewards or subsidies under the Wage Credit Scheme and PIC Scheme which were received from the Singapore government. Under the Wages Credit Scheme, the Singapore government will co-fund 40% of wage increases given to Singapore citizen employees earning a gross monthly wage of S\$4,000 and below in 2013 to 2015. Over the period of 2016 to 2017, the Singapore government will co-fund 20% of wage increases given to Singaporean employees earning a gross monthly wage of S\$4,000 and below. In addition, for wage increases given in 2015 which are sustained in 2016 and 2017 by the same employer, employers will continue to receive co-funding at 20% for 2016 and 2017. The PIC Scheme supports business investments in the form of cash payout and/or tax reduction. For details, please see “— Management’s discussion and analysis of financial condition and results of operations of our Group — Income Tax”.

Rental income was received as we had subleased the premises at Unit 01-11 Sin Ming Drive to Subcontractor A during the Track Record Period and up till January. The sublease arrangement had ceased and no rental income is expected to be received thereafter.

Commission income from sale of passenger cars represents the net margin we received for consignment sale of passenger cars.

FINANCIAL INFORMATION

Gain on disposal of property, plant and equipment recognised for the year ended 31 December 2015 represents the difference between the selling price and the carrying value of a motor vehicle we sold to an Independent Third Party during the year.

Others mainly represents income from sale of used engine oil to waste management company and an one-off compensation from the property developer of our owned premises.

Marketing and advertising expenses

Our marketing and advertising expenses mainly comprises expenses for printing of marketing materials, magazine advertisements, hosting marketing events, sponsoring of various automobile activities and automobile internet forum and upkeep of motor vehicles. Our marketing and advertising expenses was approximately S\$98,000, S\$82,000, S\$25,000 and S\$23,000 for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. We currently intend to use approximately 9.9% of our total estimated net proceeds from the Placing, being approximately HK\$2.6 million to strengthen our brand and sales and marketing. As such, the marketing and advertising expenses to be recorded for the coming years are expected to increase as compared with that recorded during the Track Record Period. For more details, please see “Future Plans and Use of Proceeds — Implementation plans”.

Employee benefits expense

Our employee benefits expense mainly comprises staff costs, which includes employee salaries, bonuses, welfare, foreign worker levy and director’s emoluments, including director’s fees and other remunerations. Our Group also makes contribution to the CPF, for all eligible employees. Such contributions are recognised as a compensation expense in the same period as the employment that gives rise to the contribution.

Our employee benefits expense was approximately S\$3.4 million, S\$3.6 million, S\$1.2 million and S\$1.5 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our employee benefits expense for the periods indicated:

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(unaudited)</i>	
Employee benefits				
Directors' emoluments:				
- Fee	100	—	—	—
- Discretionary performance-related bonuses	18	37	15	11
- Salaries, allowances and benefits in kind	249	311	90	132
- Pension scheme contributions	31	35	13	14
Staff costs (excluding directors' remuneration):				
- Pension scheme contributions	198	223	85	89
- Foreign worker levy	149	171	56	65
- Salaries and bonuses	2,454	2,637	862	1,132
- Staff welfare and others	249	161	72	47
Total	<u>3,448</u>	<u>3,575</u>	<u>1,193</u>	<u>1,490</u>

We currently intend to use approximately 17.5% of our total estimated net proceeds from the Placing, being approximately HK\$4.6 million, to expand and train our workforce to gear up for our expansion. As such, the employee benefits expense to be recorded after Listing are expected to increase as compared with that recorded during the Track Record Period. For more details, please see “Future Plans and Use of Proceeds — Implementation plans” and “Business — Our properties — Expansion”.

Depreciation of property, plant and equipment and amortisation of intangible assets

All items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent to recognition, depreciation is calculated on a straight line basis to write off the cost of each item of property, plant and equipment to its residual value over the estimate useful life of our assets. Intangible assets acquired separately are measured on initial recognition as cost. The useful lives of intangible assets are finite and are amortised over the estimate useful lives. Such amortisation period and amortisation method are reviewed at least at each financial year end.

FINANCIAL INFORMATION

Our depreciation of property, plant and equipment and amortisation of intangible assets was approximately S\$0.4 million, S\$0.3 million, S\$0.1 million and S\$0.1 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. We expect to expand our capacity by exercising our option to lease the New Premises during the second half of 2017 and we currently intend to use approximately 30.4% of our total estimated net proceeds from the Placing, being approximately HK\$8.0 million to finance the one-off renovation and fitting out costs, purchase of furniture, tools and machinery and other costs in relation to our expansion to the New Premises. For more details, please see “Business — Our properties — Expansion” and “Future Plans and Use of Proceeds — Implementation plans”. Additional depreciation expenses are expected to be incurred primarily from tools and machinery to be purchased, furniture and fittings, and renovation. Our Directors estimate that the maximum annual depreciation expenses to be incurred for new capital expenditures recognised for our initial operations at the New Premises is approximately S\$280,000.

Finance costs

Finance costs comprises interest expenses on (i) finance leases for motor vehicles; (ii) commercial property loan for our warehouse; (iii) term loans from a bank; and bank charges. Our finance costs was approximately S\$0.1 million for both years ended 31 December 2014 and 2015 and approximately S\$49,000 and S\$42,000 for the four months ended 30 April 2015 and 2016, respectively. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Finance costs				
Interest expenses:				
- Finance leases	1	4	1	—
- Commercial property loan	89	91	30	31
- Term loans	30	24	10	5
Bank charges	27	24	8	6
Total	<u>147</u>	<u>143</u>	<u>49</u>	<u>42</u>

Other expenses

Other expenses mainly comprises rental, credit card charges, professional fees and other general and administrative expenses. Our other expenses was approximately S\$1.4 million, S\$1.9 million S\$0.5 million and S\$1.6 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, our professional fees also included Listing expenses of nil, approximately S\$0.3 million, nil and S\$1.0 million, respectively.

FINANCIAL INFORMATION

Our other expenses is expected to increase after Listing as compared with that recorded during the Track Record Period as we plan to expand our capacity by exercising our option to lease the New Premises during the second half of 2017 and additional rental expenses are expected to be incurred. For details of our expansion plan, please see “Business — Our properties — Expansion”. Assuming the New Premises having an indicative area of 3,066 sq.m. and based on the rental rate stated in the relevant option to lease agreement, our Directors estimate that an annual rental expenses of approximately S\$911,000 will be incurred for leasing the New Premises.

Income tax

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The Cayman Islands currently levy no taxes on our Company based upon income. Subsidiaries in Singapore are subjected to taxation rate of 17% on the estimated profits arising in Singapore during the Track Record Period.

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended		Four months ended	
	31 December		30 April	
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			<i>(unaudited)</i>	
Current income tax				
- Current year	413	345	136	39
- Under provision in respect of previous years	—	—	—	11
	413	345	136	50
Deferred tax	—	(7)	1	(4)
Tax expense for the year/period - Singapore	413	338	137	46
Deferred tax credit/(charge) related to other comprehensive income:				
- Changes in fair value of an available-for-sale investment	15	(6)	—	3

FINANCIAL INFORMATION

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the countries or jurisdictions in which our Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December				Four months ended 30 April			
	2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
					<i>(unaudited)</i>			
Profit/(loss) before tax	<u>2,612</u>		<u>2,054</u>		<u>452</u>		<u>(846)</u>	
Tax at the statutory tax rate	444	17.0	349	17.0	77	17.0	(144)	17.0
Income not subject to tax	(7)	(0.3)	(12)	(0.6)	—	—	—	—
Expenses not deductible for tax	33	1.2	104	5.1	61	13.5	199	(23.5)
Tax losses not recognised	21	0.8	—	—	18	4.0	—	—
Utilisation of tax losses	—	—	(36)	(1.7)	—	—	(5)	0.6
Effect of partial tax exemption and tax relief	(56)	(2.1)	(46)	(2.2)	(15)	(3.3)	(15)	1.8
Effect of Productivity and Innovation Credit incentive	(16)	(0.6)	(18)	(0.9)	(4)	(0.9)	(3)	0.4
Under provision in respect of previous years	—	—	—	—	—	—	11	(1.3)
Others	<u>(6)</u>	<u>(0.2)</u>	<u>(3)</u>	<u>(0.2)</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>(0.4)</u>
Tax charged at our Group's effective tax rate	<u>413</u>	<u>15.8</u>	<u>338</u>	<u>16.5</u>	<u>137</u>	<u>30.3</u>	<u>46</u>	<u>(5.4)</u>

As at 31 December 2014 and 2015 and 30 April 2016, our Group had tax losses of approximately S\$440,000, S\$226,000 and S\$143,000, respectively, that are available for offset against future taxable profits of the subsidiaries in which the losses arose, for which no deferred tax asset is recognised. The use of these unutilised tax losses is subject to compliance with the relevant provisions of the Singapore Income Tax Act and agreement with the Comptroller of Income Tax. Deferred tax assets have not been recognised in respect of the above tax losses as it is not considered probable that taxable profits will be available against which the unutilised tax losses can be utilised.

FINANCIAL INFORMATION

According to the IRAS, from the fourth year of assessment onwards since incorporation, all companies in Singapore can enjoy the partial tax exemption, a common tax relief for companies to help reduce their tax by having (i) 75% tax exemption on the first \$10,000 of normal chargeable income; and (ii) a further 50% tax exemption on the next \$290,000 of normal chargeable income. Each of our subsidiaries incorporated in Singapore, namely, MBMI, MBMW and KBS enjoyed the partial tax exemption during the Track Record Period.

The tax incentive pertains to the PIC Scheme. Our Group has certain items of office equipment and machinery which qualifies for this incentive. 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 2015 to year of assessment 2018 and fulfilment of the relevant conditions. In Singapore Budget 2016, it was announced that the cash payout rate will be lowered from 60% to 40% for qualifying expenditure incurred from 1 August 2016. All other conditions of the scheme remain unchanged. The PIC Scheme, which has been extended for year of assessment 2016 to year of assessment 2018, will expire thereafter. It will not be available from year of assessment 2019.

Segmental results

The following table sets out our segmental results during the Track Record Period:

	Maintenance and repair services		Modification, tuning and grooming services and trading of spare parts and accessories		Adjustments and eliminations		Total	
	2014	2015	2014	2015	2014	2015	2014	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	13,005	12,714	2,566	3,153	(80)	(53)	15,491	15,814
Cost of materials	(6,051)	(6,087)	(1,781)	(2,159)	80	53	(7,752)	(8,193)
Marketing and advertising expenses	(49)	(40)	(49)	(42)	—	—	(98)	(82)
Employee benefits expense	(2,804)	(2,863)	(644)	(712)	—	—	(3,448)	(3,575)
Depreciation and amortisation expense	(283)	(242)	(24)	(32)	—	—	(307)	(274)
Allowance for doubtful debts	(30)	(33)	(4)	(9)	—	—	(34)	(42)
Other expenses	(1,192)	(1,416)	(245)	(330)	94	144	(1,343)	(1,602)
Segment profit/(loss)	2,596	2,033	(181)	(131)	94	144	2,509	2,046

FINANCIAL INFORMATION

	Maintenance and repair services		Modification, tuning and grooming services and trading of spare parts and accessories		Adjustments and eliminations		Total	
	2015	2016	2015	2016	2015	2016	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	For the four months ended 30 April							
Revenue	4,301	3,860	610	1,043	(22)	(25)	4,889	4,878
Cost of materials	(2,031)	(2,005)	(568)	(798)	22	25	(2,577)	(2,778)
Marketing and advertising expenses	(13)	(10)	(12)	(13)	—	—	(25)	(23)
Employee benefits expense	(966)	(1,187)	(227)	(270)	—	—	(1,193)	(1,457)
Depreciation and amortisation expense	(91)	(68)	(9)	(15)	—	—	(100)	(83)
Allowance for doubtful debts	—	(7)	—	(22)	—	—	—	(29)
Other expenses	(481)	(450)	(100)	(91)	48	48	(533)	(493)
Segment profit/(loss)	719	133	(306)	(166)	48	48	461	15

Our Group's maintenance and repair services segment recorded segment profits of approximately S\$2.6 million, S\$2.0 million, S\$0.7 million and S\$0.1 million for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively. Our Group's modification, tuning and grooming services and trading of spare parts and accessories segment recorded segment losses of approximately S\$0.2 million, S\$0.1 million, S\$0.3 million and S\$0.2 million for the years ended 31 December 2014 and 2015 and four months ended 30 April 2015 and 2016, respectively. Such segment losses were mainly due to (i) an increase in employee headcount in 2014 and 2015; and (ii) the increased rental expenses shared by this segment for an additional unit of premises rented at the premises where our Kung Chong Service Centre was located since November 2014.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 30 April 2016 compared to four months ended 30 April 2015

Revenue

Our revenue recorded remained comparable at approximately S\$4.9 million for both the four months ended 30 April 2015 and 2016.

Cost of sales

Our cost of sales increased from approximately S\$3.3 million for the four months ended 30 April 2015 to approximately S\$3.6 million for the four months ended 30 April 2016, representing an increase of approximately 9.5%. Such increase was mainly due to an increase in direct labour cost of approximately S\$0.1 million along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our Group's gross profit decreased from approximately S\$1.6 million for the four months ended 30 April 2015 to approximately S\$1.3 million for the four months ended 30 April 2016. Our gross profit margin for the four months ended 30 April 2016 was approximately 26.6%, recording a decrease as compared with approximately 33.1% for the four months ended 30 April 2015. The decrease was mainly due to an increase in direct labour cost of approximately S\$0.1 million along with an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees.

Other income and gains

Our Group's other income increased from approximately S\$68,000 for the four months ended 30 April 2015 to approximately S\$0.3 million for the four months ended 30 April 2016. This is mainly due to increases in government grants received by approximately S\$66,000 and commission income from sale of passenger cars of approximately S\$0.2 million was recognised for the four months ended 30 April 2016 while no such commission income was recognised for the four months ended 30 April 2015. We sold, on consignment basis, nil and 3 passenger cars for the four months ended 30 April 2015 and 2016, respectively.

Marketing and advertising expense

Our Group's marketing and advertising expenses remained comparable at S\$23,000 for the four months ended 30 April 2016 compared to approximately S\$25,000 for the four months ended 30 April 2015.

Employee benefits expense

Our Group's employee benefits expense increased from approximately S\$1.2 million for the four months ended 30 April 2015 to approximately S\$1.5 million for the four months ended 30 April 2016. This is mainly due to an increase in employee headcount in the second half of 2015 to prepare for our expansion plan and salary increments for existing employees. The number of our full-time employees increased from 66 as at 30 April 2015 to 77 as at 30 April 2016.

Depreciation of property, plant and equipment and amortisation of intangible assets

Our Group's depreciation and amortisation expenses remained comparable at approximately S\$0.1 million for both the four months ended 30 April 2015 and 2016.

Finance costs

Our Group's finance costs remained comparable at approximately S\$42,000 for the four months ended 30 April 2016 compared to approximately S\$49,000 for the four months ended 30 April 2015.

FINANCIAL INFORMATION

Other expenses

Our Group's other expenses increased from approximately S\$0.5 million for the four months ended 30 April 2015 to approximately S\$1.6 million for the four months ended 30 April 2016. This is mainly due to expenses related to the Listing of approximately S\$1.0 million being recorded for the four months ended 30 April 2016.

Income tax

The effective tax rate was approximately 30.3% and (5.4)% for the four months ended 30 April 2015 and 2016, respectively. The effective tax rate for the four months ended 30 April 2016 was lower than that for the four months ended 30 April 2015 mainly due to (i) loss before tax of approximately S\$0.8 million was recognised for the four months ended 30 April 2016 while profit before tax of approximately S\$0.5 million was recognised for the four months ended 30 April 2015; and (ii) professional expenses related to the Listing of approximately S\$1.0 million that was not deductible for tax purpose was recognised for the four months ended 30 April 2016 as compared with nil recognised for the four months ended 30 April 2015.

Segmental results

Our Group's maintenance and repair services segment recorded a decrease in segment profit from approximately S\$0.7 million for the four months ended 30 April 2015 to approximately S\$0.1 million for the four months ended 30 April 2016 mainly due to more regular maintenance services, which command lower service fee per job as compared with complex repair services, were provided for the four months ended 30 April 2016.

The segment loss of our Group's modification, tuning and grooming services and trading of spare parts and accessories segment has narrowed down from approximately S\$0.3 million for the four months ended 30 April 2015 to approximately S\$0.2 million for the four months ended 30 April 2016 mainly due to (i) the number of units of passenger cars that we modified, tuned and/or groomed increased by approximately 100 units from approximately 200 units for the four months ended 30 April 2015 to approximately 300 units for the four months ended 30 April 2016; and (ii) the increase in the volume of trading of spare parts and accessories for the four months ended 30 April 2016.

Profit/(loss) for the period

Our Group recorded a loss for the four months ended 30 April 2016 of approximately S\$0.9 million, while a profit of approximately S\$0.3 million was recorded for the four months ended 30 April 2015. This was mainly due to (i) expenses related to the Listing of approximately S\$1.0 million recorded during the four months ended 30 April 2016 as compared with nil during the four months ended 30 April 2015; and (ii) an increase in employee-related expenses. Our Group would have been recorded a profit of approximately S\$0.1 million for the four months ended 30 April 2016 which is comparable to the four months ended 30 April 2015 of approximately S\$0.3 million should the expenses related to the Listing be excluded.

FINANCIAL INFORMATION

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our Group recorded a slight increase in our revenue by approximately S\$0.3 million or 2.1% from approximately S\$15.5 million for the year ended 31 December 2014 to approximately S\$15.8 million for the year ended 31 December 2015. The slight increase was mainly contributed from the modification, tuning and grooming services and trading of spare parts and accessories segments of approximately S\$0.6 million mainly as a result of (i) the number of units of passenger cars that we modified, tuned and/or groomed increased by approximately 300 units from approximately 700 units for the year ended 31 December 2014 to approximately 1,000 units for the year ended 31 December 2015; and (ii) the increase in the volume of trading of spare parts and accessories for the year ended 31 December 2015.

Cost of sales

Our cost of sales slightly increased from approximately S\$9.2 million for the year ended 31 December 2014 to approximately S\$10.2 million for the year ended 31 December 2015, representing an increase of approximately 10.4%. Such increase was mainly due to (i) an increase in cost of materials from approximately S\$7.8 million to approximately S\$8.2 million along with the increase in revenue in 2015; and (ii) the increase in direct labour cost of approximately S\$515,000 along with the increase in full-time employee headcount from 58 as at 31 December 2014 to 72 as at 31 December 2015 and salary increments for existing employees. Direct depreciation remained comparable at approximately S\$57,000 and S\$58,000 for the years ended 31 December 2014 and 31 December 2015, respectively.

Gross profit and gross profit margin

Our Group's gross profit decreased from approximately S\$6.3 million for the year ended 31 December 2014 to approximately S\$5.6 million for the year ended 31 December 2015. Our gross profit margin for the year ended 31 December 2015 was approximately 35.5%, recording a decrease as compared with approximately 40.4% for the year ended 31 December 2014. The decrease was mainly due to an increase in direct labour cost of approximately S\$515,000 along with an increase in employee headcount and salary increments for existing employees.

Other income and gains

Our Group's other income increased from approximately S\$0.3 million for the year ended 31 December 2014 to approximately S\$0.5 million for the year ended 31 December 2015. This is mainly due to the increase in commission income from consignment sale of passenger cars. We sold, on consignment basis, 2 and 12 passenger cars for the years ended 31 December 2014 and 2015, respectively.

Marketing and advertising expense

Our Group's marketing and advertising expenses decreased slightly from S\$98,000 for the year ended 31 December 2014 to approximately S\$82,000 for the year ended 31 December 2015. This is mainly due to less website design fee and advertisement in 2015.

FINANCIAL INFORMATION

Employee benefits expense

Our Group's employee benefits expense increased slightly from approximately S\$3.4 million for the year ended 31 December 2014 to approximately S\$3.6 million for the year ended 31 December 2015. This is mainly due to an increase in employee headcount. The number of our full-time employees increased from 58 as at 31 December 2014 to 72 as at 31 December 2015.

Depreciation of property, plant and equipment and amortisation of intangible assets

Our Group's depreciation and amortisation expenses decreased slightly from approximately S\$0.4 million for the year ended 31 December 2014 to approximately S\$0.3 million for the year ended 31 December 2015 mainly due to more assets being full depreciated.

Finance costs

Our Group's finance costs remained comparable at approximately S\$0.1 million for both years ended 31 December 2014 and 31 December 2015.

Other expenses

Our Group's other expenses increased from approximately S\$1.4 million for the year ended 31 December 2014 to approximately S\$1.9 million for the year ended 31 December 2015. This is mainly due to increases in rental expenses for an additional unit of premises rented at the premises where our Kung Chong Service Centre was located since November 2014 and expenses related to the Listing of approximately S\$0.3 million being recorded for the year ended 31 December 2015.

Income tax

The effective tax rates for the years ended 31 December 2014 and 2015 were approximately 15.8% and 16.5%, respectively. The effective tax rate for the year ended 31 December 2015 was slightly higher than that for the year ended 31 December 2014 mainly due to expenses (including professional expenses related to the Listing) of approximately S\$0.3 million that was not deductible for tax purpose was recognised in 2015.

Segmental results

Our Group's maintenance and repair services segment recorded a decrease in segment profit from approximately S\$2.6 million for the year ended 31 December 2014 to approximately S\$2.0 million for the year ended 31 December 2015 mainly due to (i) the decrease in the number of units of passenger cars that we maintained and/or repaired by approximately 300 units from approximately 13,400 units for the year ended 31 December 2014 to approximately 13,100 units for the year ended 31 December 2015; and (ii) the increase in other expenses as a results of the increased rental expenses shared by this segment for an additional unit of premises rented at the premises where our Kung Chong Service Centre was located since November 2014.

FINANCIAL INFORMATION

The segment loss of our Group's modification, tuning and grooming services and trading of spare parts and accessories segment has narrowed down from approximately S\$0.2 million for the year ended 31 December 2014 to approximately S\$0.1 million for the year ended 31 December 2015 mainly due to (i) the number of units of passenger cars that we modified, tuned and/or groomed increased by approximately 300 units from approximately 700 units for the year ended 31 December 2014 to approximately 1,000 units for the year ended 31 December 2015; and (ii) the increase in the volume of trading of spare parts and accessories for the year ended 31 December 2015.

Profit for the year

Our Group's profit for the year ended 31 December 2015 was approximately S\$1.7 million, indicating a decline of approximately 22.0% on a year-on-year basis, mainly due to (i) expenses related to the Listing of approximately S\$0.3 million recorded during the year; (ii) an increase in employee-related expenses; and (iii) increased rental expenses for an additional unit of premises rented at the premises where our Kung Chong Service Centre was located since November 2014. Our profit for the year ended 31 December 2015 would have remained comparable to the year ended 31 December 2014 of approximately S\$2.2 million should the expenses related to the Listing be excluded.

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at of the dates indicated below:

	As at 31 December		As at 30 April	As at 31 August
	2014	2015	2016	2016
	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)
CURRENT ASSETS				
Inventories	691	693	660	759
Trade and other receivables	1,593	2,165	2,475	3,452
Due from a director of the Company	4,743	—	—	—
Prepayments	25	136	555	173
Cash and cash equivalents	2,235	5,831	4,394	3,359
Tax recoverable	—	3	3	3
Total current assets	<u>9,287</u>	<u>8,828</u>	<u>8,087</u>	<u>7,746</u>

FINANCIAL INFORMATION

	As at 31 December		As at 30 April	As at 31 August
	2014	2015	2016	2016
	S\$'000	S\$'000	S\$'000	S\$'000
				<i>(unaudited)</i>
CURRENT LIABILITIES				
Trade and other payables	1,944	2,305	2,727	2,828
Due to a director of the Company	1,399	—	—	—
Interest-bearing bank and other borrowings	288	275	228	188
Tax payable	479	446	282	385
Total current liabilities	<u>4,110</u>	<u>3,026</u>	<u>3,237</u>	<u>3,401</u>
NET CURRENT ASSETS	<u>5,177</u>	<u>5,802</u>	<u>4,850</u>	<u>4,345</u>

Our net current assets increased by approximately S\$0.6 million or 12.1% from approximately S\$5.2 million as at 31 December 2014 to approximately S\$5.8 million as at 31 December 2015. This is primarily due to (i) the cash and cash equivalents of approximately S\$4.5 million received for the issuance of shares of MBMI to Valiant World; and (ii) the decrease in amount due to a Director, partly offset by a decrease in amounts due from a Director. Our net current assets subsequently decreased by approximately S\$1.0 million or 16.4% to approximately S\$4.9 million as at 30 April 2016, primarily due to the decrease in cash and cash equivalents mainly due to payment of professional fees in relation to the Listing. Our net current assets further decreased to approximately S\$4.3 million as at 31 August 2016 primarily due to the decrease in cash and cash equivalents mainly due to prepayments for renovations.

Inventories

Our inventories remained comparable at approximately S\$0.7 million as at 31 December 2014 and 31 December 2015 and 30 April 2016. Our inventories includes materials for our services such as passenger car spare parts and accessories.

Our Group makes specific provision for inventory impairment based on assessments of the net realisable values of existing inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value of certain items is lower than the cost of those items. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and evaluation of physical condition. Where the estimated net realisable value is lower than the cost of the inventory items, management would write-down the inventories cost to its net realisable value. Our inventories were stated net of allowance for inventory obsolescence of approximately S\$110,000, S\$142,000 and S\$198,000 as at 31 December 2014, 31 December 2015 and 30 April 2016, respectively. During the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we recognised allowance for inventory obsolescence

FINANCIAL INFORMATION

amounting to approximately S\$110,000, S\$32,000 and S\$56,000, respectively. These allowances were mainly provided for spare parts and accessories for our modification and tuning business which are aged more than 3 years. Under our Group's policy, we generally make allowances of (i) 50% and 100% for spare parts and accessories for our maintenance and repair business aged more than 2 and 3 years, respectively; and (ii) 50% and 100% for spare parts and accessories for our modification and tuning business aged more than 3 and 4 years, respectively. Our Directors are of the view that our Group's provisioning policies for inventories are adequate.

Our inventory turnover for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016 was approximately 34.9 days, 30.8 days and 29.5 days, respectively.

Trade and other receivables

	As at 31 December		As at
	2014	2015	30 April
	S\$'000	S\$'000	2016
			S\$'000
Trade receivables, net	614	1,381	1,980
Other receivables	761	302	77
Deposits	218	482	418
	<u>1,593</u>	<u>2,165</u>	<u>2,475</u>

Trade receivables as at 31 December 2015 increased by approximately S\$0.8 million or 124.9% from approximately S\$0.6 million as at 31 December 2014 to approximately S\$1.4 million as at 31 December 2015. The increase was primarily due to (i) slow payment by Customer E; and (ii) an insurance claim by another customer that was yet to be finalised in an amount of approximately S\$159,000. Trade receivables increased further by approximately S\$0.3 million or 14.3% to approximately S\$2.5 million as at 30 April 2016. The trade receivables balance as at 30 April 2016 included trade receivables from (i) outstanding insurance claims; and (ii) some of our top 5 customers during the Track Record Period. Our trade receivables mainly relates to: (i) sales payment by credit card which are cleared by banks on the following business day; (ii) claims made to insurance companies pending finalisation of assessments; and (iii) customers who are granted credit terms.

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.

FINANCIAL INFORMATION

An aged analysis of the trade receivables based on the date of the products sold or services rendered is as follows:

	As at 31 December		As at
	2014	2015	30 April
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Less than 30 days	328	632	928
30-60 days	167	187	305
61-90 days	41	98	196
91-120 days	42	38	81
More than 120 days	<u>36</u>	<u>426</u>	<u>470</u>
	<u>614</u>	<u>1,381</u>	<u>1,980</u>

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

	2014	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
At 1 January	—	34	76
Impairment losses recognised	<u>34</u>	<u>42</u>	<u>29</u>
At 31 December/30 April	<u>34</u>	<u>76</u>	<u>105</u>

For the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, we recorded impairment losses of approximately S\$34,000, S\$42,000 and S\$29,000, respectively. The provision for impairment was made as the management of our Group considers that the trade receivables concerned are not collectible. The impairment losses recognised for the years ended 31 December 2014 and 2015 included the provision of trade receivables from a customer which went bankrupt and a deceased customer. The impairment losses recognised for the four months ended 30 April 2016 included the provision of trade receivables from a recurring customer who was subsequently granted bulk discount in view of the numerous and substantial services performed. As at 30 April 2016, we had approximately S\$2.0 million of trade receivables, of which, approximately S\$1.1 million, or 58.1% had been subsequently settled as at 31 August 2016.

FINANCIAL INFORMATION

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

	As at 31 December 2014 S\$'000	2015 S\$'000	As at 30 April 2016 S\$'000
Neither past due nor impaired	328	632	928
Past due but not impaired:			
Less than 30 days	167	187	305
30-60 days	41	98	196
61-90 days	42	38	81
91-120 days	17	20	177
More than 120 days	<u>19</u>	<u>406</u>	<u>293</u>
	<u>286</u>	<u>749</u>	<u>1,052</u>
	<u>614</u>	<u>1,381</u>	<u>1,980</u>

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 for each of the reporting period relate to a number of independent customers that had a good track record with our Group. Based on past experience, our Directors were of the opinion that no provision for impairment was necessary in respect of these balances at the end of each reporting period as there had not been a significant change in credit quality and the balances were still considered fully recoverable. Among the trade receivables past due but not impaired as at 31 December 2014 of approximately S\$286,000, approximately S\$261,000, or 91.3% had been subsequently settled as at 31 August 2016 and the remaining balance of approximately S\$25,000, or 8.7% was impaired for the year ended 31 December 2015 and for the four months ended 30 April 2016. These impairment losses included the provision of trade receivables from a deceased customer.

Our Group assessed indicators of impairment for trade receivables at the end of each reporting period. Trade receivables would be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected. Objective evidence of impairment for a portfolio of receivables would include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

FINANCIAL INFORMATION

In assessing whether adequate allowance for doubtful debts had been provided for at the end of each reporting period, our Directors use judgement, based on best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status and known market factors. Impairment was provided for those delayed payments in the portfolio past the average credit period which was in financial difficulties or when it became probable that the relevant debts were unlikely to be settled when other apparent impairment indicators arose.

Further, the credit period granted by our Group to our customers is based on our assessment of our targeted customers' performance, creditworthiness and history of business cooperation with such customers. For those trade receivables that were past due as at the Latest Practicable Date, our Group has made contacts with those customers and there are no indications that they will not settle the outstanding amounts. Our Directors are of the view that our Group's provisioning policies for trade receivables are adequate.

Prepayments

Prepayments under our current assets increased by approximately S\$111,000 or 444.0% from approximately S\$25,000 as at 31 December 2014 to approximately S\$136,000 as at 31 December 2015. Prepayments under our current assets increased further by approximately S\$419,000 or 308.1% to approximately S\$555,000 as at 30 April 2016. Prepayments under our current assets as at 31 December 2015 and 30 April 2016 mainly comprises professional fee paid related to the Listing which will be capitalised and deducted against equity upon the Listing.

Trade and other payables

	As at 31 December		As at 30 April
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Trade payables	932	1,153	1,323
Other payables	328	542	171
Deposit received from customers	49	342	102
Accrued expenses	<u>635</u>	<u>268</u>	<u>1,131</u>
	<u>1,944</u>	<u>2,305</u>	<u>2,727</u>

Trade payables as at 31 December 2015 increased by approximately S\$0.2 million or 23.7% from approximately S\$0.9 million as at 31 December 2014 to approximately S\$1.2 million as at 31 December 2015 which is mainly due to increase in purchase of spare parts with the increase in revenue. Trade payables subsequently remained comparable at approximately S\$1.3 million as at 30 April 2016.

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

FINANCIAL INFORMATION

The aged analysis of the trade payables as at the end of the reporting period, based on invoice date, as follows:

	As at 31 December	As at 30 April
	2014	2015
	2016	
	S\$'000	S\$'000
	S\$'000	S\$'000
Less than 30 days	548	563
30-60 days	344	502
61-90 days	6	59
91-120 days	7	1
More than 120 days	27	37
	932	1,153
		1,323

As at 30 April 2016, we had approximately S\$1.3 million of trade payables, of which, approximately S\$1.2 million, or 91.2% had been subsequently settled as at 31 August 2016.

ANALYSIS OF KEY FINANCIAL RATIOS

	As at/Year ended	As at/Four months
	31 December	ended 30 April
	2014	2015
	2016	2016
Current ratio ⁽¹⁾	2.3 times	2.9 times
Gearing ratio ⁽²⁾	0.4 times	0.3 times
Debt to equity ratio ⁽³⁾	0.1 times	Net cash position
Interest coverage ⁽⁴⁾	22.8 times	18.3 times
Return on total assets ⁽⁵⁾	17.1%	14.0%
Return on equity ⁽⁶⁾	34.7%	24.2%
Net profit margin ⁽⁷⁾	14.2%	10.9%
Trade receivables turnover ⁽⁸⁾	13.5 days	23.0 days
Trade payables turnover ⁽⁹⁾	53.9 days	46.4 days
Inventory turnover ⁽¹⁰⁾	34.9 days	30.8 days

FINANCIAL INFORMATION

Notes:

- (1) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period end.
- (2) Gearing ratio is calculated based on the interest-bearing bank and other borrowings divided by the total equity as at the respective period end.
- (3) Debt to equity ratio is calculated by the interest-bearing bank and other borrowings less cash and cash equivalents divided by the total equity as at the respective period end.
- (4) Interest coverage is calculated by the profit before interest and tax divided by the interest expenses for the respective period.
- (5) Return on total assets is calculated by the profit (loss) for the period divided by the total assets as at the respective period end and multiplied by 100.0%.
- (6) Return on equity is calculated by the profit (loss) for the period divided by the total equity as at the respective period end and multiplied by 100.0%.
- (7) Net profit margin is calculated by the profit for the period divided by the revenue for the respective period and multiplied by 100.0%.
- (8) Trade receivables turnover is calculated by dividing the average of the opening and ending trade receivables balance by the revenue for the period and multiply by 365 and 121 days respectively.
- (9) Trade payable turnover is calculated by dividing the average of the opening and ending trade payables, by the total cost of materials for the period and multiply by 365 and 121 days respectively.
- (10) Inventory turnover is calculated based on the average of the opening and ending inventory balance divided by cost of materials for the period and multiplied by 365 and 121 days respectively.

Current ratio

Our Group's current ratio increased from 2.3 times as at 31 December 2014 to 2.9 times as at 31 December 2015. The increase was mainly due to the increase in cash and cash equivalents as at 31 December 2015 as approximately S\$4.5 million was received for the issuance of shares of MBMI to Valiant World pursuant to the Subscription Agreement. Our Group's current ratio subsequently decreased to 2.5 times as at 30 April 2016. The decrease was mainly due to the decrease in cash and cash equivalents mainly due to payment of professional fees in relation to the Listing.

FINANCIAL INFORMATION

Gearing ratio

Our Group's gearing ratio decreased slightly from 0.4 times as at 31 December 2014 to 0.3 times as at 31 December 2015. The decrease was mainly due to repayments of borrowings which reduced our interest-bearing bank and other borrowings from approximately S\$2.7 million as at 31 December 2014 to approximately S\$2.3 million as at 31 December 2015. Our Group's gearing ratio subsequently increased slightly to 0.4 times as at 30 April 2016 mainly due to loss for the four months ended 30 April 2016 which reduced our total equity.

Debt to equity ratio

Our Group recorded net cash positions as at 31 December 2015 and 30 April 2016 while a debt to equity ratio of 0.1 times was recorded as at 31 December 2014, mainly due to the cash and cash equivalents of approximately S\$4.5 million received for the issuance of shares of MBMI to Valiant World pursuant to the Subscription Agreement.

Interest Coverage

Our Group's interest coverage decreased from 22.8 times for the year ended 31 December 2014 to 18.3 times for the year ended 31 December 2015 while interest coverage is not applicable for the four months ended 30 April 2016 as loss before interest and tax was recorded during such period. The decrease for the year ended 31 December 2015 was mainly due to expenses related to the Listing of approximately S\$0.3 million which reduced our profit for the year ended 31 December 2015.

Return on total assets

Our Group's return on total assets decreased from 17.1% for the year ended 31 December 2014 to 14.0% for the year ended 31 December 2015 and further decreased to negative 7.8% for the four months ended 30 April 2016. The decreases were mainly due to expenses related to the Listing of approximately S\$0.3 million and S\$1.0 million which reduced our profit for the year ended 31 December 2015 and resulted in a loss for the four months ended 30 April 2016, respectively.

Return on equity

Our Group's return on equity decreased from 34.7% for the year ended 31 December 2014 to 24.2% for the year ended 31 December 2015 and further decreased to negative 14.4% for the four months ended 30 April 2016. The decreases were mainly due to expenses related to the Listing of approximately S\$0.3 million and S\$1.0 million which reduced our profit for the year ended 31 December 2015 and resulted in a loss for the four months ended 30 April 2016, respectively.

FINANCIAL INFORMATION

Net profit margin

Our Group's net profit margin decreased from 14.2% for the year ended 31 December 2014 to 10.9% for the year ended 31 December 2015 while net profit is not applicable for the four months ended 30 April 2016 as net loss was recorded during such period. The decrease for the year ended 31 December 2015 was mainly due to expenses related to the Listing of approximately S\$0.3 million which reduced our profit for the year ended 31 December 2015.

Trade receivables turnover

Our Group's trade receivables turnover was approximately 13.5 days and 23.0 days for the years ended 31 December 2014 and 2015, respectively. The increase was primarily due to (i) slow payment by Customer E; and (ii) an insurance claim by another customer that was yet to be finalised in an amount of approximately S\$159,000. The outstanding trade receivables balance of Customer E of approximately S\$118,000 as at 31 December 2015 had been subsequently settled by approximately 98.3% as at 31 August 2016. The aforesaid insurance claim relates to a road traffic accident involving the car of our customer and the car of another third party. We repaired the car of our customer which was damaged during the accident. The prolonged settlement of the outstanding amount was because the third party involved in the road traffic accident was deceased. We engaged a legal representative to handle such case and were informed by the legal representative that the settlement amount for the damages of the accident had been agreed between the parties, however, the actual payment could only be made after the completion of the documentary process. Our Group's trade receivables turnover further increased to approximately 41.7 days for the four months ended 30 April 2016 mainly due to the increase in trade receivables balance as at 30 April 2016, which included trade receivables from (i) outstanding insurance claims; and (ii) some of our top 5 customers during the Track Record Period.

Trade payables turnover

Our Group's trade payables turnover was approximately 53.9 days and 46.4 days for the years ended 31 December 2014 and 2015, respectively. The decrease was mainly due to the increase in cost of materials during the year. Our Group's trade payables turnover subsequently increased to approximately 53.9 days for the four months ended 30 April 2016 mainly due to higher purchases closer to the end of the four months period coupled with slower payments.

Inventory turnover

Our Group's inventory turnover remains relatively stable at approximately 34.9 days, 30.8 days and 29.5 days for the years ended 31 December 2014 and 2015 and four months ended 30 April 2016, respectively. This was in-line with management's continuous efforts to maintain low inventory levels.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources, bank borrowings and finance leases during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities.

FINANCIAL INFORMATION

Cash flows

The following table presents selected cash flow data from our combined statements of cash flows for the Track Record Period:

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			<i>(unaudited)</i>	
Net cash flows from/(used in) operating activities	217	1,661	(805)	(1,218)
Net cash flows used in investing activities	(660)	(18)	(25)	(117)
Net cash flows from/(used in) financing activities	512	1,953	(133)	(102)
Net increase/(decrease) in cash and cash equivalents	69	3,596	(963)	(1,437)
Cash and cash equivalents at beginning of year/period	2,166	2,235	2,235	5,831
Cash and cash equivalents at end of year/period	2,235	5,831	1,272	4,394

Net cash flows from/(used in) operating activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash flows from operating activities of approximately S\$0.2 million. This was mainly due to cash generated from operations of approximately S\$0.7 million partially offset by income tax paid of approximately S\$0.4 million. Our cash generated from operations primarily reflects our profit before tax of approximately S\$2.6 million adjusted for depreciation of property, plant and equipment, finance costs and allowance for inventory obsolescence of approximately S\$0.4 million, S\$0.1 million and S\$0.1 million, respectively and net of the working capital outflows of approximately S\$2.6 million.

The working capital outflows was mainly due to an increase in trade and other receivables and net amount due from a director of the Company of approximately S\$0.5 million and S\$2.0 million, respectively. The increase in trade and other receivables was primarily due to an increase in trade receivables driven by increase in revenue compared to the year ended 31 December 2013. The increase in net amount due from a director of the Company was mainly attributable to advances made during the year. Our Group's operating cash flows before changes in working capital for the year ended 31 December 2014 was approximately S\$3.3 million.

FINANCIAL INFORMATION

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash flows from operating activities of approximately S\$1.7 million. This was mainly due to cash generated from operations of approximately S\$2.2 million partially offset by income tax paid of approximately S\$0.4 million. Our cash generated from operations primarily reflects our profit before tax of approximately S\$2.1 million adjusted for depreciation of property, plant and equipment and finance costs of approximately S\$0.3 million and S\$0.1 million, respectively and net of the working capital outflows of approximately S\$0.4 million.

The working capital outflows was mainly due to an increase in trade and other receivables partially offset by an increase in trade and other payables. The increase in trade and other receivables was mainly resulted from an increase in trade receivables primarily due to (i) slow payment by Customer E; and (ii) an insurance claim by another customer that was yet to be finalised in an amount of approximately S\$159,000. The increase in trade and other payables is mainly due to deposits received from customers for the order of spare parts and accessories. Our Group's operating cash flows before changes in working capital for the year ended 31 December 2015 was approximately S\$2.5 million.

Four months ended 30 April 2015

For the four months ended 30 April 2015, we recorded net cash flows used in operating activities of approximately S\$0.8 million. This was mainly due to cash used in operations of approximately S\$0.8 million. Our cash used in operations primarily reflects our profits before tax of approximately S\$0.5 million adjusted for depreciation of property, plant and equipment and allowance for inventory obsolescence of approximately S\$0.1 million and S\$0.2 million, respectively and net of the working capital outflows of approximately S\$1.6 million. The working capital outflows was mainly due to an increase in net amount due from a director of the Company arising from advances made during the period. Our Group's operating cash flows before changes in working capital for the four months ended 30 April 2015 was approximately S\$0.8 million.

Four months ended 30 April 2016

For the four months ended 30 April 2016, we recorded net cash flows used in operating activities of approximately S\$1.2 million. This was mainly due to cash used in operations of approximately S\$1.0 million and income tax paid of approximately S\$0.2 million. Our cash generated from operations primarily reflects our loss before tax of approximately S\$0.8 million adjusted for depreciation of property, plant and equipment of approximately S\$0.1 million and less working capital outflows of approximately S\$0.4 million. The working capital outflows was mainly due to (i) increases in trade and other receivables as at 30 April 2016, which included trade receivables from (a) outstanding insurance claims; and (b) some of our top 5 customers during the Track Record Period; and (ii) prepayments for renovations, offset by an increase in trade and other payables, mainly due to an increase in accruals for expenses in relation to the Listing.

FINANCIAL INFORMATION

Our Group's operating cash flows before changes in working capital for the four months ended 30 April 2016 was approximately negative S\$0.6 million. Such operating cash outflow before changes in working capital of approximately S\$0.6 million was resulted from the combined effects of (i) the net loss before income tax of approximately S\$0.8 million made by our Group during the period mainly due to expenses related to the Listing of approximately S\$1.0 million recorded during the four months ended 30 April 2016 as compared with nil during the four months ended 30 April 2015 and an increase in employee-related expenses; and (ii) adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, finance costs, allowance for doubtful debts, net foreign exchange differences and allowance for inventories obsolescence of approximately S\$99,000, S\$6,000, S\$42,000, S\$29,000, S\$9,000 and S\$56,000, respectively.

Net cash flows used in investing activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash flows used in investing activities of approximately S\$0.7 million as a result of the purchases of items of property, plant and equipment, items of intangible assets, an available-for-sale investment of approximately S\$143,000, S\$24,000 and S\$493,000, respectively.

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash flows used in investing activities of approximately S\$18,000 as a result of the purchases of items of property, plant and equipment, items of intangible assets and proceeds from disposal of items of property, plant and equipment of approximately S\$136,000, S\$13,000 and S\$131,000, respectively.

Four months ended 30 April 2015

For the four months ended 30 April 2015, we recorded net cash used in investing activities of approximately S\$25,000 as a result of purchase of items of property, plant and equipment.

Four months ended 30 April 2016

For the four months ended 30 April 2016, we recorded net cash used in investing activities of approximately S\$117,000 as a result of purchases of items of property, plant and equipment and items of intangible assets and prepayment for property, plant and equipment of approximately S\$15,000, S\$1,000 and S\$101,000, respectively.

FINANCIAL INFORMATION

Net cash flows from/(used in) financing activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash flows from financing activities of approximately S\$0.5 million as a result of the proceeds from bank loans of approximately S\$720,000, which is partially offset by repayments of bank loans and obligations under finance leases of approximately S\$184,000 and S\$24,000, respectively.

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash flows from financing activities of approximately S\$2.0 million as a result of the proceeds from issue of shares in a subsidiary of approximately S\$4.5 million, which is partially offset by repayments of bank loans and obligations under finance leases, and dividends paid of approximately S\$345,000, S\$40,000 and S\$2.2 million, respectively.

Four months ended 30 April 2015

For the four months ended 30 April 2015, we recorded net cash flows used in financing activities of approximately S\$0.1 million as a result of repayment of bank loans.

Four months ended 30 April 2016

For the four months ended 30 April 2016, we recorded net cash flows used in financing activities of approximately S\$0.1 million as a result of repayment of bank loans.

INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 31 August 2016, being the latest practicable date on which such information was available to us, our Group did not have any unutilised banking facilities and had outstanding indebtedness comprising bank borrowings of approximately S\$2.2 million, all of which were guaranteed by one of our executive Directors. Among these outstanding indebtedness, the commercial property loan was secured by our Group's property. Any personal guarantees provided for our Group's indebtedness will be released/replaced by corporate guarantees provided by our Company upon or before Listing.

FINANCIAL INFORMATION

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 December		As at 30 April	As at 31 August
	2014	2015	2016	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Indebtedness				
<i>Non-current</i>				
Commercial property loan	2,017	1,973	1,975	1,978
Term loans:				
- S\$ loan at bank's business board rate + 2.0% per annum	139	—	—	—
- US\$ loan at bank's 3-month cost of funds + 1.0% per annum	203	88	42	—
Obligations under finance leases	21	—	—	—
<i>Current</i>				
Commercial property loan	9	7	7	7
Term loans:				
- S\$ loan at bank's business board rate + 2.0% per annum	115	138	97	55
- US\$ loan at bank's 3-month cost of funds + 1.0% per annum	120	130	124	126
Obligations under finance leases	19	—	—	—
Trust receipts financing (unsecured)	25	—	—	—
Total	<u>2,668</u>	<u>2,336</u>	<u>2,245</u>	<u>2,166</u>

During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenant. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in obtaining banking and finance lease facilities.

FINANCIAL INFORMATION

Bank borrowings

Set out below is the maturity profile of our bank borrowings as at the respective dates indicated.

	As at 31 December		As at
	2014	2015	30 April
	S\$'000	S\$'000	2016
			S\$'000
Repayable within 1 year	288	275	228
Not repayable within 1 year	<u>2,380</u>	<u>2,061</u>	<u>2,017</u>
Total	<u><u>2,668</u></u>	<u><u>2,336</u></u>	<u><u>2,245</u></u>

Commercial property loan

The property loan from a financial institution was repayable over 30 years from October 2012. Our Group's property loan was secured by way of a personal guarantee by one of our executive Directors and legal mortgage of our Group's freehold property which have carrying amount of approximately S\$2.5 million, S\$2.4 million and S\$2.4 million as at 31 December 2014, 31 December 2015 and 30 April 2016, respectively.

Commercial property loan bears interest at:

- 1st year at 4.22% per annum below the bank's prevailing commercial property loan board rate currently at 5.5%.
- 2nd year at 4.02% per annum below the bank's prevailing commercial property loan board rate currently at 5.5%.
- 3rd year at 2.22% per annum below the bank's prevailing commercial property loan board rate currently at 5.5%.
- Thereafter at 0.25% per annum below the bank's prevailing commercial property loan board rate currently at 5.5%.

S\$ and US\$ term loans

Our Group's term loans were secured by way of personal guarantees by one of our executive Directors. Any personal guarantees provided for our Group's indebtedness will be released/replaced by corporate guarantees provided by our Company upon or before Listing.

FINANCIAL INFORMATION

Obligations under finance leases

These obligations were secured by a charge over the leased assets. The average discount rate implicit in the leases in 2014 was 3.72%. The carrying amounts of all finance lease liabilities were denominated in S\$. The lease liabilities were secured as over motor vehicles of our Group.

Set out below is the maturity profile of our finance leases as at the respective dates indicated and ignoring the effect of any repayment on demand clauses.

	As at 31 December		As at
	2014	2015	30 April
	S\$'000	S\$'000	2016
			S\$'000
Not later than one year	19	—	—
Later than one year but not later than five years	21	—	—
Total	40	—	—

Trust receipts financing (unsecured)

Trust receipts bear interest at 1.5% per annum over the bank's prime lending rate currently at 5% for all S\$ denominated bills.

Contingent liabilities

As at 31 August 2016, our Group had no significant contingent liabilities.

Save as disclosed above, we did not have, at the close of business on 31 August 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Subsequent to 31 August 2016, we have (i) fully repaid the outstanding balances of our commercial property loan and term loans; and (ii) obtained new banking facilities which include a term loan facility of up to S\$1,875,000 and a short-term loan facility of up to US\$300,000 in October 2016. The new term loan would be secured by our Group's property and bear interest at: 1 year S\$ cost of funds plus 1.50% per annum for the first year; 6 months S\$ cost of funds plus 1.50% per annum for the second year; and 3 months S\$ cost of funds plus 2.88% per annum from the third year onwards with a tenure of 15 years. The new short-term loan will bear interest at cost of funds plus 3.5% per annum. Any personal guarantees under the refinancing facilities will also be released/replaced by a corporate guarantee to be provided by our Company upon Listing. Save as disclosed, our Directors confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 August 2016 and up to the Latest Practicable Date.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including bank borrowings and other internal resources, and the estimated net proceeds of the Placing, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

CONTRACTUAL AND CAPITAL COMMITMENTS

At the close of business on 31 August 2016, our Group had no significant contractual and capital commitments.

OPERATING LEASE COMMITMENTS

The following table sets out our Group's outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases at the end of each reporting period.

	As at 31 December		As at
	2014	2015	30 April
	S\$'000	S\$'000	2016
			S\$'000
Within one year	747	740	697
In the second to fifth years, inclusive	<u>1,250</u>	<u>510</u>	<u>301</u>
	<u>1,997</u>	<u>1,250</u>	<u>998</u>

Operating lease payments represented rentals payable by our Group for its leased premises and leased photocopiers. Leases for properties were negotiated for terms of three years.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditures for the periods indicated. Our capital expenditures were funded out of the proceeds of bank borrowings, finance leases and cash generated from operations.

	Year ended 31 December		Four months ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(unaudited)</i>	
Capital Expenditure				
Property, plant and equipment				
- Motor vehicles	2	80	—	—
- Furniture and fittings	53	19	10	—
- Office equipment	30	3	3	7
- Renovation	9	—	—	—
- Tools and machinery	49	34	12	8
	143	136	25	15
Intangible assets				
- Software	24	13	—	1

Our Group plans to finance future capital expenditures primarily through the net proceeds of the Placing, bank borrowings as well as from cash flows generated from operations. We expect to expand our capacity by exercising our option to lease the New Premises during the second half of 2017 and additional capital expenditures are expected to be incurred primarily for purchases of tools and machinery, furniture and fittings, and renovation. For details, please see “Business — Our properties — Expansion”.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group manages our capital structure in order to safeguard our ability to continue as a going concern and to provide adequate cash flows to meet our operating requirements, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

Financial risk management

Our Group is exposed to interest rate risk, credit risk, foreign currency risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in note 29 to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately S\$4.1 million. This includes approximately S\$1.0 million which is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately S\$3.1 million, which cannot be so deducted, will be charged to profit or loss. Out of the approximately S\$3.1 million that will be charged to profit or loss, nil, approximately S\$0.3 million, nil and S\$1.0 million have been charged during the years ended 31 December 2014 and 2015 and the four months ended 30 April 2015 and 2016, respectively, and approximately S\$2.8 million is expected to be incurred for the year ending 31 December 2016.

DIVIDEND

In February and July 2015, MBMW, one of our operating subsidiaries, declared interim dividend of S\$4.0 million and S\$1.0 million, respectively, to MBMI, being its then sole shareholder. In the same months, MBMI declared interim dividend of S\$4.0 million and approximately S\$1.5 million, respectively, to Mr. Lim, being its then sole shareholder. Part of the interim dividend declared by MBMI in February 2015 was offset against the net amount due from Mr. Lim to MBMI of approximately S\$3.3 million. The remaining balance of the interim dividends declared by MBMI of approximately S\$2.2 million was paid in 2015.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. Subject to the Companies Law and our Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles of Association, from time to time, pay to our shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 30 April 2016, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions included (i) the outstanding balances with Mr. Lim; (ii) transactions with Subcontractor A; (iii) personal guarantees by Mr. Lim; and (iv) compensation of key management personnel of our Group.

FINANCIAL INFORMATION

The balances with Mr. Lim were unsecured, interest-free and have no fixed terms of repayment. Part of the interim dividend declared by MBMI in February 2015 was offset against the net amount due from Mr. Lim to MBMI of approximately S\$3.3 million.

Subcontractor A is a company incorporated in Singapore on 23 September 2011 and principally engaged in retail sale of spare parts and accessories for motor vehicles (in-car entertainment system and retrofitting services), general wholesale trade (including general importers and exporters) and automobiles services (general servicing and maintenance). Mr. Lim had been a director of Subcontractor A from 22 May 2015 to 25 September 2015. The directorship ceased as Mr. Lim would like to focus on our Group's business. Rental income was received from Subcontractor A as we had subleased the premises at Unit 01-11 Sin Ming Drive to Subcontractor A during the Track Record Period and up till January 2016. No rental income is expected to be received thereafter. During the Track Record Period, purchases was made by us from Subcontractor A for provision of subcontracting services such as installation of audio and visual systems.

Any personal guarantees by Mr. Lim provided for our Group's indebtedness will be released/replaced by corporate guarantees provided by our Company upon or before Listing.

Please see note 26 to the Accountants' Report as set out in Appendix I to this prospectus and "—Indebtedness and contingent liabilities" for more information.

PROPERTY INTEREST

DTZ Cushman & Wakefield Limited, an independent property valuer to our Company, has valued our Group's freehold property located in Singapore as at 31 July 2016. The texts of its letter and the valuation certificate are set out in Appendix III to this prospectus.

The following table sets forth the reconciliation between the net book value of the relevant freehold property as at 30 April 2016 as extracted from the Accountants' Report set forth in Appendix I to this prospectus and the property valuation report as set forth in Appendix III as at 31 July 2016:

	<i>S\$'000</i>
Net book value of our Group's freehold property as at 30 April 2016	2,410
Less: Depreciation of freehold property during the period from 1 May 2016 to 31 July 2016	<u>(13)</u>
Net book value of our Group's freehold property as at 31 July 2016	2,397
Net valuation surplus	<u>203</u>
Valuation of the relevant freehold property as at 31 July 2016 as set forth in the property valuation report included in Appendix III to this prospectus	<u><u>2,600</u></u>

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

We recorded a loss of approximately S\$0.9 million for the four months ended 30 April 2016 mainly due to (i) expenses related to the Listing of approximately S\$1.0 million; and (ii) an increase in employee-related expenses from the increase in our headcount in the second half of 2015 to prepare for our expansion plan. During the Track Record Period, we operated 8 hours per day from Monday to Friday and 4 hours on Saturday, except for holidays. To maximise the manpower capacity that we have previously geared up, from August 2016, we have extended our operating hours on Saturdays to 8 hours and also operated 8 hours on Sundays. Notwithstanding the above, our Directors expect that our financial results for the year ending 31 December 2016 will be significantly affected by the Listing expenses, our level of profit recorded for the year ending 31 December 2015 may not be maintained, or a loss may be recorded for the year ending 31 December 2016. Our Directors confirm that save for the expenses in connection with the Listing, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our primary business objectives are to strengthen our market position as a leading automotive service provider in Singapore, grow our existing business, and expand our customer base.

BUSINESS STRATEGIES

Please see “Business — Our strategies” for a detailed description of our Group’s strategies and future plans. We will endeavour to achieve our business objectives and adopt our business strategies in accordance with the schedule set out in “— Implementation plans”. The respective scheduled completion times are based on certain bases and assumptions as set out in “— Bases and assumptions”. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors”. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 30 June 2018, and their respective scheduled completion times are based on certain bases and assumptions as set out in “— Bases and assumptions”.

For the period from the Latest Practicable Date to 31 December 2016

Business strategy	Implementation plan
Expand our servicing capacity	<ul style="list-style-type: none">• Lease additional premises at Unit 01-16 Sin Ming Drive.
Expand and train our workforce	<ul style="list-style-type: none">• Employ additional 3 staff, including sales and marketing staff, finance and accounting staff and insurance staff.• Send our employees to training courses applicable to their employment.
Strengthen our brand and sales and marketing	<ul style="list-style-type: none">• Review of our branding strategies by our external consultant in order to (i) refine our brand identity and enhance our communication strategy so as to differentiate our brand from our competitors; (ii) attract and appeal to potential customers; and (iii) ensure that our management and staff embrace and promote our brand with impact and consistency.• Redevelop our websites design to be in line with our branding strategies.

FUTURE PLANS AND USE OF PROCEEDS

Business strategy

Implementation plan

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|--|--|
| <p>Strengthen our operational efficiency</p> | <ul style="list-style-type: none"> • Set up online marketing platform which will send emails to customers in relation to, for example, servicing reminders, birthday greetings, and promotions at our service centres, in order to better retain our customers. • Social media management, which includes appointing a professional public relations company to manage posts and enquiries on social media, and developing campaign strategy on various social media platforms. • Arrange marketing events organised by a professional public relations company to showcase our services and service centres and to attract potential customers. • Upgrade our information technology system by <ul style="list-style-type: none"> (i) purchasing software licenses provided by a global integrated technology solutions provider specialised in the automotive industry to replace our current ERP system. This system will allow our Group to, among 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, whether for planning, budgeting, forecasting or management; (ii) installing the above-mentioned ERP system and receiving training from an information technology consultant in relation to our new ERP system; |
|--|--|

FUTURE PLANS AND USE OF PROCEEDS

Business strategy

Implementation plan

(iii) installing an integrated system comprising (a) a fingerprint time management system and (b) a payroll, human resources and electronic leave module which can, among others, generate staff appraisals forms and online leave reports; and

(iv) upgrading our servers by purchasing new higher performance servers with larger storage space.

To lower our gearing ratio

- Partial repayment of bank loan^{Note}.

Note: Such bank loan refers to the outstanding US\$ short term loan with an interest rate of cost of funds plus 3.5% per annum and a maturity date of up to 6 months from drawdown, which was used for working capital requirements in order to refinance our US\$ and S\$ term loans.

For the six months ending 30 June 2017

Business strategy

Implementation plan

Expand our servicing capacity

- Lease additional premises at Unit 01-16 Sin Ming Drive.
- To spend approximately HK\$8.0 million on one-off renovation and fitting out costs, purchase of furniture, tools and machinery and other costs in relation to our expansion to the New Premises.

Expand and train our workforce

- Employ an additional 6 staff, including technicians, sales and marketing staff, customer service staff and insurance staff and retain the staff recruited from the Latest Practicable Date to 31 December 2016.
- Continue to send our employees to training courses applicable to their employment.

Strengthen our brand and sales and marketing

- Implement corporate branding and identity, such as the printing of new business cards, letterheads and marketing materials, after completion of the review of our branding strategy by our external consultant.

FUTURE PLANS AND USE OF PROCEEDS

Business strategy

Implementation plan

- Continue to maintain our online marketing platform which will send emails to customers in relation to, for example, servicing reminders, birthday greetings, and promotions at our service centres, in order to better retain our customers.
 - Social media management, which includes appointing a professional public relations company to manage posts and enquiries on social media, and developing campaign strategy on various social media platforms.
 - Arrange marketing events organised by a professional public relations company to showcase our services and service centres and to attract potential customers.
- Strengthen our operational efficiency
- Upgrade our information technology system by
 - (i) purchasing software licenses provided by a global integrated technology solutions provider specialised in the automotive industry to replace our current ERP system. This system will allow our Group to, among 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, whether for planning, budgeting, forecasting or management;
 - (ii) installing the above-mentioned ERP system and receiving training from an information technology consultant in relation to our new ERP system;

FUTURE PLANS AND USE OF PROCEEDS

Business strategy

Implementation plan

- (iii) installing an integrated system comprising
 - (a) a fingerprint time management system and (b) a payroll, human resources and electronic leave module which can, among others, generate staff appraisals forms and online leave reports; and
- (iv) upgrading our servers by purchasing new higher performance servers with larger storage space.

For the six months ending 31 December 2017

Business strategy

Implementation plan

- | | |
|--|---|
| Expand our servicing capacity | <ul style="list-style-type: none"> • Lease additional premises at Unit 01-16 Sin Ming Drive and the New Premises. |
| Expand and train our workforce | <ul style="list-style-type: none"> • Employ an additional 2 technicians and retain the staff recruited from the Latest Practicable Date to 30 June 2017. • Continue to send our employees to training courses applicable to their employment. |
| Strengthen our brand and sales and marketing | <ul style="list-style-type: none"> • Continue to maintain our online marketing platform which will send emails to customers in relation to, for example, servicing reminders, birthday greetings, and promotions at our service centres, in order to better retain our customers. • Social media management, which includes appointing a professional public relations company to manage posts and enquiries on social media, and advertisements on various social media platforms. • Arrange marketing events organised by a professional public relations company to showcase our services and service centres and to attract potential customers. |

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 June 2018

Business strategy	Implementation plan
Expand our servicing capacity	<ul style="list-style-type: none"> • Lease additional premises at Unit 01-16 Sin Ming Drive and the New Premises.
Expand and train our workforce	<ul style="list-style-type: none"> • Employ an additional 2 staff, including technician and sales and marketing staff and retain the staff recruited from the Latest Practicable Date to 31 December 2017. • Continue to send our employees to training courses applicable to their employment.
Strengthen our brand and sales and marketing	<ul style="list-style-type: none"> • Continue to maintain our online marketing platform which will send emails to customers in relation to, for example, servicing reminders, birthday greetings, and promotions at our service centres, in order to better retain our customers. • Social media management, which includes appointing a professional public relations company to manage posts and enquiries on social media, and developing campaign strategy on various social media platforms. • Arrange marketing events organised by a professional public relations company to showcase our services and service centres and to attract potential customers.

Expansion

For the six months ending 30 June 2017, we currently intend to use approximately 30.4% of our total estimated net proceeds from the Placing, being approximately HK\$8.0 million to finance the one-off renovation and fitting out costs, purchase of furniture, tools and machinery and other costs in relation to our expansion to the New Premises. Details of our intended use of HK\$8.0 million are as follows:

- approximately 50.0% for renovation, which include wallpapering, electrical works, drainage works, floor and façade works;
- approximately 25.0% for tools and machinery, which include 16 new passenger car hoists, additional sets of diagnostic equipment, tool trolley sets, car wash pressure pumps, tyre balancer machines, battery testers and chargers;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 15.0% for furniture and fittings, which include security systems, office furniture, lighting, air-conditioning systems, storage cabinets, workbenches;
- approximately 6.3% for computers and software; and
- approximately 3.7% for miscellaneous costs.

The increase in our tools and machinery after expansion to the New Premises, especially the number of passenger car hoists, will enhance our service capacity. For more details and justification of our expansion plan, please see “Business — Our properties — Expansion”.

Potential increase in depreciation and other operating expenses

Additional depreciation expenses are expected to be incurred primarily from tools and machinery to be purchased, furniture and fittings, and renovation. Our Directors estimate that the maximum annual depreciation expenses to be incurred for new capital expenditures recognised for our initial operations at the New Premises is approximately S\$280,000.

Assuming the New Premises having an indicative area of 3,066 sq.m. and based on the rental rate stated in the relevant option to lease agreement, our Directors estimate that an annual rental expenses of approximately S\$911,000 will be incurred for leasing the New Premises.

We currently intend to use approximately 9.9% of our total estimated net proceeds from the Placing, being approximately HK\$2.6 million to strengthen our brand and sales and marketing. As such, the marketing and advertising expenses to be recorded for the coming years are expected to increase as compared with that recorded during the Track Record Period. For more details, please see “— Implementation plans”.

We currently intend to use approximately 17.5% of our total estimated net proceeds from the Placing, being approximately HK\$4.6 million, to expand and train our workforce to gear up for our expansion. As such, the employee benefits expense to be recorded after Listing are expected to increase as compared with that recorded during the Track Record Period. For more details, please see “— Implementation plans” and “Business — Our properties — Expansion”.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objectives depends on the following general assumptions and specific assumptions:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Singapore, Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material changes in the bases or rates of taxation in Singapore, Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Singapore, Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our business relationship with our major customers and suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in “— Implementation plans”;
- the Placing will be completed in accordance with and as described in “Structure and Conditions of the Placing”;
- we will not be materially affected by the risk factors as set out in “Risk Factors”; and
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate.

REASONS FOR THE PLACING

Our Directors believe that the listing of our Shares on GEM will facilitate the implementation of our business strategies. The net proceeds from the Placing will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as a leading automotive service provider in Singapore and expand our market share.

Our Directors further believe that the Listing would:

- provide a platform for our Group to access the capital markets for future secondary fund-raising through the issuance of shares and for debt securities, which could involve lower financing costs as opposed to interest-bearing bank loans, and which can also provide funding sources to cater for our Group’s further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- enhance market reputation and brand awareness of our Group. Our Directors believe that having a listing status can enhance its corporate image and credibility with the public and potential business partners;
- enhance our internal control and corporate governance practices, and increase the transparency in our operations and financial reporting. This could also increase our customers’ and suppliers’ confidence in us and attract potential customers;

FUTURE PLANS AND USE OF PROCEEDS

- broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the Listing; and
- enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that more directly correlates to their performance in our Group's business. Our Company would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for the Shareholders.

Although the amount of the expenses for the Listing represents a significant proportion of the gross proceeds from the Placing, these are non-recurring costs that we would not have to pay following completion of the Listing. For the reasons stated above, our Directors hence believe that the Listing is beneficial to us in the long run.

Our Company has never applied for listing of our Shares in other jurisdictions including the Singapore Stock Exchange. We believe that the Stock Exchange is a suitable platform given its level of internationalism, maturity in the global financial world and sufficient institutional capital and funds following listed companies in Hong Kong. According to the global ranking of stock exchanges by market capitalisation table available on the SFC website, the Stock Exchange ranked the eighth largest market of the world's leading stock exchanges in terms of market capitalisation as at the end of June 2016 with a total market capitalisation of approximately US\$2,973 billion. It was also the fourth largest stock market in Asia falling behind Japan, Shanghai and Shenzhen as at the end of June 2016. Furthermore, we believe that listing of our Shares in Hong Kong has advantages which include a sound regulatory framework, free flow of capital and an advanced clearing and settlement infrastructure and financial services.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds from the Placing, after deducting the underwriting commission and related expenses payable by our Company, will be approximately HK\$26.3 million. We intend to apply such net proceeds from the Placing as follows:

	From the Latest Practicable Date to 31 December 2016 <i>HK\$' million</i>	For the six months ending 30 June 2017 <i>HK\$' million</i>	For the six months ending 31 December 2017 <i>HK\$' million</i>	For the six months ending 30 June 2018 <i>HK\$' million</i>	Total <i>HK\$' million</i>	Approximate % of net proceeds
Expand our servicing capacity	0.8	8.3	3.0	3.0	15.1	57.4
Expand and train our workforce	0.2	1.2	1.5	1.7	4.6	17.5
Strengthen our brand and sales and marketing	0.5	0.7	0.8	0.6	2.6	9.9
Upgrade our information technology system	1.1	1.1	—	—	2.2	8.4
Partial repayment of bank loan	1.4	—	—	—	1.4	5.3
Working capital and general corporate purposes	0.1	0.1	0.1	0.1	0.4	1.5
Total	4.1	11.4	5.4	5.4	26.3	100.0

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or to place the proceeds on short-term interest bearing deposit accounts with licenced banks and/or financial institutions in Singapore and/or Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Placing to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

According to current estimates, our Directors anticipate that the net proceeds from the Placing will be sufficient to finance the implementation of our Company's future plans up to 30 June 2018. In the event that the net proceeds from the Placing are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources of our Group and/or external borrowings.

UNDERWRITING

UNDERWRITER

Great Wall Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for subscription by way of Placing at the Placing Price.

Subject to, among other conditions, the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriter has agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sponsor and/or the Lead Manager (also in its capacity as the Underwriter) shall have the absolute right to terminate the Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sponsor and/or the Lead Manager:
 - (i) any statement contained in this prospectus, the post hearing information pack, the placing letter, the formal notice, any submission, document or information provided to the Sponsor and/or the Lead Manager and any announcement or document issued by our Company in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”) which, considered by the Sponsor and/or the Lead Manager in its/their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or expectation contained in any such document is not in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute opinion of the Sponsor and/or the Lead Manager, a material omission from the Relevant Documents in the context of the Placing; or

UNDERWRITING

- (iii) either (1) there has been a breach of any of the representations, warranties and undertakings or any other provisions of the Underwriting Agreement by any party thereto (other than the Sponsor, the Lead Manager and the Underwriter); or (2) any matter or event showing or rendering any of the representations, warranties and undertakings or any other provisions of the Underwriting Agreement, in the sole and absolute opinion of the Sponsor and/or the Lead Manager, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company or our Controlling Shareholder pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged; or
 - (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Underwriting Agreement, would have rendered any of the representations, warranties or undertakings or any other provisions of the Underwriting Agreement, in the sole and absolute opinion of the Sponsor and/or the Lead Manager, untrue, incorrect, inaccurate or misleading in any material respect; or
 - (vi) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated issue of the Placing Shares); or
 - (viii) any person (other than the Sponsor, the Lead Manager and the Underwriter) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics

UNDERWRITING

(including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or anywhere in the world; or

- (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world; or
- (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
- (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, Singapore, the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Placing (the “**Relevant Jurisdictions**”); or
- (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks in “Risk Factors”; or
- (viii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director; or

UNDERWRITING

- (ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director or our Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws and regulations; or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting or issuing any of the Placing Shares pursuant to the terms of the Placing; or
- (xiv) non-compliance by any member of our Group or any Director or our Controlling Shareholder of this prospectus (and/or any other documents used in connection with the issue of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws and regulations; or
- (xv) other than with the written approval from the Sponsor and/or the Lead Manager, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Placing Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity that may have a material adverse impact on the financial position of our Group; or
- (xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of any member of our Group (including any litigation or claim of material importance being threatened or instigated against any member of our Group); or

UNDERWRITING

- (xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or
- (xx) a material disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which, in each case or in aggregate, in the sole and absolute opinion of the Sponsor and/or the Lead Manager (also in its capacity as the Underwriter):

- (A) is or may or will be or is likely to be adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such; or
- (B) has or may or will or is likely to have an adverse effect on the success or marketability or pricing of the Placing or the level of interest in the Placing or the distribution of the Placing Shares or the demand or market price of the Shares following the Listing; or
- (C) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing on the terms and in the manner contemplated by the Underwriting Agreement and this prospectus; or
- (D) has or may or will or is likely to have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

UNDERWRITING

Lock-up Undertakings

Undertakings pursuant to the Underwriting Agreement

Undertakings by our Company

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sponsor, the Lead Manager and the Underwriter that our Company will not, and our Controlling Shareholder has undertaken to and covenanted with the Sponsor, the Lead Manager and the Underwriter that he will procure our Company not to, without the prior written consent of the Sponsor and/or the Lead Manager (also in its capacity as the Underwriter) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Placing or the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in our Controlling Shareholder ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholder

Our Controlling Shareholder has undertaken to and covenanted with each of our Company, the Sponsor, the Lead Manager and the Underwriter that, without the prior written consent of the Sponsor and/or the Lead Manager (also in its capacity as the Underwriter) and unless in compliance with the requirements of the GEM Listing Rule), he shall not, and will procure that none of his close associates or companies controlled by him or any nominee or trustee holding in trust for him shall:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), he will take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Undertakings pursuant to the GEM Listing Rules

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that we will not issue any further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Placing (including the options to be granted under the Share Option Scheme) or for those permitted in accordance with Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholder

Our Controlling Shareholder has undertaken to our Company and to the Stock Exchange that, save as disclosed in this prospectus and except pursuant to the Placing, he will not and will procure that none of his controlled companies or associates will:

- (i) in the First-six month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) which he is shown by this prospectus to be the beneficial owner(s) immediately after completion of the Placing; and

UNDERWRITING

- (ii) in the Second-six month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares (or any interest therein) referred to in sub-paragraph (i) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company.

Provided that the above shall not prevent our Controlling Shareholder from using the securities of the Company beneficially owned by our Controlling Shareholder as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

Our Controlling Shareholder has undertaken to and covenanted with our Company, the Sponsor, the Lead Manager, the Underwriter and the Stock Exchange that:

- (i) in the event that he pledges or charges any of his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder in our Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, he must inform our Company, the Sponsor and the Lead Manager immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his interests in the Shares or other securities of our Company in sub-paragraph (i) above, he must inform our Company, the Sponsor and the Lead Manager immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters by way of announcement in accordance with Rule 17.43 of GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

Our Company and our Controlling Shareholder have agreed to indemnify the Sponsor, the Lead Manager and the Underwriter from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholder or the executive Directors of the Underwriting Agreement.

Commission and expenses

The Underwriter will receive an underwriting commission of 2.5% of the aggregate Placing Price of all Placing Shares, which are to be borne by our Company, out of which the Underwriter will pay

UNDERWRITING

any sub-underwriting commission and will be reimbursed for their reasonable expenses. The total expenses relating to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing) are estimated to be approximately S\$4.1 million, which will be payable by our Company.

Underwriter's interest in our Company

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, none of the Underwriter or any of its close associates is interested legally or beneficially in the shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase any Shares.

Compliance adviser agreement

Under a compliance adviser agreement dated 21 April 2016 and entered between Messis Capital and our Company, our Company appointed Messis Capital and Messis Capital agreed to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

Sponsor's interest in our Company

Messis Capital, being the Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to Messis Capital as the Sponsor to the Listing and as our compliance adviser, its obligations under the Underwriting Agreement and the compliance adviser agreement, its acting as compliance adviser and any interests in securities that may be subscribed by it pursuant to the Placing, neither Messis Capital nor any of its close associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Messis Capital who is involved in providing advice to our Company has or may, as a result of the Placing, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Messis Capital has a directorship in our Company or any other company in our Group.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

Applicants shall have to pay on application the Placing Price of HK\$0.4 per Placing Share plus a 1.0% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy amounting to a total of HK\$2,020.16 per board lot of 5,000 Shares.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM; and
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sponsor and/or the Lead Manager (also in its capacity as the Underwriter) and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) or such other dates as the Sponsor and/or the Lead Manager (also in its capacity as the Underwriter) may determine, but in any event not later than the date which is the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published on the website of the Stock Exchange at **www.hkexnews.com** and our Company's website at **www.zhengliholdings.com** on the next Business Day following such lapse.

THE PLACING

125,000,000 Placing Shares are being offered in the Placing, representing in aggregate 25% of our Company's enlarged share capital immediately after the completion of the Placing and the Capitalisation Issue. The Placing Shares are fully underwritten by the Underwriter pursuant to the Underwriting Agreement. It is expected that the Underwriter, on behalf of our Company, will conditionally place 125,000,000 Placing Shares at the Placing Price to selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The minimum subscription or purchase size for each subscriber of the Placing Share is 5,000 Placing Shares and thereafter in integral multiples of board lot size of 5,000 Shares. Investors subscribing for the Placing Shares are required to pay the Placing Price plus 1.0% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy for each board lot of 5,000 Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and/or other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons. Save with the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The indication of level of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at **www.hkexnews.com** and our Company's website at **www.zhengliholdings.com** on Monday, 7 November 2016.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 8 November 2016. Shares will be traded in board lots of 5,000 Shares and are fully transferable. The GEM stock code for the Share is 8283.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 October 2016

The Directors
Zheng Li Holdings Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of Zheng Li Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2014 and 2015 and the four-month period ended 30 April 2016 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2014 and 2015 and 30 April 2016 and the statement of financial position of the Company as at 30 April 2016, together with the notes thereto (the “Financial Information”), and the combined statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the four-month period ended 30 April 2015 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 1.2 of Section II below, for inclusion in the prospectus of the Company dated 31 October 2016 (the “Prospectus”) in connection with the listing of the shares of the Company on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 March 2016. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 1.2 of section II below, which was completed on 21 October 2016, the Company became the holding company of the subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1.1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1.1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) 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”). The Underlying Financial Statements for each of the years ended 31 December 2014 and 2015 and four-month period ended 30 April 2016 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information and the Interim Comparative Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants.

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 1.2 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 April 2016 and of the Company as at 30 April 2016 and of the financial performance and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Four-month period ended 30 April	
		2014	2015	2015	2016
	Notes	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
REVENUE	5	15,491	15,814	4,889	4,878
Other income and gains	5	332	542	68	320
Items of expense					
Cost of materials		(7,752)	(8,193)	(2,577)	(2,778)
Marketing and advertising expenses		(98)	(82)	(25)	(23)
Employee benefits expense	9	(3,448)	(3,575)	(1,193)	(1,490)
Depreciation of property, plant and equipment	6	(356)	(332)	(119)	(99)
Amortisation of intangible assets	6	(17)	(8)	(4)	(6)
Allowance for doubtful debts		(34)	(42)	—	(29)
Finance costs	7	(147)	(143)	(49)	(42)
Other expenses		<u>(1,359)</u>	<u>(1,927)</u>	<u>(538)</u>	<u>(1,577)</u>
Profit/(loss) before tax	6	2,612	2,054	452	(846)
Income tax expense	11	<u>(413)</u>	<u>(338)</u>	<u>(137)</u>	<u>(46)</u>
Profit/(loss) for the year/period		<u>2,199</u>	<u>1,716</u>	<u>315</u>	<u>(892)</u>
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investment:					
Changes in fair value		(87)	37	2	(19)
Income tax effect		<u>15</u>	<u>(6)</u>	<u>—</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		<u>(72)</u>	<u>31</u>	<u>2</u>	<u>(16)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		<u>2,127</u>	<u>1,747</u>	<u>317</u>	<u>(908)</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
- Basic and diluted	13	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2014	2015	30 April 2016
	Notes	S\$'000	S\$'000	S\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	3,165	2,920	2,836
Intangible assets	15	23	28	23
Available-for-sale investment	16	406	443	424
Prepayment for property, plant and equipment		—	—	10
Total non-current assets		<u>3,594</u>	<u>3,391</u>	<u>3,384</u>
CURRENT ASSETS				
Inventories	17	691	693	660
Trade and other receivables	18	1,593	2,165	2,475
Due from a director of the Company	26	4,743	—	—
Prepayments		25	136	555
Cash and cash equivalents	19	2,235	5,831	4,394
Tax recoverable		—	3	3
Total current assets		<u>9,287</u>	<u>8,828</u>	<u>8,087</u>
CURRENT LIABILITIES				
Trade and other payables	20	1,944	2,305	2,727
Due to a director of the Company	26	1,399	—	—
Interest-bearing bank and other borrowings	21	288	275	228
Tax payable		479	446	282
Total current liabilities		<u>4,110</u>	<u>3,026</u>	<u>3,237</u>
NET CURRENT ASSETS		<u>5,177</u>	<u>5,802</u>	<u>4,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,771</u>	<u>9,193</u>	<u>8,234</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	21	2,380	2,061	2,017
Deferred tax liabilities	22	45	44	37
Total non-current liabilities		<u>2,425</u>	<u>2,105</u>	<u>2,054</u>
Net assets		<u>6,346</u>	<u>7,088</u>	<u>6,180</u>
EQUITY				
Share capital	23	—	—	—
Reserves	24	6,346	7,088	6,180
Total equity		6,346	7,088	6,180

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>S\$'000</i>	Available- for-sale investment revaluation reserve <i>S\$'000</i>	Merger reserve <i>S\$'000</i>	Retained profits <i>S\$'000</i>	Total <i>S\$'000</i>
At 1 January 2014	—	—	2,363	1,856	4,219
Profit for the year	—	—	—	2,199	2,199
Other comprehensive income for the year:					
Changes in fair value of an available-for-sale investment, net of tax	—	(72)	—	—	(72)
Total comprehensive income for the year	—	(72)	—	2,199	2,127
At 31 December 2014 and 1 January 2015	<u>—</u>	<u>(72)*</u>	<u>2,363*</u>	<u>4,055*</u>	<u>6,346</u>
Profit for the year	—	—	—	1,716	1,716
Other comprehensive income for the year:					
Changes in fair value of an available-for-sale investment, net of tax	—	31	—	—	31
Total comprehensive income for the year	—	31	—	1,716	1,747
Contributions by the equity holder of a subsidiary	—	—	4,500	—	4,500
Dividends paid (<i>note 12</i>)	—	—	—	(5,505)	(5,505)
At 31 December 2015 and 1 January 2016	<u>—</u>	<u>(41)*</u>	<u>6,863*</u>	<u>266*</u>	<u>7,088</u>

	Share capital <i>S\$'000</i>	Available- for-sale investment revaluation reserve <i>S\$'000</i>	Merger reserve <i>S\$'000</i>	Retained profits <i>S\$'000</i>	Total <i>S\$'000</i>
<i>(Unaudited)</i>					
At 31 December 2014 and 1 January 2015	—	(72)	2,363	4,055	6,346
Profit for the period	—	—	—	315	315
Other comprehensive income for the period:					
Changes in fair value of an available-for-sale investment, net of tax	—	2	—	—	2
Total comprehensive income for the period	—	2	—	315	317
At 30 April 2015	<u>—</u>	<u>(70)</u>	<u>2,363</u>	<u>4,370</u>	<u>6,663</u>
At 31 December 2015 and 1 January 2016	—	(41)	6,863	266	7,088
Loss for the period	—	—	—	(892)	(892)
Other comprehensive income for the period:					
Changes in fair value of an available-for-sale investment, net of tax	—	(16)	—	—	(16)
Total comprehensive income for the period	—	(16)	—	(892)	(908)
At 30 April 2016	<u>—</u>	<u>(57)*</u>	<u>6,863*</u>	<u>(626)</u>	<u>6,180</u>

* These reserve accounts comprise the combined reserves of S\$6,346,000, S\$7,088,000 and S\$6,180,000 in the combined statements of financial position as at 31 December 2014, 2015 and 30 April 2016, respectively.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Four-month period ended 30 April	
		2014	2015	2015	2016
	Notes	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		2,612	2,054	452	(846)
Adjustments for:					
Depreciation of property, plant and equipment	6	356	332	119	99
Amortisation of intangible assets	6	17	8	4	6
Gain on disposal of property, plant and equipment	5	—	(82)	—	—
Finance costs	7	147	143	49	42
Allowance for doubtful debts	6	34	42	—	29
Inventories written off	6	18	—	—	—
Foreign exchange differences, net	6	18	19	—	(9)
Allowance for inventory obsolescence	17	110	32	234	56
		3,312	2,548	858	(623)
Increase in inventories		(29)	(34)	(113)	(23)
Decrease/(increase) in trade and other receivables		(514)	(614)	308	(339)
Increase in net amount due from a director of the Company		(1,954)	—	(1,726)	—
Decrease/(increase) in prepayments		14	(111)	(37)	(419)
(Decrease)/increase in trade and other payables		(126)	361	(53)	422
Cash generated from/(used in) operations		703	2,150	(763)	(982)
Interest paid		(95)	(108)	(30)	(22)
Income tax refunded		8	—	—	—
Income tax paid		(399)	(381)	(12)	(214)
Net cash flows from/(used in) operating activities		217	1,661	(805)	(1,218)

		Year ended 31 December	Four-month period ended 30 April		
		2014	2015	2015	2016
	Notes	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Prepayment for property plant and equipment		—	—	—	(101)
Purchase of items of property, plant and equipment		(143)	(136)	(25)	(15)
Purchase of items of intangible assets		(24)	(13)	—	(1)
Purchase of an available-for-sale investment		(493)	—	—	—
Proceeds from disposal of items of property, plant and equipment		<u>—</u>	<u>131</u>	<u>—</u>	<u>—</u>
Net cash flows used in investing activities		<u>(660)</u>	<u>(18)</u>	<u>(25)</u>	<u>(117)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares in a subsidiary		—	4,500	—	—
Proceeds from bank loans		720	—	—	—
Repayment of bank loans		(184)	(345)	(133)	(102)
Repayment of obligation under finance leases		(24)	(40)	—	—
Dividends paid		<u>—</u>	<u>(2,162)</u>	<u>—</u>	<u>—</u>
Net cash flows from/(used in) financing activities		<u>512</u>	<u>1,953</u>	<u>(133)</u>	<u>(102)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		<u>69</u>	<u>3,596</u>	<u>(963)</u>	<u>(1,437)</u>
Cash and cash equivalents at beginning of year/period					
		<u>2,166</u>	<u>2,235</u>	<u>2,235</u>	<u>5,831</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
		<u>2,235</u>	<u>5,831</u>	<u>1,272</u>	<u>4,394</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	19	2,235	5,831	1,272	4,394

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 April 2016* <i>S\$'000</i>
CURRENT ASSETS		
Cash and cash equivalents		—
Total current assets		—
NET ASSETS		—
EQUITY		
Share capital	23	—
		—
Total equity		—

* Amount below S\$1,000.

II NOTES TO THE FINANCIAL INFORMATION

1.1 GENERAL 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 Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were 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.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

Upon completion of the Reorganisation and as at the date of this report, the Company had 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 business	Issued/ registered share capital <i>S\$'000</i>	Percentage of equity attributable to the Company		Principal activities	Note
			Direct	Indirect		
			%	%		
MBM International Holdings Pte. Ltd. ("MBMI")	Singapore	4,500	100	—	Investment holding	(1)
MBM Wheelpower Pte. Ltd.	Singapore	125	—	100	Maintenance and repair of passenger cars	(1)

Company name	Place of incorporation/ registration and business	Issued/ registered share capital S\$'000	Percentage of equity attributable to the Company		Principal activities	Note
			Direct	Indirect		
			%	%		
KBS Motorsports Pte. Ltd.	Singapore	100	—	100	Modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories	(1)

Note:

- (1) The statutory financial statements for the years ended 31 December 2014 and 2015 prepared in accordance with Singapore Financial Reporting Standards ("Singapore GAAP") were audited by Ernst & Young LLP, Singapore.

1.2 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 21 October 2016. The companies now comprising the Group were under the common control of the controlling shareholder, Kelvin Lim, before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the four-month period ended 30 April 2015 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder. The combined statements of financial position of the Group as at 31 December 2014 and 2015 and 30 April 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which comprise all standards and interpretations) approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention, except for an available-for-sale investment, which has been measured at fair value. The Financial Information is presented in Singapore dollars (“SGD” or “S\$”) and all values in the tables are rounded to the nearest thousand (“S\$’000”), except when otherwise indicated.

Basis of combination

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 combination.

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 in the accounting policy for subsidiaries set out in note 2.3. 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.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information:

IFRS 9	<i>Financial Instruments</i> ³
Amendments to IFRS 2	<i>Share-based payment</i> ³
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁶
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
IFRS 15	<i>Revenue from Contracts with Customers</i> ³
IFRS 16	<i>Leases</i> ⁴
Amendments to IAS 1	<i>Disclosure Initiative</i> ¹
Amendments to IAS 7	<i>Disclosure Initiative</i> ²
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ²
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of IFRSs</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

⁶ No mandatory effective date yet determined

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

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 expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. In April 2016, the IASB published amendments to IFRS 15. 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. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019.

As set out in note 25 to the Financial Information, total operating lease commitment of the Group in respect of certain of its service centres and its office equipment as at 30 April 2016 amounted to S\$998,000. The directors of the Company are currently assessing the impact of IFRS 16 upon adoption and expect that certain portion of these lease commitments will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

In January 2016, the IASB published Amendments to IAS 7. The amendments 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. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2017.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 SUBSIDIARIES

Subsidiaries are entities, 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:

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

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.

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.

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 ASSETS

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

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

Intangible assets 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, trade and other receivables and an amount due from a director.

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 profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

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 profit or loss 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 assets 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 assets 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 combined 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.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any 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 profit or loss. 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 an investment or a group of investments 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.

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, an amount due to a director 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 first-in, first-out (FIFO) 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 combined statements 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 combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

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 profit or loss.

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 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, 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 future taxable profit will allow 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

2.23 FOREIGN CURRENCIES

The functional currency of the Company is the S\$. The functional currency of the subsidiaries incorporated in Singapore is 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. Transactions in foreign currencies are initially recorded at the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

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 Information 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 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 and 2015 and 30 April 2016 was approximately S\$3,165,000, S\$2,920,000 and S\$2,836,000, respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised and impact the profit in future years.

Impairment of an available-for-sale financial asset

The Group classifies certain assets as available-for-sale and recognises movement of their fair values in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. The carrying amount of its available-for-sale financial assets as at 31 December 2014 and 2015 and 30 April 2016 were S\$406,000, S\$443,000 and S\$424,000, respectively.

3.2 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information.

Allowance for inventory obsolescence

Allowance for inventory obsolescence is based on management's judgement using the best available facts and circumstances, including but not limited to the inventories' own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. 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 2014 and 2015 and 30 April 2016 were S\$691,000, S\$693,000 and S\$660,000, respectively.

Allowance for doubtful receivables

The Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations and makes allowance for doubtful debts accordingly. In these cases, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status and known market factors. These specific allowances are re-evaluated and adjusted as additional information received affects the amount of allowance for doubtful receivables. The carrying amount of the trade receivables as at 31 December 2014 and 2015 and 30 April 2016 is S\$614,000, S\$1,381,000 and S\$1,980,000, 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 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 combined financial information. 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 comprises 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 combination.

The Group's revenue from external customers was derived from its operations in Singapore during the Relevant Periods, and the non-current assets of the Group were located in Singapore as at 31 December 2014 and 2015 and 30 April 2016.

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 for the years ended 31 December 2014 and 2015 and four-month period ended 30 April 2016, no major customer information is presented in accordance with IFRS 8 *Operating Segments*.

	Maintenance and repair services			Modification, tuning and grooming services and trading of spare parts and accessories			Adjustments and eliminations		Total	
	2014	2015		2014	2015		2014	2015	2014	2015
	S\$'000	S\$'000		S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000
	Year ended 31 December									
Revenue:										
External customers	12,983	12,689		2,508	3,125		—	—	15,491	15,814
Intersegment	22	25		58	28		(80)	(53)	—	—
	13,005	12,714		2,566	3,153		(80)	(53)	15,491	15,814
Results:										
Cost of materials	(6,051)	(6,087)		(1,781)	(2,159)		80	53	(7,752)	(8,193)
Marketing and advertising expenses	(49)	(40)		(49)	(42)		—	—	(98)	(82)
Employee benefits expense	(2,804)	(2,863)		(644)	(712)		—	—	(3,448)	(3,575)
Depreciation and amortisation expense	(283)	(242)		(24)	(32)		—	—	(307)	(274)
Allowance for doubtful debts	(30)	(33)		(4)	(9)		—	—	(34)	(42)
Other expenses	(1,192)	(1,416)		(245)	(330)		94	144	(1,343)	(1,602)
	2,596	2,033		(181)	(131)		94	144	2,509	2,046
Segment profit/(loss)										
Unallocated other expenses									(16)	(325)
Unallocated other income									332	542
Unallocated depreciation and amortisation of other assets									(66)	(66)
Unallocated finance costs									(147)	(143)
Profit before tax									2,612	2,054
Tax expense									(413)	(338)
Profit for the year									2,199	1,716

	Maintenance and repair services			Modification, tuning and grooming services and trading of spare parts and accessories			Adjustments and eliminations			Total	
	2014	2015		2014	2015		2014	2015		2014	2015
	S\$'000	S\$'000		S\$'000	S\$'000		S\$'000	S\$'000		S\$'000	S\$'000
	As at 31 December										
Assets:											
Property, plant and equipment	600	347		45	118		—	—		645	465
Intangible assets	23	27		—	—		—	—		23	27
Segment assets	7,133	3,878		1,865	2,074		(3,767)	(1,497)		5,231	4,455
Unallocated assets *										6,982	7,272
Total assets										12,881	12,219
Liabilities:											
Segment liabilities	5,338	1,506		1,769	1,884		(3,767)	(1,497)		3,340	1,893
Unallocated liabilities *										3,195	3,238
Total liabilities										6,535	5,131
Other segment information:											
Additions to non-current assets **	162	43		3	106		—	—		165	149
Unallocated addition to non-current assets										2	—
										167	149

* 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 assets.

	Maintenance and repair services		Modification, tuning and grooming services and trading of spare parts and accessories				Adjustments and eliminations		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	Four-month period ended 30 April									
Revenue:										
External customers	4,297	3,837	592	1,041	—	—	4,889	4,878	4,878	—
Intersegment	4	23	18	2	(22)	(25)	—	—	—	—
	4,301	3,860	610	1,043	(22)	(25)	4,889	4,878	4,878	—
Results:										
Cost of materials	(2,031)	(2,005)	(568)	(798)	22	25	(2,577)	(2,778)	(2,778)	(23)
Marketing and advertising expenses	(13)	(10)	(12)	(13)	—	—	(25)	(23)	(23)	(1,457)
Employee benefits expense	(966)	(1,187)	(227)	(270)	—	—	(1,193)	(1,457)	(1,457)	(83)
Depreciation and amortisation expense	(91)	(68)	(9)	(15)	—	—	(100)	(83)	(83)	(29)
Allowance for doubtful debts	—	(7)	—	(22)	—	—	—	(29)	(29)	(493)
Other expenses	(481)	(450)	(100)	(91)	48	48	(533)	(493)	(493)	—
	719	133	(306)	(166)	48	48	461	15	15	—
Segment profit/(loss)										
Unallocated other expenses							(5)	(1,084)	(1,084)	320
Unallocated other income							68	320	320	(22)
Unallocated depreciation and amortisation of other assets							(23)	(22)	(22)	(42)
Unallocated finance costs							(49)	(42)	(42)	(33)
Unallocated employee benefit expense							—	(33)	(33)	—
Profit/(loss) before tax							452	(846)	(846)	(46)
Tax expense							(137)	(46)	(46)	—
Profit/(loss) for the period							315	(892)	(892)	—

	Maintenance and repair services		Modification, tuning and grooming services and trading of spare parts and accessories		Adjustments and eliminations		Total
	31 Dec 2015	30 Apr 2016	31 Dec 2015	30 Apr 2016	31 Dec 2015	30 Apr 2016	30 Apr 2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets:							
Property, plant and equipment	347	301	118	103	—	—	404
Intangible assets	27	23	—	—	—	—	23
Segment assets	3,878	4,083	2,074	1,941	(1,497)	(1,574)	4,455
Unallocated assets *							7,272
Total assets							11,471
Liabilities:							
Segment liabilities	1,506	1,665	1,884	1,707	(1,497)	(1,574)	1,893
Unallocated liabilities *							3,238
Total liabilities							5,131
Other segment information:							
Additions to non-current assets **	43	—	106	16	—	—	149
							16

* 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 assets

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents services rendered to customers less any discounts and invoiced trading sales of spare parts during the Relevant Periods.

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(Unaudited)</i>	
Revenue				
Maintenance and repair services	12,983	12,689	4,297	3,837
Modification, tuning and grooming services and trading of spare parts and accessories	<u>2,508</u>	<u>3,125</u>	<u>592</u>	<u>1,041</u>
	<u>15,491</u>	<u>15,814</u>	<u>4,889</u>	<u>4,878</u>
Other income and gains				
Government grants*	81	65	37	103
Rental income	85	88	28	7
Commission income from sale of passenger cars	36	249	—	185
Gain on disposal of property, plant and equipment	—	82	—	—
Others^	<u>130</u>	<u>58</u>	<u>3</u>	<u>25</u>
	<u>332</u>	<u>542</u>	<u>68</u>	<u>320</u>

* 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.

^ The amount for the year ended 31 December 2014 mainly represents compensation income received from a property developer and income from the sale of used engine oil to waste management company.

6. PROFIT/(LOSS) BEFORE TAX

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

		Year ended 31 December		Four-month period ended 30 April	
	<i>Notes</i>	2014	2015	2015	2016
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				<i>(Unaudited)</i>	
Depreciation of property, plant and equipment	14	356	332	119	99
Amortisation of intangible assets	15	17	8	4	6
Auditors' remuneration		62	51	—	—
Minimum lease payments under operating leases		558	748	248	249
Staff costs (excluding directors' and chief executive's remuneration (note 8))	9	3,050	3,192	1,075	1,333
Allowance for doubtful debts	18	34	42	—	29
Inventories written off		18	—	—	—
Foreign exchange differences, net		18	19	—	(9)
Allowance for inventory obsolescence	17	110	32	234	56
Expenses related to proposed initial public offering		—	310	—	1,043

7. FINANCE COSTS

		Year ended 31 December		Four-month period ended 30 April	
		2014	2015	2015	2016
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
				<i>(Unaudited)</i>	
Interest expenses					
- Finance lease		1	4	1	—
- Commercial property loan		89	91	30	31
- Term loans		30	24	10	5
Bank charges		27	24	8	6
		<u>147</u>	<u>143</u>	<u>49</u>	<u>42</u>

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 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.

During the relevant periods, directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries or in a capacity as employees. The remuneration of each director as recorded in the financial statements of the subsidiaries is set out below:

Year ended		Salaries, allowances and benefits	Discretionary performance-related bonuses	Pension scheme contributions	Total remuneration
31 December 2014	Fees	in kind			
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:					
Kelvin Lim	100	96	—	10	206
Chua Boon Hou	—	72	11	11	94
Lim Kong Joo	—	81	7	10	98
	<u>100</u>	<u>249</u>	<u>18</u>	<u>31</u>	<u>398</u>

Year ended		Salaries, allowances and benefits	Discretionary performance-related bonuses	Pension scheme contributions	Total remuneration
31 December 2015	Fees	in kind			
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Executive directors:					
Kelvin Lim	—	123	8	10	141
Chua Boon Hou	—	85	18	13	116
Lim Kong Joo	—	103	11	12	126
	<u>—</u>	<u>311</u>	<u>37</u>	<u>35</u>	<u>383</u>

Four-month period ended 30 April 2015 (Unaudited)	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Discretionary performance- related bonuses S\$'000	Pension scheme contributions S\$'000	Total remuneration S\$'000
Executive directors:					
Kelvin Lim	—	32	—	3	35
Chua Boon Hou	—	29	9	5	43
Lim Kong Joo	—	29	6	5	40
	<u>—</u>	<u>90</u>	<u>15</u>	<u>13</u>	<u>118</u>

Four-month period ended 30 April 2016	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Discretionary performance- related bonuses S\$'000	Pension scheme contributions S\$'000	Total remuneration S\$'000
Executive directors:					
Kelvin Lim	—	60	—	4	64
Chua Boon Hou	—	36	7	5	48
Lim Kong Joo	—	36	4	5	45
	<u>—</u>	<u>132</u>	<u>11</u>	<u>14</u>	<u>157</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. EMPLOYEE BENEFITS EXPENSE

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(Unaudited)</i>	
Directors' emoluments (note 8):				
- Fees	100	—	—	—
- Discretionary performance-related bonuses	18	37	15	11
- Salaries, allowances and benefits in kind	249	311	90	132
- Pension scheme contributions	<u>31</u>	<u>35</u>	<u>13</u>	<u>14</u>
	<u>398</u>	<u>383</u>	<u>118</u>	<u>157</u>
Staff costs (excluding directors' remuneration):				
- Pension scheme contributions	198	223	85	89
- Foreign worker levy	149	171	56	65
- Salaries and bonuses	2,454	2,637	862	1,132
- Staff welfare and others	<u>249</u>	<u>161</u>	<u>72</u>	<u>47</u>
	<u>3,050</u>	<u>3,192</u>	<u>1,075</u>	<u>1,333</u>
	<u><u>3,448</u></u>	<u><u>3,575</u></u>	<u><u>1,193</u></u>	<u><u>1,490</u></u>

10. FIVE HIGHEST PAID EMPLOYEES

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

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			<i>(Unaudited)</i>	
Salaries, allowances and benefits in kind	228	233	88	88
Discretionary performance-related bonuses	—	14	6	8
Pension scheme contributions	29	33	13	5
	<u>257</u>	<u>280</u>	<u>107</u>	<u>101</u>

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		Four-month period ended 30 April	
	Year ended 31 December		2015	2016
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
			<i>(Unaudited)</i>	
Nil to HK\$1,000,000 (equivalent to S\$183,000)	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, 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.

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis 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 Relevant Periods.

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>(Unaudited)</i>			
Current income tax				
- Current year	413	345	136	39
- Under provision in respect of previous years	—	—	—	11
	413	345	136	50
Deferred tax	—	(7)	1	(4)
Tax expense for the year/period - Singapore	<u>413</u>	<u>338</u>	<u>137</u>	<u>46</u>

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>(Unaudited)</i>			
Deferred tax credit/(charge) related to other comprehensive income:				
- Changes in fair value of an available-for-sale investment	<u>15</u>	<u>(6)</u>	<u>—</u>	<u>3</u>

A reconciliation of the tax expense applicable to profit 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:

	Year ended 31 December			
	2014		2015	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Profit before tax	<u>2,612</u>		<u>2,054</u>	
Tax at the statutory tax rate	444	17.00	349	17.00
Income not subject to tax	(7)	(0.27)	(12)	(0.58)
Expenses not deductible for tax	33	1.26	104	5.06
Tax losses not recognised	21	0.80	—	—
Utilisation of tax losses	—	—	(36)	(1.75)
Effect of partial tax exemption and tax relief	(56)	(2.14)	(46)	(2.24)
Effect of Productivity and Innovation Credit incentive	(16)	(0.61)	(18)	(0.88)
Others	<u>(6)</u>	<u>(0.23)</u>	<u>(3)</u>	<u>(0.15)</u>
Tax charged at the Group's effective tax rate	<u>413</u>	<u>15.81</u>	<u>338</u>	<u>16.46</u>

	Four-month period ended 30 April			
	2015		2016	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
<i>(Unaudited)</i>				
Profit/(loss) before tax	<u>452</u>		<u>(846)</u>	
Tax at the statutory tax rate	77	17.00	(144)	17.00
Expenses not deductible for tax	61	13.50	199	(23.52)
Tax losses not recognised	18	3.98	—	—
Utilisation of tax losses	—	—	(5)	0.59
Effect of partial tax exemption and tax relief	(15)	(3.32)	(15)	1.77
Effect of Productivity and Innovation Credit incentive	(4)	(0.88)	(3)	0.35
Under provision in respect of previous years	—	—	11	(1.30)
Others	<u>—</u>	<u>—</u>	<u>3</u>	<u>(0.35)</u>
Tax charged at the Group's effective tax rate	<u>137</u>	<u>30.30</u>	<u>46</u>	<u>(5.44)</u>

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.

As at 31 December 2014 and 2015 and 30 April 2016, the Group had tax losses of approximately S\$440,000 and S\$226,000 and S\$143,000, respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose, for which no deferred tax asset is recognised. The use of these unutilised tax losses is subject to compliance with the relevant provisions of the Singapore Income Tax Act and agreement with the Comptroller of Income Tax. Deferred tax assets have not been recognised in respect of the above tax losses as it is not considered probable that taxable profits will be available against which the unutilised tax losses can be utilised.

12. DIVIDENDS

The dividends declared and paid by a subsidiary of the Company to the then shareholder during the Relevant Periods are as follows:

Dividends paid:

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(Unaudited)</i>	
Interim dividend of S\$2,000,000 and S\$752,614 per ordinary share for the financial year ended 31 December 2015 (one-tier tax exempt)	<u>—</u>	<u>5,505</u>	<u>—</u>	<u>—</u>
	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(Unaudited)</i>	
Interim	<u>—</u>	<u>5,505</u>	<u>—</u>	<u>—</u>

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

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods as disclosed in note 1.2 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold property S\$'000	Computers S\$'000	Motor vehicles and S\$'000	Furniture and fittings S\$'000	Office equipment S\$'000	Renovation S\$'000	Tools and machinery S\$'000	Total S\$'000
31 December 2014								
At 1 January 2014:								
Cost	2,583	6	367	221	167	692	384	4,420
Accumulated depreciation	(52)	(5)	(154)	(56)	(117)	(412)	(246)	(1,042)
Net carrying amount	<u>2,531</u>	<u>1</u>	<u>213</u>	<u>165</u>	<u>50</u>	<u>280</u>	<u>138</u>	<u>3,378</u>
At 1 January 2014, net of accumulated depreciation	2,531	1	213	165	50	280	138	3,378
Additions	—	—	2	53	30	9	49	143
Depreciation provided during the year (<i>note 6</i>)	(52)	(1)	(65)	(45)	(21)	(115)	(57)	(356)
At 31 December 2014, net of accumulated depreciation	<u>2,479</u>	<u>—</u>	<u>150</u>	<u>173</u>	<u>59</u>	<u>174</u>	<u>130</u>	<u>3,165</u>
At 31 December 2014:								
Cost	2,583	6	369	274	197	701	433	4,563
Accumulated depreciation	(104)	(6)	(219)	(101)	(138)	(527)	(303)	(1,398)
Net carrying amount	<u>2,479</u>	<u>—</u>	<u>150</u>	<u>173</u>	<u>59</u>	<u>174</u>	<u>130</u>	<u>3,165</u>

	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
31 December 2015								
At 1 January 2015:								
Cost	2,583	6	369	274	197	701	433	4,563
Accumulated depreciation	(104)	(6)	(219)	(101)	(138)	(527)	(303)	(1,398)
Net carrying amount	<u>2,479</u>	<u>—</u>	<u>150</u>	<u>173</u>	<u>59</u>	<u>174</u>	<u>130</u>	<u>3,165</u>
At 1 January 2015, net of accumulated depreciation	2,479	—	150	173	59	174	130	3,165
Additions	—	—	80	19	3	—	34	136
Disposal	—	—	(49)	—	—	—	—	(49)
Depreciation provided during the year (<i>note 6</i>)	<u>(52)</u>	<u>—</u>	<u>(62)</u>	<u>(55)</u>	<u>(21)</u>	<u>(84)</u>	<u>(58)</u>	<u>(332)</u>
At 31 December 2015, net of accumulated depreciation	<u>2,427</u>	<u>—</u>	<u>119</u>	<u>137</u>	<u>41</u>	<u>90</u>	<u>106</u>	<u>2,920</u>
At 31 December 2015:								
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	<u>2,427</u>	<u>—</u>	<u>119</u>	<u>137</u>	<u>41</u>	<u>90</u>	<u>106</u>	<u>2,920</u>

	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
30 April 2016								
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	<u>2,427</u>	<u>—</u>	<u>119</u>	<u>137</u>	<u>41</u>	<u>90</u>	<u>106</u>	<u>2,920</u>
At 1 January 2016, net of accumulated depreciation	2,427	—	119	137	41	90	106	2,920
Additions	—	—	—	—	7	—	8	15
Depreciation provided during the period (<i>note 6</i>)	(17)	—	(15)	(18)	(7)	(26)	(16)	(99)
At 30 April 2016, net of accumulated depreciation	<u>2,410</u>	<u>—</u>	<u>104</u>	<u>119</u>	<u>41</u>	<u>64</u>	<u>98</u>	<u>2,836</u>
At 30 April 2016:								
Cost	2,583	6	400	293	207	701	475	4,665
Accumulated depreciation	(173)	(6)	(296)	(174)	(166)	(637)	(377)	(1,829)
Net carrying amount	<u>2,410</u>	<u>—</u>	<u>104</u>	<u>119</u>	<u>41</u>	<u>64</u>	<u>98</u>	<u>2,836</u>

The carrying amount of the Group's motor vehicles held under finance lease as at 31 December 2014 was approximately S\$71,000.

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 2014 and 2015 and 30 April 2016 was S\$2,479,000, S\$2,427,000 and S\$2,410,000 respectively and the property was mortgaged as security for the facilities as set out in Note 21 to the Financial Information.

15. INTANGIBLE ASSETS

	Software <i>S\$'000</i>
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	16
Additions	24
Amortisation provided during the year (<i>note 6</i>)	<u>(17)</u>
At 31 December 2014, net of accumulated amortisation	<u>23</u>
At 31 December 2014:	
Cost	94
Accumulated amortisation	<u>(71)</u>
Net carrying amount	<u>23</u>
31 December 2015	
Cost at 1 January 2015 net of accumulated amortisation	23
Additions	13
Amortisation provided during the year (<i>note 6</i>)	<u>(8)</u>
At 31 December 2015	<u>28</u>
At 31 December 2015:	
Cost	107
Accumulated amortisation	<u>(79)</u>
Net carrying amount	<u>28</u>

Software
S\$'000

30 April 2016

Cost at 1 January 2016, net of accumulated amortisation	28
Additions	1
Amortisation provided during the period (<i>note 6</i>)	<u>(6)</u>
At 30 April 2016, net of accumulated amortisation	<u>23</u>
At 30 April 2016:	
Cost	108
Accumulated amortisation	<u>(85)</u>
Net carrying amount	<u>23</u>

As at 31 December 2014, 2015 and 30 April 2016, the software of the Group has remaining useful life of not more than 3 years.

16. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	As at 30 April
	2014	2015
	2016	
	<i>S\$'000</i>	<i>S\$'000</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Life insurance policy, at fair value	<u>406</u>	<u>443</u>
		<u>424</u>

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.

The changes in fair value of the Group's available-for-sale investment, net of tax, recognised in other comprehensive income amounted to a loss of S\$72,000 and a gain of S\$31,000 and a gain of S\$2,000 and a loss of S\$16,000 for the years ended 31 December 2014 and 2015 and four-month period ended 30 April in 2015 and 2016, respectively.

17. INVENTORIES

	As at 31 December	As at 30 April	
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Spare parts and accessories	691	693	660

Inventories are stated net of allowance for inventory obsolescence of S\$110,000, S\$142,000 and S\$198,000 as at 31 December 2014 and 2015 and 30 April 2016, respectively. During the financial years ended 31 December 2014 and 2015 and four-month period ended 2015 and 2016, allowances for inventory obsolescence amounting to S\$110,000, S\$32,000, S\$234,000 and S\$56,000 were recognised for the respective periods.

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	As at 30 April	
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Trade receivables	648	1,457	2,085
Impairment of trade receivables	<u>(34)</u>	<u>(76)</u>	<u>(105)</u>
Trade receivables, net	614	1,381	1,980
Other receivables	761	302	77
Deposits	<u>218</u>	<u>482</u>	<u>418</u>
	<u>1,593</u>	<u>2,165</u>	<u>2,475</u>

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 aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the date of the products sold or services rendered, is as follows:

	As at 31 December	As at 30 April
	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>
		2016
		<i>S\$'000</i>
Less than 30 days	328	928
30- 60 days	167	305
61- 90 days	41	196
91-120 days	42	81
More than 120 days	<u>36</u>	<u>470</u>
	<u>614</u>	<u>1,980</u>

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

	As at 31 December	As at 30 April
	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>
		2016
		<i>S\$'000</i>
At 1 January	—	76
Impairment losses recognised (Note 6)	<u>34</u>	<u>29</u>
At 31 December	<u>34</u>	<u>105</u>

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. Trade receivables that are individually determined to be impaired at the end of each of the Relevant Periods 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 aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December	As at 30 April
	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>
	<i>2016</i>	<i>S\$'000</i>
Neither past due nor impaired	328	632
Past due but not impaired:		
Less than 30 days	167	187
30- 60 days	41	98
61- 90 days	42	38
91-120 days	17	20
More than 120 days	19	406
	<u>286</u>	<u>749</u>
	<u>614</u>	<u>1,381</u>
		<u>1,052</u>
		<u>1,980</u>

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.

19. CASH AND CASH EQUIVALENTS

	As at 31 December	As at 30 April
	2014	2015
	<i>S\$'000</i>	<i>S\$'000</i>
	<i>2016</i>	<i>S\$'000</i>
Cash and bank balances	<u>2,235</u>	<u>5,831</u>
		<u>4,394</u>

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:

	As at 31 December				As at 30 April	
	2014		2015		2016	
	<i>Local currency \$'000</i>	<i>S\$'000</i>	<i>Local currency \$'000</i>	<i>S\$'000</i>	<i>Local currency \$'000</i>	<i>S\$'000</i>
United States Dollars	3	6	3	4	3	4
Euro	1	2	1	2	1	2
British Pound Sterling	3	6	3	6	3	6

20. TRADE AND OTHER PAYABLES

	As at 31 December		As at 30 April
	2014	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	932	1,153	1,323
Other payables	328	542	171
Deposits received from customers	49	342	102
Accrued expenses	<u>635</u>	<u>268</u>	<u>1,131</u>
	<u>1,944</u>	<u>2,305</u>	<u>2,727</u>

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

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

	As at 31 December		As at 30 April
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Less than 30 days	548	563	638
30- 60 days	344	502	496
61- 90 days	6	59	151
91-120 days	7	1	1
More than 120 days	<u>27</u>	<u>28</u>	<u>37</u>
	<u>932</u>	<u>1,153</u>	<u>1,323</u>

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December				As at 30 April	
	2014		2015		2016	
	Maturity	S\$'000	Maturity	S\$'000	Maturity	S\$'000
Current						
Commercial property loan ("CPL")	2015	9	2016	7	2017	7
Term loans:						
- S\$ loan at bank's Business Board Rate ("BBR") + 2.0% per annum	2015	115	2016	138	2017	97
- US\$ loan at bank's 3-month Cost of Funds ("COF") + 1.0% per annum	2015	120	2016	130	2017	124
Obligations under finance leases (note 25)	2015	19	—	—	—	—
Trust receipts financing (unsecured)	2015	<u>25</u>	—	<u>—</u>	2017	<u>—</u>
		<u>288</u>		<u>275</u>		<u>228</u>

APPENDIX I
ACCOUNTANTS' REPORT

	As at 31 December 2014		2015		As at 30 April 2016	
	<i>Maturity</i>	<i>S\$'000</i>	<i>Maturity</i>	<i>S\$'000</i>	<i>Maturity</i>	<i>S\$'000</i>
Non-current						
Commercial property loan ("CPL") 2016-2042		2,017	2017-2042	1,973	2017-2042	1,975
Term loans:						
- S\$ loan at bank's Business Board Rate ("BBR") + 2.0% per annum	2016	139	—	—	—	—
- US\$ loan at bank's 3-month Cost of Funds ("COF") + 1.0% per annum	2016	203	2017	88	2017	42
Obligations under finance leases (note 25)	2016	21	—	—	—	—
		<u>2,380</u>		<u>2,061</u>		<u>2,017</u>
Total		<u>2,668</u>		<u>2,336</u>		<u>2,245</u>

	As at 31 December 2014		As at 30 April 2016	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Analysed into:				
Within one year	288	275	228	
In the second year	316	93	63	
In the third to fifth years	222	121	123	
Over five years	<u>1,842</u>	<u>1,847</u>	<u>1,831</u>	
	<u>2,668</u>	<u>2,336</u>	<u>2,245</u>	

Commercial property loan

The property loan from a financial institution is repayable over 30 years from October 2012. The Group's property loan is secured by way of personal guarantee provided by a Director of the Group and a legal mortgage of the Group's freehold property which had carrying amounts of S\$2,479,000, S\$2,427,000 and S\$2,410,000 at 31 December 2014 and 2015 and 30 April 2016, respectively (note 14).

Commercial property loan bears interest at:

- 1st year at 4.22% per annum below the bank's prevailing CPL Board rate currently at 5.5%.
- 2nd year at 4.02% per annum below the bank's prevailing CPL Board rate currently at 5.5%.
- 3rd year at 2.22% per annum below the bank's prevailing CPL Board rate currently at 5.5%.
- Thereafter at 0.25% per annum below the bank's prevailing CPL Board rate currently at 5.5%.

S\$ and US\$ term loans

The Group's term loans are supported by way of personal guarantee provided by a Director of the Group.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (note 25). The average discount rate implicit in the leases in 2014 was 3.72%.

Trust receipts financing (unsecured)

Trust receipts bear interest at 1.5% per annum over the bank's prime lending rate currently at 5% for all Singapore Dollar denominated bills.

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

	As at 31 December 2014 S\$'000	As at 30 April 2015 S\$'000	2016 S\$'000
United States Dollars	<u>323</u>	<u>218</u>	<u>166</u>

22. DEFERRED TAX LIABILITIES

	Statement of financial position			Other comprehensive income		Profit or loss		Other comprehensive income		Profit or loss	
	As at		As at	Year ended		31 December		Four-month period ended		30 April	
	2014	2015	2016	2014	2015	2014	2015	2015	2016	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
								(Unaudited)	(Unaudited)		
Deferred tax liabilities:											
Differences in											
depreciation for tax											
purpose	(60)	(53)	(49)	—	—	—	7	—	—	(1)	4
Deferred tax assets:											
Revaluations of fair value											
on an											
available-for-sale											
investment	15	9	12	15	(6)	—	—	—	3	—	—
	(45)	(44)	(37)								

23. 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\$ 380,000.00 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.

**Four-month period
ended 30 April 2016**
S\$'000

Issued and fully paid:
10,000 ordinary shares

—*

* The issued capital as at 30 April 2016 was HK\$100.

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.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity.

Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of the acquired entities under common control as disclosed in note 1.1.

The addition of S\$4,500,000 during the year ended 31 December 2015 represents the subscription of shares in a subsidiary.

25. LEASE ARRANGEMENTS**Operating lease commitments — as lessee**

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

At 31 December 2014 and 2015 and 30 April 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 30 April
	2014	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Within one year	747	740	697
In the second to fifth years, inclusive	<u>1,250</u>	<u>510</u>	<u>301</u>
	<u>1,997</u>	<u>1,250</u>	<u>998</u>

Finance lease commitment — as lessee

The Group had finance leases for certain items of motor vehicles. These leases are classified as finance leases and have remaining lease terms of two years as of 31 December 2014. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments were as follows:

	As at 31 December 2014		2015		As at 30 April 2016	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one year	20	19	—	—	—	—
Later than one year but not later than five years	22	21	—	—	—	—
	42	40	—	—	—	—
Less: Amounts representing finance charges	(2)	—	—	—	—	—
Present value of finance lease liabilities	40	40	—	—	—	—

The finance leases had been fully repaid in year 2015.

26. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The outstanding balances with a related party are as follows:

(1) Due from a director

	As at 31 December	As at 30 April
	2014	2015
	2016	
	<i>S\$'000</i>	<i>S\$'000</i>
Kelvin Lim (i)	<u>4,743</u>	<u>—</u>

(2) Due to a director

	As at 31 December	As at 30 April
	2014	2015
	2016	
	<i>S\$'000</i>	<i>S\$'000</i>
Kelvin Lim (i)	<u>1,399</u>	<u>—</u>

(3) Maximum outstanding with a director during the Relevant Period:

	As at 31 December	As at 30 April
	2014	2015
	2016	
	<i>S\$'000</i>	<i>S\$'000</i>
Due from Kelvin Lim	<u>4,743</u>	<u>5,505</u>

Note:

- (i) The balances with a director are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values. The outstanding balances due from / to a director, on a net basis, have been settled against the 2015 interim dividends of approximately S\$3,343,000 during the year ended 31 December 2015.

(b) Significant related party transactions during the Relevant Periods are as follows:

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(unaudited)</i>	
Rental income received from a director-related company	—	28	—	—
Cost of materials purchased from a director-related company	—	21	—	—

The transactions were paid to Werkz Incorporation Pte. Ltd., a company of which Kelvin Lim was a director from 22 May 2015 to 25 September 2015, under prices mutually agreed by both parties.

(c) Personal guarantee by a director

The Group's commercial property loan and term loans in S\$ and US\$ were supported by way of personal guarantee provided by Kelvin Lim, a director of the Company.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December		Four-month period ended 30 April	
	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
			<i>(unaudited)</i>	
Fees	100	—	—	—
Salaries, allowances and benefits in kind	249	311	90	132
Discretionary performance-related bonuses	18	37	15	11
Pension scheme contributions	31	35	13	14
	<u>398</u>	<u>383</u>	<u>118</u>	<u>157</u>

Further details of Directors' emoluments are included in note 8 to the Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2014

	Loans and receivables	Available-for- sale financial assets	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Financial assets			
Available-for-sale investment	—	406	406
Trade and other receivables	1,593	—	1,593
Due from a director of the Company	4,743	—	4,743
Cash and cash equivalents	<u>2,235</u>	<u>—</u>	<u>2,235</u>
	<u>8,571</u>	<u>406</u>	<u>8,977</u>
		Financial liabilities at amortised cost	
		<i>S\$'000</i>	
Financial liabilities			
Financial liabilities included in trade and other payables			1,895
Due to a director of the Company			1,399
Interest-bearing bank and other borrowings			<u>2,668</u>
			<u>5,962</u>

As at 31 December 2015

	Loans and receivables <i>S\$'000</i>	Available-for- sale financial assets <i>S\$'000</i>	Total <i>S\$'000</i>
Financial assets			
Available-for-sale investment	—	443	443
Trade and other receivables	2,165	—	2,165
Cash and cash equivalents	<u>5,831</u>	<u>—</u>	<u>5,831</u>
	<u>7,996</u>	<u>443</u>	<u>8,439</u>

As at 31 December 2015

	Financial liabilities at amortised cost <i>S\$'000</i>
Financial liabilities	
Financial liabilities included in trade and other payables	1,963
Interest-bearing bank and other borrowings	<u>2,336</u>
	<u>4,299</u>

As at 30 April 2016

	Loans and receivables <i>S\$'000</i>	Available-for- sale financial assets <i>S\$'000</i>	Total <i>S\$'000</i>
Financial assets			
Available-for-sale investment	—	424	424
Trade and other receivables	2,475	—	2,475
Cash and cash equivalents	<u>4,394</u>	<u>—</u>	<u>4,394</u>
	<u>6,869</u>	<u>424</u>	<u>7,293</u>

**Financial liabilities at
amortised cost**
S\$'000

Financial liabilities

Financial liabilities included in trade and other payables	2,625
Interest-bearing bank and other borrowings	<u>2,245</u>
	<u><u>4,870</u></u>

28. 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		
	As at 31 December	As at 30 April	
	2014	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Financial assets			
Available-for-sale investment	406	443	424
Trade and other receivables	1,593	2,165	2,475
Due from a director of the Company	4,743	—	—
Cash and cash equivalents	<u>2,235</u>	<u>5,831</u>	<u>4,394</u>
	<u><u>8,977</u></u>	<u><u>8,439</u></u>	<u><u>7,293</u></u>

	Fair values		
	As at 31 December	As at 30 April	
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Financial assets			
Available-for-sale investment	406	443	424
Trade and other receivables	1,593	2,165	2,475
Due from a director of the Company	4,743	—	—
Cash and cash equivalents	<u>2,235</u>	<u>5,831</u>	<u>4,394</u>
	<u>8,977</u>	<u>8,439</u>	<u>7,293</u>

	Carrying amounts		
	As at 31 December	As at 30 April	
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Financial liabilities			
Financial liabilities included in trade and other payables	1,895	1,963	2,625
Due to a director of the Company	1,399	—	—
Interest-bearing bank and other borrowings	<u>2,668</u>	<u>2,336</u>	<u>2,245</u>
	<u>5,962</u>	<u>4,299</u>	<u>4,870</u>

	Fair values		
	As at 31 December	As at 30 April	
	2014	2015	2016
	S\$'000	S\$'000	S\$'000
Financial liabilities			
Financial liabilities included in trade and other payables	1,895	1,963	2,625
Due to a director of the Company	1,399	—	—
Interest-bearing bank and other borrowings	<u>2,668</u>	<u>2,336</u>	<u>2,245</u>
	<u>5,962</u>	<u>4,299</u>	<u>4,870</u>

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, an amount due from/(to) a director 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.

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 Information.

29. 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 Information.

Foreign currency risk

The Group has currency exposures arising from sales, purchases and interest-bearing bank and other borrowing 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 United States dollar.

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

The following demonstrates the sensitivity to a reasonably possible change in United States dollar against the Singapore dollar, with all other variables held constant, of the Group's profit before tax:

	Year ended		Four - month	
	31 December		period ended	
	2014	2015	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>(Unaudited)</i>			
US\$ against S\$				
- strengthened 6%	(19)	(13)	(10)	(14)
- weakened 6%	19	13	10	14

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.

As at 31 December 2014 and 2015 and 30 April 2016, the Group had interest-bearing bank and other borrowings of S\$2,668,000, S\$2,336,000 and S\$2,245,000, respectively. If SGD interest rates had been 300 basis points higher/lower with all other variables held constant, the Group's profit before tax would have been S\$79,000 and S\$70,000 lower/higher for the years ended 31 December 2014 and 2015 respectively and loss before tax would have been S\$67,000 higher/lower for the four-month period ended 30 April 2016, arose 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:

As at 31 December 2014	Within 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial liabilities included in trade and other payables	1,895	—	—	1,895
Due to a director of the Company	1,399	—	—	1,399
Interest-bearing bank and other borrowings	<u>378</u>	<u>885</u>	<u>2,952</u>	<u>4,215</u>
	<u>3,672</u>	<u>885</u>	<u>2,952</u>	<u>7,509</u>
As at 31 December 2015	Within 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial liabilities included in trade and other payables	1,963	—	—	1,963
Interest-bearing bank and other borrowings	<u>379</u>	<u>580</u>	<u>2,972</u>	<u>3,931</u>
	<u>2,342</u>	<u>580</u>	<u>2,972</u>	<u>5,894</u>
As at 30 April 2016	Within 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Total S\$'000
Financial liabilities included in trade and other payables	2,625	—	—	2,625
Interest-bearing bank and other borrowings	<u>328</u>	<u>550</u>	<u>2,927</u>	<u>3,805</u>
	<u>2,953</u>	<u>550</u>	<u>2,927</u>	<u>6,430</u>

Capital management

The primary objective of the Group's capital management is 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 shareholder or issue new shares. No changes were made to the objectives, policies or processes for the financial years ended 31 December 2014 and 2015 and four-month period ended 30 April 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 as at the end of each of the Relevant Periods are as follows:

	As at 31 December 2014	As at 30 April 2015	As at 30 April 2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Interest-bearing bank and other borrowings	2,668	2,336	2,245
Equity attributable to owners of the Company	<u>6,346</u>	<u>7,088</u>	<u>6,180</u>
Gearing ratio	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>

30. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed in the Accountants' Report, no material events after the reporting period should be disclosed.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of its subsidiaries now comprising the Group in respect of any period subsequent to 30 April 2016.

Yours faithfully,

Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is set forth to illustrate the effect of the Placing on our net tangible assets as of 30 April 2016 as if it had taken place on 30 April 2016. The unaudited pro forma statement of net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as of 30 April 2016 or any future date following the Placing. It is prepared based on our audited net assets as of 31 December as set forth in the accountants' report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of our Company as at 30 April 2016 (note 1)	Estimated net proceeds from the Placing (note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets per share (note 3, 4)	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$</i>	<i>HK\$ equivalent</i>
Based on the Placing					
Price of HK\$0.4 per Share	6,157	5,918	12,075	0.02	0.12

Notes:

- (1) The audited combined net tangible assets attributable to owners of our Company as of 30 April 2016 is extracted from the accountants' report as set forth in Appendix I to this prospectus, which is based on the audited combined net assets attributable to owners of our Company of approximately S\$6,180,000 excluding intangible asset of approximately S\$23,000 as of 30 April 2016.
- (2) The estimated net proceeds from the Placing are based on the Placing Price of HK\$0.4, after deduction of the underwriting fees and other related expenses (excluding approximately S\$1,353,000 expenses related to the Listing which have been accounted for prior to 30 April 2016).
- (3) The unaudited pro forma adjusted net tangible assets per Share is determined after the adjustments as described in notes 1 and 2 above and on the basis that 500,000,000 Shares are issued and outstanding (being the number of Shares expected to be in issue immediately after completion of the Placing and the Capitalisation Issue).
- (4) No adjustment has been made to reflect any trading results or other transactions entered into by our Group subsequent to 30 April 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma financial information of the Group.

To the Directors of Zheng Li Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zheng Li Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 30 April 2016 and related notes as set out on page II-1 of the prospectus dated 31 October 2016 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section (A) of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of placing of shares of the Company on the Group's financial position as at 30 April 2016 as if the transaction had taken place at 30 April 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 April 2016, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

31 October 2016

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus and received from DTZ Cushman & Wakefield Limited (a member of Cushman & Wakefield), an independent property valuer, in connection with its opinion of value of the property of Zheng Li Holdings Limited in Singapore as at 31 July 2016.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

31 October 2016

The Directors
Zheng Li Holdings Limited
176 Sin Ming Drive,
#01-15 Sin Ming Autocare,
Singapore 575721

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with the instructions from Zheng Li Holdings Limited (the “Company”) for us to value the property in which Zheng Li Holdings Limited and its subsidiaries (hereinafter together referred to as the “Group”) have interests in Singapore (as more particularly described in the attached valuation certificate), we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property as at 31 July 2016.

Basis of Valuation

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis and Assumptions

In valuing the property, we have complied with the requirements set out in Chapter 8 of the GEM Listing Rules and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuation excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property in Singapore, we have assumed that, unless otherwise stated, the transferable land use rights in respect of the property for a specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group regarding the title to the property and the interests of the Group in the property. In valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted.

In respect of the property situated in Singapore, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Group are set out in the notes of the valuation certificate.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

In valuing the property which is held by the Group for owner occupation in Singapore, we have used the Direct Comparison Method assuming sale of the property in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

Sources of Information

We have been provided by the Group with extracts of documents in relation to the titles and planning to the property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group regarding the title to the property and the interests of the Group in the property. In respect of the property in Singapore, we have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have caused searches to be made at Singapore Land Authority in Singapore relating to the title of the property in Singapore. However, we have not searched the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us.

Site Inspection

Kenneth Tan, Senior Manager of our Singapore Office, inspected the exterior and, wherever possible, the interior of the property on 18 January 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary sums stated in our valuation are in Singapore Dollars (“SGD”), the official currency of Singapore.

We enclose herewith our valuation certificate.

Yours faithfully,

for and on behalf of

DTZ Cushman & Wakefield Limited

Andrew K.F. Chan

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MSc, MHKIS

Regional Director, Valuation & Advisory Services, Greater China

Notes:

- (1) DTZ Cushman & Wakefield Limited is a member of the global brand Cushman & Wakefield, which is the operating entity in the Greater China region.
- (2) Mr. Andrew K.F. Chan is a Registered Professional Surveyor (General Practice) who has over 29 years’ experience in the valuation of properties in Hong Kong, the PRC and other Asian countries.
- (3) Mr. Kenneth Tan from Cushman & Wakefield Singapore Office is a member of the Singapore Institute of Surveyors and Valuers and has obtained appraiser license from Inland Revenue Authority of Singapore. He has over 10 years’ relevant experience in Singapore and he has provided his professional support to Mr. Andrew K.F. Chan for the valuation done. It is a common professional practice for us to carry out valuation by our global network.

VALUATION CERTIFICATE

Property held by the Group for owner-occupation in Singapore

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2016
A warehouse unit in 9 Tagore Lane #03-10, 9@Tagore, Singapore 787472	<p>The property comprises a strata-titled industrial unit on the 3rd storey of a 4-storey ramp-up industrial development with a basement carpark, known as 9@Tagore. It was completed circa 2012.</p> <p>The property is located along Tagore Lane, off Tagore Road. It is approximately 13 km, north from the city centre at Raffles Place.</p> <p>The property is well served by major roads and expressways such as Upper Thomson Road, Yio Chu Kang Road, Seletar Expressway (SLE) and Central Expressway (CTE) which provide efficient links to the city and other parts of the Island. Public transportation is readily available along Upper Thomson Road.</p> <p>Developments in the immediate vicinity are mixed in nature comprising light industrial buildings, landed factories and warehouses, private landed housing estates, condominium/apartment developments and public HDB housing estates.</p> <p>The property has a strata floor area of 521 sq.m. including a void area of 231 sq.m. (please see note (4)).</p> <p>The property has an estate in perpetuity (freehold) tenure.</p>	As at the valuation date, the property was owner-occupied as a warehouse.	<p>SGD2,600,000</p> <p>(100% interest attributable to the Group: SGD2,600,000)</p>

Notes:-

- (1) According to Strata Certificate of Title Volume 1477 Folio 187 dated 13 December 2012, the registered proprietor for the property is MBM International Holdings Pte. Ltd. for perpetuity at a consideration of SGD2,511,313 on 13 October 2012.
- (2) According to the title search made at Singapore Land Authority, the registered proprietor for the property is MBM International Holdings Pte. Ltd. for perpetuity. The property is subject to a mortgage in favour of Oversea-Chinese Banking Corporation Limited lodged on 25 January 2013. According to a letter dated 6 October 2016, the mortgage with Oversea-Chinese Banking Corporation Limited has been paid up by a loan with Citibank, N.A., Singapore Branch and Citibank, N.A., Singapore Branch will lodge a mortgage over the property.
- (3) According to the Urban Redevelopment Authority Master Plan 2014, the property is zoned for B1 industrial use, which is the highest and best use of the property.
- (4) According to Singapore Land Authority, a void area refers to the empty space above the floor in a strata unit but the area is included in the total saleable floor area of the strata unit. A strata unit refers to a unit allotted to any building/development that has been approved by the relevant authority for strata subdivision, which refers to sectioning of land to comprise one or more units that may or may not be on the same level. The owners of the units enjoy the right to exclusive use and possession of the units.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 March 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 21 October 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) *Accounts and audit*

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 17 March 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 12 April 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available for Inspection — 2. Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on 17 March 2016. Our registered office is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. We have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance since 20 October 2016 at 9/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong. Mr. Chua and Mr. WONG Cheung Ki Johnny have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of certain company law of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$380,000.00 divided into 38,000,000 ordinary shares of par value HK\$0.01 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus. On 17 March 2016, one subscriber Share was transferred by its subscriber to Mr. Lim at par value. On the same date, 999 Shares were allotted and issued to Mr. Lim, at par value. On 21 April 2016, 6,500 Shares and 2,500 Share (credited as fully paid) were allotted and issued by us to Mr. Lim and the Pre-IPO Investor, respectively. Following which Mr. Lim and the Pre-IPO Investor became the direct shareholders of our Company.

On 21 October 2016, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of par value HK\$0.01 each by the creation of an additional 1,962,000,000 ordinary shares with a par value of HK\$0.01 each.

Immediately following the completion of the Placing and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$5,000,000, divided into 500,000,000 Shares of par value HK\$0.01 each, all fully paid or credited as fully paid and 1,500,000,000 Shares of par value HK\$0.01 each will remain unissued.

Save for aforesaid and as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 21 October 2016

Pursuant to the resolutions in writing passed by our Shareholders on 21 October 2016, among other matters:

- (a) our Company approved and adopted the Memorandum of Association and the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000.00 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 ordinary shares by the creation of an additional 1,962,000,000 ordinary shares with a par value of HK\$0.01 each ranking *pari passu* in all respects with the Shares in issue at the date of passing these resolutions;
- (c) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Placing Shares pursuant to the Placing, our Directors be authorised to capitalise the sum of up to HK\$3,749,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 374,990,000 Shares for allotment and issue to the Shareholders whose names were on the register of members or the principal share register of our Company as at the date of close of business on 1 November 2016 in proportion to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing Issued Shares;
- (d) conditional on (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, and the Placing Shares as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme); and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the Placing be approved and our Directors be authorised to allot and issue the new Shares pursuant to the Placing;
 - (ii) the proposed Listing of the Shares on GEM be approved and our Directors be authorised to implement such Listing; and
 - (iii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers,

agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of options granted pursuant to the Share Option Scheme or (d) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (e) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (but excluding any options which may be granted under the Post-IPO Share Option Scheme) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (iv) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);

- (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal or par value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (but excluding) any options which may be granted under the Share Option Scheme), such mandate to remain in effect during the Applicable Period; and
- (v) the general unconditional mandate mentioned in paragraph (iii) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of our Company’s share capital in issue immediately following completion of the Placing and Capitalisation Issue; and

- (e) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and (2) the commencement of trading of the Shares on GEM, (i) the adoption of the Share Option Scheme was approved and (ii) our Board was authorised to allot, issue and deal with Shares pursuant to the exercise of any options granted pursuant to the Share Option Scheme.

4. Corporate reorganisation

The companies comprising our Group underwent the reorganisation in preparation for the Listing. Please see “History, Reorganisation and Corporate Structure” for further details.

5. Changes in share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) On 4 January 2016, Valiant World subscribed for a total of 250 new ordinary shares in MBMI, representing 25% of the issued share capital of MBMI as enlarged by such subscription, for a total consideration of SGD4,500,000 (equivalent to approximately HK\$25,650,000).
- (b) On 21 October 2016, pursuant to a share acquisition agreement, our Company acquired the entire equity interest in MBMI from their respective shareholders at the nominal value of S\$1. As a result of this share acquisition, MBMI becomes a wholly-owned subsidiary of our Group.

Save as disclosed in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further information about our Singapore’s establishments

We have interest in the registered capital of three companies in Singapore. A summary of the corporate information as at the Latest Practicable Date is set out as follows:

Name:	MBM International Holdings Pte. Ltd.
Date of establishment:	22 August 2012
Place of establishment:	Singapore
Company Type:	Limited Exempted Private Company
Issued and Paid-Up Capital:	S\$4,500,002

Name:	KBS Motorsports Pte. Ltd.
Date of establishment:	7 April 2005
Place of establishment:	Singapore
Company Type:	Limited Private Company
Issued and Paid-Up Capital:	S\$100,000

Name:	MBM Wheelpower Pte. Ltd.
Date of establishment:	15 May 2002
Place of establishment:	Singapore
Company Type:	Limited Private Company
Issued and Paid-Up Capital:	S\$125,000

7. Repurchase of our Company's own Shares

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on 21 October 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal or par value of our Company's share capital in issue immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles of Association of our Company, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company or out of proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both the profits of our Company or the share premium account of our Company, before or at the time the shares are repurchased, or, if so authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and cancelled and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year,

half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly selling his shares to the company.

(b) **Reasons for repurchases**

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) **Funding of repurchases**

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) **General**

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Placing and Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme), could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the GEM Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts



The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or our subsidiaries within the two years preceding the date of this prospectus which are or may be material:

- (a) the Subscription Agreement dated 16 December 2015 entered into between MBMI and Valiant World, details of which are set out in “History, Reorganisation and Corporate Structure — Reorganisation — Pre-IPO investment by Valiant World — The pre-IPO investment”;
- (b) a share acquisition agreement dated 21 October 2016 and entered into between Mr. Lim and Valiant World and our Company, under which our Company acquired the entire equity interest in MBMI from its then shareholders which were Mr. Lim and Valiant World at the nominal value of S\$1.00. For further details, please see “History, Reorganisation and Corporate Structure — Establishment of our offshore listing structure — Establishment of our Company”;
- (c) the Deed of Non-competition dated 21 October 2016 and entered into between our Controlling Shareholder and our Company (for ourselves and as trustee for each of our subsidiaries), under which, our Controlling Shareholder have given certain undertakings to our Company, details of which are set out in “Relationship with Controlling Shareholder — Non-competition undertaking”;
- (d) the Deed of Indemnity dated 21 October 2016 and entered into between our Controlling Shareholder and our Company (for ourselves and as trustee for each of our subsidiaries), under which, our Controlling Shareholder have agreed to give certain indemnities in favour of our Group; and
- (e) the Underwriting Agreement.


2. Our intellectual property rights

Trademarks

(a) As at the Latest Practicable Date, our Group has registered the following trademarks:

Trademark	Name of Owner	Classes	Trademark number	Period of Registration	Place of Registration
	MBMI	12 and 37	303715812	17 March 2016 to 16 March 2026	Hong Kong
	MBMI	12 and 37	303715795	17 March 2016 to 16 March 2026	Hong Kong
	MBMI	12 and 37	303715803	17 March 2016 to 16 March 2026	Hong Kong
	MBMI	12 and 37	40201603303W	24 February 2016 to 23 February 2026	Singapore

(b) As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks:

Trademark	Name of Applicant	Class	Application Date	Application Number	Place of Application
	MBMI	37	24 February 2016	40201603304U-02	Singapore

Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Registered owner	Domain name	Creation date	Expiration date
MBMI	zhengliholdings.com	25 April 2016	25 April 2018
KBS	kbsmotorsports.com.sg	11 June 2015	11 June 2017
MBMW	mbmwheelpower.com.sg	15 May 2008	15 May 2017

Save as disclosed herein, there are no patents, trademarks or other intellectual or industrial property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue without taking into account the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Long position in the Shares

Name of Director/ Chief Executive	Capacity/Nature of Interest	Shares held as at the date of this prospectus		Shares held immediately following the completion of the Placing	
		<i>Number of</i>		<i>Number of</i>	
		<i>Underlying</i>	<i>Approximate</i>	<i>Underlying</i>	<i>Approximate</i>
		<i>Shares</i>	<i>Percentage</i>	<i>Shares</i>	<i>Percentage</i>
Mr. Lim	Beneficial interest	7,500(L)	75%	281,250,000	56.25%

Note: The letter “L” denotes the person’s long positions in the Shares.

2. Substantial Shareholders

Our Directors confirm, as at the Latest Practicable Date, the following persons, not being a Director or chief executive of our Company, had an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO immediately following the completion of the Placing and the Capitalisation Issue (assuming any options pursuant to the Share Option Scheme is not exercised) or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

Name	Capacity/Nature of Interest	Aggregate number of Shares or underlying Shares ^(Note 1)	Approximate percentage of interest in our Company as at the Latest Practicable Date
Mr. Lim	Beneficial owner	7,500 (L)	75%
Mrs. Lim ^(Note 2)	Interest of spouse	7,500 (L)	75%
Mr. Zhou Yunchuan	Interest of a controlled corporation, interests held jointly with another person	2,500 (L)	25%
Mdm. Chen Yi ^(Note 3)	Interest of spouse	2,500 (L)	25%
Mdm. Ng Geok Luan	Interest of a controlled corporation, interests held jointly with another person	2,500 (L)	25%
Mr. Goh Seng Moh ^(Note 4)	Interest of spouse	2,500 (L)	25%
Valiant World ^(Note 5)	Beneficial owner	2,500 (L)	25%

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) Mrs. Lim is the spouse of Mr. Lim. Under the SFO, Mrs. Lim is deemed to be interested in the same number of Shares in which Mr. Lim is interested.
- (3) 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.
- (4) 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.
- (5) The entire issued share capital of Valiant World is legally and beneficially owned by Mr. Zhou Yunchuan and Mdm. Ng Geok Luan as to 55% and 45%, respectively.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following completion of the Placing and the Capitalisation Issue (but without taking into account or the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

3. Directors' service contracts

Each of our executive Directors has entered into a service agreement with our Company on 21 October 2016 for an initial fixed term of three years commencing from the Listing Date and are subject to termination in accordance with their respective terms. The service agreements may be renewed by agreement between the parties and in accordance with our Articles of Association and the applicable rules. Pursuant to the service agreements, the director's fee of each of our executive Directors is as follows:

Director	Remuneration (per annum)
Mr. LIM	S\$180,000
Mr. CHUA Boon Hou (Cai Wenhao)	S\$ 96,000
Mr. LIM Kong Joo	S\$ 96,000

Each of our non-executive Directors (appointed by our Company on 13 April 2016) and independent non-executive Directors (appointed by our Company on 21 October 2016) for an initial fixed term of three years commencing from the Listing Date and are subject to termination in accordance with their respective terms. The appointments may be renewed by agreement between the parties and in accordance with our Articles of Association and the applicable rules. The annual remuneration payable to each of our independent non-executive Directors is as follows:

Director	Remuneration (per annum)
Mr. DU Xianjie	S\$20,000
Mr. LIU Ji	S\$30,000
Ms. POK Mee Yau	S\$25,000
Mr. LEUNG Yiu Cho	S\$25,000

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016 were approximately S\$398,000, S\$383,000 and S\$157,000, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2014 and 2015 and the four months ended 30 April 2016, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2016 to be approximately S\$422,000.

5. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

6. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 26 to the financial statements in the Accountants' Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Placing or any Shares which may be allotted and issued upon the exercise of any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Placing will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in “— Qualifications of experts” has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and none of the experts named in “— Qualifications of experts” has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolutions of our Board and Shareholders passed on 21 October 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant rights to subscribe for Shares pursuant to the terms of the Share Option Scheme (“**Options**”) as incentives or rewards to the Participants (as defined in paragraph (iii) 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**”).

(ii) Conditions

The Share Option Scheme is conditional upon (a) the passing of an ordinary resolution at our Company’s extraordinary general meeting approving the adoption of the Share Option Scheme by our Shareholders and authorising our Directors to grant Options, and to allot, issue and deal with our Shares pursuant to the exercise of any Options granted under the Share Option Scheme; and (b) the Listing Committee granting approval of the listing of, and permission to deal in, (1) our Shares in issue and to be issued as mentioned in this prospectus and (2) any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme. If the above conditions are not satisfied within six (6) months after the date on which the scheme is conditionally adopted by our Company at a general meeting of the Shareholders, the Share Option Scheme shall forthwith terminate, any Option granted or agreed to be granted pursuant to this Scheme and any offer of such a grant shall be of no effect, and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(iii) Eligible Participants

Our 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**”) 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.

(iv) Offer and grant of Options and payment in relation thereto

No offer of the grant of an Option shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (ii) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted.

Offer of an Option ("**Offer**") shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme ("**Grantee**") and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Option duly signed by the Grantee with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1 by way of consideration for the granting thereof is received by our Company within such period as our Board may determine and specify in the letter of Offer. Such remittance shall in no circumstances be refundable.

(v) Subscription price

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.

(vi) Maximum number of Shares

- (a) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue (being 50,000,000 Shares), unless our Company obtains a refresh approval from our Shareholders pursuant to (b) below.

- (b) Subject to (d) below, our Company may seek approval of our Shareholders in general meeting for refreshing the 10% limit set out in (a) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any such other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules.
- (c) Subject to (d) below, our Company may seek separate approval by our Shareholders in general meeting for granting Options beyond the 10% limit provided the Options in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such a case, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules.
- (d) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of our Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not exceed 30% of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

(vii) Conditions, restrictions or limitations on Offers of grant of Options

Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, our Board may when making an Offer impose any conditions, restrictions or limitations in relation thereto as it may at its absolute discretion think fit.

(viii) Maximum entitlement of a Participant

- (a) The maximum entitlement for any one Participant is that the total number of our Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (b) Any further grant of Options to a Participant which would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue shall

be subject to our Shareholders' approval in general meeting with such Participant and his associates abstaining from voting. The number of Shares subject to the Options to be granted and the terms of the Options to be granted to such Participants shall be fixed before our Shareholders' approval and the date of the meeting of our Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules.

(ix) **Grant of Options to connected persons**

- (a) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (with the meaning as ascribed under the GEM Listing Rules) of our Company or their respective associates must be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who is the Grantee).
- (b) Where our Board proposes to grant any Option to a Participant who is a substantial shareholder (with the meaning as ascribed under the GEM Listing Rules) of our Company or an independent non-executive director of our Company, or any of their respective associates would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed Offer Date of such grant (the "**Relevant Date**"):
 - (1) representing in aggregate more than 0.1% (or such other higher percentage as may from time to time specified by the Stock Exchange) of the total number of Shares in issue on the Relevant Date; and
 - (2) having an aggregate value, based on the closing price of our Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the Relevant Date, in excess of HK\$5,000,000 (or such other higher amount as may from time to time be specified by the Stock Exchange),

such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his associates and all other core connected persons of our Company must abstain from voting in favour of the resolution at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(x) **Exercise of Options**

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 our Board at its absolute discretion and notified by our 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 ("**Option Period**").

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of Options.

(xi) Vesting

Options may be vested over such period(s) as determined by our Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules to which this Scheme may be subject to, including the GEM Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under this Scheme may or may not, at the discretion of our Board, be subject to any retention period.

(xii) Performance target & minimum period before exercise

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, there is neither any performance target that needs to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

(xiii) Options are personal to the Grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any Option.

(xiv) Rights on death, or termination of employment, our directorship, office or appointment

- (a) If the Grantee ceases to be a Participant by reason of his ill-health or retirement, the Grantee may exercise the Option up to his entitlement at such date of cessation (to the extent not already exercised) within the period of 12 months following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of the relevant company, as the case may be, or such longer period as our Board may determine the event of which, the date of cessation as determined by a resolution of our Board or governing body of the relevant company shall be conclusive. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

- (b) If the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of his employment, directorship, office or appointment under paragraph (xiv)(c) below arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months or such longer period as our Board may determine from the date of death to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised). An Option shall lapse automatically and not be exercisable (to the extent that it has become exercisable and has not already been exercised) on the expiry of the period referred to above.
- (c) An Option shall lapse automatically (to the extent not already exercised) on the date on which our Directors determine that the Grantee ceases to be an employee or director of our Company or its subsidiaries by reason of the termination of his employment or directorship on the grounds that he has been guilty of misconduct, or has found to have breached the term(s) of the relevant employment contract or service contract leading to a material loss or damage to our Group, or his employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board or the board of the relevant subsidiary of our Company, as the case may be) on any other ground on which any employer would be entitled to terminate his employment or directorship at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with our Company or the relevant subsidiary of our Company.
- (d) If the Grantee ceases to be a Participant by reason of (i) such Grantee's resignation from the employment of our Company or of any of its subsidiaries or Invested Entities, or (ii) the termination of his employment by our Company or of its relevant subsidiary or Invested Entity, or the expiry of such employment other than the termination of his employment on one or more of the grounds specified in (b) above, the Grantee may exercise the Option up to his entitlement at such date of cessation, which date shall be the last actual working day on which the Grantee was at work with our Company, or its relevant subsidiary or Invested Entity, on which salary is paid whether in lieu of notice or not, or such longer period as our Board may determine.

(xv) Voluntary winding-up of our Company

In the event a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to convene the general meeting, give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representatives(s)) may, subject to the provisions of all applicable laws, by written notice to our Company (such notice to be received by our Company not later than three (3) Business Days prior to the proposed general meeting of our Company) exercise the Option (to the extent that it has become

exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date of the commencement of the winding-up of our Company.

(xvi) Rights on take-over

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offer or and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by exercise in full of the Options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of his Option at any time before the close of such offer (or any revised offer).

(xvii) Rights on a compromise or arrangement

Other than a general offer or a scheme of arrangement referred to in (xvi) above, if a compromise or arrangement between our Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee on the same date as it dispatches the notice which is sent to each shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Options (to the extent which it has become exercisable and has not already been exercised), but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with our Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(xviii) Effects of alterations to capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, sub-division or consolidation of our Shares or reduction of capital of otherwise, excluding any alteration in the capital structure of our Company as a result of an issue of Share as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) certified in writing by an independent financial adviser appointed by our Company or the auditors for the time being of our Company to be in their opinion as fair and reasonable will be made in the number of Shares subject to the Options so far as unexercised and/or the subscription price, provided that such alterations shall give a Grantee as nearly as possible the same proportion of the issued share capital of our Company as that to which he was previously entitled, but so that no such alteration shall be made the effect of which would enable our Share to be issued at less than its nominal or par value.

(xix) Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the expiry of the Option Period;
- (2) the expiry of the periods referred to in paragraph (xiv)(a) and (xiv)(b) respectively;
- (3) the date on which the offer (or as the case may be, revised offer) referred to in paragraph (xvi), which has become or is declared unconditional, closes;
- (4) the date when the proposed compromise or arrangement becomes effective referred to in paragraph (xvii);
- (5) the date of the commencement of the winding-up of our Company referred to in paragraph (xv);
- (6) the date on which our Directors determine that the Grantee ceases to be a Participant by reason of termination of his employment on the grounds referred to in paragraph (xiv)(c);
- (7) the date our Directors, at their absolute discretion, determine that the Grantee (other than an employee of the Company, or the Subsidiary or associated companies, including any executive Director) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and any member of our Group or any Invested Entity on the other part or that the Grantee has become bankrupt or insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally;
- (8) the date on which the grantee commits a breach referred to in paragraph (xiv)(c); or
- (9) the date on which the Option is cancelled by our Board as set out in paragraph (xxii).

(xx) Ranking of Share allotted upon exercise of Options

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum of Association and Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

(xxi) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted by resolution of our Shareholders.

(xxii) Cancellation of Options granted

Our Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by our Board as provided above.

(xxiii) Termination of the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(xxiv) Alteration of the provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of our Board except that provisions relating to the matters set out in Chapter 23 of the GEM Listing Rules cannot be altered to the advantage of the Grantee without the prior approval of our Shareholders in general meeting provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under this scheme. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must first be approved by the Hong Kong Stock Exchange.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnity**

The Controlling Shareholder have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdictions outside Hong Kong) to a member of our Group on or before the Listing; and
- (b) tax liabilities which might be payable by any member of our Group of any income, profits or gains, earned, accrued or received on or before the Listing.

The Controlling Shareholder is under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited combined accounts of our Company and its subsidiaries as set out in the Accountants' Report in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the two financial years ended 31 December 2015 and four months ended 30 April 2016;
- (b) to the extent for which any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Listing Date; and
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in the Cayman Islands or Singapore coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rate of taxation after the Listing Date with retrospective effect.

2. Litigation

As at the Latest Practicable Date, our Company is not involved in any material litigation, arbitration or administrative proceedings. Save as disclosed in this prospectus, we confirm that, no such litigation, arbitration or administrative proceedings of material importance is pending or threatened by or against any members of our Group.

3. Sponsor

The fees to be paid to the Sponsor in relation to its role as Sponsor in relation to the Listing is HK\$4,200,000. The Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Placing Shares and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses related to the incorporation of our Company were US\$4,300 and have been paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Messis Capital Limited	A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
DTZ Cushman & Wakefield Limited	Independent property valuer
Appleby	Legal advisers to our Company as to Cayman Islands law
Equity Law LLC	Legal advisers as to Singapore law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry analyst
DLA Piper	Legal advisers as to the applicability of sanctions administered by OFAC, the laws of other countries and under international law, including U.S., European Union, the United Nations and Australia, on our Group's business activities during the Track Record Period

7. No material adverse change

We recorded a loss of approximately S\$0.9 million for the four months ended 30 April 2016 mainly due to (i) expenses related to the Listing of approximately S\$1.0 million; and (ii) an increase in employee-related expenses from the increase in our headcount in the second half of 2015 to prepare for our expansion plan. During the Track Record Period, we operated 8 hours per day from Monday to Friday and 4 hours on Saturday, except for holidays. To maximise the manpower capacity that we have previously geared up, from August 2016, we have extended our operating hours on Saturdays to 8 hours and also operated 8 hours on Sundays. Notwithstanding the above, our Directors expect that our financial results for the year ending 31 December 2016 will be significantly affected by the Listing expenses, our level of profit recorded for the year ending 31 December 2015 may not be maintained, or a loss may be recorded for the year ending 31 December 2016. Our Directors confirm that save for the expenses in connection with the Listing, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, our Company or any of our subsidiaries has not issued or agreed to issue any of their share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriter) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

- (vi) none of our equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (vii) we have no outstanding convertible debt securities or debentures.
- (b) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (c) Our principal share register will be maintained by our principal registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Hong Kong branch share register will be maintained by Tricor Investor Services Limited in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

10. Consents and interests of experts in our Company

Each of the experts as referred to in “E. Other information — 6. Qualifications of experts” has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of such experts has any equity interest in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

11. Bilingual prospectus

The English language and Chinese language version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch share register will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus; and
- (b) the written consents referred to in “Statutory and General Information — E. Other information — 10. Consents and interests of experts in our Company” in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Wilson Sonsini Goodrich & Rosati, Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association of our Company;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited statutory financial statements of the companies comprising our Group issued for the Track Record Period;
- (d) the letter and valuation certificate relating to the property interest of our Group prepared by DTZ Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;
- (e) the legal opinions issued by Equity Law LLC, our Singapore legal adviser, in respect of certain aspects of our Group and the property interests of our Group;
- (f) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;

- (h) the written consents referred to in “Statutory and General Information — E. Other information — 10. Consents and interests of experts in our Company” in Appendix V to this prospectus;
- (i) the legal memorandum issued by DLA Piper, our legal advisers on the applicability of sanctions administered by OFAC, the laws of other countries and under international law, including U.S., EU, the United Nations and Australia, on our Group’s business activities during the Track Record Period;
- (j) service contracts and letters of appointment entered into between our Company and each of the executive Directors;
- (k) the Cayman Companies Law; and
- (l) the rules of the Share Option Scheme.

